Unit Price Contracts

Introduction

This section explains unit price contracts. This type of contract is used when:

- the requirements for services are clearly defined, but
- the total demand for services is not certain, and
- a legal commitment for the services is required.

Unit price contracts may be used for routine contracted service requirements, where the total value of the contract can be calculated by multiplying identical units of work by a fixed unit price.

This type of contract can be confused with \textit{Standing Offer Agreements}. While a \textit{Standing Offer} can provide for unit pricing, it generally is structured as a pricing agreement that provides prices or a pricing formula for a range of goods or services. \textit{Standing Offers} may be available for use by many departments and may be non-exclusive. Unit price contracts must always be awarded to the lowest responsible and responsive bidder.

Purpose

Generally, a unit price contract will not be used to cover a wide range of services of a similar nature, but may be appropriate when a specific service is required for a defined period of time. In such cases, the total amount of work may not be known.

They may also be appropriate for reoccurring requirements that are supplied on a routine, automatic basis, such as heating fuel deliveries.
Restrictions

It is important that the scope of the intended service requirements be clearly defined. The contractor should know exactly what the contract covers. For example, if a contract is established for routine servicing of vehicles, such as oil changes, etc., then the description of the requirements should explicitly describe the work, and indicate that other related work is not covered.

Contracting Methods

Establishing Unit Price Contracts

The establishment of unit price contracts should be subsequent to the competitive bidding process unless the requirement meets the criteria for sole source contracts.

The following supplementary terms may be included, as appropriate, in tenders for unit price contracts:

- The amount or volume of work provided in the “Description of Work Required” is an estimate only and is made in good faith. However, the GNWT is not bound by such an estimate, and the actual work to be performed is limited solely to that specifically requested by the GNWT. Similar work not provided for in this contract will not form part of this contract.

- Any request for service made by the GNWT to the Contractor will be made in the manner set out in the “Description of Work Required”.

- The Contractor is required to respond to requests for service within 24 hours or sooner as requested by the Contract Authority. If the Contractor is unwilling or unable to respond to service requests in the manner required, the GNWT reserves the option of making any other arrangement that the GNWT deems appropriate to provide the service, and may consider the Contractor in default and terminate the contract.

- The contract pricing shall be inclusive of all wages, allowances, supervision, insurance, WCB assessments, minor
shop materials, tools, tackle, local transportation, overhead, profit, and any charges associated with providing the service after normal business hours.

**Commitment of Funds**

When contemplating the establishment of a unit price contract, an estimate of the amount of work and associated materials is required. This estimate is incorporated into the *Request for Tenders*, and forms the basis of a financial commitment of funds.

Note: The estimate of work used in establishing a unit price contract is usually based on past history and the current condition of the assets being maintained. This figure is used simply to provide the bidders with a reasonably accurate estimate of the work and forms the basis of the financial commitment of funds to be used to pay the contractor’s invoices. This is not the contract amount. The ultimate contract amount is the sum of all work undertaken during the term of the contract.

**Obligations**

If unit price contracts are established to provide for routine service requirements or emergencies, there is no commitment to provide a fixed amount of work to the contractor. However, there is a clear legal obligation to employ the successful contractor for the work contemplated, unless the contractor is unavailable or unwilling to do the work.