

## 31.205-17 Idle facilities and idle capacity costs.

(a) *Definitions.* As used in this subsection-

*Costs of idle facilities or idle capacity* means *costs* such as maintenance, repair, housing, rent, and other related *costs*; *e.g.*, property taxes, *insurance*, and *depreciation*.

*Facilities* means plant or any portion thereof (including land integral to the operation), equipment, individually or collectively, or any other *tangible capital asset*, wherever located, and whether owned or leased by the contractor.

*Idle capacity* means the unused capacity of partially used *facilities*. It is the difference between that which a facility could achieve under 100 percent operating time on a one-shift basis, less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period. A multiple-shift basis *may* be used in the calculation instead of a one-shift basis if it can be shown that this amount of usage could normally be expected for the type of facility involved.

*Idle facilities* means completely unused *facilities* that are excess to the contractor's current needs.

(b) The *costs of idle facilities* are unallowable unless the *facilities*-

(1) Are necessary to meet fluctuations in workload; or

(2) Were necessary when acquired and are now idle because of changes in requirements, production economies, reorganization, termination, or other causes which could not have been reasonably foreseen. (*Costs of idle facilities* are allowable for a reasonable period, ordinarily not to exceed 1 year, depending upon the initiative taken to use, lease, or dispose of the *idle facilities* (but see [31.205-42](#))).

(c) *Costs of idle capacity* are *costs* of doing business and are a factor in the normal fluctuations of usage or overhead rates from period to period. Such *costs* are allowable provided the capacity is necessary or was originally reasonable and is not subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics, or security practices. Widespread *idle capacity* throughout an entire plant or among a group of assets having substantially the same function *may* be *idle facilities*.

(d) Any *costs* to be paid directly by the Government for *idle facilities* or *idle capacity* reserved for defense mobilization production *shall* be the subject of a separate agreement.

**Parent topic:** [31.205 Selected costs.](#)