48.104-3 Sharing collateral savings.

(a) The Government shares *collateral savings* with the contractor, unless the *head of the contracting activity* has determined that the cost of calculating and tracking *collateral savings* will exceed the benefits to be derived (see 48.201(e)).

(b) The contractor's share of *collateral savings may* range from 20 to 100 percent of the estimated savings to be realized during a typical year of use but *must* not exceed the greater of-

(1) The contract's firm-fixed-price, target price, target cost, or estimated cost, at the time the VECP is accepted; or

(2) $100,000.

(c) The *contracting officer must* determine the sharing rate for each VECP.

(d) In determining *collateral savings*, the *contracting officer must* consider any degradation of performance, service life, or capability.

Parent topic: 48.104 Sharing arrangements.