

Date of Conversation: June 21, 2004

Subject: IOTC's offer price under solicitation SP0600-04-R-0054-0002

Parties involved: DESC – Gabby Earhardt, Center Senior Procurement Official
IOTC – Harry Sargeant, Owner of IOTC

Purpose: Discuss the elements of the JP8 offered price submitted on June 14, 2004

In accordance with FAR Part 15.403-1, the IOTC pricing issue was elevated to the CSPO as the Contracting Officer (CO) and the Division Chief were unable to determine the offered price to be fair and reasonable in accordance with the requirements of the FAR and DLAD 15.404-2. As CSPO, I conducted negotiations with IOTC to discuss the elements of their offered price. Mr. Sargeant reiterated and confirmed the various elements of his price that were previously provided to the CO and the Division Chief. These elements are documented and discussed in the PNM. Of specific concern to Mr. Sargeant, was the demurrage cost at the port of Aqaba. In order to perform, IOTC must have a ship in port and another ship in route. There is only one dock/berth at Aqaba and the Jordan Petroleum vessels which import product for internal consumption have priority on this berth. The window of availability on the dock is small and there is not enough storage available for the internal Jordanian needs. Mr. Sargeant tried to minimize demurrage as much as possible which is reflected in his offered price but reducing IOTC's price further is not logistically possible. IOTC incurs significant port cost in conjunction with low margins. Mr. Sargeant expressed that to budget without demurrage (i.e. reducing offered price) would expose IOTC to significant liability and IOTC would not be able to perform (Mr. Sargeant stated he would rather not offer than take on this risk).

Since IOTC is unable to reduced the offered price and insure proper performance and, the offered price cannot be determined fair and reasonable in accordance with FAR 15.403-3 (a)(4) and DLAD 15.404-2, I am forwarding the packet with recommendation of award to the Director, Defense Energy Support Center.

Gabriella M. Earhardt
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Center Senior Procurement Official