

OMB Control No. 0704-0259
Supporting Statement

**Defense Federal Acquisition Regulation Supplement (DFARS) Part
216, Types of Contracts, and related clauses in Part 252.216**

A. Justification

1. Requirement. This justification is in support of information collection requirements associated with OMB Clearance Number 0704-0259. The clearance covers Defense FAR Supplement (DFARS) part 216, Types of Contracts; the related clauses at DFARS 252.216-7000, Economic Price Adjustment—Basic Steel, Aluminum, Brass, Bronze, or Copper Mill Products; DFARS 252.216-7001, Economic Price Adjustment—Nonstandard Steel Items; and DFARS 252.216-7003, Economic Price Adjustment—Wage Rates or Material Prices Controlled by a Foreign Government. Each clause requires contractors to submit certain information to support a request for the contracting officer to adjust established contract prices. Submission requirements are summarized below:

a. DFARS 252.216-7000, paragraph (c), requires the contractor to notify the contracting officer of the amount and effective date of each decrease in any established price. Paragraph (d) of the clause permits the contractor to submit a written request to the contracting officer for an increase to the contract price.

b. DFARS 252.216-7001, paragraph (f)(2), requires the contractor to furnish a statement identifying the correctness of the established prices and employees' hourly earnings that are relevant to the computations of various indices. Paragraph (f) (3) of the clause requires the contractor to make available all records used in the computation of labor indices upon the request of the contracting officer.

c. DFARS 252.216-7003, paragraph (b)(1), permits the contractor to provide a written request for contract adjustment based on increases in wage rates or material prices that are controlled by a foreign government. Paragraph (c) of the clause requires the contractor to make available its books and records that support a requested change in contract price.

2. Purpose. The information is used by contracting officers to evaluate contractor requests for price adjustments.

3. Information Technology. Improved information technology is used to the maximum extent practicable. This information collection requirement may be accomplished electronically whenever the contractor is capable of electronic interchange with DoD.

4. Duplication. As a matter of policy, DoD reviews the Federal Acquisition Regulation (FAR) to determine whether adequate language already exists. The language in DFARS part 216 and the clauses at 252.216-7000, -7001, and -7003 apply solely to DoD and is not duplicative of language in the FAR. Similar information is not otherwise available to contracting officers.

5. Small business. The collection of information is not expected to have a significant impact on a substantial number of small businesses or other small entities. The requirements for information collection are only occasional, as the circumstances dictate, and the burden on large and small entities is the minimum consistent with law, regulation, and prudent business practice.

6. Consequences for non-collection. The information is collected as the need arises to adjust contract prices. Less frequent collection would impede contracting officers from performing their administrative functions in an efficient manner and would result in increased cost risk for the Government and the contractor.

7. Special circumstances. The information will not be collected in a manner that requires an explanation of any of the special circumstances cited at 5 CFR 1320.5(d)(2).

8. Public comments and consultation. This information collection is consistent with the guidelines in 5 CFR 1320.5(d). Public comments were solicited in the **Federal Register** on September 2, 2014 at 79 FR 51981. No public comments were received in response to the notice.

9. Payment to respondents. No payment or gift will be provided to respondents to this information collection requirement other than remuneration of contractors.

10. Confidentiality. The information collected will be disclosed only to the extent consistent with prudent business practices, current regulations, and in accordance with the requirements of the Freedom of Information Act. No assurance of confidentiality is provided to respondents.

11. Sensitive questions. No sensitive questions are involved.

12. Estimate of public burden. The public burden is estimated as follows:

a. DFARS clause 252.216-7000, paragraph (c), requires contractors to notify the contracting officer of the amount and effective date of each decrease in any established price. Paragraph (d) permits the contractor to submit a written request to the contracting officer for an increase in contract price. During Fiscal Years (FY) 2011 through 2013, the average annual number of DoD fixed-price economic price adjustment contracts for metal products was six. While the reporting requirements at DFARS 252.216-7000 only apply to basic metal products, there is currently no way of distinguishing contract actions for basic metals from other metal products. However, DoD specialists in this area estimate that approximately five of the six contracting actions were for basic metal products for which the clause and reporting requirement apply. The estimated public burden is as follows:

Number of Respondents (1)		5
Responses Per Respondent (2)	x	<u>1</u>
Number of Responses		5
Average Hours Per Response (3)	x	<u>4</u>
Estimated Hours		20
Cost Per Hour (4)	x	<u>\$31</u>
Total Annual Public Burden		\$620

Notes:

(1) This estimate is based on an analysis of Federal Procurement Data System (FPDS) data for FY 2011 through FY 2013. The data used in this analysis included all DoD fixed price contracts for basic steel, aluminum, brass, bronze, or copper mill products that contain an economic price adjustment clause. The FPDS query included all contract actions for product services codes (PSCs) 95XX and 96XX. The only contract actions meeting the search criteria were those for PSCs 9505, 9510, 9515, 9530, 9535, and 9540. The analysis indicated that an average of six contracts was awarded each fiscal year, and based on the judgment of DoD specialists, it is estimated that one of the six actions will involve economic price adjustments for non-standard steel items under DFARS 252.216-7001.

(2) This estimate reflects that contractors will submit an average of one request for price adjustment each fiscal year. The prices of some contracts will be adjusted two or more times

each year while the prices of others will remain unchanged throughout the fiscal year.

(3) This estimate includes the time required to prepare and submit a written request for contract adjustment to the contracting officer. This includes determining the need for an adjustment, preparing the request, management review and approval, and submitting the request via email.

(4) The fully burdened rate of \$31.07 was developed using the OPM 2014 basic hourly salary (without locality) of \$22.80 for a GS-9, step 5, plus a burden of 36.25 percent from OMB Circular A-76, attachment, equals \$31.07, which is rounded to \$31.00.

b. DFARS clause 252.216-7001, paragraph (f)(2), requires the contractor to furnish a statement identifying the correctness of the established prices and employee hourly earnings that are relevant to the computation of various indices. Paragraph (f)(3) of the clause requires the contractor to make available all records used in the computation of labor indices upon the request of the contracting officer. Paragraph (e)(1) states that each contract price shall be revised for each month in which delivery of supplies is required to be made. As stated above, there is no way of distinguishing contract actions for non-standard steel from other metal products; however, DoD specialists estimate that one of the six actions discussed in subparagraph 12.a. is for nonstandard steel items for which this clause and reporting requirement apply. Estimated public burden:

Number of Respondents (1)		1
Responses Per Respondent (2)	x	12
Number of Responses		<hr/> 12
Average Hours Per Response (3)	x	8
Estimated Hours		<hr/> 96
Cost Per Hour (4)	x	\$31
Total Annual Public Burden		<hr/> \$2,976

Notes:

(1) This estimate is based on an analysis of the FPDS data described in subparagraph 12a. As stated, DoD specialists estimate that one of the estimated six annual contract actions will involve economic price adjustments for non-standard steel items under DFARS 252.216-7001.

(2) This estimate reflects that the contractor will submit one request each month for price adjustment during each fiscal year pursuant to paragraph (e)(1) of the clause.

(3) This estimate includes the time required to identify, certify, prepare and submit a written request for contract adjustment to the contracting officer as required. The supporting information required to be provided by the clause is fairly complex, requiring use of both labor and steel indices. The estimated hours also include the time required to ensure records are available to the contracting officer.

(4) The fully burdened rate of \$31.07 was developed using the OPM 2014 basic hourly salary (without locality) of \$22.80 for a GS-9, step 5, plus a burden of 36.25 percent from OMB Circular A-76, attachment C. The cost per hour of \$31.07 has been rounded to \$31.00

c. DFARS clause 252.216-7003, paragraph (b)(1), requires the contractor to provide a written request for a contract adjustment within 10 days of an increase in wage rates or prices that are established and controlled by a host country. For the period FY 2011 through FY 2013, an analysis of FPDS data reflected that DoD awarded an average of 966 fixed-price contracts per year that contained this economic price adjustment clause. The FPDS contract-award data set was further refined to determine the discreet number of vendors within this group in order to provide a more accurate reflection of the total number of individual respondents. This review revealed that an average of 252 distinct firms received awards during this period. This number of respondents, totaling 252, is significantly lower than the 2,241 reported in DoD's 2011 information request. The decrease is due, in part, to the methodology used to gain a greater level of granularity in determining the number of respondents. In addition, the decrease in the number of respondents can also be attributed to the drawdown in Iraq and Afghanistan, which was occurring during the period evaluated.

It was noted during the review that the number of contracts awarded by the military services and other defense agencies (ODAs) has steadily declined since the drawdown began in FY 2011, and the overall decline has been offset somewhat by an increase in the number of contracts awarded by the U.S. Transportation Command (USTRANSCOM). A review of FPDS transactional data supported the conclusion that the decline in the number of individual contract awards is the result of the military services and ODAs consolidating their transportation requirements under USTRANSCOM indefinite delivery contracts.

DFARS 252.216.7003

Number of Respondents (1)		252
Responses Per Respondent (2)	x	7.7
Number of Responses		<u>1,932</u>
Average Hours Per Response (3)	x	4
Estimated Hours		<u>7,728</u>
Cost Per Hour (4)	x	\$31
Total Annual Public Burden		<u>\$239,568</u>

Notes:

(1) The data set reviewed in determining the number of respondents included DoD contracts containing the clause 252.216-7003 where the primary place of performance is in a foreign country and a foreign government controls wage rates or material prices. The estimated number of respondents represents an average of the discreet number of vendors for the contracts awarded during FY 2011 through FY 2013, which is the most recent three complete years of data.

(2) It is estimated that respondents will submit an average of two responses per year for each of the 966 contracts. This estimate is based on an analysis of the types of products and services subject to the clause. A significant number of the contracts are for petroleum products, air and sea freight, and delivery services all of which may be subject to labor and material rate fluctuations, depending on the foreign country where performance occurs.

(3) This estimate includes the time required to prepare and submit a written request for contract adjustment to the contracting officer as required by the clause. This includes determine the need for an adjustment, preparing the request, management review and approval, and submitting the request via email.

(4) The fully burdened rate of \$31.07 was developed using the 2014 basic hourly salary (without locality) of \$22.80 for a GS-9, step 5, plus a burden of 36.25 percent from OMB Circular A-76, attachment C, equals \$31.07, which is rounded to \$31.00.

d. The total estimated public burden for DFARS 252.216-7000, 252.216.7001, and 252.216.7003 is provided in the following table—

Total Annual Public Burden

Number of Respondents (1)		258
Responses Per Respondent (2)	x	7.55
Number of Responses		<u>1,949</u>
Average Hours Per Response (3)	x	4
Estimated Hours (4)		<u>7,844</u>
Cost Per Hour (5)	x	\$31
Total Annual Public Burden		<u><u>\$243,164</u></u>

Notes:

(1) The total estimated number of respondents equals the sum of respondents in subparagraph 12.a. through 12.c. (5 + 1 + 252 = 258).

(2) The number of responses per respondent is the weighted average for 12a-c, i.e., 1,949 responses divided by 258 respondents equals an average of 7.55 responses.

(3) Number of responses equals the sum of responses in subparagraph 12.a. through 12.c. (5 + 12 + 1,932 = 1,949).

(4) Estimated hours equals sum of estimated hours in subparagraphs 12.a., 12.b., and 12.c. (20 + 96 + 7,728 = 7844)

(5) The fully burdened rate of \$31.07 was developed using the 2014 basic hourly salary (without locality) of \$22.80 for a GS-9, step 5, plus a burden of 36.25 percent from OMB Circular A-76, attachment C. The cost per hour has been rounded to \$31.00.

13. Estimated nonrecurring costs. There are no nonrecurring costs, i.e., capital and start-up, or operation and maintenance costs for contractors.

14. Estimated cost to the Government. Government review of the submissions from contractors is estimated to take eight hours per submission, assuming that electronic processes will be used. The estimated Government burden is—

Total Annual Government Burden

Number of Responses (1)		1,949
Average Hours Per Response (2)	x	8
Estimated Hours		<u>15,592</u>
Cost Per Hour (3)	x	<u>\$31</u>

Total Annual Government Burden

\$483,352

Notes:

(1) The number of Government responses equals the number of public responses in subparagraph 12.d.

(2) The fully burdened rate of \$31.07 was developed using the 2014 basic hourly salary (without locality) of \$22.80 for a GS-9, step 5, plus a burden of 36.25 percent from OMB Circular A-76, attachment C, which is rounded to \$31.00.

15. Reasons for changes in burden. The estimated changes in Item 12 above are based on a decrease in projected hours, which is attributed to a decline in the number of fixed-price contracts being awarded with a DFARS part 216 economic price adjustment clause. While declines in the numbers of contracts awarded by the military services and ODAs were largely offset by an increase in the number of USTRANSCOM contracts, the overall decline in the number of contract awards is associated with and attributed to the drawdown in Iraq and Afghanistan. The drawdown, which began during FY 2011, is projected to taper off by the end of 2014, and the number of annual number of contract associated with DFARS 252.216-7000, -7001, and -7003 is expected to remain relatively stable for the next three years.

Use of the average historical data for FY 2011 through 2013 results in the following revised estimates for the upcoming renewal period—

	<u>2014</u>	<u>2011</u>	<u>Change</u>
Hours	7,844	17,952	(10,108)
Dollars	\$243,164	\$538,560	(\$295,396)

16. Publication. Results of this information collection will not be published.

17. Expiration date. We do not seek approval not to display the expiration date for OMB approval of the information collection.

18. Certification. There are no exceptions to the certification accompanying this Paperwork Reduction Act submission. The information to respondents required by 50 CFR 1320.8(b)(3) will be provided in a separate Federal Register notice announcing the OMB approval of this collection of information.

B. Collections of Information Employing Statistical Methods

Statistical methods are not used in this information collection.