

## 15.407-2 Make-or-buy programs.

(a) *General.* The prime contractor is responsible for managing contract performance, including planning, placing, and administering *subcontracts* as necessary to ensure the lowest overall cost and technical risk to the Government. When *make-or-buy programs* are required, the Government *may* reserve the right to review and agree on the contractor's *make-or-buy program* when necessary to ensure negotiation of reasonable contract *prices*, satisfactory performance, or implementation of socioeconomic policies. *Consent to subcontracts* and review of contractors' purchasing systems are separate actions covered in [part 44](#).

(b) *Definition.* "Make item," as used in this subsection, means an item or work effort to be produced or performed by the prime contractor or its *affiliates*, subsidiaries, or divisions.

(c) *Acquisitions requiring make-or-buy programs.*

(1) *Contracting officers may* require prospective contractors to submit *make-or-buy program* plans for negotiated *acquisitions* requiring *certified cost or pricing data* whose estimated value is \$15 million or more, except when the proposed contract is for research or development and, if prototypes or hardware are involved, no significant follow-on production is anticipated.

(2) *Contracting officers may* require prospective contractors to submit *make-or-buy programs* for negotiated *acquisitions* whose estimated value is under \$15 million only if the *contracting officer-*

(i) Determines that the information is necessary; and

(ii) Documents the reasons in the contract file.

(d) *Solicitation requirements.* When prospective contractors are required to submit proposed *make-or-buy programs*, the *solicitation shall* include-

(1) A statement that the program and required supporting information *must* accompany the *offer*; and

(2) A description of factors to be used in evaluating the proposed program, such as capability, capacity, availability of small, small disadvantaged, women-owned, veteran-owned, *HUBZone*, and service-disabled veteran-owned small business concerns for subcontracting, establishment of new facilities in or near *labor surplus areas*, delivery or performance schedules, control of technical and schedule interfaces, proprietary processes, technical superiority or exclusiveness, and technical risks involved.

(e) *Program requirements.* To support a *make-or-buy program*, the following information *shall* be supplied by the contractor in its proposal:

(1) *Items and work included.* The information required from a contractor in a *make-or-buy program shall* be confined to those major items or work efforts that normally would require company management review of the make-or-buy decision because they are complex, costly, needed in large quantities, or require additional equipment or real property to produce. Raw materials, *commercial products*, *commercial services* (see [2.101](#)), and off-the-shelf items (see [46.101](#)) *shall* not be included, unless their potential impact on contract cost or schedule is critical. Normally, *make-or-buy programs should* not include items or work efforts estimated to cost less than 1 percent of the total

estimated contract *price* or any minimum dollar amount set by the agency.

(2) The *offeror's* program *should* include or be supported by the following information:

(i) A description of each major item or work effort.

(ii) Categorization of each major item or work effort as "*must make*," "*must buy*," or "can either make or buy."

(iii) For each item or work effort categorized as "can either make or buy," a proposal either to "make" or to "buy."

(iv) Reasons for categorizing items and work efforts as "*must make*" or "*must buy*," and proposing to "make" or to "buy" those categorized as "can either make or buy." The reasons *must* include the consideration given to the evaluation factors described in the *solicitation* and *must* be in sufficient detail to permit the *contracting officer* to evaluate the categorization or proposal.

(v) Designation of the plant or division proposed to make each item or perform each work effort, and a statement as to whether the existing or proposed new facility is in or near a *labor surplus area*.

(vi) Identification of proposed subcontractors, if known, and their location and size status (also see [subpart 19.7](#) for subcontracting plan requirements).

(vii) Any recommendations to defer make-or-buy decisions when categorization of some items or work efforts is impracticable at the time of submission.

(viii) Any other information the *contracting officer* requires in order to evaluate the program.

(f) *Evaluation, negotiation, and agreement.* *Contracting officers shall* evaluate and negotiate proposed *make-or-buy programs* as soon as practicable after their receipt and before contract award.

(1) When the program is to be incorporated in the contract and the design status of the product being acquired does not permit accurate precontract identification of major items or work efforts, the *contracting officer shall* notify the prospective contractor *in writing* that these items or efforts, when identifiable, *shall* be added under the clause at [52.215-9](#), Changes or Additions to *Make-or-Buy Program*.

(2) *Contracting officers* normally *shall* not agree to proposed "make items" when the *products* or services are not regularly manufactured or provided by the contractor and are available-quality, quantity, delivery, and other essential factors considered-from another firm at equal or lower *prices*, or when they are regularly manufactured or provided by the contractor, but are available-quality, quantity, delivery, and other essential factors considered-from another firm at lower *prices*. However, the *contracting officer may* agree to these as "make items" if an overall lower Governmentwide cost would result or it is otherwise in the best interest of the Government. If this situation occurs in any fixed-*price* incentive or cost-plus-incentive-fee contract, the *contracting officer shall* specify these items in the contract and state that they are subject to paragraph (d) of the clause at [52.215-9](#), Changes or Additions to *Make-or-Buy Program* (see [15.408\(a\)](#)). If the contractor proposes to reverse the categorization of such items during contract performance, the contract *price shall* be subject to equitable reduction.

(g) *Incorporating make-or-buy programs in contracts.* The *contracting officer may* incorporate the *make-or-buy program* in negotiated contracts for-

- (1) *Major systems* (see [part 34](#)) or their subsystems or *components*, regardless of contract type; or
- (2) Other *supplies* and services if-
  - (i) The contract is a cost-reimbursable contract, or a cost-sharing contract in which the contractor's share of the cost is less than 25 percent; and
  - (ii) The *contracting officer* determines that technical or cost risks justify Government review and approval of changes or additions to the *make-or-buy program*.

**Parent topic:** [15.407 Special cost or pricing areas](#).