

Aviation Group Client Update

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FAA GUIDANCE FOR REQUIRED AIRPORT SPONSOR PRICE OR COST ANALYSIS

The FAA Airports Division recently published Program Guidance Letter (PGL) [12-03](#), which addresses the required price or cost analysis to be performed by sponsors for procurement actions using Airport Improvement Program (AIP) funds, including contract modifications. The change to Paragraph 906, Price or Cost Analysis, of FAA Order 5100.38C, AIP Handbook replaces the existing guidance and is effective immediately.

In general, a price analysis must be performed on each procurement or modification to procurement. However, cost analysis is required if the procurement does not have price competition, the sponsor is using a negotiated procurement method, the contract is negotiated with a sole source, the sponsor is negotiating a modification to an existing contract, or the proposed price is not within +/-10% of the sponsor's estimate.

A price or cost analysis for procurement under the AIP will begin with an estimate, the level of detail dependent on the nature of the procurement. Certain contract modifications, which previously underwent a price or cost analysis, may not require an estimate. To complete a price analysis, a sponsor may compare prices received against the project's developed cost range, compare prices submitted to previous contracts of same or similar items and services, or compare the proposed price with published market prices. Price analysis submitted for purposes of contract procurement requires the sponsor's project estimate, a tabulation of bids or bid abstract, and statement of price analysis performed and recommendation that FAA accepts the statement and price analysis as evidence of cost reasonableness.

Cost analysis requires review based on whether the proposed costs are reasonable and necessary, the offeror's track record and cost trends, and others. Proposed costs are then compared and verified for accuracy. Submission for procurement requires the project estimate, a tabulation of bids or bid abstract, evidence of cost analysis, and a similar recommendation statement. For contract modification, submission requires a justification for change and statement concerning analysis performed and proposed recommendation.

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