335.070-2 Amount of cost-sharing.

When cost-sharing is appropriate, the contracting officer shall use the following guidelines to determine the amount of cost participation by the contractor:

(a) The amount of cost participation depends on the extent to which the R&D effort or results are likely to enhance the contractor's capability, expertise, or competitive position, and the value of this enhancement to the contractor. Therefore, contractor cost participation could reasonably range from as little as one percent or less of the total project cost to more than 50 percent of the total project cost. Ultimately, cost-sharing is a negotiable item. As such, the amount of cost-sharing shall be proportional to the anticipated value of the contractor's gain.

(b) If the contractor will not acquire title to, or the right to use, inventions, patents, or technical information resulting from the R&D project, it is normally appropriate to obtain less cost-sharing than in cases in which the contractor acquires these rights.

(c) If the R&D is expected to be of only minor value to the contractor, and if a statute does not require cost-sharing, it may be appropriate for the contractor to make a contribution in the form of a reduced fee or profit rather than sharing costs of the project. Alternatively, a limitation on indirect cost rates might be appropriate. See FAR 42.707. See also, FAR 16.303.

(d) The contractor's participation may be considered over the total term of the project, so that a relatively high contribution in 1 year may be offset by a relatively low contribution in another. Care must be exercised that the intent to cost-share in future years does not become illusory. Redetermination of the cost sharing arrangement might be appropriate depending on future circumstances.

(e) A relatively low degree of cost-sharing may be appropriate if an area of R&D requires special stimulus in the national interest.

Parent topic: PART 335—RESEARCH AND DEVELOPMENT CONTRACTING