



U.S. Department  
of Transportation  
**Federal Highway  
Administration**

# Memorandum

Washington, D.C. 20590

Subject: Price Adjustment Contract Provisions

Date: AUG 21 1990

From: Associate Administrator for  
Engineering and Program Development

Reply to  
Attn. of: HHO-32

To: Regional Federal Highway Administrators  
Division Administrators  
Federal Lands Highway Program Administrator

We are again facing the possibility of oil shortages and price uncertainties because of the unrest in the Middle East. The oil embargoes of 1973, 1974, and 1979, led to price speculation and inflated prices for fuel and asphalt products. This resulted in significant problems for contractors in preparing realistic bids. The use of price adjustment clauses in contracts provided a mechanism to transfer the risk in bidding from the contractors to the contracting agencies.

Our basic guidance relative to price adjustment is contained in the Technical Advisory (TA) "Development and Use of Price Adjustment Contract Provisions" T 5080.3, dated December 10, 1980. Most State highway agencies (SHAs) developed provisions during past oil shortage periods. These States should review their provisions to ensure they are still current and that the price indexes previously used are still available.

The TA lists several sources of price information. The following corrections should be made to that list;

- (a) The Bureau of Labor Statistics monthly publication is now entitled Producer Price Indexes and may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Diskettes are also available, for information call the Office of Publications, Bureau of Labor Statistics, (202) 523-1090.
- (b) The Oil Daily may be obtained from the Oil Daily Co., 1401 New York Avenue N.W., Washington, D.C. 20005.
- (c) The U.S. Oil Week may be obtained from Capitol Publications, 1101 King Street, P.O. Box 1454, Alexandria, Virginia 22313-2054.

States should consider the need to place price adjustment provisions in projects presently being developed. Projects which have been authorized for letting but have not received bids may be considered for addendum. No action should be taken on projects which have been awarded. Although there may be projects currently under construction that are being affected by increased fuel and/or asphalt prices, no action is proposed at this time until the price impact can be fully addressed.

To afford the division offices and SHAs the maximum amount of time to evaluate their projects, copies of this memorandum are being sent directly to each division. If you have any questions regarding this matter, please contact Mr. David Geiger at FTS 366-0355.

A handwritten signature in black ink, appearing to read "A R Kane", with a long horizontal flourish extending to the right.

Anthony R. Kane