

**CLASS DETERMINATION, DOMESTIC NON-AVAILABILITY (DNAD)
FOR FASTENERS INCLUDING ALL ITEMS IN
FEDERAL STOCK CLASSES 5305, 5306, 5307, 5310,
5320 and 5325, or NAICS code 332722
(excluding cotter pins, dowel pins, hose clamps,
spring pins and turnbuckles)**

After considering the recommendation of the Defense Contract Management Agency (DCMA), in accordance with the specialty metals restrictions in section 2533b of title 10 of the United States Code (and the former restriction at 10 U.S.C. § 2533a), I make the following findings and determination concerning the domestic non-availability of specialty metals in fasteners used to manufacture and repair Department of Defense military aircraft, missile and space systems, ships, tank and automotive systems, weapon systems, and ammunition. For this purpose, fasteners are all screws, nuts, bolts, washers, rivets, studs and fastening devices. This includes parts in Federal Stock Classes (FSC) 5305, 5306, 5307, 5310, 5320 and 5325, or North American Industry Classification System (NAICS) 2002 code 332722 but excludes cotter pins, dowel pins, hose clamps, spring pins and turnbuckles. The findings below are based on an investigation and report forwarded by DCMA on February 20, 2007.

FINDINGS

Many fasteners are made of specialty metals, predominantly stainless steel, steel alloys and titanium. The fastener industry estimates that 80-85% of all aerospace fasteners are dual-use (commercial-off-the-shelf) fasteners, and are interchangeable between commercial and military applications. They are used by all Services.

World-wide demand for these specialty metals is increasing due to increasing commercial aerospace requirements (foreign and domestic) and, to a lesser extent, increasing defense industry requirements. DCMA verified that lead times for compliant material is long, ranging in length from 50 weeks for stainless steel to over 100 weeks for titanium.

The lead times for procuring compliant fasteners are similarly lengthy. Contributors to these delays are the difficulty in finding and tracing the source of the metals used in fasteners, the necessity to produce DoD-compliant fasteners using separate, small production runs, and the refusal of some suppliers to agree to produce compliant fasteners. These delays are impacting the Department's ability to meet requirements.

In addition, many fastener manufacturers stated that the quality of U.S. domestic metal is not adequate to produce defect-free fasteners. Domestic steel wire mills have not been able to provide consistently seam and defect-free material. Defects and seams can cause thread laps, head cracks and cracking under stress, which reduce fastener life and can lead to safety risks. As a result, domestic material often requires additional shaving to eliminate seams and surface flaws. Costs for additional shaving are passed on to the Department.

A DCMA comparison of prices between compliant and noncompliant fasteners from 19 fastener manufacturers identified significantly higher prices for compliant fasteners. This difference in

price is attributed to many factors including: costs of additional shaving referred to above, the effort required to trace/find compliant material at each level of the supply chain (fastener manufacturer, distributor, component manufacturer, and prime contractor); extra fees charged for processing smaller production runs, segregation of stock in order to ensure only compliant metal is used; and certification fees charged by some fastener manufacturers for orders requiring compliant metal.

The fastener industry is driven by the global commercial market. Most U.S. fastener manufacturers state that they do not have a constant supply of domestic raw materials, and that it is difficult to find compliant material in sufficient quantity to meet the demands of the Department of Defense. As a relatively minor consumer of fasteners, the Department of Defense does not have the market power to incentivize industry to tailor its business processes to meet the Department's peculiar specialty metal restriction. Consequently, compliant fasteners are not currently available in the necessary quantities, satisfactory quality or in the required form to meet DoD's needs.

DETERMINATION

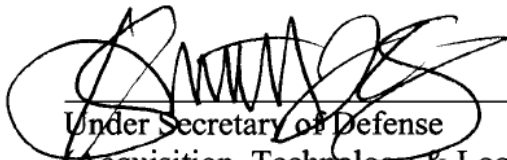
I hereby determine that compliant specialty metal of satisfactory quality and sufficient quantity, in the required form of fasteners, cannot be procured as and when needed. This determination applies to all deliveries of end items, and components thereof, delivered under current and future contracts (including contracts that were entered into under the restriction in 10 U.S.C. §2533a and those that have been entered into under 10 U.S.C. 2533b).

As a result, contracting officers may procure end items, and components thereof, containing fasteners, notwithstanding the country where the specialty metals contained in such items were melted or produced.

This determination will remain in effect until DCMA notifies me that circumstances have changed and compliant specialty metal of satisfactory quality and sufficient quantity, in the required form (i.e., the form of fasteners), can be procured as and when needed.

This determination will cease to be effective for those commercial-off-the-shelf fasteners if subsequently an exemption is approved under Section 35 of the Office of Procurement Policy Act (41 U.S.C. §431).

Date: 4/10/07



Under Secretary of Defense
(Acquisition, Technology & Logistics)