



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

17 APR 2003

OFFICE OF THE ASSISTANT SECRETARY

Contract Policy Memo 03-C-01

MEMORANDUM FOR ALMAJCOM/FOA/DRU (CONTRACTING)

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Use of Award Term Contract Arrangements

This memorandum rescinds SAF/AQC Policy Memo 02-C-01, dated 6 Mar 02. The policy memo placed restrictions on the use of Award Term contract arrangements pending discussions with SAF/GCQ to develop guidance to address issues related to contract length and fiscal law. SAF/AQC completed discussions with SAF/GCQ and concluded that award term incentives can be used effectively on any contract type, if properly structured.

The Air Force supports the use of non-cost incentives, such as Award Term and Incentive Options. To structure a non-cost incentive effectively, language in a contract must not create a contractual entitlement for the contractor in the advance of funds. Regardless of the type of non-cost incentive selected, the contract language must ensure that the "rights of the parties" are clear regarding entitlement.

Guidance for structuring Award Terms is in SAF/AQC's Award Term guide. The guide is posted under the SAF/AQC contracting toolkit, Part 17, <http://www.safaq.hq.af.mil/contracting/toolkit>.

Contracting Officers should continue to work closely with their local Staff Judge Advocate (SJA) and MAJCOM contracting staff when formulating acquisition strategies that include non-cost incentives. The SAF/AQC point of contact for award term is Major George Budz, SAF/AQCP, DSN 425-7072, Comm (703) 588-7072, e-mail george.budz@pentagon.af.mil.

A handwritten signature in black ink that reads "Maureen M. Clay".

MAUREEN M. CLAY, Col, USAF
Associate Deputy Assistant
Secretary (Contracting)
Assistant Secretary (Acquisition)