



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH, DEVELOPMENT AND ACQUISITION  
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WASHINGTON DC 20350-1000

10 APR 2013

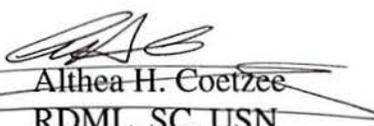
MEMORANDUM FOR DISTRIBUTION

SUBJECT: Class Deviation-Prohibition on the Use of Cost-Type Contracts for  
Production of Major Defense Acquisition Programs

The attached Director, Defense Procurement and Acquisition Policy memorandum of March 11, 2013 is forwarded for your information and action. It informs the DoD contracting community of a class deviation regarding the use of cost-type contracts. For contracts entered into on or after October 1, 2014, section 811 of the fiscal year 2013 National Defense Authorization Act prohibits the use of cost-type contracts for the production of major defense acquisition programs, with one exception: if the Under Secretary of Defense for Acquisition, Technology, and Logistics submits to congressional defense committees:

- A written certification that the particular cost-type contract is needed to provide a required capability in a timely, cost-effective manner; and
- An explanation of the steps taken to ensure the use of cost-type pricing is limited to only those line items or portions of the contract where such pricing is needed to achieve the purposes of the exception.

This class deviation is effective until incorporated into the Defense Federal Acquisition Regulation Supplement or otherwise rescinded. Further details are provided within the memorandum. My point of contact on this matter is Gabrielle Trickett, [gabrielle.trickett@navy.mil](mailto:gabrielle.trickett@navy.mil), 703-614-9641.

  
Althea H. Coetzee  
RDML, SC, USN  
Executive Director  
DASN (AP)

Attachment:  
As stated

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SUBJECT: Class Deviation-Prohibition on the Use of Cost-Type Contracts for  
Production of Major Defense Acquisition Programs

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ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
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MAY 17 2013

In reply refer to  
DARS Tracking Number: 2013-O0009

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL OPERATIONS  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES TRANSPORTATION  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION AND PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING)  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Class Deviation—Prohibition on the Use of Cost-Type Contracts for Production of  
Major Defense Acquisition Programs

For contracts entered into on or after October 1, 2014, as required by section 811 of the  
National Defense Authorization Act for FY13 (Public Law 112-239), contracting officers shall  
not use cost-type contracts for the acquisition of production of major defense acquisition  
programs, unless the following exception applies.

Exception:

Section 811 provides that the above prohibition does not apply to a particular cost-type  
contract if USD(AT&L) submits to the congressional defense committees—

1. A written certification that the particular cost-type contract is needed to provide a required  
capability in a timely and cost-effective manner; and
2. An explanation of the steps taken to ensure the use of cost-type pricing is limited to only  
those line items or portions of the contract where such pricing is needed to achieve the  
purposes of the exception.

Definitions:

*Major defense acquisition program* - The term “major defense acquisition program” is  
defined in section 2430(a) of title 10, United States Code as implemented in Directive-Type

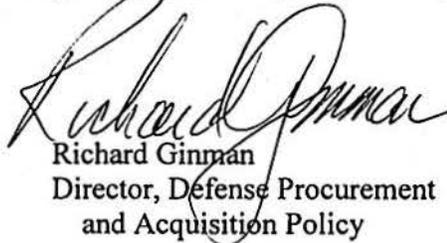
Memorandum 09-027 - Implementation of the Weapon Systems Acquisition Reform Act of 2009, dated December 4, 2009.

*Production of a major defense acquisition* - The term “production of a major defense acquisition program” means the production and deployment of a major system that is intended to achieve an operational capability that satisfies mission needs, or any activity otherwise defined as Milestone C under Department of Defense Instruction 5000.02 or related authorities.

*Contract for the production of a major defense acquisition program* - The term “contract for the production of a major defense acquisition program”—

1. Means a prime contract for the production of a major defense acquisition program; and
2. Does not include individual line items for segregable efforts or contracts for the incremental improvement of systems that are already in production (other than contracts for major upgrades that are themselves major defense acquisition programs).

This class deviation is effective until it is incorporated in the DFARS, or is otherwise rescinded. My point of contact is Ms. Lesa Scott, at 571-372-6104, or [lesa.scott@osd.mil](mailto:lesa.scott@osd.mil).

  
Richard Ginman  
Director, Defense Procurement  
and Acquisition Policy