



U.S. Department
of Transportation

**Federal Highway
Administration**

File 7351
Memorandum

Washington, D.C. 20590

Subject: Florida - Consultant Service Contracts
Incentive-Disincentive (I/D) clauses

Date: JAN 22 1988

From: Director, Office of Engineering

Reply to
Attn of: HNG-11

To: Mr. Leon N. Larson
Regional Federal Highway Administrator (HEO-04)
Atlanta, Georgia

Your December 29, 1987, office memorandum submitted a request from the Florida Division Office to confirm its position that the State not be allowed to include an I/D clause in its consultant service contracts. The division office issued its position based on the advice (I/D clauses should not be included in consultant service contracts) provided in an informal discussion between your office, the division office and HNG-11.

One of our major roles in carrying out the Federal-aid highway program is to make sure that Federal funds are effectively used and not wasted. While we allow I/D clauses in competitively bid "critical" construction contracts where traffic inconveniences are to be held to a minimum, we do not allow them to be routinely placed in all construction contracts. Therefore, the State's proposal to include an I/D clause as a standard provision in the Scope of Services for all consultant service contracts is not acceptable.

The criteria making I/D clauses acceptable on "critical" construction projects does not exist in consultant service contracts. The State surely sets the completion dates for its consultant service contracts early enough to ensure that the plans will be completed in sufficient time to meet specific letting dates. Therefore, there would be no benefit to the State or the public to receive these plans earlier since they would only sit "on the shelf" until the scheduled letting date. If the State wants the plans for some "critical" design contracts completed as early as possible, then it should set the contract completion dates for shorter than normal time periods and let the consultant price the work accordingly.

The State has not provided any information to show any benefits or reasons to justify including I/D clauses in its consultant service contracts. Therefore, I/D clauses should not be used in Federal-aid participating consultant service contracts.

Thomas O. Willett

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Federal Highway Administration
HNG-11:KBorkenhagen:emy:366-4630:1-15-88
cc: HED-1 HNG-1 HNG-10 HNG-11
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