form 1547) to recognize these efforts (block 29).

(b) To determine if using this factor is appropriate, the contracting officer shall consider criteria, such as the following, to evaluate the benefit the contractor’s cost reduction efforts will have on the pending contract:

1. The contractor’s participation in single process initiative improvements;
2. Actual cost reductions achieved on prior contracts;
3. Reduction or elimination of excess or idle facilities;
4. The contractor’s cost reduction initiatives (e.g., competition advocacy programs, technical insertion programs, spare parts control programs, value engineering, outsourcing of functions such as information technology). Metrics developed by the contractor such as fully loaded labor hours (i.e., cost per labor hour, including all direct and indirect costs) or other productivity measures may provide the basis for assessing the effectiveness of the contractor’s cost reduction initiatives over time;
5. The contractor’s adoption of process improvements to reduce costs;
6. Subcontractor cost reduction efforts;
7. The contractor’s effective incorporation of commercial items and processes; or
8. The contractor’s investment in new facilities when such investments contribute to better asset utilization or improved productivity.

(c) When selecting the percentage to use for this special factor, the contracting officer has maximum flexibility in determining the best way to evaluate the benefit the contractor’s cost reduction efforts will have on the pending contract. However, the contracting officer shall consider the impact that quantity differences, learning, changes in scope, and economic factors such as inflation and deflation will have on cost reduction.