

**PRICE NEGOTIATION MEMORANDUM (PNM)**  
**Lockheed Martin Information Systems Co.**  
**N00383-98-D-001J**  
**Delivery Order 0001**

**1. Introductory Summary:**

- A. Negotiations on a firm fixed price basis for the definitization of an Over and Above with Lockheed Martin Information Systems on contract N00383-98-D-001J, 0001, CASS DVD on Repair of Part Number 33311C-E02 (Qty 2) and 2047AS321-01 (Qty 1) as held 2/24/00 and completed the same date. This PNM documents the negotiation effort. Participants in the negotiations were:

<u>Government</u>	<u>Lockheed Martin</u>
XXXXXXXX*	XXXXXXXX
	XXXXXXXX*

- B. A summary of the contractor's proposal, a copy of which is attached as Exhibit 1, The Government's objective and the negotiated amount is as follows:

	<b>PROPOSED</b>	<b>OBJECTIVE</b>	<b>NEGOTIATED</b>
COST wo 414	\$57,288	57,030	56,723
COM (414)	150	118	113
PROFIT	\$6,972	7,129	7,374
PRICE	<b>\$64,410</b>	<b>\$64,277</b>	<b>64,210</b>

- C. **Authority to Negotiate.** Blanket authority to negotiate this and all Over & Above actions was provided by NAVICP PCO Mr. \_\_\_\_\_, dated \_\_\_\_\_ and as indicated by email dated 30 June 99 provided as Exhibit 2.
- D. **Synopsis.** Synopsis is not required for this type action.
- E. **Justification and Approval.** A J&A is not applicable to this action as the master J&A issued by NAVICP at time of contract award provides authority to issue sole source awards and negotiate changes for interim support spares.
- F. **Legal Review.** Legal review has not been requested for this negotiation action, as similar pricing actions have been reviewed and found to be legally sufficient BY DCMDE Office of Counsel in the past.
- G. **Subcontracting Plan.** An individual plan is not applicable to this action as the approved Lockheed Martin Comprehensive Small Business Subcontracting Plan has been incorporated into this contract by the DACO.
- H. **Procurement Integrity Certificates.** Such certifications are applicable to procurements using competitive procedures and also are not applicable after award of the basic contract. ( FAR 3.104-4(c) applies).

- I. **EEO Clearance.** EEO Clearance is not required as the procurement is under \$10 million dollars.
- J. Offeror is not on the Debarred, Ineligible and Suspended Bidder Listing.
- K. **Pricing Case.** Proposal Pricing Case number was assigned in DRAMS as ICP99-195 was assigned on 24 February 2000 after receipt of the proposal.
- L. **Systems Approvals.** The status of Systems Approvals at LMIS is documented in the Divisional ACO letter, dated 25 March 1999.
- M. **Sufficient Funds.** There are sufficient funds obligated under this Delivery Order with which to definitize this effort for the agreed on price of \$64,210.00.

**B. DESCRIPTION OF ACQUISITION.**

This action was a *non-competitive negotiation* for issuance of a Firm-Fixed Price repair under the DVD CASS spares contract No. N00383-98-D-001J-\_\_\_ for three items identified as info clins 0075-75, Test Adapter (Part Number 33311C-E02 (Qty 2)) and 0084-84, Electronic Synchronizer (Part Number 2047AS321-01 (Qty 1)) which was held 2/24/00 and completed the same date. The PCO had requested the ACO to handle all over & above repairs required by the basic contract using Over-and-Above procedures. As was the case with three previous Over & Above actions, Mr. Jack Kenney, the PCO had provided blanket authority for this CAO to process all O&A actions on 5/26/99 and confirmed by email on 6/30/99. Under Over-and-Above procedures, the vendor informed NAVICP that the cost to repair to informational SLINs in question exceeded the normal unit repair price and the PCO delegated authority to the ACO to negotiate these actions as Over-and-Above. In those instances where an asset was received damaged, it is separately priced and negotiated as Over-and-Above. In this particular case, one of the part numbered items (2047AS321-01) referenced above, as received in a severely damaged state requiring a rebuild of the asset while the two Hewlett Packard items were not damaged, but instead were due to extensive electrical repair that exceeded the "standard" repair cost for the HP listed items and resulted in an LMIS proposed price of \$64,410 to the Government. Since *Over-and-Above* provisions in this contract were not definitive regarding costing procedures or elemental make-up of the "Standard Unit Repair Price", the contractor and Government have agreed to price this and all rebuilds separately from instant contract and negotiate as Over-and-Above accordingly.

**C. NEGOTIATION OBJECTIVES:**

- 1. By letter dated 8 December 1999, which was evaluated by the ACO and formed the basis of the Government's objective. The contractor's effort for repair consisted of 105 hours which the Government felt was inadequate based on trend analysis of the three most recent data points for O&A's. Therefore, the Government provided 5 additional hours for a total of 110 hours in determining the Government objective. Each element of the contractor and Government Objective are explained below in column format in relation to the required summary chart. FPRR dated 22 December 1999 and recommended factors dated 17 September 1999 were used.
- 2. DCMC's 1<sup>st</sup> and initial offer provided to LMIS included only the 105 hours originally requested in the LMIS proposal. As LMIS accepted DCMC's initial offer it was not necessary to utilize the extra 5 hours developed for the Government Objective.

<b>Element</b>	<b>Proposed</b>	<b>Objective</b>	<b>Negotiated</b>
SubK Services	\$48,998	\$48,998	\$ 48,998
Sourcing (PA/MHO)	1,078	980	980
RFA Offsite Matl	8	3	3
Labor	2,386	2,499	2,386
Fringe (43.5%/42.8%)	1,038	1,070	1,021
Overhead 57.3%/52.8%	1,962	1,884	1,799
G&A	1,818	1,596	1,535
Total Cost	57,288	57,030	56,723
COM	150	118	113
Profit	6,972	7,129	7,374
Price	<b>\$ 64,410</b>	<b>\$64,277</b>	<b>64,210*</b>

2. Profit. The price objective by the Government was based on 12.5% was applied to total cost, excluding cost of money to arrive at the Government's objective. This profit was considered fair and reasonable under the circumstances in comparison to previously negotiated profit percentages for similar repair efforts under this BOA. It formed the basis for the Government's price objective of \$64,277 (110 hours). The Government's offered \$67 less than the price objective at \$64,210 \*(which included only 105 hours), which was accepted by the Contractor. The actual negotiated profit percentage was 13%.

**Attachments**

1. LMIS proposal
2. Authority to Negotiate from PCO
3. Government objectives
4. Systems Approval
5. Pre-PNM
6. Mod 00011E.

D. Reviews and Approvals:

\_\_\_\_\_  
Principal Negotiator

\_\_\_\_\_  
Date

APPROVAL RECOMMENDED:

\_\_\_\_\_  
Administrative Contracting Officer

\_\_\_\_\_  
Date