

# 52.216-4 Economic Price Adjustment-Labor and Material.

As prescribed in 16.203-4(c), insert the following clause:

Economic Price Adjustment-Labor and Material (Jan 2017)

(a) The Contractor *shall* notify the *Contracting Officer* if, at any time during contract performance, the rate of pay for labor (including fringe benefits) or the unit prices for material shown in the Schedule either increase or decrease. The Contractor *shall* furnish this notice within 60 days after the increase or decrease, or within any additional period that the *Contracting Officer* may approve *in writing*, but not later than the date of final payment under this contract. The notice *shall* include the Contractor's proposal for an adjustment in the contract unit prices to be negotiated under paragraph (b) of this clause, and *shall* include, in the form required by the *Contracting Officer*, supporting data explaining the cause, effective date, and amount of the increase or decrease and the amount of the Contractor's adjustment proposal.

(b) Promptly after the *Contracting Officer* receives the notice and data under paragraph (a) of this clause, the *Contracting Officer* and the Contractor *shall* negotiate a price adjustment in the contract unit prices and its effective date. However, the *Contracting Officer* may postpone the negotiations until an accumulation of increases and decreases in the labor rates (including fringe benefits) and unit prices of material shown in the Schedule results in an adjustment allowable under paragraph (c)(3) of this clause. The *Contracting Officer* *shall* modify this contract (1) to include the price adjustment and its effective date and (2) to revise the labor rates (including fringe benefits) or unit prices of material as shown in the Schedule to reflect the increases or decreases resulting from the adjustment. The Contractor *shall* continue performance pending agreement on, or determination of, any adjustment and its effective date.

(c) Any price adjustment under this clause is subject to the following limitations:

(1) Any adjustment *shall* be limited to the effect on unit prices of the increases or decreases in the rates of pay for labor (including fringe benefits) or unit prices for material shown in the Schedule. There *shall* be no adjustment for-

(i) *Supplies* or services for which the production cost is not affected by such changes;

(ii) Changes in rates or unit prices other than those shown in the Schedule; or

(iii) Changes in the quantities of labor or material used from those shown in the Schedule for each item.

(2) No upward adjustment *shall* apply to *supplies* or services that are required to be delivered or performed before the effective date of the adjustment, unless the Contractor's failure to deliver or perform according to the delivery schedule results from causes beyond the Contractor's control and without its fault or negligence, within the meaning of the Default clause.

(3) There *shall* be no adjustment for any change in rates of pay for labor (including fringe benefits) or unit prices for material which would not result in a net change of at least 3 percent of the then-current total contract price. This limitation *shall* not apply, however, if, after final delivery of all *line items*, either party requests an adjustment under paragraph (b) of this clause.

(4) The aggregate of the increases in any contract unit price made under this clause *shall* not exceed 10 percent of the original unit price. There is no percentage limitation on the amount of decreases that *may* be made under this clause.

(d) The *Contracting Officer may* examine the Contractor's books, records, and other supporting data relevant to the cost of labor (including fringe benefits) and material during all reasonable times until the end of 3 years after the date of final payment under this contract or the time periods specified in subpart 4.7 of the Federal *Acquisition* Regulation (FAR), whichever is earlier.

(End of clause)

**Parent topic:** 52.216 [Reserved]