

DEFENSE LOGISTICS AGENCY
Inter-Office Memorandum

IN REPLY

REFER TO DFSC-PPR (K. Pilz/45500)

122 JUN 1993

CONTRACTING INSTRUCTION (CI): 93-18
SUBJECT: Negotiation Objectives for Bulk Petroleum Products

TO: CI Distribution

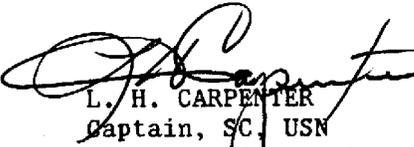
1. Previous guidance on establishing negotiation objectives for bulk products indicated that contracting officers shall establish the minimum (low) objective for each offeror by utilizing the low of the market range and the maximum (high) objective using the high of the market range or the individual offer, whichever is lower.

2. These instructions were developed in 1980 to provide guidance in forming a low objective, a target objective, and a high objective during the prenegotiation stage of the acquisition. The later publication of the Armed Services Pricing Manual (ASPM), Vol 2, Price Analysis, in 1987, however, reveals a more flexible approach in determining maximum objectives. ASPM 18.1, Establishing Price Objectives, states, "... a range of prices is preferred over a single price as a negotiation objective. A range recognizes the possibility of justifiable shifts up and down during negotiation." ASPM 18.3 further says, "Price analysis focuses on value and realities of the market place."

Appendix B-7 of ASPM also defines negotiation objectives as "a range of goals, including desired costs or prices, which Government analysis indicates as the limits within which fair and reasonable contract provisions can be negotiated. These objectives should summarize all Government positions and assumptions relevant to price and other factors."

3. Therefore, in order to be consistent with the intent of ASPM and reflect the existing market environment,

"The high objective for bulk petroleum products will be the high of the market range or the individual offer, whichever the contracting officer believes is most relevant based on market conditions."


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