



November 14, 2005

Cost Accounting Standards Board  
Attn: Mr. David Capitano  
Crystal Square 4, Suite 200A  
1745 Jefferson Davis Highway  
Arlington, Va. 22202

Dear Mr. Capitano:

Re: Staff Discussion Paper (SDP) – Cost Accounting Standards (CAS) Exemption for Contracts Executed and Performed Entirely Outside the United States

Dear Mr. Capitano:

The Aerospace Industries Association (AIA) is pleased to have the opportunity to respond to the issues raised in the above referenced Staff Discussion Paper, and we offer the following comments and recommendations.

48 CFR 9903.201-1(b) (4) exempts foreign concerns from all but CAS 401 and 402, while 9903.201-1(b) (14) applies to both domestic and foreign concerns and exempts contracts of those concerns that exceed \$100,000 and “are executed and performed in their entirety outside the United States (U.S.), its territories and possessions.” Both of these provisions exempt companies from all CAS requirements (not just the 19 Standards) when contracts are executed and performed outside the United States, its territories and possessions. But, as indicated previously, (b) (4) would still require foreign company compliance with 401 and 402 but no other CAS rules and regulations. If the Board eliminates (b) (14), a foreign company still could cite (b) (4) as its basis for just following 401 and 402, while a domestic concern would have to follow all the CAS rules and regulations regardless of where its contracts are executed and performed.

When this was reviewed in the early 1990s, it was decided by the Board in consultation with the Federal agencies to retain the exemption for contracts which are “executed and performed in their entirety outside the United States, its territories and possessions.” What has changed that would make this exception no longer applicable? We believe it remains impractical for a contractor that executes and performs a contract outside of the United States to follow the CAS rules and regulations promulgated in the United States. That contractor should be expected to follow the accounting conventions (rules and regulations) of the country where the contract is being performed.

In summary, we believe that the exemption provided by 9903.201-1(b) (14) should remain in effect. In this increasing global environment, it is desirable and necessary for the Government in certain cases to contract or subcontract with parties that execute and perform contracts outside the United States. This exemption permits a contractor following its national procurement and accounting rules to participate in the U.S. Government procurement process. Without the exemption, the above-mentioned contractor and its supply chain would likely find it prohibitive for many reasons to become CAS compliant. As you know, the necessity for complying with CAS has kept many commercial enterprises from participating in the U. S. Government contracting arena.

If you have any questions concerning the comments/recommendations, please contact Mr. Dick Powers of my staff. Dick can be reached at (703) 358-1042. His e-mail address is [dick.powers@aia-aerospace.org](mailto:dick.powers@aia-aerospace.org)

Sincerely,

A handwritten signature in black ink, appearing to read "Elaine J. Guth". The signature is written in a cursive, flowing style.

Elaine J. Guth  
Assistant Vice President  
Government Division

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**From:** Eisenberg, Allen [mailto:aeisenberg@nexant.com]  
**Sent:** Thursday, September 15, 2005 8:58 AM  
**To:** FN-OMB-casb  
**Subject:** exemption from CAS for foreign contracts

Thank you for the opportunity to comment.

When considering the exemption from CAS for contracts and subcontracts performed entirely outside the United States, please remember that the definition of Small Business Concern in FAR 19.001 requires a firm to have a place of business located in the United States and make a significant contribution to the US economy.

If the exemption for foreign contracts is not retained, foreign contractors who would otherwise be small businesses will be subject to limited (48 CFR 99.401 and 99.402) coverage. Those contractors will often not have the resources to revise their accounting practices to comply with CAS.

This will limit the government's ability to obtain necessary goods and services at reasonable prices, either by limiting the range of possible sources, or by the inclusion of the cost of compliance in the price to the government.

It will not promote the CAS Board's objective of achieving uniformity in cost accounting practices among Government contractors in like circumstances, by subjecting foreign small businesses to a different standard than U.S. small businesses.

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