

(c) The contracts can be easily revised so that various components produced by subcontractors in the first year can be switched from contractor-furnished to Government-furnished materials if determined to be advantageous to the Government.

Answer. (a) The implementing guidance for assuring that current, accurate, and complete cost or pricing data is available to Government officials is contained in the Defense Acquisition Regulations (DAR). The specific reference to the requirements for obtaining cost or pricing data is in DAR 3-807.3.

(b) The DOD guidance on profit policy is contained in the Defense Acquisition Regulations (DAR 3-808). Specific guidance to assure that profit rates are established at levels that are directly related to the degree of risk is located in DAR 3-808.6. Standard DOD contract clauses are contained in Section VII of the DAR. The DOD policy on use of these clauses is also contained in the DAR. Use of other than these standard clauses requires the approval at varying levels above the contracting officer, thus assuring that such clauses are not inserted arbitrarily.

(c) Our multiyear procurements must satisfy six key criteria before a final judgement is made to approve multiyear as a favorable strategy. Two of the criteria important to the question are 1) benefit to the government resulting from yielding substantial cost avoidance compared with conventional annual contracts and 2) degree of cost confidence that the contractor cost estimates and anticipated cost avoidance are realistic. Generally, if we have a candidate program that satisfies the multiyear criteria then it should not be necessary nor desirable to make a change to the Government-furnished material/contractor furnished material (GFM/CFM) structure of the prime contractor. In employing the multiyear strategy, the cost avoidance derived from savings resulting from the prime and all his subcontractors should in the aggregate far exceed any potential savings from selected component breakouts. If this is not true then the selection of a multiyear approach in the first instance may have been improper.

The multiyear contract arrangement does not readily lend itself to changes in the GFM/CFM mix after award. This is generally true because the savings derived from this method of contracting are multiple year savings that require an initial investment at the front-end of the contract. Our initial investment generally supports the economic order quantity principle used in the multiyear approach which is practiced by the prime and his subcontractors. For this reason a change in the GFM/CFM mix would necessitate a renegotiation of the multiyear contract and would definitely impact the anticipated cost avoidance of the multiyear program.

We recognize the benefits of component breakout and generally, on major programs, apply this technique before selecting the multiyear strategy. On most aircraft programs we breakout the engine component and occasionally apply the multiyear method to both the airframe and engine contracts. The UH-60 helicopter is a good example where we have applied multiyear to the airframe and the engine as two separate components. The B-1 is even a better example where the airframe, engine, defensive and offensive avionics are broken out and we have selected all four of these major components as candidates in fiscal year 1983 for application of the multiyear method of contracting.

We plan to continue to review our opportunities to apply the component breakout and multiyear technique on weapons programs when it is advantageous to the government.

REPLACEMENT OF THE F100 ENGINES ON F-16 AIRCRAFT

Concurrently with the development of the F401 engine for the Navy's F-14B Tomcat aircraft several years ago, the Defense Department also paid the Pratt Whitney Division of the United Technologies Corporation to develop the F100 engine for the Air Force. Presently, two F100 engines are installed in every F-15 aircraft and one F100 engine is installed in F-16 aircraft. The Air Force is apparently considering installing F110 engines (manufactured by General Electric) on the F-16 aircraft in part because the F100 engines are not sufficiently reliable for use on single-engine aircraft.

Question 1. What is the exact nature and seriousness of the problem with the F100 engine?

Answer. There are currently no serious technical problems with the F100 engine. During the 1977-80 time period, the F100 engine experienced serious engine operability and durability problems. These difficulties were further exacerbated by strikes at two vendors, and the combined effects of the technical/vendor problems severely affected F100 engine supportability, and aircraft were not operational due to a lack of engine assets. The formation of a special Government/contractor Maintainability, Supportability Review Group (MSRG) provided increased management