

or that some unrecoverable vendor costs might not have been identified by GSA. Two respondents made suggestions regarding consideration to contractors for future IFF changes.

*Response:* The consideration GSA offered takes into account the types of costs that GSA believes vendors, especially small businesses, would reasonably be expected to encounter. In an effort to minimize contractor costs associated with this action, the final rule requires only that vendors update catalogs or price lists; vendors need not reprint them. Contractors may utilize stickers to announce price changes until their supply of catalogs is exhausted. With respect to future consideration, GSA will make this determination based on the totality of circumstances of any future IFF change.

4. *Implementation schedule.* Two comments suggested that GSA consider delaying the rule to permit further evaluation of a more reasonable implementation schedule or revise the proposed implementation schedule.

*Response:* GSA believes the final implementation schedule is reasonable given the underlying policy objectives of the program and based on informal dialogue with industry during the development of the rule. Industry will have been on notice of the coming change nearly 9 months before the changes take effect. To reduce disruption, the selected implementation schedule coincides with the beginning of a sales quarter.

5. *Advance notice.* Four respondents requested that Schedule contractors be notified a specified number of months (e.g., 9 months) in advance of a change to the IFF.

*Response:* GSA believes that the imposition of a mandatory minimum wait period would place an inappropriate constraint on its ability to effectively manage the schedules program. However, GSA appreciates vendors' need for sufficient notice of IFF rate changes and intends to provide notice as far in advance as is practicable under the circumstances surrounding any future changes to the IFF.

6. *Affected sales.* Four respondents stated that the rule should (1) clarify that the change would be effective only on new sales after January 1, 2004, and (2) explain how delivery and task orders with extended delivery periods will be treated.

*Response:* As stated in this *Federal Register* notice, the IFF rate change applies to sales made on or after January 1, 2004. With respect to purchase orders with extended delivery and task orders with extended delivery/performance periods, contractors will be expected to

remit 0.75 percent (rather than 1.0 percent) upon the effective date of the IFF rate change. However, prices in that order will stay the same through the remainder of performance. Orders may be renegotiated at the option of the applicable buying agency and the contractor. For example, a firm-fixed-price order placed on August 1, 2003, with a period of performance through July 31, 2004, would not need to be renegotiated during the order period, but the contractor would report and remit IFF at the reduced 0.75 percent rate beginning on January 1, 2004.

Under certain circumstances, vendors will be expected to renegotiate Blanket Purchase Agreements (BPAs) with their customers in order to pass along a price reduction to the customer when the IFF is reduced. For example, if BPA pricing at award had been set at \$100 per unit, it will have to be renegotiated. On the other hand, if the pricing had been discounted to be 10 percent below prices in the applicable MAS contract, there would be no need to renegotiate the BPA.

7. *Special pricing arrangements.* Two comments stated that the draft rule is not explicit enough on the subject of existing leases, leasebacks, and other contractual pricing conditions and could lead to future questions and possible misinterpretations involving the proper IFF collection and remittance on October 1.

*Response:* All leases established on or before December 31, 2003, will not have to be renegotiated. Renegotiation may occur at the option of the applicable buying agency and the contractor. Contractors will start remitting 0.75 percent vs. 1 percent IFF as of January 1, 2004. All new leases awarded on or after January 1, 2004, must contain the 0.75 percent IFF rate.

8. *Voluntary pass-through reduction.* One contractor suggested that GSA permit vendors, at their option, to continue charging the 1 percent IFF until the next negotiation for a price increase (or decrease), even though contractors would be remitting IFF to GSA at the reduced 0.75 percent rate.

*Response:* Reducing the IFF collected from vendors without requiring a corresponding reduction in the price charged to customers does not meet GSA's objective of helping customers meet mission needs at less expense to the taxpayer.

9. *Requiring IFF in contract prices.* One respondent stated that while GSA has the unilateral right to revise the IFF, it does not have the unilateral right to require contractors to modify their contracts to reflect any IFF that GSA might choose to establish.

*Response:* By executing the bilateral modification resulting from the rule, a contractor will agree to GSA's Federal Supply Service having the unilateral right to require that the contract contain prices that include the current IFF. To successfully manage the Schedules program, FSS needs to have the ability to manage its revenue and needs to retain this unilateral right. Upon implementation of any rate change, contractor prices will not move upward or downward; the published contract prices will change only according to the portion that is IFF.

10. *Web site content.* One comment suggested that in addition to utilizing an agency website to publish the current IFF, GSA should use all other available means to publish the rate and should maintain additional, historic IFF data on the website.

*Response:* The agency website will continuously post the current IFF rate, and the site's content will be periodically reviewed. FSS values its partnership with industry and related associations and will continue to work with them to take every practicable step to widely publicize any future changes.

11. *Transitioning electronic vendor registration.* One respondent recommended that FSS develop a transition plan to phase out the registration requirements under its Vendor Support system and develop a mechanism linked to Central Contractor Registration (CCR).

*Response:* While this comment does not pertain to the rule-making process, FSS appreciates the suggestion and will consider it in the future.

12. *Designated official.* One comment cited the inconsistency in wording within the clause and in the explanatory material in the draft rule regarding the official designated the authority to change the IFF rate. The respondent recommended more uniform language.

*Response:* Wherever possible in the clause and in other parts of the final rule, wording has been changed to use "GSA's Federal Supply Service" or "FSS," as appropriate, as the authority for purposes of consistency.

13. *Clarifying clause wording.* One comment suggested deleting "statutorily-based" from paragraph (b)(2) of the clause at 552.238-74, stating that the wording is confusing, unnecessary, and creates the impression that the IFF amount is set by statute.

*Response:* This language has been deleted from the clause.

### C. Executive Order 12866

This is not a significant regulatory action and, therefore, was not subject to review under Section 6(b) of Executive