



Program Statement

OPI: FPI/RAC
NUMBER: P8224.03
DATE: 8/2/2006
SUBJECT: Pricing Procedures -
FPI

1. **PURPOSE AND SCOPE.** To update pricing procedures for FPI products. FPI's pricing objective is to support its operations with adequate earnings, while providing good value to the Federal government customer.

The statutory language in 18 U.S.C. § 4121 et seq. requires that Federal agencies must purchase those goods available from UNICOR as listed in the Federal Prison Industries, Inc. (FPI) Schedule of Products at not to exceed current market prices. Recent legislation, the National Defense Authorization Acts of Fiscal Years 2002 and 2003, Sections 811 and 819, respectively, and the Consolidated Appropriations Act for Fiscal Year 2005, Section 637 of Division H, require that FPI's items be comparable to items available from the private sector on the basis of price, quality, and delivery. In addition, FPI's Board of Directors has adopted a resolution that FPI must match the prices of comparable private sector products or waive its mandatory source.

2. **SUMMARY OF CHANGES.** This Program Statement reflects changes to Federal Acquisition Regulation (FAR) Subpart 8.6, and the resulting change in FPI's pricing strategies.

3. **PROGRAM OBJECTIVE.** The expected result of this program is:

FPI's items will be priced competitively in order for FPI to continue to be self-sufficient.

4. **DIRECTIVES AFFECTED**

a. **Directive Rescinded**

P8224.02 Pricing Procedures, FPI (6/13/01)

b. **Directives Referenced**

Federal Acquisition Regulation (FAR), Subpart 8.6,
Acquisition from Federal Prison Industries
U.S. Department of Justice, Office of Legal Counsel Opinion
re: Application of the FAR to Federal Prison Industries
(9/13/93)
United States General Accounting Office Report GAO/GGD-98-
151 to Congressional Requesters: Federal Prison Industries
Information on Product Pricing (8/24/98)
National Defense Authorization Act for Fiscal Year 2002,
Section 811 (12/28/2001)
National Defense Authorization Act for Fiscal Year 2003,
Section 819 (12/3/2002)
Consolidated Appropriations Act for Fiscal Year 2005,
Section 637 of Division H (4/11/05)

5. **STANDARDS REFERENCED.** None

6. **RESPONSIBILITIES.** The changes in laws and regulation, along with the Board's resolution on pricing, have shifted the responsibilities and strategies on pricing. Now, Federal agency customers must conduct market research to determine whether FPI's prices are comparable to those the private sector offers. A customer's affirmative determination maintains FPI's mandatory source status. A negative determination results in FPI being required to compete for the product sale.

Thus, in order to demonstrate that FPI's product prices do "not exceed current market price," FPI's pricing must focus on ensuring that its prices are, at least, comparable to those the private sector offers that best meet the government's needs. Beyond that, FPI must anticipate that there will be instances when Federal customers determine its prices are not comparable, and, therefore, FPI must compete on the basis of price in a competitive solicitation process.

General Managers are responsible for establishing prices for their business groups which result in prices that are not only comparable to, but also competitive with, private sector prices.

/s/
Harley G. Lappin
Director