

Our preliminary studies of this area have confirmed the statements we have previously made to the Committee that Cost Accounting Standard 409 is closely interrelated to Cost Accounting Standard 414, "Cost of Money as an Element of the Cost of Facilities Capital," and the DOD profit policy. An amendment to Cost Accounting Standard 409, without corresponding review of these interrelated regulations and Cost Accounting Standards, should be avoided. GAO will continue to assess the cost impact of this initiative by considering related Cost Accounting Standards, procurement regulations, and DOD profit policy.

GAO has long maintained that multiyear contracting, initiative Number 3, can be a viable acquisition method for reducing defense procurement costs, and we encouraged passage of Public Law 97-86 which enhanced DOD's multiyear contracting authority. We believe that multiyear contracting could increase competition by allowing potential suppliers to write off up-front costs (e.g., start up, new equipment, etc.) over a larger production run, as well as provide a more stable business base from which more orderly production planning and execution could flow. Also, our studies of non major weapon system multiyear contracts showed that savings do in fact exist when multiyear contracting is combined with competition. We maintain, however, that multiyear contracting