



September 22, 2020

From: Austal USA Supply Chain  
To: All Suppliers  
Subj: Duty-Free Entry FAR and DFARS Requirements  
Ref: DFARS 252.225-7013(b)  
Enclosures: (a) Duty-Free Entry Guidance  
(b) DCMA Duty Free Entry 1.5

Dear Supplier,

Your Purchase Orders/Subcontract Agreements with Austal USA include Duty-Free Entry clause DFARS 252.225-7013(b). As a result, imports will be accorded duty-free entry under those Purchase Orders/Subcontract Agreements. This communication and attached guidance outline the process for claiming entitlement to duty-free entry for imports by you and your supply base supporting your Purchase Order(s)/Subcontract Agreement(s) with us. The attached guidance provides a step-by-step process for claiming duty-free entry and avoiding the imposition of additional Customs duties.

Austal USA will not grant suppliers relief from contractual delivery dates or reimburse or pay a supplier for costs that the supplier may incur as a result of its failure to claim the duty-free entry entitlement. If a supplier does not claim the duty-free entry entitlement, the supplier may experience delays in receipt of the imported items or the Duty-Free Certificate by U.S. Customs and Border Protection.

If you have any questions regarding the process or attached guidance, require additional information or would like additional assistance, please contact Austal Traffic Lead (Jimmy.Turner@austalusa.com) or your Purchasing representative.

Thank you for your attention to this matter.

Very Respectfully,

Carey Uhle  
SCM Compliance Manager



## **Duty-Free Entry Guidance**

### **Information**

As an authorized U.S. Government procuring agent, Austal USA is exempt from paying duty if importations are declared under a Department of Defense contract (the Duty-Free Entry Exemption). This exemption supersedes all duty adjustments.

If the Duty-Free Entry Exemption request is not processed and approved by DCMA within six (6) months of the shipment arriving in the U.S., customs duties will be imposed. Austal USA will not be liable for these duty costs. Additionally, if the Duty-Free Entry Exemption is available and is not utilized by the Supplier, the U.S. Government and Austal USA will not be responsible for reimbursement of any duties paid and as a result, Supplier will not be able to recover additional costs, if any, associated with such duties.

Note: When making an international purchase on behalf of the Department of Defense, government contractors are entitled to a duty-free entry.

### **Duty-Free Entry**

In accordance with paragraph (b) of Duty-Free Entry clause DFARS 252.225-7013, imports are accorded duty-free entry. Delays in receipt of the imported items that require Duty-Free Entitlement approval by the DCMA Administrative Contracting Officer (ACO) or delays associated with the issuance of the Duty-Free Certificate by U.S. Customs and Border Protection, that result in additional costs incurred by the contractor or a delay in contract delivery schedule, may be subject to an equitable adjustment to either contract cost or delivery schedule, or both.

These are the steps to take to ensure mitigation of additional duty for U.S. and Non-U.S. Suppliers:

#### **Duty-Free Entitlement Request:**

1. As an Austal USA Supplier, the duty-free entry clause, DFARS 252.225-7013, is incorporated in the Supplier's Purchase Order/Subcontract Agreement through applicable terms and conditions flow downs.
2. Supplier must provide the Austal Traffic Lead with the following information:
  - a. Foreign supplier name
  - b. Foreign supplier address
  - c. Foreign supplier City
  - d. Country
  - e. Subcontract or PO number for foreign supplier (Austal USA PO)
  - f. Hull Number(s)
  - g. Estimated dollar value of foreign supplies
  - h. Expiration of subcontract or PO with Austal USA



- i. Customs broker name
  - j. Customs broker number
3. Supplier shall provide this information with enough lead time to ensure an entitlement request is processed and approved by DCMA within six (6) months of the shipment arriving in the U.S.
4. The average processing time from Austal Traffic Lead submitting this information into DCMA eTools to DCMA ACO accuracy review and response to the Austal Traffic Lead can be up to 60 days. The DCMA ACO may either approve the request by issuing a 'Duty-Free Entitlement' or may reject the request for non-applicability or missing information, which may result in the need to revise and resubmit information for processing.

**Duty-Free Certificate Request:**

5. When the shipment arrives into the U.S. and is cleared for entry with U.S. Customs & Border Protection, a 'Duty-Free Certificate' must be requested by the Customs Broker from the DCMA Customs Team\* through the eTools portal. If the 'Duty-Free Entitlement' is in place for the items being imported for Supplier and/or Sub-tier Suppliers, the DCMA Customs Team will issue the 'Duty-Free Certificate' electronically to the Supplier.
6. The Supplier is responsible for providing the 'Duty-Free Certificate' to U.S. Customs & Border Protection upon request by the required deadline to avoid any additional costs. Austal USA will not reimburse Supplier for any additional or unexpected costs associated with delay, inaccuracies or failure to implement the outlined process for submitting information in compliance with the Duty-Free Entry FAR clause.

\*The DCMA Customs Teams is an internal DCMA role that approves all duty-free entitlement and certificate requests through eTools.

Note: All foreign imports for material related to the subcontract / PO must be on a separate commercial invoice to make proper entry on material related to these contracts.