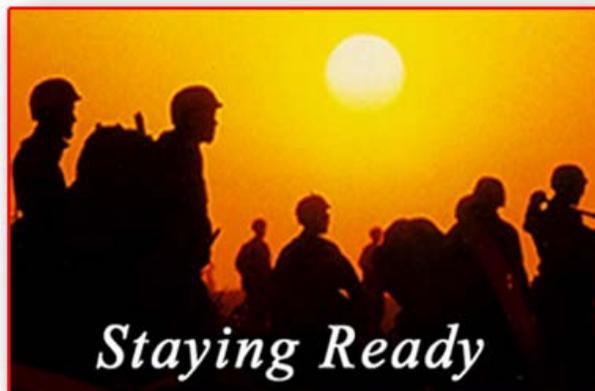


Time-and-Materials and Labor Hour Contracts for Commercial Services

March 25, 2009



Contract Types

- Until February 2007, commercial item requirements had to be acquired using FFP or FFP with EPA contracts.
- Since then, T-A-M and LH contracts have been permitted when documented.

T-A-M and LH Contract Definitions

- A T-A-M contract provides for acquiring services on the basis of direct labor hours of specified, fixed, loaded hour rates, including profit and actual costs for materials.
- A LH contract is a variation of a T-A-M contract, differing only in that materials are not supplied by the contractor.

T-A-M Contract Application

A T-A-M contract may be used only when it is not possible at time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any degree of confidence.

Government Surveillance of T-A-M Contracts

A T-A-M contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, appropriate Government surveillance of contractor performance is required to give assurance that efficient methods and effective cost controls are being employed.

Limitations of T-A-M Contracts

A T-A-M contract for commercial items may only be used if:

- 1) The C.O. prepares a Determination and Findings (D&F) that no other contract type (FFP or FFP with EPA) is suitable; and
- 2) The contract contains a ceiling price the contractor exceeds at his own risk.

T-A-M Commercial Item Contract D&F Signature and Approval

The D&F shall be:

- (1) Signed by the C.O. prior to the base period or any option periods of the contract; and

- (2) Approved by the HCA (re-delegated to the PARC) prior to the base period when the base plus options > three years.

Solicitation Provision

FAR 52.216-31, T-A-M/LH Proposal Requirements Commercial Item Acquisition

Offerors must provide fixed hourly, loaded rates for every labor category and must inform if labor will be performed by the offeror, a subcontractor, and/or divisions, subsidiaries, or affiliates of the offeror.

T-A-M Commercial Item D&F Content

The D&F shall contain sufficient facts and rationale and shall:

- 1) Describe the market research conducted;
- 2) Establish that it is not possible at time of award to accurately estimate the extent or duration of the work or to anticipate costs with certainty;

T-A-M Commercial Item D&F Content (Continued)

- 3) Establish that the requirement has been structured to maximize the use of FFP or FFP with EPA contracts on future acquisitions for the same or similar requirements (e.g., by limiting the value or length of the T-A-M contract and by establishing fixed prices for portions of the requirement).

- 4) Describe actions planned to maximize the use of FFP or FFP with EPA contracts on future acquisitions for the same requirements.

Indefinite Delivery T-A-M Contracts for Commercial Items

- 1) An indefinite delivery contract for services priced on a T-A-M basis, shall, to the maximum extent practicable, also be structured to permit the issuance of FFP or FFP with EPA orders.
- 2) For such contracts, a D&F must be executed for each T-A-M order.

Indefinite Delivery T-A-M Contracts for Commercial Items (Continued)

- 3) An indefinite delivery contract for services that only allows for T-A-M orders requires a D&F only to support the basic contract. The D&F shall explain why FFP or FFP with EPA orders are not practicable.

- 4) All D&Fs associated with indefinite delivery contracts must be approved one level above the C.O.