

PART 516—TYPES OF CONTRACTS

Subpart 516.2—Fixed Price Contracts

516.203 Fixed-price contracts with economic price adjustment.

516.203-3 Limitations.

(a) For multiple award schedule contracts, you should:

(1) Include an economic price adjustment (EPA) clause only in multiyear solicitations and contracts.

(2) Document in the acquisition plan the determination required by FAR 16.203-3.

(3) Provide supporting rationale in the contract file to include an EPA clause in a 1-year solicitation or contract.

(b) The contracting director must approve any of the following actions:

(1) A determination to include an EPA clause in a 1-year solicitation or contract or to provide for price increases during the first 12 months of a multiyear contract.

(2) The use in a contract of any EPA clause that you did not include in the initial solicitation. This includes any clause that provides for price adjustment during the first 12 months of a multiyear contract.

(c) The contracting director may raise the price ceiling (the aggregate of permitted price increases during a 12-month period) during the contract period when both of the following conditions are met:

(1) A supplier or suppliers request that the ceiling be raised.

(2) Analysis of current market conditions reveals that most suppliers of similar supplies or services are affected. If the price ceiling is raised, you must amend the contract to reflect the revised ceiling.

516.203-4 Contract clauses.

(a) *Multiple award schedules.* Do not use FAR 52.216-2, 52.216-3, or 52.216-4 in negotiated acquisitions based on discounts from established commercial catalogs or pricelists. Instead, use:

(1) [552.216-70](#), Economic Price Adjustment—FSS Multiple Award Schedule Contracts, in a 1-year solicitation or contract.

(2) [552.216-70](#) (Alternate I) in multiyear solicitations and contracts.

(b) *Stock or Special Order Program Contracts.* In multi-year solicitations and contracts, after making the determination required by FAR 16.203-2, use [552.216-71](#), Economic Price Adjustment-Stock and Special Order Program Contracts, or a clause prepared as authorized in paragraph (a)(2)(ii) of this subsection.

(1) If the contract includes one or more options to extend the term of the contract, use the clause with its Alternate I or a clause substantially the same as [552.216-71](#) with its Alternate I suitably modified.

(2) In a contract requiring a minimum adjustment before the price adjustment mechanism is effectuated, use the basic clause with Alternate II or with Alternate I and Alternate II.

(3) If the Producer Price Index is not an appropriate indicator for price adjustment, modify the clause to use an alternate indicator for adjusting prices. Similarly, if other aspects of [552.216-71](#) are not appropriate, use an alternate clause following established procedures.

(c) *Adjustments based on cost indexes of labor or material.*

(1) If you decide to provide for adjustments based on cost indexes of labor or material, prepare a clause that defines each of the following elements:

(i) The type of labor and/or material subject to adjustment.

(ii) The labor rates, including any fringe benefits and/or unit prices of materials that may be increased or decreased.

(iii) The index(es) that will be used to measure changes in price levels and the base period or reference point from which changes will be measured.

(iv) The period during which the price(s) will be subject to adjustment.

(2) The contracting director must approve use of this clause.

Subpart 516.4—Incentive Contracts

516.406 Contract clauses.

The contracting director must approve any award fee clause.