



# Memorandum of understanding: Arrangements for the Accomplishment of the Iceland Defence Construction Program - General Principles 25. mars 1954.

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CONFIDENTIAL

Enclosure no. 1.

March 25, 1954.

MEMORANDUM OF UNDERSTANDING

SUBJECT: Arrangements for the Accomplishment of the Iceland Defense Construction Program - General Principles.

In response to a note from the Government of Iceland, representatives of the United States and Iceland have held discussions in Reykjavik concerning certain problems growing out of the implementation of the Defense Agreement of May 5, 1951. During the discussions it was agreed that a representative of the construction agency of the United States and a representative of the Government of Iceland should draw up and sign a memorandum setting forth the general principles which are to govern the methods of carrying out the work in the Iceland defense construction program. In accordance with this understanding, it is hereby agreed that the principles set forth below will govern the arrangements to be made henceforth by the Defense Force in carrying out the defense construction program in Iceland.

1. OBJECTIVE. The objective of the construction program is to provide the military facilities required for the defense of Iceland under the Defense Agreement of May 5, 1951. Subject to the requirements of the schedule for completion established by the U.S. Military Authorities and accepted by the Icelandic Authorities under the provisions of the Defense Agreement, the defense construction program will be carried out in a manner designed to avoid harmful effects on the Icelandic economy.

2. ICELANDIC CONTRACTORS. Icelandic contractors approved by the Icelandic Government will perform all construction work which is within their capabilities. Allocation of future work not already agreed to will be made in the same spirit as the presently agreed allocation. Allocation of future work will be discussed as soon as the construction program for the next year is firm, preferably in November or December.

New contracts will be awarded to qualified Icelandic contractors provided a responsive bid or proposal containing a reasonable price is submitted within 30 days from the invitation for bids or proposals, or within 45 days when material is an important part of the contract. If the terms of the bid or proposal are unresponsive or unreasonable, a representative of the Defence Force and the contractor will attempt to reach a reasonable adjustment within ten days. A representative of the Icelandic Government is authorized to attend these negotiations in order to ascertain the basis for the final action.

If necessary, during the period of negotiations, representatives of the Icelandic Government and the Defense Force will meet separately and will cooperate in an effort to achieve a reasonable adjustment of differences which have not been resolved.

If an adjustment is not reached within 10 days, the work will be awarded on the basis of competitive bidding in which Icelandic and United States contractors shall have equal opportunity. Bids will be publicly opened either at Keflavik or New York City in the presence of representatives of the contracting parties.

3. FAILURE TO QUALIFY. If an Icelandic contractor fails to comply with the specifications or schedule of completion for a job awarded to him, necessary steps may be taken to insure completion according to established schedule, plans and specifications.

4. PRESENT PRIME CONTRACTOR. The work of the present prime contractor in Iceland will be gradually terminated according to proposed allocation. The prime contractor's present contracts for hospital and port will be immediately cancelled.

A determined effort will be made to ensure that the field construction work of the prime contractor will be completed by the end of 1954, and the minimal remaining functions of that contractor (warehousing functions, etc.) will be terminated as soon as possible in accordance with paragraph 7a below.

5. ICELANDIC LABOR. The Defense Force, through its contractors, will make maximum use of Icelandic labor consistent with the objectives set forth in Section 1. In order to increase the supply of skilled manpower available for the Defense Construction Program, a joint training program supported by U.S. funds will be carried out in accordance with an agreed plan. The purpose of the training program will be to eliminate, as far as possible, the need for foreign labor for construction work in Iceland, in accordance with the estimates set forth in the attached schedule which is a part of this Memorandum of Understanding.

The Icelandic Government will use all possible means of assuring the supply of Icelandic labor necessary for proposed future work, in general accordance with requirements

as shown on the attached schedule, which is a part of this Memorandum of Understanding.

6. U.S. EQUIPMENT AND MATERIALS. United States Government owned equipment and materials will be made available to Icelandic contractors on mutually agreed terms. When operating as a prime contractor, the Icelandic contractor will maintain and operate all such equipment.

7. U.S. CONSTRUCTION CAMP.

- a) The United States construction camp, including shops, mess hall, living quarters, warehouses and recreation facilities, when no longer required by the present prime contractor, will be made available to Icelandic contractors on mutually agreed terms.
- b) It is agreed that Icelandic contractors will utilize these facilities before constructing any additional facilities to serve the same purpose, provided that this does not interfere with the planning of the agreed area.
- c) Upon completion of the construction program, the buildings and other fixtures in the United States construction camp which have been used by Icelandic contractors will be returned to the control of the U.S. authorities in the same condition as they were received by Icelandic contractors, fair wear and tear excepted.

8. ICELANDIC DUTIES AND TAXES. Equipment, supplies and service used by Icelandic contractors in performing defense contracts with the United States will be relieved of

all Icelandic customs, duties and taxes in accordance with Article 7 of the Annex on the Status of United States Personnel and Property of the Defense Agreement of May 5, 1951.

9. PORT FACILITIES. The construction of a port and port-facilities in the general vicinity of Keflavik, if approved by the Icelandic Government, will be awarded on the basis of competitive bidding in which U.S. contractors and Icelandic contractors will have equal opportunity to bid.

10. REVIEW FUNCTIONS. The Icelandic Government, through its designated representative, will act as an intermediary in all construction activities in Iceland as follows:

- a) All designs, specifications and drawings for facilities other than operational military facilities will be approved for conformity with Icelandic architectural and building codes. Approval or suggested changes will be submitted to the Defense Force within 15 days after the plans are received by the Icelandic authorities.
- b) Representatives of the two Governments will review the construction program from time to time in order to consider the rate of construction progress, the labor supply, and other matters relating to implementation of this agreement.

11. INTERPRETATION. If a dispute arises as to the interpretation of these general principles, it will be referred to representatives of the Defense Force and of the Icelandic Government.