

reviews made by field contract administration offices or other DoD field offices;

(ii) The management involvement expected on the prospective contract action;

(iii) The degree of cost mix as an indication of the types of resources applied and value added by the contractor;

(iv) The contractor's support of Federal socioeconomic programs;

(v) The expected reliability of the contractor's cost estimates (including the contractor's cost estimating system);

(vi) The contractor's cost reduction initiatives (e.g., competition advocacy programs, technical insertion programs, obsolete parts control programs, dual sourcing, spare parts pricing reform, value engineering);

(vii) The adequacy of the contractor's management approach to controlling cost and schedule; and

(viii) Any other factors that affect the contractor's ability to meet the cost targets (e.g., foreign currency exchange rates and inflation rates).

(2) *Above normal conditions.*

(i) The contracting officer may assign a higher than normal value when the management effort is intense. Indicators of this are—

(A) The contractor's value added is both considerable and reasonably difficult;

(B) The effort involves a high degree of integration or coordination;

(C) The contractor has a substantial record of active participation in Federal socioeconomic programs;

(D) The contractor provides fully documented and reliable cost estimates;

(E) The contractor has an aggressive cost reduction program that has demonstrable benefits;

(F) The contractor uses a high degree of subcontract competition (e.g., aggressive dual sourcing);

(G) The contractor has a proven record of cost tracking and control; or

(H) The contractor aggressively seeks process improvements to reduce costs.

(ii) The contracting officer may justify a maximum value when the effort—

(A) Requires large scale integration of the most complex nature;

(B) Involves major international activities with significant management coordination (e.g., offsets with foreign vendors); or

(C) Has critically important milestones.

(3) *Below normal conditions.*

(i) The contracting officer may assign a lower than normal value when the

management effort is minimal.

Indicators of this are—

(A) The program is mature and many end item deliveries have been made;

(B) The contractor adds minimal value to an item;

(C) The efforts are routine and require minimal supervision;

(D) The contractor provides poor quality, untimely proposals;

(E) The contractor fails to provide an adequate analysis of subcontractor costs;

(F) The contractor does not cooperate in the evaluation and negotiation of the proposal;

(G) The contractor's cost estimating system is marginal;

(H) The contractor has made minimal effort to initiate cost reduction programs;

(I) The contractor's cost proposal is inadequate; or

(J) The contractor has a record of cost overruns or another indication of unreliable cost estimates and lack of cost control.

(ii) The following may justify a value significantly below normal—

(A) Reviews performed by the field contract administration offices disclose unsatisfactory management and internal control systems (e.g., quality assurance, property, control, safety, security); or

(B) The effort requires an unusually low degree of management involvement.

4. Section 215.404-72 is amended by adding paragraph (b)(1)(iii) to read as follows:

**215.404-72 Modified weighted guidelines method for nonprofit organizations other than FFRDCs.**

\* \* \* \* \*

(b) \* \* \*

(1) \* \* \*

(iii) Do not assign a value from the technology incentive designated range.

\* \* \* \* \*

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**DEPARTMENT OF DEFENSE**

**48 CFR Parts 217, 219, and 236**

[DFARS Case 2000-D015]

**Defense Federal Acquisition Regulation Supplement; North American Industry Classification System**

**AGENCY:** Department of Defense (DoD).

**ACTION:** Final rule.

**SUMMARY:** The Director of Defense Procurement is adopting as final,

without change, an interim rule amending the Defense Federal Acquisition Regulation Supplement (DFARS). The rule converts programs based on the Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS), in accordance with the final rule issued by the Small Business Administration (SBA) on May 15, 2000.

**EFFECTIVE DATE:** December 13, 2000.

**FOR FURTHER INFORMATION CONTACT:** Ms. Susan Schneider, Defense Acquisition Regulations Council, OUSD(AT&L)DP(DAR), IMD 3C132, 3062 Defense Pentagon, Washington, DC 20301-3062. Telephone (703) 602-0326; facsimile (703) 602-0350. Please cite DFARS Case 2000-D015.

**SUPPLEMENTARY INFORMATION:**

**A. Background**

SBA issued a final rule at 65 FR 30836 on May 15, 2000, providing a new size standards listing that is based on NAICS rather than SIC codes. The SBA rule requires Federal agencies to use the new size standards to determine whether a business is a small business concern. An interim rule amending the Federal Acquisition Regulation was published at 65 FR 46055 on July 26, 2000, to establish policy for use of the new size standards in Government acquisitions. DoD published an interim rule at 65 FR 50148 on August 17, 2000, to make corresponding changes to the DFARS. One source submitted comments on the interim DFARS rule. DoD considered those comments in the decision to convert the interim rule to a final rule without change.

This rule was not subject to Office of Management and Budget review under Executive Order 12866, dated September 30, 1993.

**B. Regulatory Flexibility Act**

DoD certifies that this final rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because this rule implements the final rule issued by SBA on May 15, 2000, and SBA has certified that the impact of the change from SIC to NAICS on each business will not be substantial.

**C. Paperwork Reduction Act**

The Paperwork Reduction Act does not apply because the rule does not impose any information collection requirements that require the approval of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

**List of Subjects in 48 CFR Parts 217, 219, and 236**

Government procurement.

**Michele P. Peterson,**

*Executive Editor, Defense Acquisition Regulations Council.*

**Interim Rule Adopted as Final Without Change**

Accordingly, the interim rule amending 48 CFR Parts 217, 219, 236, and Appendix I to Chapter 2, which was published at 65 FR 50148 on August 17, 2000, is adopted as a final rule without change.

[FR Doc. 00-31602 Filed 12-12-00; 8:45 am]

BILLING CODE 5000-04-M

**DEPARTMENT OF DEFENSE****48 CFR Part 225**

[DFARS Case 2000-D017]

**Defense Federal Acquisition Regulation Supplement; Polyacrylonitrile Carbon Fiber**

**AGENCY:** Department of Defense (DoD).

**ACTION:** Final rule.

**SUMMARY:** The Director of Defense Procurement has issued a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to phase out restrictions on the acquisition of polyacrylonitrile (PAN) carbon fiber from foreign sources. The restrictions will be phased out over a 5-year period to minimize short-term risks to DoD and current domestic suppliers.

**EFFECTIVE DATE:** December 13, 2000.

**FOR FURTHER INFORMATION CONTACT:** Ms. Amy Williams, Defense Acquisition Regulations Council, OUSD (AT&L) DP (DAR), IMD 3C132, 3062 Defense Pentagon, Washington, DC 20301-3062. Telephone (703) 602-0288; facsimile (703) 602-0350.

**SUPPLEMENTARY INFORMATION:****A. Background**

This rule revises DFARS 225.7103-1 and 225.7103-3 to phase out restrictions on the acquisition of PAN carbon fiber from foreign sources. DoD conducted a review of the administratively imposed restrictions that included an evaluation of DoD applications for PAN carbon fiber, key domestic and foreign suppliers, supply and demand market information, potential impacts on DoD and key suppliers, and potential national security issues. As a result, DoD is phasing out the restrictions over the 5-year period ending May 31, 2005. The phased elimination will minimize

short-term risks to both DoD and current domestic suppliers and will allow for a gradual introduction of competition that will encourage innovation and affordability. This action is consistent with DoD's interest in promoting vigorous competition in defense markets while ensuring that industrial capabilities essential to national defense are preserved. The market for PAN carbon fiber is projected to grow in the future as defense and commercial application demand increases. The 5-year phase-in period gives domestic suppliers time to adjust to market conditions and also gives DoD the flexibility to adjust its policy (*i.e.*, extend the restrictions) if projected circumstances do not materialize.

DoD published a proposed rule at 65 FR 41037 on July 3, 2000. Three sources submitted comments on the proposed rule. DoD considered all comments in the development of the final rule.

This rule was not subject to Office of Management and Budget review under Executive Order 12866, dated September 30, 1993.

**B. Regulatory Flexibility Act**

DoD certifies that this final rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because the known domestic manufacturers of PAN carbon fiber are not small businesses.

**C. Paperwork Reduction Act**

The Paperwork Reduction Act does not apply because the rule does not impose any information collection requirements that require the approval of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

**List of Subjects in 48 CFR Part 225**

Government procurement.

**Michele P. Peterson,**

*Executive Editor, Defense Acquisition Regulations Council.*

Therefore, 48 CFR Part 225 is amended as follows:

1. The authority citation for 48 CFR Part 225 continues to read as follows:

**Authority:** 41 U.S.C. 421 and 48 CFR Chapter 1.

**PART 225—FOREIGN ACQUISITION**

2. Section 225.7103-1 is revised to read as follows:

**225.7103-1 Policy.**

DoD has imposed restrictions on the acquisitions of PAN carbon fiber from foreign sources. DoD is phasing out the restrictions over the 5-year period

ending May 31, 2005. Contractors with contracts that contain the clause at 252.225-7022 must use U.S. or Canadian manufacturers or producers for all PAN carbon fiber requirements.

3. Section 225.7103-3 is revised to read as follows:

**225.7103-3 Contract clause.**

Use the clause at 252.225-7022, Restriction on Acquisition of Polyacrylonitrile (PAN) Carbon Fiber, in solicitations and contracts for major systems as follows:

(a) In solicitations and contracts issued on or before May 31, 2003, if—

(1) The system is not yet in production (milestone III as defined in DoD 5000.2-R, Mandatory Procedures for Major Defense Acquisition Programs (MDAPS) and Major Automated Information System (MAIS) Acquisition Programs); or

(2) The clause was used in prior program contracts.

(b) In solicitations and contracts issued during the period beginning June 1, 2003, and ending May 31, 2005, if the system is not yet in engineering and manufacturing development (milestone II as defined in DoD 5000.2-R).

[FR Doc. 00-31603 Filed 12-12-00; 8:45 am]

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**DEPARTMENT OF DEFENSE****48 CFR Parts 242 and 252**

[DFARS Case 2000-D003]

**Defense Federal Acquisition Regulation Supplement; Material Management and Accounting Systems**

**AGENCY:** Department of Defense (DoD).

**ACTION:** Final rule.

**SUMMARY:** The Director of Defense Procurement has issued a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to revise the criteria for determining when review of a contractor's material management and accounting system (MMAS) is needed. The rule also replaces the current requirement for an MMAS "demonstration" with a requirement for the contractor to provide the results of internal reviews that it has conducted to ensure compliance with established MMAS policies, procedures, and operating instructions.

**EFFECTIVE DATE:** December 13, 2000.

**FOR FURTHER INFORMATION CONTACT:** Mr. Rick Laysner, Defense Acquisition Regulations Council, OUSD(AT&L)DP(DAR), IMD 3C132,