c) a realistic estimate of the material prices and labour and overhead rates applicable during the contract period can be made.

The following conditions apply to Firm Price contracts.

The supplier will be obliged to complete all the work and provide all of the deliverables identified in the contract and will be paid the agreed upon, firm price subject to satisfactory completion of the work.

In such cases, it means that both parties must agree prior to the award of the contract, as to the price payable thereunder.

For Firm Price contracts use the following clause:

Expenditure, Limitation of Firm Price

No increase in the total liability of Canada or in the price of supplies resulting from any design changes, modifications or interpretation of specifications, made by the Contractor, will be authorised or paid to the Contractor unless such design changes, modifications or interpretations, have been approved by the Minister prior to their incorporation in the Work.

Limitation Contracts

Limitation of Expenditure should be used whenever the requirement/statement of work is not well defined. Contracts with a fixed time rate basis of payment which do not include a ceiling price, must include a limitation of the Government's liability.

The following conditions shall apply to Limitation of Expenditure contracts. The Contractor shall not:

-be obliged to perform any work or services which would cause the total cost to exceed the limitation set out in the contract, unless an increase is so authorised in writing;

-make any design change, modification or interpretation of the specifications which would cause the total liability of Her Majesty to exceed the Limitation set out in the contract, unless otherwise authorised in writing by the client prior to the work or modifications to the work being done. If at any time the Contractor considers that the cost to Her Majesty under this contract will exceed 75 percent of the said sum, the Contractor shall notify the client to that effect and the Contractor shall