

# Defense Federal Acquisition Regulation Supplement

## Part 245—Government Property

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### SUBPART 245.73--SALE OF SURPLUS CONTRACTOR INVENTORY

#### **245.7301 Policy.**

- (a) Screening must be completed before any surplus contractor inventory sale.
- (b) Except as provided in 245.7307, sales of surplus contractor inventory shall be competitive.
- (c) The commander of the contract administration office must approve the use of auctions, spot bids, or retail sales.

#### **245.7302 Competitive sales.**

##### **245.7302-1 Property descriptions.**

- (a) Describe the property as “used” or “unused.” Indicate if unused property is still in the manufacturer's original containers. Qualifying statements such as “well-preserved” or “repairs required” are authorized. Do not use condition codes or the terms “new” or “salvage.”
- (b) Property descriptions must be accurate and adequate for identification by prospective bidders. Use commercial terminology and original manufacturer and brand name, if applicable.

##### **245.7302-2 Lotting.**

- (a) Consider combining property into lots when the quantities, value, or nature of the property makes it uneconomical to sell separately.
- (b) When lotting is appropriate and economically practical—
  - (1) Size the lots to encourage bidding by small businesses or individuals;
  - (2) Lot unused items by make or manufacturer, except when quantities or dollar values are small;
  - (3) Lot commercially similar items when practicable;
  - (4) Lot used and unused items separately unless quantities, value, or nature of property makes it uneconomical to sell separately;
  - (5) Size lots large enough to ensure the selling costs are not disproportionate to the anticipated proceeds.

##### **245.7302-3 Alternate bids.**

Offerors may be solicited to bid for groups or for the entire offering by use of the following:

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“Item \_\_\_\_\_ (Alternate Bid)  
This item consists of all property listed  
and described in Items \_\_\_\_\_ to \_\_\_\_\_,  
inclusive. Award under this item will be  
made only if the highest acceptable bid on  
this item is equal to, or greater than, the  
total of the highest acceptable bids on  
Items \_\_\_\_\_ to \_\_\_\_\_, inclusive.”

### **245.7302-4 Basis for sale.**

(a) *Unit price basis*--requires the offeror to state the bid price in terms of the quantity or weight generally applied in commercial sales of similar items.

(b) *Lot price basis*--requires the offeror to submit a bid for the entire lot. Use the lot price basis of sale only when property cannot be sold by unit measure or the potential sales return is small.

### **245.7302-5 Mailing lists.**

(a) The plant clearance officer will ensure the contractor solicits a sufficient number of bidders to obtain adequate competition.

(b) When large quantities of property, special commodities, or unusual geographic locations are involved, the plant clearance officer is encouraged to obtain additional listings from:

Defense Reutilization and Marketing Service  
ATTN: DRMS-OCR  
74 North Washington Avenue  
Battle Creek, MI 49017-3092

### **245.7303 Formal bid procedures.**

(a) The contractor will use formal invitations for bid unless the plant clearance officer approves use of informal bid procedures.

(b) The contractor shall solicit bids at least 15 calendar days before bid opening to allow adequate opportunity to inspect property and prepare bids.

(c) For large sales, the contractor may use summary lists of items offered as bid sheets with detailed descriptions attached.

(d) In addition to mailing or delivering notice of the proposed sale to prospective bidders, the contractor may, when the results are expected to justify the additional expense—

(1) Display a notice of the proposed sale in appropriate public places.

(2) Publish a sales notice in appropriate trade journals or magazines and local newspapers.

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(e) When the acquisition cost of the property to be sold at one time, in one place, is \$250,000 or more, the contractor shall send a notice of the proposed sale to:

U.S. Department of Commerce  
Commerce Business Daily, Sales Section  
P.O. Box 5999  
Chicago, IL 60680

(1) The contractor shall send the CBD notice at least 20 days before bid opening, or date of sale.

(2) CBD notices shall be—

(i) Double spaced and in synopsis form suitable for printing;

(ii) Transmitted by fastest mail available; and

(iii) Contain the following information in the order listed:

(A) Name and address of contractor issuing the invitation for bids;

(B) Name or title, address, and telephone number of the official from whom copies of the sales offering and other information can be obtained;

(C) Description of the property to be sold including, when desired, the total estimated acquisition cost;

(D) The number of the invitation or sale;

(E) The date of the sale or bid opening;

(F) The type of sale, i.e., sealed bid, spot bid, auction; and

(G) The location of the property.

(f) The plant clearance officer or representative will witness the bid opening. Within two working days after bid opening, the contractor will submit to the plant clearance officer two copies of an abstract of all bids, signed by the witnessing Government representative.

#### **245.7304 Informal bid procedures.**

(a) Upon approval of the plant clearance officer, the contractor may issue informal invitations to bid (orally, telephonically, or by other informal media), provided—

(1) Maximum practical competition is maintained;

(2) Sources solicited are recorded; and

(3) Informal bids are confirmed in writing.

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(b) Bids by the contractor or its employees shall be submitted to the plant clearance officer prior to soliciting bids from other prospective bidders.

#### **245.7305 Sale approval and award.**

The plant clearance officer will—

(1) Evaluate bids to establish that the sale price is fair and reasonable, taking into consideration—

- (i) Knowledge or tests of the market;
- (ii) Current published prices for the property;
- (iii) The nature, condition, quantity, and location of the property; and
- (iv) Information from the Defense Reutilization and Marketing Service.

(2) Approve award to the responsible bidder whose bid is most advantageous to the Government, price and other factors considered. Award shall not be approved to any bidder who is not eligible to enter into a contract with the DoD due to inclusion on the list of Parties Excluded from Procurement Programs. If a compelling reason exists to award to a bidder on the excluded list, the plant clearance officer shall request approval from the headquarters of the administering activity.

(3) Notify the contractor within five working days of the bidder to whom an award shall be made. The contractor shall make the award, collect the proceeds of the sale, and release the property to the purchaser. The contractor shall provide the plant clearance officer with evidence of delivery reflecting actual quantities released to the purchaser.

#### **245.7306 Sales services.**

When sale services are needed, the plant clearance officer will document the reasons in the case file and make arrangements directly with the Defense Reutilization and Marketing Service (DRMS) or General Services Administration (GSA). The arrangements will include a requirement to return all proceeds to the plant clearance officer for crediting in compliance with FAR 45.610-3.

#### **245.7307 Non-competitive sales.**

##### **245.7307-1 General.**

(a) Non-competitive sales include purchases or retention at less than cost by the contractor.

(b) Non-competitive sales may be made when—

(1) The contracting department/agency or the plant clearance officer determines that this method is essential to expeditious plant clearance;

(2) The sale is otherwise justified on the basis of circumstances listed in 245.7307-2;

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(3) The Government's interests are adequately protected; and

(4) FAR Subpart 1.7 requires are met.

(c) Non-competitive sales shall be at fair and reasonable prices not less than those reasonably expected under competitive sale.

#### **245.7307-2 Justification.**

(a) Conditions justifying non-competitive sales are—

(1) Scientific equipment allocated to terminated research and development contracts with educational institutions;

(2) No acceptable bids received under an advertised competitive sale;

(3) Property value so small that anticipated proceeds would not warrant formal competitive sale;

(4) Sale to States, territories, possessions, political subdivisions thereof, or tax-supported agencies therein, and the estimated fair market value of the property and other satisfactory terms of disposal are obtained;

(5) Specialized nature of the property would not create bidder interest;

(6) Removal of the property would reduce its value or result in disproportionate handling expenses; or

(7) Such action is essential to the Government's interests.

(b) The contracting department/agency will provide the contract administration office the sales justification and any special sales provisions when the department/agency decides to sell production equipment to the contractor by non-competitive sale.

#### **245.7308 Antitrust notification.**

(a) When contractor inventory with an estimated fair market value of \$3 million or more or any patents, processes, techniques, or inventions, regardless of cost, are sold or otherwise disposed of to private interests, notify the Attorney General and the General Services Administration (GSA) of the proposed terms and conditions of disposal. Submit the following information to the Department of Justice and the GSA through the contract administration agency channels. Report Control Symbol DD-ACQ(AR) 1492 applies.

(1) Location and description of property (specify tonnage if scrap);

(2) Proposed sale price (explain if the proposed purchaser was not highest bidder);

(3) Acquisition cost of property;

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- (4) Manner of sale, indicating whether by—
    - (i) Sealed bid (specify number of bidders solicited and bids received);
    - (ii) Auction or spot bid (state how sale was advertised); or
    - (iii) Negotiation (explain why property was not sold competitively);
  - (5) Proposed purchaser's name, address, and trade name (if any) under which proposed purchaser is doing business;
  - (6) If a corporation, provide state and date of incorporation, and name and address of—
    - (i) Each holder of 25 percent or more of the corporate stock;
    - (ii) Each subsidiary; and
    - (iii) Each company under common control with proposed purchaser;
  - (7) If a partnership, provide—
    - (i) Name and address of each partner; and
    - (ii) Other business connections of each partner;
  - (8) Nature of proposed purchaser's business (indicate whether its scope is local, statewide, regional, or national);
  - (9) Estimated dollar volume of sales of proposed purchaser (as of latest calendar or fiscal year);
  - (10) Estimated net worth of proposed purchaser; and
  - (11) Intended use of property.
- (b) Do not dispose of property until the Attorney General determines whether the proposed disposal action would tend to create or maintain a situation inconsistent with the antitrust laws.
- (c) If the Attorney General advises that the proposed disposition is inconsistent with the antitrust laws, do not continue with the proposed disposition.
- (d) Under non-competitive sales, the prospective purchaser shall be informed that final consummation of the sale is subject to determination by the Attorney General.
- (e) Under competitive or non-competitive sales, the purchaser is required to provide the information required in paragraph (a) of this subsection.

#### **245.7309 Mandatory terms and conditions—formal invitations.**

Sale by formal invitation shall include, as a minimum, the terms and conditions in this section.

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#### **245.7309-1 Inspection.**

The Bidder is invited to inspect the property prior to submitting a bid. Property will be available for inspection at the places and times specified in the Invitation. Failure to inspect property does not constitute grounds for the withdrawal of a bid after opening.

#### **245.7309-2 Condition and location of property.**

(a) Unless otherwise specifically provided in the Invitation, all property is offered for sale “as is” and “where is.” If the Invitation provides that the Contractor will load, then “where is” means f.o.b. conveyance at the point specified in the Invitation.

(b) The description is based on the best available information. However, the Contractor makes no warranty, express or implied, as to quantity, kind, character, quality, weight, size, or description of the property or its fitness for any use or purpose.

(c) Except as provided in Conditions 245.7306-8, Variations in Quantity or Weight, and 245.7306-10, Risk of Loss, no request for adjustment in price or for rescission of the sale will be considered. This is not a sale by sample.

#### **245.7309-3 Consideration of bids.**

(a) Bidder agrees that this bid is firm and irrevocable within the acceptance period specified in the Invitation (or, if not specified, not less than ten or more than 60 days).

(b) The right is reserved to reject any or all bids, to waive any technical defects in bids, and, unless otherwise specified in the offering or by the Bidder, to accept any one item or group of items in the bid. Unless the invitation provides otherwise, bids—

- (1) May be on any or all items;
- (2) Must be submitted on the unit basis specified for that item;
- (3) Must cover the total number of units designated for that item; and
- (4) Unit prices govern.

#### **245.7309-4 Payment.**

(a) Purchaser agrees to pay the full purchase price for awarded property at the prices quoted in the bid. Unless an adjustment is required pursuant to Condition 245.7306-8, Variations in Quantity or Weight, payment must be made within the time specified for removal and prior to delivery of any of the property. In the event that any adjustment is made, payment must be made immediately after such adjustment.

(b) The full purchase price, or balance if a bid deposit was required, shall be paid to the Contractor in cash or by certified check, cashier's check, traveler's check, bank

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draft, or postal or express money order. The Contractor is not required to extend credit to any purchaser.

(c) The Contractor reserves the right to apply any bid deposits made under this Invitation by a bidder against any amounts due under a contract awarded by the Contractor under this Invitation. If the total sum due to the contractor is less than the amount deposited with the bid, the difference shall be promptly refunded. Deposits accompanying bids which are not accepted shall be promptly returned.

#### **245.7309-5 Title.**

(a) Unless otherwise specified in the Invitation, title to property sold under this Invitation shall vest in the Purchaser when full payment is made. If the Invitation provides for loading by the Contractor, title shall not vest until payment and loading are completed.

(b) A Standard Form 97, Certificate of Release of a Motor Vehicle, (or a State certificate of title) shall be furnished for motor vehicles and motor-propelled or motor-drawn equipment requiring licensing.

#### **245.7309-6 Delivery and removal of property.**

(a) Unless otherwise specified in the Invitation, the Purchaser shall be entitled to obtain the property upon vesting of title in the Purchaser. Delivery shall be made at the designated location, and removal will be at the Purchaser's expense within the time frame specified in the Invitation or any additional time allowed by the Contractor.

(b) The Purchaser shall reimburse the Contractor for any damage to the Contractor's property caused by Purchaser's removal operations. If additional time is required to remove the property, the Contractor, without limiting any other rights, may require the Purchaser to pay reasonable storage charges.

#### **245.7309-7 Default.**

If the successful Bidder fails to make full payment, remove property by the specified date, or comply with any other terms and conditions of sale, the Contractor reserves the right to sell or otherwise dispose of any or all such property and to charge losses and incidental expenses to the defaulting Bidder. Bid deposits received (if required in the Invitation) shall be applied against such losses and expenses.

#### **245.7309-8 Variations in quantity or weight.**

When property is sold on a "unit price" basis, the Contractor reserves the right to vary by up to 15 percent the quantity or weight listed in the Invitation and the Purchaser agrees to accept delivery of any quantity or weight within these limits. The purchase price shall be adjusted in accordance with the unit price and on the basis of the quantity or weight delivered.

#### **245.7309-9 Weighing.**

(a) When weighing is necessary to determine the exact purchase price, the Purchaser shall arrange for and pay all weighing expenses. When removal is by truck, weighing shall be subject to supervision and accomplished on—



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- (1) Contractor scales;
- (2) Certified scales; or
- (3) Other scales acceptable to both parties.

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(b) When removal is by rail, weighing shall be on railroad scales or by other means acceptable to the railroad for freight purposes. The Purchaser shall pay switching charges.

#### **245.7309-10 Risk of loss.**

The Contractor is responsible for reasonable care and protection of the property until the date specified for removal. All risk of loss, damage, or destruction from any cause whatsoever shall be borne by the Purchaser after passage of title.

#### **245.7309-11 Liability.**

Contractor and Government liability, when liability has been established, shall not exceed the refund of any portion of the purchase price already received by the Contractor.

#### **245.7309-12 Oral statements.**

Any oral statement by the Contractor changing or supplementing the contract or any condition thereof is unauthorized.

#### **245.7309-13 Eligibility of bidders.**

The Bidder shall certify that the Bidder is not—

(a) A civilian employee of the Department of Defense or the U.S. Coast Guard whose duties include any functional or supervisory responsibility for disposal of contractor inventory;

(b) A member of the U.S. Armed Forces, including the Coast Guard, whose duties include any functional or supervisory responsibility for disposal of contractor inventory;

(c) An agent, employee or immediate member of the household of personnel in paragraphs (a) and (b).

#### **245.7309-14 Claims liability.**

The Purchaser or Bidder agrees to save the Contractor and Government harmless from any and all claims, demands, actions, debts, liabilities, judgments, costs, and attorney's fees arising out of, claimed on account of, or in any manner predicated upon loss of or damage to property of, and injuries to or the death of any and all persons whatsoever, in any manner caused or contributed to by the Purchaser or Bidder, their agents, servants or employees, while in, upon, or about the sale site on which the property sold or offered for sale is located, or while going to or departing from such areas; and to save the Contractor and Government harmless from and on account of damages of any kind which the Contractor may suffer as the result of the acts of any of the Purchaser's agents, servants, or employees while in or about the said sites.

#### **245.7310 Special term and conditions.**

When necessary, include the special conditions of this section in formal invitations.

#### **245.7310-1 Demilitarization.**

When demilitarization of property is required, whether on or off contractor or Government premises, the invitation must include the following clause:

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(a) DEMILITARIZATION. Item(s) \_\_\_\_\_ require demilitarization by the Purchaser in the manner and to the degree set forth below:

(1) For property located in the United States insert item number(s) and specific demilitarization requirements for item(s) shown in Attachment 1, Part 2 of Defense, Demilitarization Manual;

(2) For property located outside the United States, insert item number(s) and specific demilitarization requirements for item(s) shown in Attachment 1, Part 3 of DoD 4160.21-M-1, Defense Demilitarization Manual.

(b) DEMILITARIZATION ON GOVERNMENT PREMISES. Property requiring demilitarization shall not be removed, and title shall not pass to the Purchaser, until demilitarization has been completed and approved by an authorized Contractor and Government representative. Demilitarization will be accomplished as specified in the contract. Component parts vital to the military or lethal purpose of the property shall be rendered unusable. The Purchaser agrees to assume all cost incident to the demilitarization and to restore the working area to its present condition after removing the demilitarized property.

(c) DEMILITARIZATION ON NON-GOVERNMENT PREMISES. Property requiring demilitarization shall be demilitarized by the Purchaser under supervision of qualified Department of Defense personnel. Title shall not pass to the Purchaser until demilitarization has been completed by the Purchaser and approved by an authorized Contractor and Government representative. Demilitarization will be accomplished as specified in the contract. Component parts vital to the military or lethal purpose of the property shall be rendered unusable. The Purchaser agrees to assume all costs incident to the demilitarization.

(d) FAILURE TO DEMILITARIZE. If the Purchaser fails to demilitarize the property as specified in the contract, the Contractor may, upon giving ten days written notice from date of mailing to the Purchaser—

(1) Repossess, demilitarize, and return the property to the Purchaser. The Purchaser hereby agrees to pay to the Contractor, prior to the return of the property, all costs incurred by the Contractor in repossessing, demilitarizing, and returning the property to the Purchaser.

(2) Repossess, demilitarize, and resell the property, and charge the defaulting Purchaser with all excess costs incurred by the Contractor. The Contractor shall deduct these costs from the purchase price and refund the balance of the purchase price, if any, to the Purchaser. In the event the excess costs exceed the purchase price, the defaulting Purchaser hereby agrees to pay these excess costs to the Contractor.

(3) Repossess and resell the property under similar terms and conditions. In the event this option is exercised, the Contractor shall charge the defaulting Purchaser with all excess costs incurred by the Contractor. The Contractor shall deduct these excess costs from the original purchase price and refund the balance of the purchase price, if any, to the defaulting Purchaser. Should the excess costs to the Contractor exceed the purchase price, the defaulting Purchaser hereby agrees to pay these excess costs to the Contractor.

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### **245.7310-2 Performance bond.**

Performance bonds are required when work, other than loading, is to be performed by the purchaser and a bond is considered necessary to ensure performance. Generally, performance bonds shall be 100 percent of the estimated cost of the work to be performed. If a 100 percent performance bond would be disadvantageous to the Contractor or to the Government, the amount may be reduced to not less than 50 percent of the estimated cost of the work. Include the following condition when performance bonds are required:

#### PERFORMANCE BOND

Within ten days after notice of award, the Purchaser shall furnish a performance bond in the sum of \$\_\_\_\_\_ to cover the Purchaser's obligations. Such bond shall remain in full force and effect during the term of the contract and any extensions as may be agreed upon. The Purchaser shall not be permitted to begin performance until the bond has been received.

### **245.7310-3 Liability and insurance.**

When the work to be performed by the purchaser warrants, use the following:

#### LIABILITY AND INSURANCE

The Purchaser shall at the Purchaser's own expense purchase and maintain during the term of the contract insurance as follows:

(a) Standard workers' compensation and employer's liability insurance required under State and Federal statutes. However, the Contractor may waive this requirement upon receipt of satisfactory evidence that the Purchaser is qualified as a self-insurer under applicable provisions of law.

(b) Bodily injury liability insurance in an amount not less than \$300,000 for any one occurrence; and

(c) Property damage liability insurance.

### **245.7310-4 Dangerous property.**

The following warning shall be included when it cannot be certified that the property is completely harmless:

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### DANGEROUS PROPERTY

Purchasers are warned that the property purchased may contain items of an explosive, toxic, or inflammable nature, notwithstanding reasonable care exercised by the Contractor to render the property harmless. The Contractor and the Government assume no liability for damage to the property of the Purchaser, or for personal injuries or disabilities to the Purchaser or the Purchaser's employees, or to any other person, arising from or incident to the purchase of the property, or its use or disposition by the Purchaser. The Purchaser shall save the Contractor and the Government harmless from any and all such claims.

#### **245.7310-5 Controlled substances.**

The sale of controlled substances, e.g., narcotics, stimulants, depressants, or hallucinogenic drugs, shall be subject to the following special conditions:

- (a) CONTROLLED SUBSTANCES.  
Bids will be rejected unless the Bidder submits the following certification with its bid:  
“The undersigned represents and warrants that it is registered under The Comprehensive Drug Abuse Prevention and Control Act of 1970, and is authorized under the law and by the Attorney General, U.S. Department of Justice (Bureau of Narcotics and Dangerous Drugs) to buy controlled substances as a medical practitioner, dealer or manufacturer of controlled substances.”
- (b) NARCOTIC DRUGS AND CHEMICALS.  
Bids will be rejected unless the Bidder submits the following certification with its bid:  
“The undersigned represents and warrants that it is registered under Federal narcotics laws and is authorized by law and by the Bureau of Narcotics, United States Treasury Department, as a manufacturer of narcotics.”

#### **245.7310-6 Radioactive material.**

The following shall be used whenever the property offered for sale is capable of emitting ionized radiation:

### RADIOACTIVE MATERIAL

Purchasers are warned that the property may be capable of emitting ionized radiation. The Contractor and the Government assume no liability for damage to the property of the Purchaser, or for personal injuries or disabilities to the Purchaser or the Purchaser's employees, or to any other person arising from or incident to the purchase of the property or its use or disposition by the Purchaser. The Purchaser shall hold the Contractor and the Government harmless from all such claims.

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The Purchase should warn possessors or users of the property that it may be capable of emitting ionized radiation.

### **245.7310-7 Scrap warranty.**

The following condition shall be used whenever property, other than production scrap, is offered for sale as scrap:

#### SCRAP WARRANTY

The Purchaser represents and warrants that the property will be used only as scrap, and will not be resold until—

- (a) Scrapping has been accomplished; or
- (b) The Purchaser obtains an identical warranty from any subsequent purchaser.

### **245.7310-8 Antitrust clearance.**

When property with an acquisition cost of \$3 million or more is to be sold, include the following in the invitation:

#### ANTITRUST

When the property offered for sale has an acquisition cost of \$3 million or more, or consists of patents, processes, techniques, or inventions, irrespective of cost, the successful Bidder shall be required to furnish additional information and shall allow up to 60 days for acceptance of its bid. Award shall be made only upon advice from the Department of Justice that the proposed sale would not create or maintain a situation inconsistent with the antitrust laws.

### **245.7311 Optional conditions.**

The following special conditions of sale may be added at the option of the contractor:

#### **245.7311-1 Sales and use tax liability.**

For purchases of property subject to a state sales or use tax, a special condition of sale may stipulate that the Purchaser shall pay and the Contractor shall collect the amount of the tax, which shall be itemized separately on the billing document.

#### **245.7311-2 Safety, security, and fire regulations.**

#### **245.7311-3 Bid deposits.**

#### **245.7311-4 Other special conditions.**

Other special conditions considered necessary by the Contractor are subject to the prior approval of the plant clearance officer. Approval will normally be granted provided the prescribed conditions of sale are not altered or affected and the interest of the Government is not adversely affected.