

Lead costs: These costs generally may be divided into two types: test and instrumentation, and development of working drawings. Test and instrumentation funds are usually established to account for the government effort involved in providing shock tests, weapon evaluation, etc. The development of working drawings usually is performed by the shipbuilding contractor. The composition of lead costs varies with respect to contracting policy and ship type. This item was distributed proportionately to the final budget categories.

Basic construction. Dollars in this category represent the prime contract award for the shipbuilding effort. This category includes costs associated with CFE, basic materials purchased, shipyard overhead, and profits.

Nonelectronics (GFM): This category represents electrical and mechanical equipment that the government has decided to supply to the contractor. There is basically little difference between the types of equipment being furnished under this category and the electrical and mechanical items usually found in CFE.

Electronics (GFM): Dollars in this category represent items that are always supplied by the government. Within a given ship type and "ship-group" category there is usually a great deal of stability with respect to electronics package dollars. Integration of systems found on other ships (such as sonar detecting and fire control) but previously foreign to the type in question may introduce changes.

Weapons (GFM): Ordnance items, like electronics, are always furnished by the government. The stability of this category is usually determined by considerations of mission and state of the art.

Change orders and post delivery: Dollars in this category are associated with shipbuilding contract activity and are intended to account for changes in design criteria or equipment selection initiated by the government and to cover the cost of repairing material and equipment damaged during test and evaluation. These cost items were assigned to the basic construction budget category.

Other costs: Navy management activities concerning engineering, quality control, equipment integration, material programming, etc., are included in this category. Assignment of these costs varies with ship types and contract policy. These costs were distributed in the same manner as lead costs.

Future characteristics changes: Growth costs are estimated in an effort to account for changes in mission requirements and ship characteristics. The purpose of this account is to provide funds for anticipated changes in ship construction, nonelectronic (electrical and mechanical) items, electronic equipment, or weapons. Costs under this heading were allocated proportionately to the four budget categories in the same manner as lead costs.

Projected escalation: Anticipated changes in the cost of basic construction generated over the long leadtime of a ship type provide the basis for this budget category. Escalation costs were included in the basic construction budget category.

Electronics growth and weapons growth. These items represent anticipated changes in the costs of electronics and ordnance items. TOA for these items was assigned to the electronics and weapons budget categories.

Other growth: Anticipated costs associated with change orders are included here. Costs were proportionately distributed to the four budget categories.