



GUIDANCE NOTE

GN-002

Fuel and Fuelling

December 2014
Version 1.0

1. BACKGROUND

- 1.1. NAFC Services may be engaged with varying arrangements for the provision of fuel to contracted aircraft. As a result, questions may arise from time to time regarding appropriate charges and reimbursements for fuel and fuelling services.
- 1.2. This Guidance Note provides information regarding the standard approaches to fuelling requirements and related charges in NAFC contracts.

2. STANDARD FUELLING REQUIREMENTS

- 2.1. NAFC contracts normally specify one of three standard fuelling requirements. These are:
 - a. “**Wet-A Hire**” - the Contractor is responsible for provision of all fuel, fuelling facilities and infrastructure. The Contractor is required to be self-contained, self-sufficient and mobile in the provision of fuel in most circumstances.
 - b. “**Wet-B Hire**” - the Contractor is responsible for arranging and paying for fuel, providing there is no delay in the provision of the Service. The Contractor is not required to have mobile fuelling facilities nor mobile infrastructure. The Contractor is required to ensure fuel is readily and reliably available at the Nominated Operational Base (**NOB**).
 - c. “**Dry Hire**” - the Member (ie the fire/emergency agency) meets the cost of fuel required to operate the aircraft.

2.2. **Wet-A**

Key points regarding Wet-A requirements include:

- a. The Contractor is expected to be self-sufficient in the provision of fuel and other consumables for the Contractor’s aircraft in most circumstances. This includes:
 - i. the provision of fuelling infrastructure and fuel at the NOB;
 - ii. the provision of suitable mobile refuelling unit(s) to supply fuel into-aircraft at locations where the aircraft is operating away from the NOB;
 - iii. dealing with fuel suppliers, including processing invoices and payments to fuel suppliers;
 - iv. arranging for replenishment of the Contractor’s into-aircraft facilities.
- b. A basic principle of Wet-A is that the Contractor normally makes all necessary provisions for keeping fuel up to the aircraft and the Members are only involved in fuel arrangements (including any payments for fuel or fuelling services) to the extent necessary to ensure efficiency or in the circumstances described in this Guidance Note.
- c. Notwithstanding the above, there may be some circumstances where it will be more efficient for the Member to provide some support or co-ordination to fuelling activities, for example:

- i. when an aircraft is dispatched to a location where the Contractor's fuelling solutions could not reasonably be expected to service the aircraft in a suitable time frame;
 - ii. where multiple aircraft provided by multiple Contractors are operating concurrently and some co-ordination of fuelling or bridging/replenishment services is required to ensure efficient use of resources overall and to ensure that higher priority activities or emergency incidents are serviced.
- d. The Contractor is expected to be self-sufficient in the provision of all non-fuel consumables for the Contractor's aircraft (including oil, special fuel mixtures required for starting aircraft etc).
- e. Wet-A Contractors may be required to supply fuel into other NAFC Contractors' aircraft, and are contractually obliged to do so if requested. Where this occurs, it is expected that the supplying Contractor will price the fuel to cover the reasonable costs of supplying the fuel, but will not profit as such from the supply of the fuel.

2.3. **Wet-B**

Key points regarding Wet-B requirements include:

- a. The Contractor is expected to be generally self-sufficient in the provision of fuel and other consumables for the Contractor's aircraft in most circumstances; however the Contractor is not required to provide mobile refuelling unit(s).
- b. Wet-B arrangements normally require the Contractor to:
 - i. provide fuelling infrastructure and fuel at the Nominated Operational Base;
 - ii. make arrangements with fuel providers (eg airport refuellers) to provide fuel into-aircraft at locations where those fuel providers normally operate;
 - iii. deal with fuel suppliers, including processing invoices and payments to fuel suppliers.
- c. As with Wet-A, a basic principle of Wet-B is that the Contractor normally makes the necessary provisions for keeping fuel up to the aircraft, and Members are only involved in fuel arrangements (including any payments for fuel or fuelling services) to the extent necessary.
- d. However, if the aircraft is required by the Member to operate away from the NOB, it is understood that the Member will, depending on the circumstances, either accept some reduced efficiency (eg the aircraft regularly returning to an airport with commercially available fuel) or will assist the Contractor with arrangements for on-site refuelling.
- e. The Contractor is expected to be self-sufficient in the provision of all non-fuel consumables for the Contractor's aircraft (including oil and special fuel mixtures required for starting aircraft etc).

- f. Where a Wet-B contract specifically requires that the Contractor maintain fuelling infrastructure at a NOB, that Contractor may be required to supply fuel into other NAFC Contractors' aircraft at the NOB. Where this occurs, it is expected that the supplying Contractor will price the fuel to cover the reasonable costs of supplying the fuel, but will not profit as such from the supply of the fuel.

2.4. Dry

Key points regarding Dry requirements include:

- a. Where no other arrangement is specified in a Dry contract, the relevant Member is responsible for arranging and paying for the supply of fuel to the aircraft.
- b. The Contractor remains responsible for the provision of, and meeting the cost of, other aircraft consumables such as oil etc.
- c. Where special fuel mixtures are required for starting an aircraft (eg methanol mixtures) these will normally be considered as fuel, unless specifically provided otherwise in the contract.
- d. Individual contract arrangements may vary. For example, a Contractor may have originally tendered for a Dry contract, but also offered the supply of fixed and/or mobile fuel infrastructure as part of a package, and their tender was accepted on that basis. It is therefore possible that a Dry contract may still require a Contractor to store, transport or otherwise provide fuel.

3. PROCUREMENT PRINCIPLES

- 3.1. When tenders are evaluated and accepted on a specific basis, it is important that this is reflected in the way the contract is implemented operationally. For a tender evaluated on the basis of a specified Wet-A requirement there is an expectation that the tenderer has taken into consideration, when preparing prices, all likely costs, within reason, associated with fuelling the aircraft. Any variation from this understanding during the Contract Period may bring into question the integrity and fairness of the original tender evaluation. This potentially creates perceptions of inequity in the way the contract is managed.
- 3.2. Although all contracts are based on standard Specimen Contract provisions, it is possible that conditions may have been varied for individual contracts. Members and Contractors must ensure that they are familiar with individual contract requirements and especially any non-standard provisions
- 3.3. It is important for NAFC Members to have knowledge and control of costs to be incurred during aerial firefighting and other emergency operations. Unexpected or unplanned costs need to be clearly identified, so that mitigating actions can be taken and appropriate procurement principles applied.
- 3.4. It is not reasonable for Contractors or Members to meet additional costs (that have not been previously agreed) well after the activity in which the costs were incurred. To do so could expose Contractors and Members to unscrupulous pricing behaviour from third parties.

4. ADDITIONAL CONTRACT CHARGES RELATED TO FUEL (Wet-A and Wet-B)

4.1. Wet-A and Wet-B contracts generally require the Contractor to take the responsibility for provision of fuel to the Contractor's aircraft, and therefore for the costs involved. However it is acknowledged that there may be situations which involve a Contractor incurring additional costs (referred to here as "out-of-pocket" costs) that the Contractor could not reasonably be expected to absorb. Such circumstances may include, just for example:

- a. the Contractor is required by a Member to supply fuel to other Contractors' aircraft;
- b. the Contractor is required by a Member to purchase very expensive fuel to maintain response to an urgent or high priority incident.

4.2. It is not practical to provide detailed prescriptions for all circumstances in which it may be reasonable for a Contractor to claim reimbursement of out-of-pocket costs from a Member. A series of principles is offered by which reasonable out-of-pocket costs in relation to fuel can be determined and agreed between the relevant Member and the Contractor.

4.3. The principles for determining reimbursement of out-of-pocket costs related to fuel are:

a. **GENERAL**

- i. In accordance with the conditions specified in all Contracts, both the Member and the Contractor agree to act in good faith and therefore should adopt a pragmatic approach in relation to how and when reimbursement of reasonable out-of-pocket expenses would be acceptable.
- ii. Members must have knowledge and control of costs to be incurred during aerial firefighting and other emergency operations.
- iii. All transactions must be fair and reasonable and in accordance with NAFC's Probity and Integrity Policy.
- iv. Wet A Hire Services are provided on the basis that the Contractor is responsible for the provision of fuel, fuelling facilities and infrastructure; and that with the exception of certain circumstances, the Contract Price is firm and inclusive of all costs associated with supplying the Services.
- v. Wet-B Hire Services do not require the Contractor to be completely self-contained and self-sufficient. If the aircraft is required to operate away from the NOB this arrangement does inherently place a greater burden on the Member to meet out-of-pocket costs. It does not however relieve a Contractor from the responsibility to ensure that extra costs or unreasonable costs are not incurred.
- vi. Contractors are expected to take all reasonable actions to mitigate extra or out-of-pocket costs.
- vii. Out-of-pocket costs must be reasonable.
- viii. Reimbursement of out-of-pocket costs will, in most circumstances, only be considered if there has been prior communication and agreement (eg

with the Air Operations Manager or Aircraft Officer of the respective Incident Management Team, or the State Air Desk or equivalent).

- ix. Communication and agreements regarding out-of-pocket costs must be recorded in writing (eg email, text message, log-book entry) and must be communicated to the person who ultimately approves payment of invoices.
- x. Reimbursement of out-of-pocket costs should only reflect the actual, marginal costs – ie the extra costs that the Contractor incurred above what they may otherwise have incurred.
- xi. Reimbursement of out-of-pocket costs will only be considered if they are the subject of a proper, timely invoice, accompanied where appropriate by evidence or explanatory material.

b. **BRIDGING (Wet-A Services)**

(for the purposes of this Guidance Note, bridging is the replenishment of mobile into-aircraft Refuellers, using mobile equipment).

- i. If the aircraft is operating within a 150km radius of the NOB, provision of adequate fuel to ensure continued operation of the Contractor's aircraft is the Contractor's responsibility, unless the Member has required the Contractor to supply fuel to other aircraft.
- ii. If a Contractor has been required to provide fuel for another Contractor's aircraft there may be circumstances where it is reasonable for the supplying Contractor seek reimbursement of out-of-pocket costs (either within or outside the 150km radius from the NOB), for example if additional bridging was actually required (ie bridging above what the supplying Contractor may have otherwise required).
- iii. If the aircraft is operating outside of a 150km radius from the NOB, or is required to remain away from the NOB overnight there may be circumstances where it is reasonable for the Contractor to seek reimbursement of out-of-pocket costs, if bridging is actually required. This will depend on the individual circumstances of the operation, to be considered in accordance with the principles contained in this Guidance Note (and any provisions contained in individual contracts, where applicable).
- iv. Contractors should not profit from reimbursement of out-of-pocket costs.
- v. Reimbursement of out-of-pocket bridging costs, if approved by the Member, should be based on marginal costs – ie the actual, but reasonable cost above what the Contractor may have otherwise incurred. For example, where bridging has relieved a Contractor from the need to source fuel from other sources, the cost that the Contractor would otherwise have incurred should be taken into account (i.e. deducted from total costs) when calculating and approving reimbursements.
- vi. Reimbursement of out-of-pocket bridging costs, if approved by the Member, should be based on the actual cost of bridging. (The default refuelling vehicle charges defined in NAFC Standard PR005 are

intended to apply only to into-aircraft refuelling vehicles, not to bridging tankers).

5. MEMBER RESPONSIBILITIES

- 5.1. Members should ensure that efficient, pre-planned systems and processes are in place to deal with queries from Contractors, and to consider and resolve without delay situations that may result in out-of-pocket costs.
- 5.2. Members should ensure systems are in place to communicate any agreement between the Member and the Contractor regarding additional costs to the person who approves the payment of invoices.
- 5.3. Members should ensure timely payment of invoices for agreed reimbursements.
- 5.4. Members should not unreasonably require into-aircraft tankers to return to a base or terminal to refill. In this context it is important to also consider driver-operator fatigue and duty times (including, for example, the timely availability of the refueller operator the next morning).
- 5.5. Members should consider carefully the locations designated for refuelling aircraft that are working at fires and emergencies in order to:
 - a. optimise access to bridging or replenishment services; and
 - b. minimise the risk of damage or excess wear and tear to Contractor's fuelling vehicles.
- 5.6. For example, in some circumstances it may be worth considering a location slightly further from the incident, but with better road access.
- 5.7. Members should have in place measures to co-ordinate refuelling and fuel replenishment services where appropriate and where this will result in reduced duplication, improved efficiency and savings to Contractors.
- 5.8. Members should not unnecessarily require Contractors to incur additional or unplanned costs.
- 5.9. Members must ensure they are aware of and understand specific provisions in individual contracts.

6. CONTRACTOR RESPONSIBILITIES

- 6.1. The Contractor should ensure that efficient, pre-planned systems and processes are in place to raise queries with the Member without delay.
- 6.2. The Contractor should ensure that all of the relevant Contractor's personnel are aware of contract provisions and guidance in relation to fuel and refuelling.
- 6.3. Contractors are expected to take all reasonable steps to mitigate extra or out-of-pocket costs.

- 6.4. Contractors are expected to ensure that unreasonable costs or excessive costs are not incurred.
- 6.5. Contractors should take care to avoid “double-charging” (eg where a bridging provider charges a per-litre fuel price that includes a transport component but also charges for mileage or a day rate for the bridging vehicle.)
- 6.6. Contractors should ensure timely invoicing of agreed out-of-pocket reimbursements.