

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.

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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.

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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).

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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,