

tractor is required, pursuant to the clause set forth in § 1-1.805-3(b), to undertake a number of specific responsibilities designed to assure achievement of the objectives referred to above and to impose similar responsibilities on major subcontractors. (The liaison officer required by the latter clause may also serve as liaison officer for small business matters.)

[27 F.R. 625, Jan. 20, 1962]

§ 1-1.805-3 Required clauses.

(a) The Utilization of Concerns in Labor Surplus Areas clause, set forth below, shall be inserted in all contracts in amounts which may exceed \$5,000, except—

(1) Contracts with foreign contractors which, including all subcontracts thereunder, are to be performed entirely outside the United States, its possessions, and Puerto Rico;

(2) Contracts for services which are personal in nature; and

(3) Contracts for construction.

UTILIZATION OF CONCERNS IN LABOR SURPLUS AREAS

It is the policy of the Government to place contracts with concerns which will perform such contracts substantially in areas of persistent or substantial labor surplus, where this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. The Contractor agrees to use his best efforts to place his subcontracts in accordance with this policy. In complying with the foregoing and with paragraph (b) of the clause of this contract entitled "Utilization of Small Business Concerns," the Contractor in placing his subcontracts shall observe the following order of preference: (a) persistent labor surplus area concerns which are also small business concerns; (b) other persistent labor surplus area concerns; (c) substantial labor surplus area concerns which are also small business concerns; (d) other substantial labor surplus area concerns; and (e) small business concerns which are not labor surplus area concerns.

[End of Clause]

(b) The Labor Surplus Area Subcontracting Program clause, set forth below, shall be included in all contracts which may exceed \$500,000, which contain the clause required by § 1-1.805-3(a) and which, in the opinion of the procuring activity, offer substantial subcontracting possibilities. Furthermore, prime contractors who are to be awarded contracts which may not exceed \$500,000 but which, in the opinion of the procuring activity, offer substantial subcontracting possibilities, shall be urged to accept this clause.

LABOR SURPLUS AREA SUBCONTRACTING PROGRAM

(a) The Contractor agrees to establish and conduct a program which will encourage labor surplus area concerns to compete for subcontracts within their capabilities. In this connection, the Contractor shall—

(1) Designate a liaison officer who will (i) maintain liaison with duly authorized representatives of the Government on labor surplus area matters, (ii) supervise compliance with the Utilization of Concerns in Labor Surplus Areas clause, and (iii) administer the Contractor's "Labor Surplus Area Subcontracting Program";

(2) Provide adequate and timely consideration of the potentialities of labor surplus area concerns in all "make-or-buy" decisions;

(3) Assure that labor surplus area concerns will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of labor surplus area concerns;

(4) Maintain records showing procedures which have been adopted to comply with the policies set forth in this clause; and

(5) Include the Utilization of Concerns in Labor Surplus Areas clause in subcontracts which offer substantial labor surplus area subcontracting opportunities.

(b) A "labor surplus area concern" is a concern which will perform, or cause to be performed, a substantial proportion of any contract awarded to it in "Areas of Substantial Labor Surplus" (also called "Areas of Substantial Unemployment"), as designated by the Department of Labor. A concern shall be deemed to perform a substantial proportion of a contract in a labor surplus area if the costs that the concern will incur on account of manufacturing or production performed in persistent or substantial labor surplus areas (by itself or its first-tier subcontractors) amount to more than 50 percent of the price of such contract.

(c) The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000 and which contains the Utilization of Concerns in Labor Surplus Areas clause, provisions which shall conform substantially to the language of this clause, including this paragraph (c), and to notify the Contracting Officer of the names of such subcontractors.

[End of Clause]

[27 F.R. 625, Jan. 20, 1962]

NOTE.—The following sections of Title 41 of the Code of Federal Regulations require the clause set forth in § 1-1.805-3 above to be included in procurement contracts:

(a) § 7-7.101-21—mandatory in contracts of the agency for International Development in the Department of State.

(b) § 9-7.5005-9, 14 and 16—which states that such clause is not mandatory but should be used in Atomic Energy Commission contracts.

(c) § 18-7.104-14, 20—requiring such clause in N.A.S.A. fixed-price supply contracts.

§ 18-7.203-9, 26—requiring such clause in N.A.S.A. cost-reimbursement type contracts.

§ 18-7.302.8 and 26—requiring such clause in N.A.S.A. fixed-price research and development contracts.

§ 18-7.402-9, 27—requiring such clause in N.A.S.A. cost-reimbursement research and development contracts.