



EMBASSY OF PAKISTAN
Attaché Defence Procurement Navy/Air
3517 International Court. NW
Washington DC 20008
Tel: 202-243-3247
Fax: 202-686-7614
E Mail: adp@embassyofpakistanusa.org

AF/DPD/27547/Washington

20 November, 2024

Directorate of Procurement (Air Force),
Air Headquarters, Nur Khan

**RESOLUTION OF ISSUES RELATED TO PERFORMANCE
OF CONTRACT NO AF/DPD/27547/WASH DATED 04-30-2021
PROCUREMENT OF BL-1 WEAPON LOADER**

1. Kindly refer subject contract and correspondence initiated by the contractor as follows:-
 - (a) M/s DRG Hydraulic Incorporated, USA letter dated 18 April, 2022
 - (b) M/s DRG Hydraulic Incorporated, USA letter dated 18 January, 2023
 - (c) M/s DRG Hydraulic Incorporated, USA letter dated 26 January, 2024
2. Subject contract concluded with **M/s DRG Hydraulic Incorporated, USA** remains outstanding owing to persistent stance by the vendor to waive off LD charges ahead of his initiation of performance. This is against the usual practice to follow up on LD waiver after the performance of the contract. In response to Ref 1 (a) above, Purchase Proposal for extension in original delivery period was got approved on later dates; (i.e 18 July, 2023) such that the remaining time was not sufficient to perform the contract. Ever since, ADP office and AHQ has remained in negotiations with the company to convince the contractor towards performance of the contract, without achieving success.
3. Recently, after long pursuance with the company, deliveries against other long outstanding contracts have been made, indicating company's willingness to maintain business relationship with PAF. ADP office is scrutinizing the invoices for payment to the vendor and LD is being charged as applicable, along with forfeit of B/G out of the payables.
4. Meanwhile, during negotiations with the company for subject contract, the contractor has repeatedly indicated his inability to sustain the LD charges, on the plea that the contract had been concluded on extremely economical rates, which do not offer any profit to the company; whereas 10 % LD chargers would be additional loss incurred. On the contrary, we do not have the option to obtain the items from other sources, as this company is the OEM and sole source of supply.
5. In forestated stalemate situation, following options are available as a way forward:-
 - (a) After seeking approval of the competent authority on file, we commit LD waiver subject to submission of Bank Guarantee against the contract and allow him the performance period of 18 months, henceforth.

(b) Cancel the existing contract and source different equipment of equivalent specs from other OEMs, if possible.

6. **Para for Director EOD AHQ.** As discussed, during our telcon on the subject today, you are requested to process the case for seeking final decision on options at Para 5 above, on **Most Immediate Basis**. Presently, withheld payment against other contracts provide limited time leverage to the ADP office for negotiations with the company to seek their performance on contracted prices. However, Embassy of Pakistan, USA would not be in position to delay the payment beyond reasonable time, to maintain our credibility in the corporate world.

7. Submitted please for earnest decision to conclude the case.



(MUHAMMAD SOHAIL ASHRAF)

Group Captain

Attaché Defence Procurement (Navy / Air)

Copy to:

1. Director General Defence Purchase
2. Project Falcon Air Headquarters, Peshawar
3. {ACAS (Ground Engineering)}, Air Headquarters, Islamabad
4. {ACAS (Weapon Engineering)}, Air Headquarters, Islamabad
5. Directorate of (EOD & GA), Air Headquarters, Islamabad



1900 Case Parkway • Twinsburg Ohio 44087 • Phone (330) 425-0020

Date: April 18th, 2022

To: Faisal Khan
Captain Pakistan Navy
Attaché Defence Procurement
(Navy/Air)
Embassy OF Pakistan, 3517
International Ct NW
Washington DC 2008

Subject: CONT NO AF/DPD/27547 dated 04-30-2021 BL1 Loader (qty 10)

Dear Mr. Faisal Khan,

As previously discussed in our meeting at the Embassy of Pakistan in Washington D.C. on March 30th, 2022. DRG Hydraulics is requesting an extension for contract # CONT NO AF/DPD/27547 dated 04-30-2021 BL1 Loader (qty 10). We are requesting a new delivery date of July 18th, 2023. This extension request is due to supply chain delays.

We are still experiencing part shortages and longer than usual lead times with some of our vendors.

A major one for us has been our Caterpillar engine supplier who is facing difficulties delivering on time. Here is an email we received from them:

"As we head towards year end, we are continuing to see significant disruptions within our supply chain and manufacturing environment that will unfortunately have a direct impact upon our engine deliveries for the balance of year. Whilst a number of these are related to material supply, such as raw materials, semiconductors, and other core components, we are also experiencing transportation and labor pressures, resulting in reduced output of the facility. These unfortunate events, which are beyond our reasonable control, have had an impact on your order delivery dates out of our facility."

We have received similar feedback from our other suppliers such as: pumps, valves, and controllers.

We are doing our best to overcome these difficulties but many of these factors are out of our control.

Thank you for your consideration and continued support.

Karen Stetner

Karen Stetner
DRG Hydraulics Inc.
VP of Operations



1900 Case Parkway • Twinsburg Ohio 44087 • Phone (330) 425-0020

Date: January 18th, 2023

To: Group Captain Sohail
Embassy OF Pakistan, 3517
International Ct NW
Washington DC 2008

Subject: Extension of CONT NO AF/DPD/27547 dated 04-30-2021 BL1 Loader (qty 10)

Dear Captain Sohail,

DRG Hydraulics is requesting an extension for contract # CONT NO AF/DPD/27547 dated 04-30-2021 BL1 Loader (qty 10). We are requesting a new delivery date of September 18th, 2023. This extension request is due to continued supply chain delays. A partial order could be sent earlier.

We are still experiencing part shortages and longer than usual lead times with vendors.

A major one for us has been our Caterpillar engine supplier who is still facing challenges delivering on time. Here is a recap from our latest conversation with the vendor:

We are continuing to see delays within our supply chain and manufacturing environment, specifically in the small diesel engine manufacturing group. Many components that go into the manufacturing of engines have also been delayed due to a lack of availability from subcontractors. We are also continuing to experience labor shortages resulting in reduced output of the facility.

We are doing our best to overcome these difficulties but many of these factors are out of our control.

Thank you for your consideration and continued support.

Karen Stetner

Karen Stetner
DRG Hydraulics Inc.
VP of Operations



1900 Case Parkway • Twinsburg Ohio 44087 • Phone (330) 425-0020

Air Commodore Shahbaz Haider
Chief Project Director
Project Falcon. Air Headquarters PAF Peshawar
Pakistan

January 26, 2024

**Extension in Delivery Period Contract No AF/DPD/27547 Dated April 30-2021
BL -1 Bomb Loader**

Dear Air Commodore Shahbaz Haider,

Reference our letters dated April 18th, 2022 & January 18th, 2023, addressed to ADP WA DC USA attached.

Regarding contract number AF/DPD/27547 between DRG Hydraulics and the PAF, which stipulated a delivery period of December 30, 2022. Regrettably, due to unforeseen and unavoidable circumstances beyond our firm's control, we were unable to meet the agreed-upon delivery dates for the contract.

The delays occurred due to the parts shortages and longer than usual lead times from our suppliers. This included the Caterpillar diesel engines, hydraulic valves, and hydraulic pumps. Additionally, various raw materials, semiconductors, and electrical components used in the construction of the BL-1 loader were delayed due to market shortages.

The subject contract is still outstanding due to the pending response from the PAF as DRG submitted requests for extension in the delivery period as mentioned above.

These unfortunate events, enumerated above, significantly impacted on our ability to adhere to the original delivery schedule. However, I am pleased to inform you that our firm has successfully overcome these challenges and is now fully capable of proceeding with the manufacturing process to fulfill the pending order. We have been diligently awaiting a response from your end regarding the extension of the delivery period, as it is crucial for us to provide you with the contracted products. We understand the importance of timely deliveries and sincerely apologize for any inconvenience caused by this delay.

Furthermore, we would like to draw your attention to the current market conditions. The latest international market price for the BL-1 Weapon Loader is \$ 184,760.00, which is significantly higher than the contracted price of \$ 154,660.00. By honoring the original contracted price, the PAF stands to save over \$ 300,000.00 on the equipment, accessories (\$100,000.00), as well as the costs associated with containers, freight, and insurance. The PAF will gain a benefit of over \$ 400,000.00.

It is important to highlight that that the burden of late delivery penalties would not only result in additional monetary losses (\$ 200,000.00) for our firm, but would also be a considerable burden given the substantial increase in material costs in the international market. To mitigate these losses and

maintain a mutually beneficial relationship, we kindly request your consideration for an extension of the delivery period by 15 months.

This extension would provide us with the necessary time to carry out the manufacturing process diligently and ensure thorough testing procedures. We propose that the 15-month extension period commences from the date of the extension notification, which would be an amendment to the existing contract.

We appreciate your understanding and cooperation in this matter. Your support in granting this extension will not only benefit our firm but will also contribute to the successful and smooth completion of the project. We remain committed to delivering high-quality products in a timely manner and look forward to your positive response.

We consider the PAF a valued customer and appreciate our continued relationship.

Looking Forward for quick response.

Best Regards.

Karen Stetner

Karen Stetner
DRG Hydraulics Inc.
VP of Operations

Enclosures:

Letters addressed to PAF previously for extension request.

Copy To:

1. Directorate of Procurement, PAF Base Nur Khan
2. ACAS Log, Air Headquarters PAF Islamabad
3. ADP Embassy of Pakistan WA DC, USA
4. SSO to DCAS Operations