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DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

48 CFR Part 252

RIN 0750-AI30

Defense Federal Acquisition Regulation Supplement: Flowdown of Specialty Metals Restrictions (DFARS Case 2014-D011)

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Final rule.

SUMMARY: DoD is issuing a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to clarify the flowdown requirements for the DFARS clause entitled "Restriction on Acquisition of Certain Articles Containing Specialty Metals."

DATES: Effective [Insert date of publication in the **FEDERAL REGISTER**].

FOR FURTHER INFORMATION CONTACT: Ms. Amy G. Williams, telephone 571-372-6106.

SUPPLEMENTARY INFORMATION:

I. Background

DoD published a proposed rule in the Federal Register at 79 FR 35507 on June 23, 2014, to clarify the flowdown requirements for the DFARS clause entitled "Restriction on Acquisition of Certain Articles Containing Specialty Metals." In order to prevent

misinterpretation of the current flowdown requirement to insert the "substance of the clause" in subcontracts, the flowdown requirement has been rewritten to specify that the only modifications allowed when flowing down the clause are as follows:

- Exclude and reserve paragraph (d) of the clause.
- Modify paragraph (c)(6) of the clause only as necessary to facilitate management of the allowance for up to 2 percent otherwise noncompliant specialty metal content in the end product, while recognizing that the minimal content exception does not apply to specialty metals contained in high-performance magnets.
- Not further alter the clause, other than to identify the appropriate parties.

One respondent submitted public comments in response to the proposed rule.

II. Discussion and Analysis

DoD reviewed the public comments in the development of the final rule. No changes were made to the rule as a result of those comments.

Comment: The respondent noted that the proposed clarification may well be necessary and welcomed DoD's willingness to minimize misinterpretations of laws and regulations.

Response: Noted.

Comment: The respondent expressed concern about the number of national security waivers issued to accept noncompliant specialty metals from China and other noncompliant sources.

Response: The granting of national security waivers is outside the scope of this case.

III. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

IV. Regulatory Flexibility Act

A final regulatory flexibility analysis has been prepared consistent with the Regulatory Flexibility Act, 5 U.S.C. 604, and is summarized as follows:

The reason for issuance of this rule is to clarify the flowdown requirements for DFARS clause 252.225-7009, Restriction on Acquisition of Certain Articles Containing Specialty Metals. The objective of the rule is to more fully implement the requirements of 10 U.S.C. 2533b, which restricts the acquisition of specialty metals not melted in the United States, its outlying areas, or a qualifying country, in order to strengthen the United States industrial base.

There were no significant issues raised by the public comments in response to the initial regulatory flexibility analysis.

This rule applies to DoD contractors and subcontractors that are providing aircraft, missile or space systems, ships, tank or automotive items, weapon systems, ammunition, or components thereof that contain specialty metals.

Based on Fiscal Year 2013 data in the Federal Procurement Data System (FPDS), DoD awarded 1,566 contracts that exceeded the simplified acquisition threshold for aircraft, missile or space systems, ships, tank or automotive items, weapon systems, ammunition, or components thereof. Of those awards, 642 were to 533 unique small business entities (83%). FPDS does not contain data on subcontracts. If we estimate an average of 20 subcontracts per contract for items containing specialty metals, and that 35 percent of those subcontracts are awarded to small businesses, 2 second-tier subcontracts with small business

entities per subcontract with a small business entity, then this rule may apply to approximately 27,828 small business entities subject to DFARS 52.225-7009.

$(1,566 \text{ contracts} \times 20 = 31,320 \text{ subcontracts} \times .35 = 10,962 \text{ 1st tier subcontracts with small entities} \times 2 = 21,924 \text{ second-tier subcontracts with small entities. Total small business entities} = .83(642 + 10,962 + 21,924) = 27,828)$

There are no reporting or recordkeeping requirements associated with this rule. With some exceptions, the rule requires contractors to provide certain end products containing specialty metals melted or produced in the United States, its outlying areas, or a qualifying country. However, end items may contain a minimal amount of otherwise noncompliant specialty metals, if the total weight of such noncompliant metals does not exceed 2 percent of the total of all specialty metals in the end item. Therefore, the contractor has some discretion in flowing down the requirement to subcontractors to the extent necessary to ensure compliance of the end products the contractor will deliver to the Government.

This rule does not impose any significant new burdens on small entities, because it only clarifies what was intended by the conventional statement to insert "the substance of the clause" in subcontracts for items containing specialty metals.

V. Paperwork Reduction Act

The rule does not contain any information collection requirements that require the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. chapter 35).

List of Subjects in 48 CFR Part 252

Government procurement.

Manuel Quinones,

Editor, Defense Acquisition Regulations System.

Therefore, 48 CFR part 252 is amended as follows:

PART 252—SOLICITATION PROVISIONS AND CONTACT CLAUSES

1. The authority citation for 48 CFR part 252 continues to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

2. Amend section 252.225-7009 by—

a. Removing the clause date "(JUN 2013)" and adding "(OCT 2014)" in its place; and

b. Revising paragraph (e) to read as follows:

252.225-7009 Restriction on Acquisition of Certain Articles Containing Specialty Metals.

* * * * *

(e) Subcontracts. (1) The Contractor shall exclude and reserve paragraph (d) and this paragraph (e) (1) when flowing down this clause to subcontracts.

(2) The Contractor shall insert paragraphs (a) through (c) and this paragraph (e)(2) of this clause in subcontracts, including subcontracts for commercial items, that are for items containing specialty metals to ensure compliance of the end products that the Contractor will deliver to the Government. When inserting this clause in subcontracts, the Contractor shall—

(i) Modify paragraph (c)(6) of this clause only as necessary to facilitate management of the minimal content exception at the prime contract level. The minimal content exception does not apply to specialty metals contained in high-performance magnets; and

(ii) Not further alter the clause other than to identify the appropriate parties.

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