

## 15.405 Price negotiation.

(a) The purpose of performing cost or *price* analysis is to develop a negotiation position that permits the *contracting officer* and the *offeror* an opportunity to reach agreement on a fair and reasonable *price*. A fair and reasonable *price* does not require that agreement be reached on every element of cost, nor is it mandatory that the agreed *price* be within the *contracting officer's* initial negotiation position. Taking into consideration the advisory recommendations, reports of contributing specialists, and the current status of the contractor's purchasing system, the *contracting officer* is responsible for exercising the requisite judgment needed to reach a negotiated settlement with the *offeror* and is solely responsible for the final *price* agreement. However, when significant audit or other specialist recommendations are not adopted, the *contracting officer should* provide rationale that supports the negotiation result in the *price* negotiation documentation.

(b) The *contracting officer's* primary concern is the overall *price* the Government will actually pay. The *contracting officer's* objective is to negotiate a contract of a type and with a *price* providing the contractor the greatest incentive for efficient and economical performance. The negotiation of a contract type and a *price* are related and *should* be considered together with the issues of risk and uncertainty to the contractor and the Government. Therefore, the *contracting officer should* not become preoccupied with any single element and *should* balance the contract type, cost, and profit or fee negotiated to achieve a total result-a *price* that is fair and reasonable to both the Government and the contractor.

(c) The Government's cost objective and proposed *pricing* arrangement directly affect the profit or fee objective. Because profit or fee is only one of several interrelated variables, the *contracting officer shall* not agree on profit or fee without concurrent agreement on cost and type of contract.

(d) If, however, the contractor insists on a *price* or demands a profit or fee that the *contracting officer* considers unreasonable, and the *contracting officer* has taken all authorized actions (including determining the feasibility of developing an alternative source) without success, the *contracting officer shall* refer the contract action to a level above the *contracting officer*. Disposition of the action *should* be documented.

**Parent topic:** [Subpart 15.4 - Contract Pricing](#)