FEDCON Analyzes Executive Order 14402 and the Shift to Fixed-Price Federal Contracts

FEDCON analyzes the practical impacts, budget advantages, and implementation challenges of federal fixed-price requirements for contractors and agencies

FEDCON, No Nonsense Contract Consulting



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TAMPA, FL, UNITED STATES, September 24, 2026 /EINPresswire.com/ -- FEDCON (Federal Endowment Directing Consultants), a Tampa-based federal contracting consulting firm, today released an analysis of how Executive Order 14402 is changing federal contracting as agencies put it into practice.

Signed April 30, 2026, "Promoting Efficiency, Accountability, and Performance in Federal Contracting" makes fixed-price (FP) contracts the default for federal procurement. Agencies must now justify cost-reimbursement, time-and-materials (T&M), and labor-hour contracts in writing, with agency-head approval above set thresholds. The order also directed each agency to review its 10 largest non-fixed-price contracts and seek to restructure them.
The policy moves the cost of overruns from taxpayers to vendors. Agencies get predictable budgets and simpler oversight. Small and mid-sized contractors take on the pricing risk.

What Works in Fixed-Price Contracting

-Budget certainty. Total cost is set at award, which protects agency budgets from overruns.

-Less administrative load. Fewer DCAA cost audits and timesheet reviews free up contracting officers (COs) and contractor compliance teams to focus on delivery.

-Rewards for efficiency. Contractors who streamline their processes or finish early keep the

savings.

-Clearer requirements. Agencies must define the Statement of Work (SOW) and performance milestones before award, which reduces post-award disputes.

Where the Risk Lands

Fixed pricing works when the scope is known upfront. Emerging software, advanced defense systems, and R&D rarely meet that bar.

-Full risk transfer. On high-uncertainty work, the contractor absorbs supply chain inflation, scope changes, and delays. The lumber price spike of 2020 and 2021 showed how fast materials costs can outrun a fixed bid.

-Higher bids. Experienced contractors build contingency into their pricing, which can raise the government's upfront cost.

-Slow change management. When requirements shift mid-project, Requests for Equitable Adjustment (REAs) and change orders add legal cost and delay delivery.

-Exposure for small firms. A large prime can spread an overrun across a broad portfolio. A small business with one or two major contracts may not survive it.

Even the largest contractors feel it. In 2018, Boeing signed a $3.9 billion fixed-price contract to build the next Air Force One. Design changes, wiring rework, corrosion, and schedule delays have since cost the company more than $2.8 billion in losses, and first delivery has slipped years past the original date.
"Fixed pricing holds contractors accountable, and that's good for taxpayers," said Brad Egbert, CEO of FEDCON. "But it assumes everyone knows exactly what the work is on day one. In fast-moving areas like AI and custom software, that assumption breaks down. Small businesses need to price that risk honestly before they bid, not after they win."

What FEDCON Recommends

Agencies should use the order's existing exceptions for R&D and early developmental work where scope can't be defined upfront, rather than forcing fixed pricing onto work that isn't ready for it.
Contractors should build contingency and Economic Price Adjustment clauses into their pricing where materials are volatile. They should also put scope-control and contract modification processes in place before award, not after the first change order arrives. Firms holding cost-type contracts should expect agencies to propose fixed-price modifications and review their current terms before negotiating.

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