

airplanes (all serial numbers), certificated in any category.

Compliance: Required initially upon accumulation of 500 hours time-in-service (TIS) or within the next 50 hours TIS after the effective date of this AD, whichever occurs later, and thereafter, as indicated, unless already accomplished.

To prevent nose wheel axle fatigue failure, accomplish the following:

(a) Dye penetrant inspect the nose wheel axle assembly for cracks in accordance with the instructions in DESCRIPTION: (1) of SOCATA Groupe AEROSPATIALE Service Bulletin No. 150, dated June 1991.

(1) If cracks are found, prior to further flight, replace the nose wheel axle assembly in accordance with the applicable maintenance manual, and reinspect thereafter at intervals not to exceed 500 hours TIS.

(2) If no cracks are found, reinspect thereafter at intervals not to exceed 500 hours TIS.

(b) At every 4th repetitive inspection interval (2,000 hours TIS) mandated in paragraphs (a)(1) and (a)(2) of this AD, replace the nose wheel axle attaching screws instead of reinstalling the existing screws as specified in the instructions of DESCRIPTION: (2) of SOCATA Groupe AEROSPATIALE SB No. 150, dated June 1991.

(c) Special flight permits may be issued in accordance with FAR 21.197 and 21.199 to operate the airplane to a location where the requirements of this AD can be accomplished.

(d) An alternative method of compliance or adjustment of the compliance times that provides an equivalent level of safety, may be approved by the Manager, Brussels Aircraft Certification Office, FAA, Europe, Africa, and Middle East Office, c/o American Embassy, B-1000 Brussels, Belgium. The request should be forwarded through an appropriate FAA Maintenance Inspector, who may add comments and then send it to the Manager, Brussels Aircraft Certification Office.

(e) The inspections and replacements required by this AD shall be done in accordance with SOCATA Groupe AEROSPATIALE Service Bulletin No. 150, dated June 1991. This incorporation by reference was approved by the Director of the Federal Register in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. Copies may be obtained from SOCATA Groupe AEROSPATIALE, Socata Product Support, Aeroport Tarbes-Ossun-Lourdes, B P 930, 65009 Tarbes Cedex, France. Copies may be inspected at the FAA, Central Region, Office of the Assistant Chief Counsel, room 1558, 601 E. 12th Street, Kansas City, Missouri, or at the Office of the Federal Register, 1100 L Street, NW., room 8401, Washington, DC.

(f) This amendment (39-8190) becomes effective on April 17, 1992.

Issued in Kansas City, Missouri, on February 25, 1992.

Barry D. Clements,

Manager, Small Airplane Directorate,
Aircraft Certification Service.

[FR Doc 92-4979 Filed 3-5-92; 8:45 am]

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 14

Advisory Committees; Food Advisory Committee; Establishment

AGENCY: Food and Drug Administration, HHS.

ACTION: Final rule.

SUMMARY: The Food and Drug Administration (FDA) is announcing the establishment by the Commissioner of Food and Drugs of the Food Advisory Committee in the FDA's Center for Food Safety and Applied Nutrition. A notice requesting nominations for membership on this committee will publish at a later date. This document adds to the agency's list of standing advisory committees. The authority citation for 21 CFR part 14 is also being revised to reflect changes made as a result of the transfer and redesignation of certain sections of the Public Health Service Act to the Federal Food, Drug, and Cosmetic Act, by the Safe Medical Devices Act of 1990.

DATES: This rule becomes effective March 6, 1992. Authority for the committee being established will end on December 15, 1993, unless the Commissioner of Food and Drugs formally determines that renewal is in the public interest.

FOR FURTHER INFORMATION CONTACT: Donna M. Combs, Committee Management Office (HFA-306), Food and Drug Administration, 5600 Fishers Lane, Rockville, MD 20857, 301-443-2765.

SUPPLEMENTARY INFORMATION: Under the Federal Advisory Committee Act of October 6, 1972 (Pub. L. 92-463), section 903 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 394) as amended by the Food and Drug Revitalization Act (Pub. L. 101-635), and 21 CFR 14.40(b), FDA is announcing the establishment by the Commissioner of Food and Drugs of the Food Advisory Committee.

The committee shall provide advice primarily to the Director, Center for Food Safety and Applied Nutrition, and as needed, to the Commissioner and other appropriate officials on emerging food safety, food science, and nutrition issues that FDA considers of primary importance in the next decade. The committee shall also provide advice and make recommendations on ways of communicating to the public the potential risks associated with these issues, and recommend approaches that

may be considered in addressing the issues.

The Safe Medical Devices Act of 1990, Public Law 101-629, enacted November 28, 1990, amended subpart 3 "Electronic Product Radiation Control" of part F of title III of the Public Health Service Act, and redesignated sections 354 through 360F of that act as sections 530 through 542 of the Federal Food, Drug, and Cosmetic Act, respectively.

Because these are technical amendments to 21 CFR part 14, the Commissioner of Food and Drugs finds under 5 U.S.C. 553(b)(B) and 21 CFR 10.40 (c), (d), and (e), that notice and public procedure are unnecessary and contrary to the public interest. Therefore, the agency is revising the authority citation for 21 CFR part 14 and adding new paragraph (g) to 21 CFR 14.100 as set forth below.

List of Subjects in 21 CFR Part 14

Administrative practice and procedure, Advisory committees, Color additives, Drugs, Radiation protection.

Therefore, under the Federal Food, Drug, and Cosmetic Act and under authority delegated to the Commissioner of Food and Drugs, 21 CFR part 14 is amended as follows:

PART 14—PUBLIC HEARING BEFORE A PUBLIC ADVISORY COMMITTEE

1. The authority citation for 21 CFR part 14 is revised to read as follows:

Authority: Sec. 201-903 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321-394); 21 U.S.C. 41-50, 141-149, 467f, 679, 821, 1034; secs. 2, 351, 361 of the Public Health Service Act (42 U.S.C. 201, 262, 264); secs. 2-12 of the Fair Packaging and Labeling Act (15 U.S.C. 1451-1461); 5 U.S.C. App. 2, 28 U.S.C. 2112.

2. Section 14.100 is amended by adding new paragraph (g) to read as follows:

§ 14.100 List of standing advisory committees.

(g) *Center for Food Safety and Applied Nutrition—Food*

Advisory Committee. (1) Date established: December 15, 1991.

(2) Function: The committee provides advice on emerging food safety, food science, and nutrition issues that FDA considers of primary importance in the next decade.

Dated: March 2, 1992.

Michael R. Taylor,

Deputy Commissioner for Policy.

[FR Doc. 92-5222 Filed 3-5-92; 8:45 am]

BILLING CODE 4160-01-M

21 CFR Part 173

[Docket No. 87F-0013]

Secondary Direct Food Additives Permitted in Food for Human Consumption; Chemicals for Controlling Micro-Organisms in Cane-Sugar and Beet-Sugar Mills**AGENCY:** Food and Drug Administration, HHS.**ACTION:** Final rule.

SUMMARY: The Food and Drug Administration (FDA) is amending the food additive regulations to provide for the safe use of glutaraldehyde as a chemical for controlling micro-organisms in beet-sugar mills. This action is in response to a petition filed by Union Carbide Corp.

DATES: Effective March 6, 1992; objections by April 6, 1992.

ADDRESSES: Written objections may be sent to the Dockets Management Branch (HFA-305), Food and Drug Administration, rm. 1-23, 12420 Parklawn Dr., Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Andrew D. Laumbach, Center for Food Safety and Applied Nutrition (HFF-334), Food and Drug Administration, 200 C Street SW., Washington, DC 20204, 202-254-9519.

SUPPLEMENTARY INFORMATION: In a notice published in the *Federal Register* of March 16, 1987 (52 FR 8112), FDA announced that a food additive petition (FAP 7A3981) had been filed by Union Carbide Corp., P.O. Box 670, Bound Brook, NJ 08805, proposing that § 173.320 Chemicals for controlling micro-organisms in cane-sugar and beet-sugar mills (21 CFR 173.320) be amended to provide for the safe use of glutaraldehyde as a chemical for controlling micro-organisms in cane-sugar and beet-sugar mills.

The agency has since determined that the March 16, 1987, filing notice incorrectly described the petitioner's request because the petition specifically requested approval for the use of glutaraldehyde as an antimicrobial agent to control micro-organisms solely in beet-sugar mills. Therefore, the agency is amending the food additive regulation in § 173.320 by adding paragraph (b)(6) to provide for the safe use of glutaraldehyde as a chemical for controlling micro-organisms in beet-sugar mills.

FDA has evaluated data in the petition and other relevant material. The agency concludes that the proposed food additive use is safe and that the regulations should be amended as set forth below.

In accordance with § 171.1(h) (21 CFR 171.1(h)), the petition and the documents that FDA considered and relied upon in reaching its decision to approve the petition are available for inspection at the Center for Food Safety and Applied Nutrition by appointment with the information contact person listed above. As provided in 21 CFR 171.1(h), the agency will delete from the documents any materials that are not available for public disclosure before making the documents available for inspection.

The agency has carefully considered the potential environmental effects of this action. FDA has concluded that the action will not have a significant impact on the human environment, and that an environmental impact statement is not required. The agency's finding of no significant impact and the evidence supporting that finding, contained in an environmental assessment, may be seen in the Dockets Management Branch (address above) between 9 a.m. and 4 p.m., Monday through Friday.

Any person who will be adversely affected by this regulation may at any time on or before April 6, 1992 file with the Dockets Management Branch (address above) written objections thereto. Each objection shall be separately numbered, and each numbered objection shall specify with particularity the provisions of the regulation to which objection is made and the grounds for the objection. Each numbered objection on which a hearing is requested shall specifically so state. Failure to request a hearing for any particular objection shall constitute a waiver of the right to a hearing on that objection. Each numbered objection for which a hearing is requested shall include a detailed description and analysis of the specific factual information intended to be presented in support of the objection in the event that a hearing is held. Failure to include such a description and analysis for any particular objection shall constitute a waiver of the right to a hearing on the objection. Three copies of all documents shall be submitted and shall be identified with the docket number found in brackets in the heading of this document. Any objections received in response to the regulation may be seen in the Dockets Management Branch between 9 a.m. and 4 p.m., Monday through Friday.

List of Subjects in 21 CFR Part 173

Food additives.

Therefore, under the Federal Food, Drug, and Cosmetic Act and under authority delegated to the Commissioner of Food and Drugs and redelegated to the Director of the Center for Food

Safety and Applied Nutrition, 21 CFR part 173 is amended as follows:

PART 173—SECONDARY DIRECT FOOD ADDITIVES PERMITTED IN FOOD FOR HUMAN CONSUMPTION

1. The authority citation for 21 CFR part 173 continues to read as follows:

Authority: Secs. 201, 402, 409 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321, 342, 348).

2. Section 173.320 is amended in paragraph (b) introductory text by adding "or (6)" after "paragraph (b)(4)" and by adding new paragraph (b)(6) to read as follows:

§ 173.320 Chemicals for controlling micro-organisms in cane-sugar and beet-sugar mills.

(b) * * *
(6) Single additive for beet-sugar mills:

	Parts per million
Glutaraldehyde (CAS Reg. No. 111-30-8).	Not more than 250.

Dated: February 26, 1992.

Michael R. Taylor,
Deputy Commissioner for Policy.
[FR Doc. 92-5224 Filed 3-5-92; 8:45 am]
BILLING CODE 4160-01-M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**Office of the Assistant Secretary for Public and Indian Housing****24 CFR Parts 905, 965 and 968**

[Docket No. R-92-1535; FR-2984-02]

RIN: 2577-AA92

Termination of Consolidated Supply Program

AGENCY: Office of the Assistant Secretary for Public and Indian Housing, HUD.

ACTION: Final rule.

SUMMARY: This final rule terminates HUD's Consolidated Supply Program (CSP), currently set out at 24 CFR part 965, subpart G, and 24 CFR 905.175(f), and makes conforming amendments to 905.640(c) and 968.240(c), which reference the CSP. Under the CSP, HUD furnishes technical assistance to public housing agencies and Indian housing authorities in purchasing certain supplies, material, equipment, and

services necessary for the development, operation and maintenance of low-income housing. The decision to terminate the CSP was made after a thorough evaluation of the program, and careful consideration of the public comments received on a June 10, 1991 proposed rule. These comments are discussed in the Supplementary Information section of this document.

EFFECTIVE DATE: April 6, 1992. Contract extensions for all CSP contracts except Roofing Shingles, and Floor Tile and Sheet Vinyl expired on February 28, 1992. Contracts for the latter two products will expire on March 31, 1992. PHAs may not issue purchase orders for contracts which have expired. For the two contracts which have not expired, PHAs may issue Purchase Orders up to the contract expiration date. Once any contract has expired, contractors and PHAs may complete work/delivery of items reflected on Purchase Orders issued before the expiration of the last contract extension; no new Purchase Orders may be issued.

FOR FURTHER INFORMATION CONTACT: William C. Thorson, Director, Maintenance and Supply Division, Office of Construction, Rehabilitation and Maintenance, room 4124, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410, telephone (202) 708-4703. Hearing- or speech-impaired individuals may call the TDD number for the Office of Public and Indian Housing, (202) 708-0850. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION:

I. Background

The Consolidated Supply Program (CSP) was established to assist public housing agencies (PHAs), and Indian housing authorities (IHAs) (PHAs and IHAs are collectively referred to as PHAs), to assure the low income character of public housing, as required under sections 6(a) and 9(a) of the United States Housing Act of 1937, by providing technical assistance in the procurement process. (The CSP regulations, which are removed by this rule, are codified at 24 CFR 965, subpart G, and 24 CFR 905.175(f). Additionally, conforming amendments are made to 24 CFR 905.640(c) and 24 CFR 968.240(c), which reference the CSP.)

Under the CSP, the Department enters into competitive open-end contracts with suppliers of products (supplies, material, equipment and services) commonly used by PHAs in the development, operation, and maintenance of low-income housing. The Department prepares the technical

specifications, and undertakes the solicitation, procurement and contracting functions. Contracts are awarded to all responsive and responsible bidders whose prices are at or below the average of bids received (not just the low bidder). The CSP contracts generally are of 15 months duration and are indefinite quantity contracts with no guarantee to the CSP supplier of any minimum volume of business under the contracts. A catalog identifying the product specifications, product items and price is prepared for each CSP product.

The objective of the CSP was to provide PHAs with the price benefits of competition, while reducing the administrative costs that would otherwise be incurred by each PHA in preparing individual contract specifications, and in soliciting for bids. The CSP operated on the premises that: (1) CSP contractors offer their best prices to the program—that is prices that are equal to or better than prices available to PHAs through open competition; and (2) CSP installed item specifications, including authorized options, add-ons, and deletions, are sufficient to satisfy the job needs of PHAs. The Department found, however, that these operating premises were inaccurate.

Audits of the CSP conducted by HUD's Office of the Inspector General (OIG) in 1981, 1984, 1988 and 1990 revealed widespread program abuse by PHAs and contractors. The audits also revealed that use of the CSP by PHAs was small (\$102 million for the 1988/1989 period) compared to overall PHA procurement of more than \$3 billion. The Department further studied the CSP, including seeking the assistance of an outside consultant, and determined that the structural and inherent flaws of the CSP were so serious that the corrective measures required to make the CSP cost effective would far exceed available resources and outweigh any potential program benefits.

Accordingly, in a rule published on June 10, 1991 (56 FR 26628), the Department proposed to terminate the CSP. The preamble to the proposed rule provided a detailed account of the findings of the OIG's audits, and the additional steps taken by HUD to further evaluate the benefits and problems of the CSP. These steps included an August 10, 1990 meeting with the CSP participants. Attendees at the meeting included representatives of the National Association of Housing and Redevelopment Officials (NAHRO), the Public Housing Authority Directors' Association (PHADA), various CSP

contractors, auditors and others interested in the CSP.

In the June 10, 1991 rule, the Department stated that if the CSP were terminated, it would continue to offer PHAs procurement assistance, by making available to PHAs the guide specifications for many items currently available through the CSP. The Department also stated that it would seek the passage of legislation that would make the General Services Administration (GSA) schedule available to PHAs, in an effort to provide an additional source from which PHAs may procure products.

II. Discussion of Public Comments

The Department invited comment on the June 10, 1991 proposed rule. During the comment period, which expired August 9, 1991, HUD received 120 comments. The commenters included 105 PHAs. The commenters also included nine contractors; four associations representing various PHAs, PHA officials and PHA contractors; one corporation involved in product testing and certification; and one U.S. legislator.

Of the 120 commenters, three commenters supported, or expressed no opposition to termination of the CSP. These three commenters, all PHAs, stated that they could obtain better prices through competitive bidding than through the CSP. The remaining commenters were opposed to termination of the program. Of the 105 PHA commenters, almost half (50) submitted a form letter.

One of the commenters, NAHRO, advised that, together with PHADA, it conducted a survey on the CSP among public housing agencies. NAHRO stated that on June 1, 1991, it submitted a questionnaire to 3,244 PHAs, and that 583 PHAs responded to the survey. NAHRO reported that of the 583 respondents, 470 PHAs stated that they used the CSP, and 97 percent of this group stated that they saved money by using the CSP. NAHRO reported that this group stated that they spent nearly \$37 million on CSP products, at an estimated savings of \$9 million.

In reviewing the NAHRO survey, some PHAs perceived administrative and time savings to be major benefits of the CSP. The Department will comment further in this Rule regarding the benefits of the CSP. However, the Department also notes the following from the survey:

—While some PHAs claimed savings as a benefit, elsewhere in the survey the principal reason cited for not using the CSP was cost, followed by local

- preference, poor warranties, slow/unreliable delivery and poor quality.
- The principal problem identified with the CSP is unreliable contractors, followed by inferior products, unnecessary add-ons, over-pricing, poor service.
 - The items identified in the survey as being the most frequently purchased—refrigerators, floor tile, ranges, water heaters and window shades—are available from the GSA.
 - 19 percent of PHAs responding to the survey did not use the CSP.
 - 498 out of 546 (92 percent) responding to the survey said they already have procurement staff.
 - 292 out of 469 (66 percent) responding to the survey advised that they solicit further/additional quotes from CSP vendors.
 - 57 of PHAs responding to the survey were aware of program abuses, but only 23 advised that they notified HUD.
 - 161 out of 214 (76 percent) responding to the survey advised that there were products for which they preferred not to use the CSP.

The survey results also confirmed the following findings of the Department during its evaluation of the program: PHAs already have procurement staff and procure most of their goods and services from non-CSP sources; and there are structural flaws, abuse and higher costs in the program. Accordingly, the Department does not consider the survey results to provide a persuasive argument in favor of retaining the CSP. The Department also noted that only 18 percent of the PHAs surveyed decided to respond. This low response rate confirms the relatively limited interest and usage of the CSP.

Following careful consideration of the comments on the proposed rule and the survey results provided by NAHRO and PHADA, the Department has decided to proceed with termination of the CSP. Notwithstanding the recognizable loss of some benefit to participating PHAs, the Department's evaluation of the program continues to support that the magnitude of the problems with CSP is such that the measures required to correct these problems, to curtail future abuse, and to make the program cost effective far exceed available resources, and outweigh the benefits.

The following section presents a discussion of the specific issues raised by the commenters, and the Department's response to each issue. The comments opposing termination of the CSP generally fell into the following four areas: (1) Comments describing the benefits of the CSP; (2) comments

describing the problems that will result for PHAs if the CSP is terminated; (3) comments criticizing HUD's rationale for terminating the CSP; and (4) comments offering suggestions on how PHA procurement may be improved.

1. Benefits of the CSP

The majority of the commenters appealed to HUD to continue the CSP because of the many benefits derived by PHAs through participation in the program. The benefits identified by the commenters are as follows:

Comment: The CSP provides savings in the administrative costs and time involved in procurement. A number of commenters stated that the CSP helps PHAs avoid the costly and time consuming process of bid and specification preparation.

Response: HUD acknowledges that the CSP may reduce the administrative costs and time involved in procurement for many participating PHAs. HUD will make guide specifications available to PHAs for many of the items now on the CSP. Through this effort, HUD will continue to assist PHAs in reducing the administrative costs and time involved in procurement.

HUD also acknowledges that PHAs which relied substantially on the CSP for a number of products may incur slightly increased procurement costs. The increase, however, should not be significant. Most, if not all, PHAs already have staff performing procurement functions for items that are not available through the CSP. These items (those not available through the CSP) comprise the majority of PHA procurement purchases.

In addition, as stated in the June 10, 1991 proposed rule, HUD intends to seek legislation which will enable PHAs to purchase products from the GSA schedule. While the GSA schedule does not include installed items, it includes a number of non-installed items available through the CSP, and many items that are not available through the CSP—items, which can be extremely useful to PHAs, such as office and maintenance equipment. HUD believes that use of the GSA schedule will result in much of the same savings in administrative cost and time as the CSP provides.

Many States operate programs similar to the GSA Schedule. PHAs can and should purchase goods through these programs when prices are determined to be advantageous. Further, PHAs can form consortiums to make group purchases and take advantage of discounts available when making volume purchases. Any such purchases would have to conform to HUD

procurement requirements at 24 CFR 85.36.

Comment: The CSP provides better quality products. Several commenters stated that the product specifications which have been written for the CSP have continually improved, thus ensuring better and more consistent quality of products, which is not always true in an open bid process.

Response: PHAs will continue to benefit from these specifications, because HUD will continue to update, and to make available to PHAs, guide specifications for many of the CSP products.

Comment: The CSP provides savings on professional fees. Several commenters stated that the CSP provides savings on architectural and engineering fees.

Response: The guide specifications that HUD will make available to PHAs, will make it possible for PHAs to continue to save on architectural and engineering fees for both installed and non-installed items. Although PHAs will continue to require professional services for installed items, these services will be needed to a lesser degree because of the guide specifications.

Comment: The CSP reduces inventory and maintenance problems. Several commenters stated that one of the principal benefits of the CSP is standardization of products, which reduces the need for a large inventory of replacement and repair parts, and reduces the need for maintenance personnel to have knowledge of a wide range of products.

Response: The guide specifications that HUD will provide for many CSP products will assist PHAs in maintaining a standardized inventory. However, with advancing technology, new products are frequently introduced in the market. Even with the same manufacturer, models are periodically updated and changed. Thus, PHAs must expect changes in the products that they use. Product changes occur with or without the CSP. In addition, HUD regulations have relatively simple and informal procedures for purchases of services and supplies that do not cost more than \$25,000 (or a lesser amount as specified by State law). These procedures facilitate, when ever possible, standardization and maintenance of reasonable inventories.

Comment: CSP contractors complete jobs more quickly. Several commenters stated that utilizing CSP contractors frequently results in shorter job completion time, because CSP contractors are familiar with the various requirements that pertain to work and

services in connection with public housing developments, including the paperwork requirements.

Response. HUD questions the contention that CSP contractors complete jobs more quickly than non-CSP contractors because the CSP contractors are familiar with the requirements pertaining to public housing. All contractors complete jobs in accordance with certain plans and specifications and within the times specified in the contracts. The requirements applicable to HUD-assisted public housing, including the paperwork requirements, should not affect a contractor's ability to deliver a product or service in accordance with a plan or specification, in a timely manner. In its audit of the CSP, the OIG found many CSP contractors performing work outside the scope of their contracts. Under this situation, PHAs incurred less paperwork, because they did not compete for the additional work, in violation of the CSP requirements.

Comment: CSP contractors perform on-site work with less disruption to residents. Several commenters stated that extensive public housing experience permits CSP contractors to perform on-site work in a manner that requires public housing residents to relocate less frequently, thereby obviating the need for relocation costs, and reducing the loss of rental revenue on units under repair.

Response. While HUD is pleased that some PHAs found CSP contractors disrupted residents infrequently, HUD sees no reason why non-CSP contractors could not perform on-site work in the same manner, and achieve the same results.

Comment: The CSP is effective in meeting minority contractor hiring goals. Several commenters stated that the CSP is one of the most effective ways for PHAs to meet their minority contractor hiring goals, and that loss of the CSP will result in a reduction in the hiring of minority contractors.

Response. HUD's evaluation of the CSP indicates that PHAs purchase the majority of their products and services through sources other than the CSP. Accordingly, PHAs already should have systems in place that encourage minority business enterprises (MBE) to participate in PHA procurement. PHAs can and should achieve MBE goals without the CSP.

Comment: CSP prices are equal to or less than competitive bid prices. A number of commenters stated that the CSP is less costly to PHAs than competitive bidding. A few of these commenters provided examples of the savings incurred by purchasing through

the CSP. One commenter stated that dependent upon the economic conditions of the PHA's locale, prices obtained through competitive procurement may be significantly inflated, whereas under the CSP, prices, in many cases, remain fixed for a period of 15 months. Another commenter stated that "the bidding process would not guarantee product uniformity as is available under CSP, and could prove chaotic if PHAs are forced to procure varied products designed to different specifications."

Response. HUD disagrees that the CSP is less costly than competitive bidding. While in certain cases, CSP prices may be lower than competitive bid prices, the low volume of CSP sales supports that, for the majority of PHA purchases, CSP prices were higher than prices obtained through the competitive bid process. HUD notes that no commenters provided any supporting documentation of actual savings obtained through the CSP. Rather, each commenter estimated savings based on the commenter's asserted knowledge of the market.

HUD also disagrees with the commenters' generalization that CSP prices are or will be lower, because they are fixed for a period of 15 months or longer. One of the reasons CSP prices were generally higher than competitive bid prices, as found in the IG audit, is because CSP prices are fixed for a period of 15 months or longer and for a Region(s) where prices may vary from locality to locality. To establish a price for such an extended period, a CSP contractor must factor in anticipated price increases. A competitive bid price, however, would reflect current product cost. HUD believes that in an open economy, a competitive bidding process is the best vehicle for obtaining the most advantageous prices.

With regard to uniformity, no competitive system for procurement of goods and services can guarantee uniformity indefinitely. As discussed previously, products frequently change because of advances in technology. Uniformity was not guaranteed under the CSP. The CSP had a variety of contractors offering similar, but not identical products.

HUD further disagrees that terminating the CSP would prove chaotic. Again, HUD's study of the CSP revealed that most PHAs do not use the CSP for the majority of their purchases. For those PHAs that were more dependent on the CSP, the guide specifications that HUD intends to make available for many of CSP items, will provide much of the technical expertise

that PHAs will need for procurement through the competitive bid process.

Comment: CSP provides savings on freight charges. A few commenters stated that because the CSP offers several competing available sources for products, a PHA can choose to save freight charges by selecting a source in the PHA's geographical area.

Response: One of the principal criticisms of the CSP was that the higher CSP prices resulted from high freight charges imposed. CSP prices must be valid for an entire HUD regional area. Accordingly, a CSP contractor, in establishing a price for an item, must consider the varying freight costs, e.g., prices must be high enough to cover the long distances.

Comment: CSP provides better and longer product warranties. A few commenters stated that PHAs are able to obtain better warranties (and of longer duration) for CSP products than for products obtained locally.

Response. PHAs may establish any warranty period desired in competitively bid contracts, even longer than the warranties provided under the CSP.

Comment: Installation and delivery time is reduced under the CSP. A few commenters stated that the time for installation and delivery of material ordered through the CSP is much shorter than through the competitive bid process.

Response. HUD disagrees that delivery and installation time can be reduced once a contract is executed simply because an item is available through the CSP. There is no reason why a competent non-CSP contractor could not deliver and install products in the same time frame as a CSP supplier.

2. Termination—Problems for PHAs

Comment: Termination of the CSP will increase PHA financial problems, and impact most adversely on small PHAs. Several commenters stated that PHAs are already experiencing financial difficulty, and that termination of the CSP will increase PHA administrative costs, and consequently increase PHA financial problems. Other commenters stated that the increase in costs will hurt small PHAs the most.

Response. While HUD recognizes that PHAs may incur some additional administrative expenses as a result of termination of the CSP, the additional costs should not be significant. As noted previously, procurement of items through the CSP represents a low percentage of total PHA procurement, which means that the majority of PHAs, including small PHAs, already have

staff performing non-CSP procurement. For those PHAs which were more dependent on the CSP, the guide specifications will help minimize increases in procurement costs. PHAs experiencing financial difficulties already should be exploring ways to address these difficulties. These difficulties may be the result of management and operational deficiencies that will continue to cause financial problems for PHAs, with or without the CSP.

Comment: Small PHAs have limited procurement expertise. One commenter stated that small PHAs operate with limited staff, possess no background or expertise in the specific procedures involved in the competitive bid process, and are extremely susceptible to "hard sell" and to "snake oil" sales representatives. The commenter stated: "It is our opinion that the termination of the CSP would result, in many cases, in the procurement of substandard goods and services and improper or illegal contracting methods, which in turn will result in an increased cost to the PHA, to HUD and to the taxpayer."

Response: In order to operate public housing developments, PHAs, even small PHAs, must possess management capability in all area of property management, including procurement. Procurement is a basic component of a PHA's operation. If a PHA lacks staff that has the capability to successfully handle procurement, then the PHA needs to employ additional personnel or make personnel changes. If a PHA is susceptible to fraudulent practices, the existence of the CSP will not improve the situation.

Comment: Rural PHAs make up the majority of PHAs and lack competitive market places. One commenter stated: "Rural PHAs, which make up the majority of the PHAs in the nation, lack available competitive market places for economical purchasing."

Response: PHAs purchase the majority of their items outside of the CSP, which means that there are other sources to procure products available through the CSP. HUD seriously questions the inability of rural PHAs to purchase CSP items on the local market. To the extent this may occur for some items, PHAs need to expand their marketing range beyond the immediate locality. This is not uncommon in rural communities, regardless of whether the procuring entity is a PHA or some other type of business entity.

Comment: Termination of the CSP will increase the PHA paperwork burden. One commenter complained that termination of the CSP will increase the PHA paperwork burden.

Response: PHAs are responsible for managing their business. Procurement is a typical part of this business. The act of doing any business, including procurement, will generate a paperwork burden. HUD acknowledges that the CSP has provided some relief to PHAs from the paperwork burden that is part of all procurement. Again, however, since the majority of PHA procurement is not conducted through the CSP, the paperwork burden relief provided by the CSP was not widespread among PHAs. Conversely, the additional paperwork burden that may be incurred by termination of the CSP will not be significant.

Comment: Termination of the CSP will result in greater procurement abuses. One commenter stated that there will be more abuses if PHAs are limited to a local bidding system. The commenter stated: "If there are abuses under the HUD-controlled CSP system, imagine how many more opportunities for abuse will exist under bid systems locally administered by over 3,500 public and Indian housing authorities. Major vendors have a significant business interest in maintaining their CSP contracts. * * * Major suppliers deal with PHAs at arm's length, while local procurement is done on a much closer basis. We believe dealing with major suppliers at arm's length provides minimal opportunity for abuse of the procurement system."

Response: PHA procurement is now largely administered at the local level, because most PHAs purchase the majority of their products under a competitive bid system. To the extent that a PHA lacks adequate internal control systems over its procurement transactions, opportunities for abuse exist under either system—a competitive bid process or the CSP system. The OIG audit clearly documents repeated instances where CSP contractors disregarded and violated CSP rules and regulations.

3. HUD's Rationale for Terminating the CSP

Comment: The OIG's findings are based on a small number of PHAs. Several commenters stated that the decision to terminate the CSP was unfair because the OIG's findings were based on a small percentage (one percent) of PHAs.

Response: Since 1976, the OIG has conducted four audits of the CSP. Each audit identified serious problems with the program. The most recent audit focused on four regions with significant CSP activity. PHAs were selected for study primarily based on major activity under the Comprehensive Improvement

Assistance Program (CIAP). Given the limited dollars spent by PHAs, nationwide, on items available through the CSP, the PHAs audited by the OIG represent a large portion of the overall CSP activity. Accordingly, to state that the OIG audit only focused on one percent of PHAs does not provide an accurate indication of the extent of CSP activity investigated by the OIG.

Comment: The OIG only examined competitively bid purchase orders. Two commenters stated that in all the contracts examined by the OIG, the PHAs had opted to use local competitive bidding instead of the CSP and saved money doing so. The commenter stated that the OIG should have included in its review cases where the PHA opted for CSP procurement, and then compared those costs to the prospective cost of a locally bid contract.

Response: If a PHA purchased a CSP item, there would be no reasonable way for the OIG to determine what the competitive cost of that item would have been at a given time in the past. It would be unreasonable to ask vendors to provide competitive bids on contracts for which awards already have been made. Therefore, the methodology proposed by the commenter is inappropriate.

Comment: HUD did not undertake a cost-benefit analysis. One commenter stated that HUD's reasons for terminating the program were flawed because HUD did not undertake a cost-benefit analysis. The commenter stated that HUD failed to take into consideration the additional costs to PHAs and to HUD that would result from termination of the CSP. The commenter stated that these additional costs include: the costs of architectural and engineering fees, bid preparation, proposal solicitation, review and decision-making by PHAs, as well as the costs of competitive bid process review, and individual contract and product quality review by HUD.

Response: In deciding whether to terminate the CSP, HUD did take into consideration the benefits provided by the program, the problems with the program, and the duties and increased administrative costs that would revert to PHAs as a result of termination of the program. HUD recognizes that the CSP may reduce certain administrative costs and time involved in PHA procurement. HUD also recognizes that CSP sales are low and have been low for some time. This data indicated that notwithstanding the reduction in administrative costs, PHAs do not realize the significant savings in product costs anticipated and intended by the

program, and therefore use the competitive bidding process, not the CSP, for the majority of their purchases. After careful evaluation of all aspects of the program, HUD determined that the high vulnerability to fraud, waste and abuse of the program outweighs the benefits provided to a limited group of PHAs and that there is no system of cost efficient modifications which would justify continuation of the program. Again, HUD expects that the costs to be incurred by some PHAs as a result of termination of the CSP will be reduced by the guide specifications that HUD will make available for certain CSP items.

Comment: The lack of widespread use of the CSP by PHAs results from inadequate information. One commenter stated that the low use of the CSP by PHAs results from the fact that the program was never presented properly to PHAs. The commenter stated:

In (our State) very few of our small PHAs use CSP because it has never been explained to them in a way they can understand. It is much easier to continue to do business as usual than to learn new tricks. HUD sends CSP information month after month with nothing to guide PHAs, to even let them know it is something which will save them money. Many think of the CSP information as another marketing catalog, just like the ones they receive from other businesses. Often it is discarded without serious consideration. If HUD is serious about saving Federal dollars, the CSP catalog information would be better marketed, explained, and supported with training by the Field Offices.

Response: The CSP is a voluntary program which has been in existence since 1954. The rules and procedures applicable to the CSP are outlined in HUD's regulations, handbook and the CSP catalogues. These procedures fully explain the use of the CSP. The high cost of additional, complex marketing procedures is not warranted in view of the high level of fraud and abuse present in the program.

Comment: High CSP prices result from ambiguous information. One commenter stated that the ambiguity of CSP information given to contractors caused the contractors to establish higher prices than necessary.

Response: HUD agrees that CSP prices are generally higher. However, HUD disagrees that the higher CSP prices are the result of ambiguous information provided by HUD. On the contrary, many commenters have praised the HUD specifications on which contractors submit bids. HUD has found that higher CSP prices are the result of serious flaws in the framework of the program. As stated in the preamble to the June 10, 1991 proposed

rule, because the CSP is designed to serve a variety of contracting jobs, CSP contracts are subject to contracts that involve extended terms, unknown quantities, and generalized specifications. The uncertainty and generality of these terms causes CSP contractors to establish higher prices for CSP items.

Comment: The CSP problems can be corrected through better enforcement. Several commenters challenged HUD's position that the problems with the CSP could not be corrected in a cost effective manner. These commenters stated that instead of terminating the CSP, HUD should increase its monitoring and enforcement of the program requirements. A few commenters stated that HUD was aware of certain "known" CSP violators and took no action against them. One commenter stated that HUD allowed a handful of violators to become the centerpiece of the OIG's audit, and the basis for termination of the program.

Response: HUD agrees with the commenters that increased enforcement of existing CSP rules would help identify and reduce program abuses. However, HUD has concluded that the low volume of CSP sales does not justify diverting limited HUD staff and travel resources to increase the level and quality of monitoring that would be necessary to halt these abuses and to ensure the integrity of the CSP. HUD believes that it would be more prudent to use its resources to provide assistance to programs more widely used by and more critical to the operation of PHAs.

HUD denies the allegation that it took no action against certain "known" CSP violators, or that the problems with CSP were caused by a handful of violators. The OIG audits, conducted over the past several years have documented that the abuses in the program go beyond a few vendors. HUD has taken administrative sanctions whenever evidence revealed CSP abuses and identified program violators. HUD cannot take action against a CSP contractor based only on what others "believe" to be the case. In many situations, it was difficult for HUD to identify contractor violations because PHAs, on which HUD relies to assist with enforcement of contracts, often acted in collusion with these violators.

Comment: HUD's termination proposal failed to provide detailed findings concerning the termination decision. One commenter stated HUD's proposal to terminate the CSP should be given further review through correspondence with CSP users. The commenter stated that HUD should send a detailed list of findings to all CSP

users, and should solicit comment on these findings.

Response: In the preamble to the June 10, 1991 proposed rule, HUD discussed in detail the problems uncovered in the CSP, and HUD's reasons for proposing termination, rather than redesign, of the program. (See 56 FR 26628-26629.) The June 10, 1991 rule invited comment from the public on HUD's proposal to terminate. In addition to solicitation of public comment through the June 10, 1991 proposed rule, the Assistant Secretary of HUD's Office of Public and Indian Housing invited interested CSP participants to a meeting to discuss the OIG's audit findings on the CSP and the issue of continuation of the program. The meeting was held on August 10, 1990, and attendees included representatives from NAHRO and PHADA, CSP contractors, auditors and other individuals interested in the program. Thus, the decision to terminate the CSP was made only after: (1) A thorough evaluation of the program by HUD; (2) full disclosure to the public of the problems with the CSP and of HUD's proposal to discontinue the program; and (3) careful consideration of public comments on the CSP—comments made at the August 10, 1990 meeting and in response to the June 10, 1991 proposed rule. HUD therefore disagrees that further analysis and public comment on termination of the CSP is necessary.

Comment: HUD's proposal to terminate the CSP constitutes a "major rule". One commenter stated the June 10, 1991 proposed rule constitutes a "major rule" under Executive Order 12291. The commenter stated that termination of the CSP would have a significant impact on a substantial number of small entities because it will change the way public housing authorities throughout the nation will spend billions of dollars of federal funds annually on materials, supplies, services and equipment. The commenter also stated that termination of the CSP would cause a major increase in costs or prices for consumers and for local government agencies because, in many instances, the CSP provides bigger discounts than what local governments can receive on the local market.

Response: Termination of the CSP will not have an annual effect on the economy of \$100 million or more, nor will it cause a major increase in the costs or prices for consumers or for local government agencies. As has been stated several times in this preamble, purchase of items through CSP constitutes a small percentage of total PHA procurement. The majority of PHAs, including small PHAs, purchase

items through the local competitive bid process, not through the CSP. In addition, PHAs will need to purchase the same products and services with or without the CSP. Termination of the program only shifts the procurement mode from the CSP to direct competitive solicitations by the PHAs. Accordingly, termination of the CSP will not cause a significant change in the way most PHAs currently carry out their procurement.

4. Recommendations for Improved PHA Procurement

Comment: Postpone termination of CSP until the GSA schedule is available. Two commenters stated that HUD should postpone termination of the CSP until legislation is passed which makes the GSA schedule available to PHAs.

Response. Given the extent of problems with the CSP, it is not prudent for HUD to continue operation of the CSP until the GSA schedule is available.

However, while waiting for the GSA schedule to be made available to PHAs, PHAs will not be without procurement assistance. The guide specifications that HUD will make available for a number of CSP products will assist PHAs in conducting their own competitive procurement.

In addition, many States operate programs similar to the GSA Schedule. PHAs can and should purchase goods through these programs when prices are determined to be advantageous. Further, PHAs can form consortiums to make group purchases and take advantage of discounts available when making volume purchases. Any such purchases would have to conform to HUD procurement requirements at 24 CFR 85.36.

Comment: The GSA schedule is currently not an acceptable procurement source. Two commenters stated that procurement through the GSA schedule should be pursued as an additional procurement source for PHA, and not as an alternative to the CSP. The commenters stated that if at some future time, procurement through the GSA schedule is proven to provide the same benefits as the CSP, the usefulness of the CSP could be reconsidered at that time. Another commenter stated that procurement through the GSA schedule is not an acceptable substitute for the CSP because installed items, representing 59 percent of CSP sales, are not available on the GSA schedule, and HUD has identified only five CSP items that are included on the GSA schedule.

Response: As stated above, HUD does not believe it is prudent to delay termination. HUD is aware that installed items are not available on the GSA

schedule, and HUD will not seek to have installed items included on the GSA schedule because many of the CSP program violations involve installed items.

With respect to the number of CSP items currently listed on the GSA schedule, the five CSP items identified by HUD were provided as examples of CSP items that are available through the GSA schedule. This does not mean that these are the only CSP items listed on the GSA schedule. There are a number of items on the GSA schedule of use to PHAs, and many items that were not available through the CSP, such as maintenance and office equipment. HUD will work with the GSA to include more CSP items on the GSA schedule. HUD also will work with the GSA to modify or add specifications which are tailored to PHAs.

Comment: PHA procurement should not be limited to competitive bidding. One commenter stated that there should be means of procurement other than through the competitive bid process.

Response. The methods of procurement for grantees receiving Federal funds, and the rules and requirements applicable to these methods, are prescribed in the HUD common rule at 24 CFR 85.36. These methods are government-wide and include procurement by sealed bids, small purchases, procurement by competitive proposals, and procurement by noncompetitive proposals. Accordingly, depending upon the type of procurement to be undertaken, a PHA may follow one of several procurement methods.

Comment: Improve the CSP by eliminating the installation aspect of the program. Two commenters stated that eliminating the installation aspect of the CSP would eliminate a substantial part of the problem with the CSP. One commenter stated that part of the problem with the installation aspect of the CSP is that contractors do not retain sufficient control over installation that is subcontracted out, and PHAs do not have an adequate inspection program. The commenter stated: "Originally the CSP was not intended to include installation. If this is eliminated, the control and responsibility reverts to the PHA."

Response. HUD agrees that the installation aspect of the CSP represents a significant part of the problem with the CSP. However, elimination of the installation component of the CSP will not significantly improve the program to justify its continuation. With or without the installation component of the program, purchases made under the CSP are not sufficient to justify the

expenditure of additional funds to effectively monitor and enforce compliance with the program requirements.

Comment: HUD should vest CSP enforcement responsibility with one office. One commenter stated that HUD should vest overall CSP enforcement responsibility with one office or person, which would be empowered to resolve disputes and to recommend sanctions against any violators of the program.

Response. The current method of administering the program was decided upon as the most effective system to assure proper contract administration while at the same time allow for policy development and catalog preparation. Since the CSP is operated nationwide, HUD's Regional and Field Offices have monitoring and enforcement responsibilities for PHAs within their jurisdiction. HUD believes that these local offices are better able to carry out these duties because of their geographical proximity to the PHAs.

Comment: HUD should appoint a task force to oversee the CSP. One commenter recommended the appointment of a task force consisting of HUD Field and Headquarters personnel, PHA procurement personnel, testing agencies and industry personnel. The commenter stated that the task force would have a twofold mission: (1) To research and develop product specifications; and (2) to institute guidelines and procedures for the establishment of this group as a permanent, integral and contributing part of the CSP.

Response. The problems with the CSP are not with product specifications or with establishing guidelines and procedures. The major problem with the CSP is with its very structure. The CSP is a program designed to serve a maximum number of PHAs for a variety of contracting jobs. However, because specific jobs are unknown at the time contracts for these jobs are solicited (unlike the situation in a competitive bid process), the CSP contracts are subject to contracts which involve extended terms, unknown quantities and generalized specifications. The uncertainty of these contract terms results in higher CSP prices. The higher CSP prices account for the majority of PHAs purchasing the greater part of needed supplies and items through the competitive bidding process.

Comment: HUD should continue the CSP for small PHAs only. One commenter stated that because termination of the CSP will cause a financial hardship for small PHAs, the

CSP should remain available for small PHAs only.

Response. HUD recognizes that the CSP is beneficial to some small PHAs. However, limiting the use of the CSP to small PHAs is not sufficient to justify continuation of the program. Current active participation in the CSP, even among small PHAs, is not sufficient to justify the time and resources to continue to operate the CSP in a cost-effective manner, with minimum violations.

Comment: HUD should limit the number of vendors in the CSP, and only provide manufacturer direct merchandise and prices. One commenter stated that the CSP could be improved by having fewer vendors supply the materials. The commenter stated that limiting the number of CSP vendors would increase the competitiveness of the vendors and reduce the cost of CSP items.

Response. Were HUD to retain the CSP under the proposal recommended by the commenter, the program would be unduly restrictive and limit, not increase, competition. HUD finds no basis to conclude that fewer vendors in the program would result in reduced costs to PHAs.

Comment: Several reforms would improve the CSP and eliminate program abuses. Four commenters recommended several reforms that they believed would significantly improve the CSP, and reduce program abuses. Their comments are as follows:

a. Reforms recommended by NAHRO and PHADA. NAHRO and PHADA recommended the following changes to the CSP: (1) Exclude freight/destination charges from CSP bids; (2) exclude all local tax, permit and fee costs from CSP bids; (3) exclude regional Davis-Bacon wage requirements from CSP bids; and (4) adopt a 10 percent ceiling on change orders for installed products.

Response. HUD does not agree that the commenters' recommended reforms would improve the CSP for the following reasons:

(1) Excluding freight would make the CSP program more complicated and difficult to administer. PHAs would have to negotiate freight charges separately on each purchase, which would increase CSP prices or present another potential source of abuse;

(2) It is impossible to restructure the CSP to avoid the inclusion of contingencies in contractors' bids. To pay local fees separately would unnecessarily complicate the CSP ordering process.

(3) The CSP program operates on a regional basis. To change to another more localized system would impose

prohibitive costs on the procurement process for HUD.

(4) The CSP does not provide for a ceiling because of the uncertainty surrounding possible required changes. Thus, a 10 percent ceiling will not alleviate this problem.

b. Recommendations by a CSP contractor. A CSP contractor recommended the following changes for improvement of the CSP: (1) Impose stricter qualification for bidders; (2) limit the tiers of subcontractors; (3) require site supervision by the contract holder; (4) standardize the ordering format; and (5) clarify the CSP procedures to PHAs and HUD Area Offices.

Response. These changes would not significantly improve the CSP for the following reasons:

(1) The qualifications governing bidders on HUD contracts are set forth in 24 CFR 85.36 and are part of uniform administrative requirements governing the award of all Federal contracts. Section 85.36 provides that awards only will be made to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. This section further provides that in making this determination, consideration is to be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

(2) Subcontracting is the responsibility of the contractor. Although subcontractors to a Federal contract are obligated to comply with the same Federal requirements as contractors, to limit the number of subcontractors that a contractor may employ would constitute undue interference with a contractor's business on the part of the Federal Government.

(3) HUD agrees that site supervision is necessary. The current HUD form of "Owner-Architect Agreement" requires the PHA architect or engineer to supervise construction, or, in the case of the CSP, installation.

(4) While a standardized purchase order could be helpful, it is not clear how this change would help eliminate some of the principal problems with the CSP.

(5) The current CSP procedures are clear. The problem has been that many PHAs and CSP contractors failed to follow these procedures.

c. Reforms recommended by a public housing agency. A PHA suggested the following changes to the CSP:

(1) Require the PHA to submit to the applicable HUD Field Office, the final proposal from the CSP contractor with a copy of the purchase order;

(2) Require that all items procured outside of the CSP contract, but that are necessary or incidental to the work being performed, be reviewed and approved by the applicable HUD Field Office, prior to the PHA's execution of the purchase order. HUD may wish to assign a dollar threshold to this amount similar to the threshold already assigned to PHAs for their general contracts;

(3) Require HUD to monitor CSP contracts to the same extent that it monitors general contracts;

(4) Require CSP contracts to be issued on a regular, and timely basis instead of extending contracts to a period often double in length of the original CSP contract. By keeping the contracts on schedule, the "additional inflation" factors that CSP contractors now add to their CSP contracts would be eliminated, and prices would be lower; and

(5) Penalize the CSP contractor and/or housing authority that violates the regulations.

Response. The first suggestion is already a requirement of the program. Award of contracts outside of the CSP without the benefit of further competition is inconsistent with Federal regulations on grantee procurement, regardless of any HUD review or dollar threshold. HUD agrees that monitoring of CSP contracts is important and requires its Field Offices to do so, but to substantially curtail program abuses, increased program monitoring is needed. HUD does not believe that the resources required to achieve and maintain this level of program monitoring is justified, given the low volume of CSP sales. HUD also agrees that issuance of timely contracts is important and that extensions should be limited. However, this change would not solve the basic flaws in the CSP previously discussed in this preamble. As also discussed previously, HUD has taken action against PHAs and contractors found to have violated the program requirements. To identify and take action against all violators requires the utilization of additional resources that are not justified by the level of PHA participation in the program.

III. Other Matters

Regulatory Impact

This rule does not constitute a "major rule" as that term is defined in section 1(b) of Executive Order 12291 on Federal Regulation issued on February 17, 1981. Analysis of the rule indicates that it does not (1) have an annual effect on the economy of \$100 million or more; (2) cause a major increase in costs or prices

for consumers, individual industries, Federal, State or local government agencies, or geographic regions; or (3) have a significant adverse effect on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

Impact on Small Entities

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that this rule does not have a significant economic impact on a substantial number of small entities. This rule terminates the CSP, a program that provided technical procurement assistance to PHAs. Purchases made by PHAs and IHAs, including small PHAs, through this program constituted a small percentage of annual total PHA procurement. Accordingly, the termination of the program will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act. Additionally, HUD will continue to provide technical procurement assistance by making guide specifications available to PHAs and IHAs for many items formerly obtained through the CSP.

Environmental Impact

At the time of publication of the proposed rule on June 10, 1991, a Finding of No Significant Impact with respect to the environment was made in accordance with HUD regulations at 24 CFR part 50, which implements section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332). The Finding of No Significant Impact remains applicable to this final rule, and is available for public inspection during regular business hours in the Office of the General Counsel, Rules Docket Clerk, room 10276, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410.

Executive Order 12612, Federalism

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, Federalism, has determined that the policies contained in this rule do not have Federalism implications and, thus, are not subject to review under the Order. No programmatic or policy changes would result from this rule's promulgation which would affect existing relationships between the Federal

government and State and local governments.

Executive Order 12606, The Family

The General Counsel, as the Designated Official under Executive Order 12606, The Family, has determined that this rule does not have a potential significant impact on family formation, maintenance, and general well-being, and, thus, is not subject to review under the Order. No significant changes in existing HUD policies or programs will result from promulgation of this rule, as those policies and programs relate to family concerns.

Regulatory Agenda

This rule was listed as sequence number 1514 in the Department's Semiannual Agenda of Regulations published on October 21, 1991 (56 FR 53380, 53430) under Executive Order 12291 and the Regulatory Flexibility Act.

Lists of Subjects

24 CFR Part 905

Grant programs—Indians, Low and moderate income housing, Aged, Grant programs—housing and community development, Handicapped, Indians, Loan programs—housing and community development, Loan programs—Indians, Public housing, Reporting and recordkeeping requirements.

24 CFR Part 965

Energy conservation, Government procurement, Grant programs—housing and community development, Lead poisoning, Loan programs—housing and community development, Public housing, Reporting and recordkeeping requirements, Utilities.

24 CFR Part 968

Grant programs—housing and community development, Loan programs—housing and community development, Public housing, Reporting and recordkeeping requirements.

Accordingly, 24 CFR parts 905, 965, 968 are amended as follows:

PART 905—INDIAN HOUSING PROGRAMS

1. The authority citation for part 905 continues to read as follows:

Authority: 42 U.S.C. 1437aa, 1437bb, 1437cc, 1437ee; 25 U.S.C. 450e(b); 42 U.S.C. 3535(d).

§ 905.175 [Amended]

2. Paragraph (f) of § 905.175 is removed.

3. In § 905.640, paragraph (c) is revised to read as follows:

§ 905.640 Contracting requirements.

(c) *Sealed bid (formal advertising) requirements.* For each construction or equipment contract over \$25,000, the PHA shall conduct formal advertising as provided in § 905.175(c).

PART 965—PHA-OWNED OR LEASED PROJECTS—MAINTENANCE AND OPERATION

Subpart G—Consolidated Supply Program

4. The authority citation for part 965 continues to read as follows:

Authority: 42 U.S.C. 1437, 1437a, 1437d, and 1437g; 42 U.S.C. 3535(d). Subpart H is also issued under 42 U.S.C. 4821–4846.

§§ 965.601–965.605 [Removed and reserved]

5. Subpart G (§§ 965.601–965.605) is removed and reserved.

PART 968—PUBLIC HOUSING MODERNIZATION

6. The authority citation for part 968 continues to read as follows:

Authority: 42 U.S.C. 1437d and 1437l; 42 U.S.C. 3535(d).

7. In § 968.240, paragraph (c) is revised to read as follows:

§ 968.240 Contracting requirements.

(c) *Sealed bid (formal advertising) requirements.* For each construction or equipment contract over \$25,000, and lead-based paint testing services over \$25,000, the PHA shall conduct formal advertising as required in 24 CFR 85.37(d)(2).

Dated: March 2, 1992.

Joseph G. Schiff,

Assistant Secretary for Public and Indian Housing.

[FR Doc. 92–5231 Filed 3–5–92; 8:45 am]

BILLING CODE 4210–33–M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[T.D. 8245]

Consolidated Return Regulations—Distributions After the Sale of Stock of a Subsidiary; Correction

AGENCY: Internal Revenue Service, Treasury.