

Area Program within their respective offices. Responsibility for administration of the program may be assigned to small business specialists appointed pursuant to 1-704.3.

Areas eligible under this program are determined by the Department of Labour.

A similar program exists at the subcontracting level.

1-805. Subcontracting With Labour Surplus Area Concerns

1-805.1 General Policy

(a) *It is the policy of the government to promote equitable opportunities for labour surplus area concerns to compete for defence subcontracts and to encourage placement of subcontracts with concerns which will perform such contracts substantially in labour surplus areas in the order of priority described in 1-802 where this can be done, consistent with efficient performance of contracts, at prices no higher than are obtainable elsewhere."*

5.6 Small Disadvantaged Business Concern

It is U.S. Department of Defense policy to place a "fair proportion of its total purchases and contracts with small business concerns and small businesses owned and controlled by socially and economically disadvantaged individuals. Such individuals are defined as those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. (DAR 1-702(a), DAR 1-701 and 1-701.2). To implement this policy such concerns are given every opportunity to participate in Department of Defense programs and enjoy all the privileges of Small Business Set-Asides and SBA administrative and financial support.

5.7 Depressed Industries

Certain entire industry sectors in the United States may, under special circumstances, be considered to be "depressed industries", in which all U.S. government procurements of their products are restricted to U.S. sources. The DAR reference is:

"1-806 Depressed Industries

1-806.1 General. When an entire industry is depressed, the Director of the Federal Preparedness Agency of the General Services Administration may, under Defence Manpower Policy No. 4A, establish appropriate measures on an industry-wide, rather than on an area, basis. Designations of such industries are made by the Federal Preparedness Agency and such industries will be given special treatment as specified therein. Paragraph 1-806.2 reflects pertinent requirements with respect to the Petroleum and Petroleum Products Industry."

5.8 Military Assistance Program (MAP)

Foreign content in items procured by the United States in implementing its Military Assistance Program (MAP) cannot exceed 50 per cent of the value of the end item. (See DAR 6-700). Canadian contractors are therefore not eligible to bid on prime contracts for MAP procurement except as noted in DAR 6-702.

However, as subcontractors, Canadian firms may supply up to 50 per cent of the value of the end item. Such subcontract quotes are eligible for duty-free entry if they meet other Defence Production Sharing standards for eligibility.

5.9 Foreign Military Sales

Canadian firms may supply items for U.S. Foreign Military Sales, as if they were for and used by the U.S. Government. This may be particularly important to Canadian firms because the foreign customers may stipulate the source of the item (DAR 6-1307(a)). Where a Canadian firm has been a partial supplier to the U.S., it has proven possible to influence the customer to stipulate the Canadian supplier as his designated source.

5.10 Construction Contracts

The waiver of the Buy American Act and exemption from United States customs duty are not applicable to materials purchased for United States military construction contracts to be performed in the United States, its possessions, or Puerto Rico.

In these cases Canadian materials are not treated as domestic materials; they are considered as foreign materials and their use must receive prior approval by the Secretary of Defense.

5.11 Engineer Civil Works Programs

The U.S./CDA Defence Production Sharing Agreement does not include U.S. Army Engineer Civil Works programs. Therefore Canadian bids on such contracts are subject to the Buy American evaluation factor (6 per cent or 12 per cent). Such requests for bids, proposals, etc. are identified with the letters CW after the bid identifier number. (DAR 6-102.3(c) and 6-104.4(f)).

5.12 U.S. National Disclosure

The U.S. government has a policy which defines those areas of technology and weaponry which it is considered to be not in the national interest of the U.S. to disclose to any other country.

This National Disclosure Policy, which itself is unavailable to Canada, is known from experience to prohibit disclosure to any country, including Canada, information in the following areas: military spacecraft and satellites, electronic warfare equipment, post-nuclear-explosion radiation effects on material and equipment, rockets, nuclear weapons, marine nuclear propulsion and doubtless others.

Many new major weapons systems being acquired