



DEPARTMENT OF THE NAVY  
NAVAL FACILITIES ENGINEERING COMMAND  
WASHINGTON NAVY YARD  
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WASHINGTON, DC 20374-5065

IN REPLY REFER TO  
ACQ 023F  
2 Dec 98

MEMORANDUM FOR DISTRIBUTION

Subj: MINIMUM GUARANTEE IN INDEFINITE QUANTITY CONTRACTS FOR  
MULTIPLE TASK ORDER CONTRACTING (98-61)

Ref: (a) FAR 16.500  
(b) FAR 16.504(a)(2)

1. The implementation of the Federal Acquisition Streamlining Act through reference (a) encouraged (directed) the use of task order contracts awarded to multiple offerors. Multiple task order contracting is currently being utilized under Indefinite Delivery-Indefinite Quantity (IDIQ) type contracts. The initial basic contract is competitively awarded to multiple contractors who provide the "best value" to the Government. These contractors then compete among themselves on individual task orders.

2. For IDIQ contracts, reference (b) requires that "to ensure that the contract is binding, the minimum quantity must be more than a nominal quantity." This "minimum guarantee" recognizes the fact that, on most IDIQ contracts, a contractor will usually require substantial investment such as standing up production lines for supplies, provision of hardware and software for estimating JOC work, or establishing a separate program management office to manage a RAC contract. In these instances, a minimum guarantee commensurate with the degree of up-front investment is warranted.

3. NAVFAC's current multiple award construction indefinite quantity contracts (SOCs, TOCs, etc.) require no significant up front investment on the part of the successful contractors. In consideration for the restricted bidding environment, contractors simply agree to submit offers on future task orders. This effort is no more than would be required had these task orders been solicited as separate contracts. These contractors have the benefit of competing for future task orders in a very limited field of competitors. This increases their chances of acquiring work and significantly reduces their administrative costs. This is adequate consideration to meet the intent of the minimum guarantee noted in reference (b).

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4. As always, in determining what consideration is necessary to comply with reference (b), contracting officers shall use reasoned judgment in evaluating the circumstances surrounding their specific procurement.

A handwritten signature in black ink, appearing to read "Robert R. Boyer". The signature is written in a cursive style with a large initial 'R'.

ROBERT R. BOYER  
Director, Acquisition