



DEFENSE LOGISTICS AGENCY  
 DEFENSE LOGISTICS SUPPORT COMMAND  
 8725 JOHN J. KINGMAN ROAD, SUITE 2533  
 FORT BELVOIR, VIRGINIA 22060-6221

**AUG 21 1998**

IN REPLY REFER TO DLSC-P  
 PROCLTR 98-21

MEMORANDUM FOR PROCLTR DISTRIBUTION

SUBJECT: Cost of Late Contract Delivery

This PROCLTR forwards the new DLAD Part 43 coverage (Attachment), as highlighted below. The attached coverage incorporates changes as a result of an updated report by DLA - DORRA entitled "Cost of Late Contract Delivery Update", dated April 1998.

The attached coverage specifies the direct costs which changed from \$100.00 for each supply center to an amount specified for each supply center as follows:

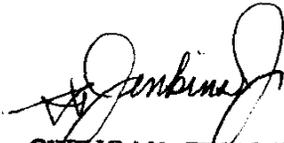
DSCC (Construction)	= \$ 76
DSCC (Electronics)	= \$ 76
DSCR (General)	= \$ 73
DSCP (C & T)	= \$ 175
DSCP (Medical)	= \$ 115
DSCP (Subsistence)	= \$ 85
DSCP (Industrial)	= \$ 84
Contracts Administered by:	
DCMC	= \$ 291

The attached coverage specifies that the day/cost ratio has been revised for each supply center as follows:

DSCC (Construction)	= .00118
DSCC (Electronics)	= .00256
DSCR (General)	= .00079
DSCP (Industrial)	= .00077
DSCP (C & T)	= .00017
DSCP (Medical)	= .00004
DSCP (Subsistence)	= .00017

This PROCLTR is effective immediately. It expires upon incorporation into the DLAD, but in no event later than 1 year from the issue date. Our point of contact is Mr. Thomas H. Lyons III. He may be reached at (703) 767-1443, DSN 427-1443, by facsimile at (703) 767-1328, or by email as thomas\_lyons@hq.dla.mil.

Attachment

  
 GWYLYM H JENKINS  
 Captain, SC, USN  
 Acting Executive Director  
 (Procurement Management)

PART 43

CONTRACT MODIFICATIONS

SUBPART 43.1 - GENERAL

43.103 Types of contract modifications.

(a) Bilateral.

(90) Delivery schedule extension - modifications.

(2) As a consequence of the Government's cost incurrence associated with a contractor's delinquent delivery, the following formula will generally be used to determine the basis for an adequate amount of consideration for a delivery schedule extension when that schedule is extended as a result of contractor caused delay:

$$\text{Amount of consideration} = D + [R * L * V]$$

Where - D = Direct costs for the particular supply center, as detailed in DLA- DORO Report entitled "Cost of Late Contract Delivery Update" **April 1998** ("the Report");

<i>DSCC (Construction)</i>	= \$ 76
<i>DSCC (Electronics)</i>	= \$ 76
<i>DSCR (General)</i>	= \$ 73
<i>DSCP (C &amp; T)</i>	= \$ 175
<i>DSCP (Medical)</i>	= \$ 115
<i>DSCP (Subsistence)</i>	= \$ 85
<i>DSCP (Industrial)</i>	= \$ 84
<b>Contracts Administered by:</b>	
DCMC	= \$ 291

R = Day/Cost ratio (*the cost per day of lateness of additional inventory resulting from increased production lead time triggered by late delivery* expressed as a proportion of overall contract cost) for the particular supply center, as follows (see details in the Report):

DSCC (Construction)	= .00118
DSCC (Electronics)	= .00256
DSCR (General)	= .00079
DSCP (Industrial)	= .00077
DSCP (C & T)	= .00017
DSCP (Medical)	= .00004
DSCP (Subsistence)	= .00017

L = Total number of days the delivery Schedule is extended;

V = Dollar Value of the extended portion of the contract.

Step One: Multiply the total number of days the contract delivery schedule is being extended by the "Day-Cost Ratio" for the appropriate Center.

Step Two: Multiply the result from step one, above, by the contract dollar amount of the supplies being extended. This is the total variable cost component for delinquent delivery.

Step Three: Add the direct cost to the DLA Component of the delinquent delivery (the \$100 in the formula) to the result of step two. This is the total amount of consideration which should be used as a guide in determining the adequacy of the contractor's final offer of compensation for the extension.