

those contractors using the completed contract method of accounting. This practice allows deferral of payment of Federal Income Taxes for longer periods of time under a multiyear contract than would be available under successive annual contracts. Quantification of the effect of deferred taxes would require specific knowledge of the contractors total business which is not readily available.

Another major issue we had with the fiscal year 1983 projected savings is that they were all based upon budgetary estimates and not firm contractor proposals. We believe that adequately evaluated contractor proposals under both contracting methods is the minimum required to achieve a reasonable level of confidence in projected savings.

DOD has been directed by the House Appropriations Committee, Subcommittee on Defense, to obtain cost proposals both on a multiyear contract basis and on an annual contract basis with option prices for successive years on quantities comparable to those in the multiyear proposal. We believe such data, objectively evaluated, would provide a reasonable basis for projecting savings. However, it would not disclose the offset to savings for lost Federal Income Tax revenues for multiyear contracts awarded to contractors using the completed contract method of accounting.