DEPARTMENT OF THE AIR FORCE
HEADQUARTERS ARNOLD ENGINEERING DEVELOPMENT CENTER (AFMC)
ARNOLD AIR FORCE BASE TENNESSEE

27 Jan 03

MEMORANDUM FOR ALL PROSPECTIVE OFFERORS

FROM: AEDC/PKM

SUBJECT: AEDC Contract Competition – Question and Answer

1. The following question and answer is provided for your information.

Question: Reference Section 6.3.4.3 (Escalation Factors), Page L18 of 25. It is stated that "An annual escalation factor of 3% shall be used for all direct labor rates..." Our interpretation is that the 3% escalation factor should be applied to the basis of our direct labor rates, to appropriately escalate to the first year of the contract (i.e., FY 04). Is our interpretation correct?

Answer: This interpretation is incorrect. The Government expects realistic, reasonable labor rates to be proposed for the base year of the contract (FY 04). It is the offeror's responsibility to propose the base year rates, justify their basis, and comply with all applicable solicitation requirements such as the Service Contract Act of 1965, As Amended (Ref FAR Clause 52.222-41).

Extensive salary and wage information (including the current collective bargaining agreements) regarding the incumbent work forces are available in the Competition Technical Library. We anticipate offerors will use this and other data to calculate reasonable, realistic labor rates for the base year of the contract (FY 04). Offerors also have the flexibility to propose job titles/classifications that differ from the incumbent contractors.

The annual escalation factor of 3% shall be used to calculate direct labor rates (salary, NES, and wage) beginning in FY 05 through FY 15.

For informational purposes, the Government estimate used FY 02 actual cost data, and then escalated these data by 6% (3% for FY 03 and 3% for FY 04) to derive its estimated labor rates for the first year of the contract (i.e. FY 04). The labor rates for each subsequent year through FY 15 were then escalated by 3%.

2. No change is being made to the solicitation as a result of this question and answer.

JOHN L. SUTTON
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