



April 29, 2019
SCM_8112

Subject: Defense Priorities and Allocation System (DPAS)

Attachment:
(a) DPAS Supplier FAQs 2019

Dear Supplier:

Huntington Ingalls Incorporated, Newport News Shipbuilding Division ("HII-NNS") currently has a number of prime contracts with the U.S. Government that are priority rated. As a result, many of HII-NNS's subcontracts to suppliers are rated to meet prime contract requirements. Some HII-NNS prime contracts are rated higher than others. Specifically, the Columbia submarine program prime contract is DX rated while the Virginia submarine program and CVN 79 aircraft carrier program are DO rated.

HII-NNS is writing to remind its suppliers of their obligations regarding rated subcontracts under the Defense Priorities and Allocations System ("DPAS") regulations and HII-NNS's terms and conditions. Suppliers should review the DPAS regulations and the HII-NNS terms and conditions and fully understand their obligations regarding rated orders.

Under DPAS, suppliers must accept rated orders if the supplier provides the supplies or services requested and can meet the required delivery date. Rated orders may not be rejected because the rated order conflicts with schedules for unrated or lower rated orders. Suppliers are obligated to schedule rated orders to meet ALL rated order delivery dates. Receipt of a rated order by a supplier requires the supplier to deliver the order by the delivery date specified in the order. This applies to all rated orders. Preferential scheduling of a rated order over an unrated order or a lower rated order is only required when it is clear that the supplier will not be able to meet the delivery date for the highest rated order or equally rated orders.

A DIVISION OF HUNTINGTON INGALLS INDUSTRIES

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Re: DPAS
SCM_8112

- 2 -

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If a subcontractor cannot meet a rated order's delivery date because of scheduling conflicts with equal priority or higher priority rated orders, the supplier must notify HII-NNS immediately. If accepting a higher rated order would interfere with the delivery date for a lower rated order that the supplier has with HII-NNS, while the supplier cannot reject the higher rated order, HII-NNS requests that the supplier inform HII-NNS of this potential conflict.

After award, suppliers must notify NNS immediately if the supplier believes that it will not be able to fulfill its rated order by the required delivery date. Suppliers are also required to flow down rated order requirements from HII-NNS terms and conditions and should notify HII-NNS if the supplier experiences sub-tier issues that affect its fulfillment of a rated order by the required delivery date.

If suppliers have questions regarding their obligations under DPAS, suppliers should consult their legal counsel. Please see attached "DPAS Frequently Asked Questions" (FAQs) document, attached, for further assistance and sharing across your own team and throughout sub-tier suppliers. This communication serves to further assist the important HII supply base and its sub-tiers. HII anticipates and expects fulfillment of our rated orders at agreed to delivery dates and terms.

Sincerely,



Stephanie Conover
Director, Supply Chain Procurement

Defense Priorities and Allocations System (DPAS) FAQs

1. What is DPAS?

DPAS is a regulation that permits the Government to issue rated orders to promote the national defense and ensure timely delivery of industrial resources. DoD is authorized to issue rated orders under DPAS to meet program requirements. NNS's prime contracts are rated orders. NNS has the authority to issue rated orders, and is required to do so, for the supplies and services it needs to meet its rated prime contracts. NNS includes FAR 52.211-15, a mandatory flow down which invokes DPAS, in its purchase orders.

2. What are the levels of rated orders?

- Unrated orders, which are the lowest priority, generally are for commercial contracts.
- DO rated orders, which have priority over all unrated orders.
- DX rated orders, which have priority over all DO rated orders and unrated orders.

3. What are a supplier's obligations under DPAS?

A supplier is obligated to schedule production to meet all delivery dates of rated orders that it has accepted, including placement of lower tier subcontracts for supplies and services the supplier needs to complete its own orders. DPAS does NOT require a supplier to work on higher rated orders (i.e. DX rated orders) to the exclusion of other rated and unrated work, unless there is a conflict and the supplier is unable to meet all delivery dates of rated work.

4. When must a supplier *accept* a rated order?

In general, a supplier must accept a rated order for items or services that are normally provided by that supplier if supplier can meet the requested delivery date.

5. When must a supplier *reject* a rated order?

- In the following circumstances, a supplier *must* reject a rated order:
 - If the supplier is unable to fill the order by the date specified on the order. The supplier may not reject the order for this reason if the scheduling conflict is with previously accepted unrated or lower rated orders.
 - If accepting the order would interfere with the delivery of any previously accepted equally rated or higher rated orders.
 - If a supplier receives multiple rated orders of equal priority on the same day, and the supplier determines that it cannot meet the delivery dates for those orders, the supplier must reject the orders for which it cannot meet the delivery dates.
- ***Rejection of a rated order does not mean that a supplier does not have to fill the order – rejection is simply made as to the delivery date. For any of the above rejections, the supplier must provide the earliest date by which it could fulfill the requested rated order to NNS and accept based on that date if NNS approves.***

- **A supplier may NOT reject a rated order because it conflicts with lower rated orders that the supplier has already accepted.**

6. What are the notification requirements under DPAS for acceptance or rejection of a rated order?

- Acceptance or rejection must be in writing (hard copy or electronic).
- Suppliers must respond to DO rated orders within fifteen (15) working days of receipt of the order and DX rated orders within ten (10) working days of receipt of the order.
- If a supplier rejects a rated order, the supplier must provide the reasons for rejection in its written response and offer alternate delivery dates.

7. What must a supplier do if, after accepting a rated order, the supplier believes that the supplier will be unable to fill the rated order by the required delivery date?

The supplier must notify NNS immediately, provide an explanation on the reasons for the delay, and advise on the earliest date by which the supplier can deliver the item or services. If the notification is provided verbally, written or electronic confirmation must be provided within five (5) working days of the verbal notice.

8. When is “preferential scheduling” necessary?

Preferential scheduling is only necessary if the supplier cannot meet a required delivery date of a rated order because it has conflicting work. If there are conflicts between orders, a supplier must reschedule unrated orders if the unrated orders conflict with the timely completion of DO rated orders. Likewise, a supplier must reschedule DO rated orders and/or unrated orders, if those orders conflict with the timely completion of a DX rated order.

Prompt notification to NNS is essential to ensuring DPAS requirements are met. The above is provided for informational purposes only and is not intended as legal advice. If suppliers have questions regarding their obligations under DPAS, suppliers should consult their legal counsel.