

CEPOF-CD-V

24 July 2000

PRICE NEGOTIATION MEMORANDUM
 Contract No. DACA81-99-C-0059/A059,
 FY99 Flood Supplemental MCA, PN 51827,
 Construct 2-48 PN BOQs,
 for Camp Red Cloud, Korea
 Change Item No. 4
 Modification No. P00007

1. SCOPE OF CHANGE: Furnish/delete all necessary plant, labor, material, equipment, transportation and supervision, and change architectural and structural works, all in accordance with the following-listed revised drawings.

<u>Drawing No.</u>	<u>Sheet No.</u>	<u>Rev Ltr</u>	<u>Latest Rev Date</u>
40-05-4386	G001, G002	"d"	28 Feb 00
25-02-0038	A106, A111, A112, A113 A120, A121, A122, A123 A125, A206, S103, S104 S105, S107, S109, S110 S111, S112, S114, S115 S116	"d"	28 Feb 00

STIPULATION: The door hardware changes that include coded door locksets shown on the Drawing No. 25-02-0038, Sheet No. A123 (revision "d" dated 28 Feb 2000), "Door Types, Schedule & Hardware Schedule" be deleted from the scope of change above.

2. NAME OF CONTRACTOR:

Daewoo Corporation
 #541, 5-Ka, Namdaemun-Ro, Chung-Ku,
 Seoul, Korea

3. REASON CODE AND NECESSITY FOR CHANGE:

C1: The Northern Resident Office (NRO) initiated this change item as per PPMD's direction. See CEPOF-PP-MT Memorandum dated 15 Feb 2000, attached to the BCD, TAB 1.

4. REASON FOR OMISSION FROM ORIGINAL PLANS AND SPECIFICATIONS:

Design oversight.

5. AUTHORITY:

Clause 55, "CHANGES", of the Contract Clauses.

6. EVENTS LEADING TO NEGOTIATIONS:

a. By the Northern Resident Office (NRO) Serial Letter No. 99-059-0023, dated 13 Mar 2000, the Contractor was requested to submit his proposal accordingly.

b. In response to the NRO RFP letter, the Contractor submitted a proposal on 31 Mar 2000, in the amount of W186,842,694 plus \$51,516.80 (increase), @W1,119.50/\$1.00.

7. INDEPENDENT GOVERNMENT ESTIMATE (IGE):

The IGE approved on 3 Jun 2000, is in the amount of \$137,319.75 (W132,610,565 plus \$26,728.00 @W1,199.10/\$1.00) (increase).

8. PRENEGOTIATION OBJECTIVE PRICE:

In accordance with FAR 15.406-1(b), on 6 Jul 2000 the Contractor's price proposal was reviewed/analyzed and a prenegotiation objective price in the amount of W156,511,475 plus \$506.40 (increase) with 8.0% profit for this modification was established as shown on the copy of the Contractor's price proposal (See TAB 14).

9. RESUME OF NEGOTIATIONS:

a. Place and Date of Negotiations:

Construction Service Branch,
Construction Division, USAEDFE
7 July 2000

b. Contractor Representative:

Mr. Park, Sang-Bong, Project Manager
Mr. Kim, Pom-Soo, Office Engineer
Daewoo Corporation

c. Government Representative:

Mr. Stephen SD Kim, Electrical Engineer
Construction Services Branch, USAEDFE

d. Justification of Prices:

(1) At the start of negotiations on 7 Jul 2000, the scope of change was thoroughly discussed with the Contractor to avoid any misunderstandings. During the discussions, the Contractor's proposal in the net increase amount of W186,842,694 plus \$51,516.80 {W242,316,336 plus \$82,121.04 (increase) and W55,473,642 plus \$30,604.24 (decrease)}, was reviewed, and discussed with the Contractor. The Government negotiator indicated that the changes for the door hardware sets which include the coded locksets on the revision "d" architectural drawing should be excluded from the scope of change due to uncertain requirements and design errors. The Contractor agreed to exclude the door hardware sets from the scope of change. This action was coordinated with Mr. Tom Lakins, NRO Deputy Resident Engineer on 6 Jul 2000. See NRO e-mail dated 6 Jul 2000, attached to the BCD, TAB 1.

(2) The results of the negotiations are as follows:

(a) The proposed offshore material cost of \$82,121.04 in the increase portion was decreased to \$13,634.40 by deleting the door hardware sets from the proposal. The proposed offshore material cost of \$30,604.24 in the decrease portion was reduced to \$13,128.00 by deleting the door hardware sets from the proposal. The net increase for the offshore material is \$506.40 (increase). The Contractor submitted applicable cost back-up data (quotation and invoice).

(b) The proposed local material cost of W87,587,024 in the increase portion was increased to W123,382,448. The proposed local material cost of W41,722,600 in the decrease portion was also increased to W83,282,600. The cost increases in the increase and decrease portion were due to correction of the Contractor's proposed quantities for the window trims, which were in error. The unit prices for the steel H beams and the fire proof coating were reduced. The proposed net increase cost of W45,864,424 was reduced to W40,099,848 (increase). The Contractor submitted applicable cost back-up data (quotation).

(c) The proposed labor cost of W64,342,508 in the increase portion was increased to W64,898,852. The proposed labor cost of W3,678,544 in the decrease portion was increased to W7,357,088. The main reason for the labor cost increases in the increase and decrease portion was due to the error made by the Contractor on the proposed quantities for the window trims. The labor quantities for the steel structure worker and welding worker in the increase portion were reduced, and the proposed steel panel worker in the

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increase portion was replaced with the common labor. The proposed net increase cost of W60,663,964 was reduced to W57,541,764 (increase). The proposed labor wage rates were considered to be reasonable.

(d) The proposed transportation and equipment (T/E) cost of W2,680,000 was increased to W5,940,000 by adding the cost for 20-ton Crane. The Contractor did not propose any T/E cost in the decrease portion. The net increase for T/E cost is W5,940,000 (increase).

(e) The field overhead cost was discussed. The proposed field overhead cost of W50,188,098 was considered excessive and was reduced to W25,816,530 (increase) by deleting certain field staff and by decreasing several unit costs of the proposed general expenses. The negotiated field overhead cost was based on the estimated working period of 30 calendar days under this modification. The IGE identified neither any extended field overhead cost nor time extension.

(f) A price of W5,588,644 (increase) (4.3% of the total net direct cost) was agreed upon for G&A expenses for this negotiation.

(g) A profit rate of 8.0% was agreed upon and was based on the EFARS 15.973-100. See POF Form 19 attached to the Contractor's proposal.

(h) The above agreements resulted in adjusting the Contractor's total proposal as follows:

	<u>Proposal Amount</u> (W1,119.50/\$1.00)	<u>IGE</u> (W1,199.10/\$1.00)	<u>Negotiated Amount</u> (W1,126.30/\$1.00)
Total Direct Cost			
Increase	W246,543,216	W304,923,742	W209,577,724
Decrease	W79,662,285	W159,460,155	W105,425,754
Balance	W166,880,931	W145,463,587	W104,151,970
Field Overhead	W50,188,098	-0-	W25,816,530
G&A (4.3%)	W9,333,968	W6,254,934	W5,588,644
Profit (8.0%)	W18,112,240	(8.53%)W12,941,589	W10,844,572
Total Amount in Won	W244,515,238	W164,660,110	W146,401,716
Total Won Amount excluding Offshore CFM	W186,842,694	W132,610,565	<u>W145,831,358</u> Say: W145,832,000

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Total Dollar Amount for Offshore CFM	\$51,516.80	\$26,728.00	<u>\$506.40</u>
			Say: \$506.00
Converted for Comparison at the Exchange Rate of W1,446.75/\$1.00	\$180,663.30	\$118,389.01	\$101,305.68

Note: * Used to convert the offshore CFM CIF dollar amounts to compute indirect cost (overhead, G&A and/or profit). Won/Dollar

Exchange Rate used for negotiations of this modification was based on KEBRATE provided by THE KOREA EXCHANGE BANK.

(i) Adjustment for requirement of POL products to be exempted from Korean Special Excise Tax is not required nor requested by the Contractor for changes effected herein.

e. Period of Service:

(1) The Contractor's proposal is not based on overtime rates.

(2) The present performance time of 715 calendar days for the schedule 0001 (UOPH #1) and 0002 (UOPH #2) is extended by thirty (30) calendar days based on the work schedule indicated below. It was confirmed that additional architectural and structural works due to revision "d" are on the critical path. Refer to Sub-net diagram, attached to the marked-up proposal, TAB 5. The present performance time of 715 calendar days for schedule 0003 (Mechanical Building) shall remain unchanged.

NTP (contract) issue date 28 Jul 1999

Present construction completion date for
schedule 0001 (UOPH #1), 0002 (UOPH #2)
and 0003 (Mech Bldg) 12 Jun 2001

Perform work covered by this Modification:

Install steel purlin 20 cal days

Drilling metal fastener holes
for deck plate and purlin 10 cal days

Total time extension per UOPH: 30 cal days

Est'd new construction completion date (CCD) for
schedule 0001 (UOPH #1) and 0002 (UOPH #2) 12 Jul 2001

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f. During negotiations, the Contractor also agreed that the above contract price adjustment in the amount of W145,832,000 plus \$506.00 (increase) for offshore CFM and time extension of thirty (30) calendar days for the schedule 0001 (UOPH #1) and 0002 (UOPH #2) shall be considered as a complete settlement of this change and that no further claim whatsoever arising out of the delay in performance of the contract work as it pertains to the changes covered by this modification shall be submitted.

g. The prenegotiation objective price of W156,511,475 plus \$506.40 (increase) stated in the proceeding paragraph 8 was achieved.

10. AVAILABILITY OF FUNDS:

Funds in the amount of W145,832,000 plus \$506.00 are available as indicated below:

Accounting and Appropriation Data:

21 NA 1999 2150.0000 J1 1999 08 8122 10518270000 94626 3200
00253V W145,832,000 (\$100,799.72 @W1,446.75/\$1.00) (INCREASE)

21 NA 1999 2150.0000 J1 1999 08 8122 10518270000 94626 3200
00253V \$506.00 (INCREASE)

PR&C Requisition No. WT4KCL02039517

11. CONCLUSION OF NEGOTIATIONS:

a. At the conclusion of negotiations, the following items were mutually agreed upon as being fair and reasonable:

(1) The contract price will be increased by W145,832,000 plus \$506.00 (increase) for offshore CFM.

(2) The present contract performance time for schedule 0001 (UOPH #1) and 0002 (UOPH #2) shall be increased by thirty (30) calendar days from 715 CD to 745 CD. The present contract performance time of 715 CD for schedule 0003 (Mech Bldg) shall remain unchanged.

(3) No adjustment to requirement of POL product to be exempted from Korean Special Excise Tax will be made as a result of the changes covered by this modification.

b. The Contractor was informed that the foregoing agreement was not final and binding until approved by the Administrative Contracting Officer.

Prepared by: Stephen SD Kim
STEPHEN SD KIM
CEPOF-CD-V

Date: 24 Jul 2000

Approved by: Gar Sun Lum
GAR SUN LUM
Contracting Officer

Date: 7/31/00