



U.S. Small Business  
Administration



# **Understanding the Nonmanufacturer Rule**

**First Wednesday Virtual Learning Series 2020**

## Hosts

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# Welcome to “SBA Virtual Learning 2020”

1. Questions answered during the final 10 minutes.
2. Technical problems: Contact the moderator with a note or call AT&T Support Desk at 301-250-7202.
3. Page numbers stated for those working off hard copies of the program.
4. We cover the “**SBA Quick Reference**” as time allows.
5. For more SBA training visit the SBA Learning Center website <https://www.sba.gov/tools/sba-learning-center/search/training>

## Association of Procurement Technical Assistance Centers (APTAC)

Procurement Technical Assistance Centers are a vital resource partner.

- APTAC posts past “First Wednesday” programming at this link: <http://www.aptac-us.org/for-contracting-officers-sba-webinar-library/>
- Contracting officer resources: “How PTACs partner with federal agencies”: <http://www.aptac-us.org/federal-partners/>
- Find your nearest Procurement Technical Assistance Center at <http://www.aptac-us.org>

# FIRST WEDNESDAY VIRTUAL LEARNING SERIES

## FY 2020 SCHEDULE

**1:00 to 2:00 PM Central Time**

<b>FY 2020</b>	<b>Date</b>	<b>Topic</b>
1	October 2, 2019	Size & Affiliation
2	November 6, 2019	Understanding the Non-Manufacturer Rule
3	December 4, 2019	Subcontracting Plans
4	January 8, 2020	Surveillance Reviews
5	February 5, 2020	Historically Underutilized Business Zone (HUBZone) Program
6	March 4, 2020	Certificate of Competency (COC)
7	April 1, 2020	Procurement Center Representative (PCR) functions
8	May 6, 2020	Market Research
9	June 3, 2020	Regulation Updates
10	July 1, 2020	Woman Owned Small Business (WOSB) Program
11	August 5, 2020	All Small Mentor Protégé Program

The program schedule is for information only and is subject to change.

## One Continuous Learning Point

- Self-service: Using the PowerPoint that was sent with your invitation for this training event, fill in your name on the certificate slide and save. Download the certificate and print for your records. You submit your request for training credit IAW your agency policy, i.e. FAITAS.
- Phoning in only: If you listen in groups and you want all attendees to be included on the future mailing list, send email addresses of participants in an excel document to [sbalearning@sba.gov](mailto:sbalearning@sba.gov).

# “SBA 1st Wednesday Virtual Learning 2020”

This Certificate is awarded to

**Insert Your Name Here**

For completion of

## Understanding the Nonmanufacturer Rule (NMR)

This training seminar may be credited towards “Continuous Learning Points” as described in OFPP Policy Letter 05-01. Recommendation of One CLP.



Pamela J. Beavers  
Director, Area IV  
SBA Office of Government Contracting

11/06/2019

DATE



## Today's Speakers

**Christopher R. Clarke**  
**Attorney Advisor**  
**Office of General Counsel**  
**U.S. Small Business Administration**

**Carol J. Hulme**  
**Office of Government Contracting**  
**U.S. Small Business Administration**

## Overview

- The Nonmanufacturer Rule (NMR)
- Applicability of the NMR
- Individual Waivers to the NMR
- Class Waivers to the NMR



# The Nonmanufacturer Rule

## Purpose

The Nonmanufacturer Rule (NMR) allows an otherwise responsible business concern to be awarded a procurement contract to supply a product – even though it is not the manufacturer or processor of the product – as long as it meets certain conditions

## Conditions

To qualify as a small nonmanufacturer, a firm:

- Cannot exceed 500 employees;
  - Must be primarily engaged in retail or wholesale and normally sells type of product being supplied;
  - Must take ownership or possession of the item(s) in a manner consistent with industry practice; **and**
  - Must supply the end product of a small business, 8(a), WOSB, EDWOSB, HUBZone, or SDVOSB manufacturer or processor made in U.S. **or**
- 
- Obtain a **waiver** to the NMR

**13 C.F.R. § 121.406(b)(1)**

## Manufacturer defined

- The manufacturer of an item is the concern which performs the primary activities in transforming organic or inorganic substances, including the assembly of parts and components, into the end item being acquired
- Firms which only perform minimal operations on the end item or firms which add substances, parts, or components to the end item do not qualify as the manufacturer of the item being acquired e.g. assembled container

**13 C.F.R. § 121.406(b)(2)(i)(b)**



# Applicability of the NMR

## Applicability of the NMR

- Small business set-asides above the simplified acquisition threshold
- Set-asides under the following above the micropurchase threshold:
  - 8(a)
  - SDVOSB
  - WOSB
  - EDWOSB
  - HUBZone
- Against a manufacturing or supply contract
- Above the relevant dollar amount thresholds

**13 C.F.R. §§ 121.406(a) & (d)**



## Dollar Thresholds

- NMR continues to apply above the micropurchase threshold for set-aside awards under the socioeconomic groups mentioned above
- NMR applies to small business set-aside awards above the SAT (does not apply to small business set-asides between micropurchase threshold and SAT)
- NMR does not apply to subcontracts or full-and-open contracts

## NMR Applicable NAICS Codes

The NMR only applies to manufacturing and supply acquisitions with certain assigned NAICS codes:

- 31XXXX-33XXXX
- 511210 (software but does not include subscription or remote software)
- 541519 footnote 18 (Information Technology Value Added Reseller – ITVAR that meets the 150 employee limit)



# Individual Waivers to the NMR

## Standard for Individual NMR Waivers

- Individual waivers apply only to a single solicitation (one-time waiver) and the **specific item(s)** identified in the waiver request
- SBA will grant an individual waiver to the NMR after determining that “no small business manufacturer or processor can reasonably be expected to supply the product meeting the specifications of the solicitation”

**13 C.F.R. §121.406(b)(5)(i)**

# Procedure for Requesting an Individual NMR Waiver

- The contracting officer must email the request to the SBA Office of Government Contracting at [nmrwaivers@sba.gov](mailto:nmrwaivers@sba.gov)
- The request should include all the elements noted on the following slide
- Additional guidance, including a model template for waiver requests, can be found in SOP 60 07 (September 15, 2017)

# Individual NMR Waiver Request Checklist

- ✓ Request signed by the contracting officer
- ✓ Proposed solicitation number or other ID
- ✓ Estimated total dollar amount of the contract
- ✓ Assigned NAICS code(s) for the solicitation
- ✓ Brief statement of the procurement history
- ✓ For contracts over \$500,000 provide a Statement of Work (or equivalent such as Product Description)
- ✓ A definitive statement of the item(s) to be waived and justification for why they are required
- ✓ A narrative describing market research and supporting documentation

**13 C.F.R. § 121.1204(b)(1)**

## Definitive Statement of Item(s)

- SBA needs the items sought under the solicitation to be described in terms of their qualities and attributes
- This could include laymen's terminology, technical specifications, or any other identifying characteristics
- SBA will generally not grant an individual NMR waiver if the primary justification for the narrowing of sources is a brand name requirement

## “Brand Name Only” Procurements

- If the requesting agency has a legitimate need for a particular brand name item, then the contracting officer must provide a Limited Sources Justification (LSJ), J&A, or equivalent document
- This document must include the reason the brand name item is essential to the procurement and it must comply with all relevant FAR requirements

**FAR 6.302, 6.303, 6.304, 8.40, FAR 16.**



## Market Research Considerations

Market Research is the most important part of the individual waiver request

- SBA needs to see a narrative and documentation that provides reasonable certainty that there are **no** small business manufacturers that make and could supply the items sought
- This requires the contracting officer to perform extensive market research and provide a **clear description** of that market research

## Market Research Considerations (cont.)

- Examples of market research tools:
  - Sources Sought Notice (or RFI) that includes language specifically seeking small business manufacturers
  - DSBS/SAM searches for potential small business manufacturers (with follow up)
  - Industry days and roundtable discussions (recent)
  - Direct correspondence with small businesses identified via Sources Sought, RFI, DSBS search, OSBDU, past procurements, etc.
  - Repetitive acquisitions when based on sufficient recent, thorough market research showing no change in the market.

## Market Research Considerations (cont.)

- In most cases, the Sources Sought Notice (or RFI) is the most effective market research tool
  - It reaches the entire Federal procurement community and puts potential small business manufacturers on notice
- SBA requires that a Sources Sought/RFI:
  - Include language specifically seeking small business manufacturers; and
  - Define the item(s) in terms of salient characteristics
- SBA prefers the RFI to be posted on FedBizOpps for 14 calendar days

## Notice of Waivers

- Potential offerors must be notified of class or individual waivers at the time of solicitation
- Notification of offerors after the solicitation is permissible only if potential offerors are afforded additional time to respond

**13 C.F.R. §121.1206(a)**

## Multi-Item Procurements

- NMR waivers are applied on an item-by-item basis. Thus, contracting officers must provide distinct justification and market research for each item for which a waiver is requested
- Potential offerors should be notified of which items are covered by the waiver
- However, an NMR waiver is not necessary for every item manufactured by a large business in a multi-item procurement

# Multi-Item Procurements (cont.)

Paths to compliance with the NMR for multi-item procurements:

- At least 50% of the total estimated contract value manufactured by small business

**13 C.F.R. § 121.406(e)(1) & 13 C.F.R. § 125.6(a)(2)(ii)(A)**

- Over 50% of the total estimated contract value manufactured by large business, obtain NMR waivers so that 50% of the *remaining* total value (items not covered by NMR waiver) is manufactured by small business

**13 C.F.R. § 125.6(a)(2)(ii)(B)**

- On a multi-item procurement involving a manufacturer and nonmanufacturer the size standard applied is that of the manufacturer.

## Multi-Item Procurement Examples

- **Example 1** – Total contract value of \$1 million. \$500k manufactured by small business.
  - **Result:** Complies with NMR. 50% of total contract value is manufactured by small business (no waivers needed)
- **Example 2** – Total contract value of \$1 million. \$200k manufactured by small business. Contracting officer obtains NMR waivers for \$200k of remaining value.
  - **Result:** Does not comply with NMR. Of the \$800k not covered by an NMR waiver, only 25% manufactured by small business
- **Example 3** – Total contract value of \$1 million. \$300k manufactured by small business. Contracting officer obtains NMR waivers for \$400k of remaining value.
  - **Result:** Complies with NMR. Of the \$600k not covered by an NMR waiver, 50% manufactured by small business



# **Class Waivers to the NMR**



## Standard for Class NMR Waivers

A class waiver is justified when **no** small business manufacturers are

- **available to participate**
- in the **federal market**
- for a **class of products**

**13 C.F.R. §121.406(b)(5)(ii)**

## “Class of Products”

- “Class of products” refers to an individual subdivision within a NAICS Industry Number
- For practical purposes, SBA uses a combination of NAICS code, PSC, **and** a description to identify the “class of products” for a class waiver to the NMR
  - E.g. NAICS 333333, PSC 1234, description

## “Available to Participate”

- “Available to participate” means that small business contractors have performed, been awarded, or submitted an offer on a federal government contract/solicitation for the class of products within last 24 months
  - **13 C.F.R. § 121.1202(c)**
- If just **one** small business manufacturer has been awarded or submitted a bid for a solicitation concerning the class of products in question over the previous 2 years, the class waiver request must be denied

# Procedures for Requesting and Establishing a Class Waiver

- Any government agency (including the SBA), business association, or interested party may request a NMR waiver for a class of products
- The class waiver request must include
  - A statement of the class of products to be waived (NAICS code, PSC, description)
  - **Detailed** information on efforts to identify domestic small business manufacturers for the class of products

**13 C.F.R. § 121.1204(a)(1-3)**

## Class Waiver Procedure (cont.)

- SBA will then conduct its own market research to confirm whether any small business manufacturers were awarded a contract on the class of products within the prior 24 months
- If no small business manufacturers are found initially, SBA will:
  - 1) Publish notices in FedBizOpps and the Federal Register announcing intent to establish class waiver
  - 2) Allow (at least) 15 day public comment period
  - 3) Publish final notice of class waiver in the Federal Register if no small business manufacturers are identified after public comment period

**13 C.F.R. § 121.1204(a)(4)**

# Procedures for Reviewing and Terminating Class Waivers

- A class waiver to the NMR has no time limitation
- Discovery of just **one** small business manufacturer will trigger termination of the class waiver
  - Notice in the Federal Register of intent to terminate class waiver, public comment period, final FR notice

**13 C.F.R. § 121.1204(a)(7)**

## Existing NMR Class Waivers

- Existing NMR class waivers can be found at the following link:

<https://www.sba.gov/contracting/contracting-officials/non-manufacturer-rule/class-waivers>

- Make sure to keep track of class waiver terminations and always check the list for up-to-date effective class waivers before issuing a small business set-aside

## How to Submit NMR Waiver Requests

- Submit NMR waiver requests and attachments to the NMR program email address at: [nmrwaivers@sba.gov](mailto:nmrwaivers@sba.gov)
- For individual waivers, use the solicitation number (or equivalent) and agency abbreviation in the subject line for efficient identification of each case
  - e.g. SBA SBA123-18-Q-0001 NMR Waiver Request
- For class waivers, use the NAICS code, PSC, and a description of the product in the subject line
  - e.g. NAICS 333333, PSC 1234, Widgets



## How to Submit NMR Waiver Requests (cont.)

- The waiver applies to a one-time award
- It does not apply to modifications outside the scope of the contract or other procurement actions.
- The effect of a waiver is to allow an otherwise qualified small business to supply the product of an other-than-small manufacturer or processor on an intended small business set-aside contract.
- However, it must be emphasized that this waiver of the NMR **does not waive other legal requirements** applicable to Government procurements, such as the Buy American Act and the Trade Agreements Act.

# Questions

## Nonmanufacturer Rule (NMR) Program

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