48.104-2 Sharing acquisition savings.

(a) Supply or service contracts.

(1) The *sharing base* for *acquisition savings* is the number of affected end items on contracts of the *contracting office* accepting the VECP. The sharing rates (Government/contractor) for *net acquisition savings* for *supplies* and services are based on the type of contract, the *value engineering* clause or *alternate* used, and the type of savings, as follows:

Government/Contractor Shares of *Net Acquisition Savings* (Figures in Percent)

Contract Type	Sharing Agreement			
	Incentive (Voluntary)		Program Requirement (Mandatory)	
	Instant contract rate	Concurrent and future contract rate	*Instant contract* rate	Concurrent and future contract rate
Fixed-price (includes fixed-price-award-fee; excludes other fixed-price incentive contracts)	*50/50	*50/50	75/25	75/25
Incentive (fixed-price or cost) (other than award fee)	(**)	*50/50	(**)	75/25
Cost-reimbursement (includes cost-plus-award-fee; excludes other cost-type incentive contracts)	***75/25	***75/25	85/15	85/15

* The *contracting officer may* increase the contractor's sharing rate to as high as 75 percent for each VECP. (See 48.102(g) (1) through (7).)

** Same sharing arrangement as the contract's profit or fee adjustment formula.

*** The *contracting officer may* increase the contractor's sharing rate to as high as 50 percent for each VECP. (See 48.102(g) (1) through (7).)

(2) *Acquisition savings may* be realized on the *instant contract*, concurrent contracts, and future contracts. The contractor is entitled to a percentage share (see paragraph (a)(1)) of any *net*

acquisition savings. *Net acquisition savings* result when the total of *acquisition savings* becomes greater than the total of *Government costs* and any *negative instant contract savings*. This *may* occur on the *instant contract* or it *may* not occur until reductions have been negotiated on concurrent contracts or until future contract savings are calculated, either through lump-sum payment or as each future contract is awarded.

(i) When the *instant contract* is not an incentive contract, the contractor's share of *net acquisition savings* is calculated and paid each time such savings are realized. This *may* occur once, several times, or, in rare cases, not at all.

(ii) When the *instant contract* is an incentive contract, the contractor shares in *instant contract* savings through the contract's incentive structure. In calculating *acquisition savings* under incentive contracts, the *contracting officer shall* add any *negative instant contract savings* to the target cost or to the target price and ceiling price and then offset these *negative instant contract savings* and any *Government costs* against concurrent and future contract savings.

(3) The contractor shares in the savings on all affected *units* scheduled for delivery during the *sharing period*. The contractor is responsible for maintaining, for 3 years after final payment on the contract under which the VECP was accepted, records adequate to identify the first delivered *unit* incorporating the applicable VECP.

(4) Contractor shares of savings are paid through the contract under which the VECP was accepted. On incentive contracts, the contractor's share of concurrent and future contract savings and of *collateral savings shall* be paid as a separate firm-fixed-price *line item* on the *instant contract*.

(5) Within 3 months after concurrent contracts have been modified to reflect price reductions attributable to use of the VECP, the *contracting officer shall* modify the *instant contract* to provide the contractor's share of savings.

(6) The contractor's share of future contract savings *may* be paid as subsequent contracts are awarded or in a lump-sum payment at the time the VECP is accepted. The lump-sum method *may* be used only if the *contracting officer* has established that this is the best way to proceed and the contractor agrees. The *contracting officer* ordinarily *shall* make calculations as future contracts are awarded and, within 3 months after award, modify the *instant contract* to provide the contractor's share of the savings. For future contract savings calculated under the optional lump-sum method, the *sharing base* is an estimate of the number of items that the *contracting officer* will purchase for delivery during the *sharing period*. In deciding whether or not to use the more convenient lump-sum method for an individual VECP, the *contracting officer shall* consider-

(i) The accuracy with which the number of items to be delivered during the *sharing period* can be estimated and the probability of actual production of the projected quantity;

(ii) The availability of funds for a lump-sum payment; and

(iii) The administrative expense of amending the *instant contract* as future contracts are awarded.

(b) *Construction contracts.* Sharing on *construction* contracts applies only to savings on the *instant contract* and to *collateral savings*. The Government's share of savings is determined by subtracting *Government costs* from *instant contract* savings and multiplying the result by (1)45 percent for fixed-price contracts or (2)75 percent for cost-reimbursement contracts. *Value engineering* sharing does not apply to incentive *construction* contracts.

Parent topic: [48.104 Sharing arrangements.]