

### 31.205-17

losses upon disposition shall be the amounts that would have been allowed had the assets not been written down.

[48 FR 42301, Sept. 19, 1983, as amended at 55 FR 25530, June 21, 1990; 60 FR 64255, Dec. 14, 1995; 61 FR 67424, Dec. 20, 1996; 68 FR 69248, Dec. 11, 2003; 70 FR 33675, June 8, 2005; 71 FR 36941, June 28, 2006]

#### **31.205-17 Idle facilities and idle capacity costs.**

(a) *Definitions.* As used in this subsection—

*Costs of idle facilities or idle capacity* means costs such as maintenance, repair, housing, rent, and other related costs; e.g., property taxes, insurance, and depreciation.

*Facilities* means plant or any portion thereof (including land integral to the operation), equipment, individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the contractor.

*Idle capacity* means the unused capacity of partially used facilities. It is the difference between that which a facility could achieve under 100 percent operating time on a one-shift basis, less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays, and the extent to which the facility was actually used to meet demands during the accounting period. A multiple-shift basis may be used in the calculation instead of a one-shift basis if it can be shown that this amount of usage could normally be expected for the type of facility involved.

*Idle facilities* means completely unused facilities that are excess to the contractor's current needs.

(b) The costs of idle facilities are unallowable unless the facilities—

(1) Are necessary to meet fluctuations in workload; or

(2) Were necessary when acquired and are now idle because of changes in requirements, production economies, reorganization, termination, or other causes which could not have been reasonably foreseen. (Costs of idle facilities are allowable for a reasonable period, ordinarily not to exceed 1 year, depending upon the initiative taken to use, lease, or dispose of the idle facilities (but see 31.205-42)).

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(c) Costs of idle capacity are costs of doing business and are a factor in the normal fluctuations of usage or overhead rates from period to period. Such costs are allowable provided the capacity is necessary or was originally reasonable and is not subject to reduction or elimination by subletting, renting, or sale, in accordance with sound business, economics, or security practices. Widespread idle capacity throughout an entire plant or among a group of assets having substantially the same function may be idle facilities.

(d) Any costs to be paid directly by the Government for idle facilities or idle capacity reserved for defense mobilization production shall be the subject of a separate agreement.

[48 FR 42301, Sept. 19, 1983, as amended at 66 FR 2131, Jan. 10, 2001; 67 FR 6120, Feb. 8, 2002]

#### **31.205-18 Independent research and development and bid and proposal costs.**

(a) *Definitions.* As used in this subsection—

*Applied research* means that effort which (1) normally follows basic research, but may not be severable from the related basic research, (2) attempts to determine and exploit the potential of scientific discoveries or improvements in technology, materials, processes, methods, devices, or techniques, and (3) attempts to advance the state of the art. Applied research does not include efforts whose principal aim is design, development, or test of specific items or services to be considered for sale; these efforts are within the definition of the term *development*, defined in this subsection.

*Basic research.* (See 2.101).

*Bid and proposal (B&P) costs* means the costs incurred in preparing, submitting, and supporting bids and proposals (whether or not solicited) on potential Government or non-Government contracts. The term does not include the costs of effort sponsored by a grant or cooperative agreement, or required in the performance of a contract.

*Company* means all divisions, subsidiaries, and affiliates of the contractor under common control.

*Development* means the systematic use, under whatever name, of scientific