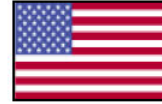


## Danish Participation in US Defense Projects in Greenland for Fiscal Year 2016

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## Introduction

### *Background*

This report provides a review of Danish participation in United States (US) Defense Projects at Thule Air Base (AB), Greenland during US Government Fiscal Year 2016 (FY16) - 1 October 2015 through 30 September 2016. This report is used as a basis for discussion at the annual Permanent Committee meetings between the Kingdom of Denmark and the US.

**Part I** of this report provides a narrative analysis of expenditures made to Danish and US vendors during FY16. Additionally, historical data is provided in table and figure format for FY15 through FY16. An itemization, which provides a comparison between the FY15 and FY16 elements, is provided in narrative form in Part I.

**Part II** of this report includes a summary of expenditures for FY16. The Parts covered are: (a) Base O&M; (b) Other Appropriated Funds; (c) Non-Appropriated Funds; (d) Construction, Repair and Maintenance.

**Part III** provides the future construction projections to include projected special base construction, repair, maintenance and minor construction projects. The estimates for FY17 through FY19 are based on the Danish Kroner (DKK) planning rate of DKK 6.7076 for FY17 and DKK 6.7738 for FY18 and FY19 = \$1.00.

### *Exchange Rates*

Generally, contract awards are made and funding is obligated in the market currency. Figures contained in this report are based on then-year Danish Kroner (DKK) or US Dollars (USD).

For Department of Defense (DoD) funding that is covered by the Foreign Currency Fluctuations Defense program, the Office Secretary of Defense (OSD) establishes foreign currency exchange rates to be used. The OSD exchange rate is established prior to the beginning of the fiscal year, but can also be updated during the year of execution. In FY16 the OSD established exchange rate was DKK 5.5561=\$1.00. OSD updated the exchange rate for obligations made after 1 February 2016 to DKK 6.7523=\$1.00. The mid-year updated exchange rate was closer to the daily currency exchange rates observed in FY16.

Summaries of total expenditures consist of multiple exchange rates and may not divide evenly by any single exchange rate. The historical exchange rates for previous years are provided in Part II of this report.

## Part I

### **Narrative Analysis**

FY16 Danish participation in US Defense Projects at Thule AB totaled DKK 861,283,955 (\$132,831,370 USD). This is a 9.83% decrease in DKK (2.92% decrease in USD) from the FY15 figures of DKK 955,130,691 (\$136,824,042 USD). The decrease in DKK and USD was primarily due to the price change of the base maintenance contract, some of which was offset due to the increase in construction projects awarded to Danish firms.

The overall US participation at Thule AB for FY16 was \$58,997,019 which was a 160.55% increase from the FY15 amount of \$22,643,016. This increase was due to the award of the High Altitude Electromagnetic Pulse (HEMP) Protection project at the Early Warning Radar site to a US firm.

### **FY01-FY16 Data**

Table 1 provides a comparison of Danish and US participation in percentages.

*Table 1. Danish and US Participation  
(Percentage comparison)*

	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>
Danish	82%	81%	80%	75%	75%	78%	81%	80%
US	18%	19%	20%	25%	25%	22%	19%	20%
	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
Danish	79%	82%	80%	82%	82%	86%	89%	69%
US	21%	18%	20%	18%	18%	14%	11%	31%

### **FY16 Itemization**

#### **Part II(a) Base Operation and Maintenance (O&M) Services**

FY16 Danish Base O&M Services totaled DKK 406,257,784 (\$64,807,677 USD). This is a 51.08% decrease in DKK (44.08% decrease in USD) from the FY15 figure of DKK 830,389,542 (\$115,894,182 USD). The difference in cost from FY15 was primarily due to contract change which significantly reduced the cost of O&M services. The FY16 base contract cost was for DKK 392,784,867 (\$62,811,159 USD). Additional funds

were added throughout FY16 for additional supplies and materials at DKK 13,472,917 (\$1,996,518 USD). There were no O&M contract projects performed in FY16.

Danish and Greenlandic O&M labor decreased from ■■■ positions total in FY15 to ■■■ positions in FY16. As part of that total, part-time positions increased from ■■■ positions in FY15 to ■■■ positions in FY16. The Base Maintenance Contract (BMC) is a non-personal services, performance-based contract and the BMC contractor is solely responsible for the number of personnel needed to perform the service.

### ***Part II(b) Other Appropriated Funds***

Other Appropriated Funds included expenditures for passenger and subsistence, airlift with Air Greenland, ocean transportation with Royal Arctic Lines and telecommunication services with TeleGreenland. Total Danish, participation in Appropriated Funds expenditures for FY16 was DKK 42,426,518 (\$6,805,069 USD), representing a 6.96% decrease in DKK (9.09% decrease in USD) from the FY15 amounts of DKK 45,600,047 (\$7,485,653 USD). The decrease was primarily due to the fact that the US Government reached the ceiling established in the Danish Sealift contract (shipping from Denmark to Thule).

US participation in Appropriated Funds expenditures for US airlift and sealift for the transportation of passengers and cargo from the US to Thule Air Base in FY16 was \$8,938,250 USD, a 27.24% decrease from the FY15 amount of \$12,283,958 USD. The decrease was partially due to the airfield runway project and the use of US Government airlift versus the use of the airlift service contract during a period of time in FY16, and an overall decrease in the cargo shipped to Thule using these US services contracts.

### ***Part II(c) Non-Appropriated Funds***

All items procured with Non-Appropriated Funds were in support of the Top of the World (TOW) Club, Billeting, Morale, Welfare and Recreation activities, and the Base Exchange (BX). Danish participation in Non-Appropriated Funds totaled DKK 6,895,979 (\$1,023,688 USD) in FY16, a 10.02% decrease in DKK (25.85% decrease in USD) from the FY15 amount of DKK 7,663,988 (\$1,380,526 USD).

US participation in Non-Appropriated Funds totaled \$2,008,945 USD in FY16, a 22.02% increase from the FY15 amount of \$1,646,430 USD.

In FY16 the use of individual services contracts for TOW club food service workers was ceased due to US Air Force regulations. This resulted in a direct decrease of Danish expenditures. Other changes in the procurement of goods was based upon customer demand.

### ***Part II(d) Construction, Repair and Maintenance***

FY16 Danish participation in Construction, Repair and Maintenance expenditures increased from the FY15 expenditures of DKK 71,477,114 (\$12,063,681 USD) to DKK

405,687,406 (\$60,194,937 USD), an increase in DKK of 467.58% (398.98% increase in USD). This was due to the increase of new construction project activities such as the construction of Thule Consolidation 1, renovations for dormitory Building 97, and repairs of airfield pavement. These contracts were all awarded in FY16 and some will span over two or more years with decreasing cost in the later years.

US participation in FY16 Construction, Repair and Maintenance expenditures was \$38,218,708 and an award was made to a United Kingdom (UK) based vendor for \$796,828, making the total non-Danish expenditures \$39,015,536. This significant increase from the FY15 expenditures of \$0 was due to an award of a major construction project, the High Altitude Electromagnetic Pulse (HEMP) Protection project at the Early Warning Radar site. The award to the UK vendor was accomplished due to a lack of Danish or Greenlandic bids received for a specific fuel hose product needed for operations at Thule.

### ***Part III Projected Special Base Construction, Repair, Maintenance and Minor Construction Projects***

Projected construction projects for FY17 through FY19 are summarized in Part III of this year's report. This includes new facilities construction, flattop renovations, mission upgrades, consolidation efforts and other facility infrastructure projects. These projections are merely estimates and are subject to change depending upon availability of funding and prioritization of projects.

### **Employment**

Total FY16 Danish employment represented in this report consisted of ■ employees of which ■ were part-time/seasonal employees. Total FY16 US employment represented in this report consisted of ■ employees of which none were a part-time. Contracts at Thule are non-personal services, performance-based contracts and the contractors are solely responsible for the number of personnel needed to perform the service.

### **Summary**

Thule's location and support capabilities make it suitable to operate the Air Force's vital space superiority missions as well as conduct a variety of resupply and arctic research operations by agencies of the US, Danish and Canadian Governments, academia, and private organizations. Our enduring relationship with the Kingdom of Denmark makes it possible for us to continue our partnership and accomplish critical missions.

On a daily basis, four cultures, American, Danish, Greenlandic and Canadian, work together to ensure mission success. This requires quality work and tremendous effort from each and every member of Team Thule in one of the most challenging environments anywhere on Earth. Thule AB is an extraordinary base, with an extraordinary mission, operated and maintained by extraordinary people.