

indicated below) which had submitted responsive bids on the non-set-aside portion at a unit price within 120 percent of the highest award made on the non-set-aside portion, in the following order of priority and under the following conditions:

Group 1. Persistent labor-surplus-area concerns which are also small business concerns.

Group 2. Other persistent labor-surplus-area concerns.

Group 3. Substantial labor-surplus-area concerns which are also small business concerns.

Group 4. Other substantial labor-surplus-area concerns.

Group 5. Small Business concerns which are not labor-surplus-area concerns.

Within each of the above groups, negotiations with such concerns are conducted in the order of their bids or proposals on the non-set-aside portion, beginning with the lowest responsive bid. The set-aside quantities are awarded at the highest unit price awarded for the non-set-aside portion, adjusted to reflect transportation and other cost factors which were considered in evaluating bids on the non-set-aside portion. The sole responsibility for implementing this program rests on the contracting officer, and the absolute ineffectiveness of this program is well explained by Mr. Linton, when he states:

The partial setaside which currently is used requires that the total quantity of goods to be bought must be divisible into two or more economic production runs. The variation in quantity requirements is such that the percentage *which can be divided will never be large enough to make this system a technique of major significance.* [Italic supplied.]²⁵

Certainly something should be done to make this program work more effectively. In 1960, less than 1 percent of the defense contracts were set aside under this program. As clumsy as it is, however, it would seem that a better showing than 1 percent could be made.

IV. ADDITIONAL ACTIVITY

The hearings brought out the fact that many Government agencies are engaged in or contemplating programs which will more adequately utilize Government procurement to alleviate conditions in areas of substantial and persistent labor surplus. The following is a compilation of these activities, by Department:

DEPARTMENT OF DEFENSE

1. At the direction of the President, created the Office of Economic Utilization Policy. It is the function of this Office to advise the Defense Department of the economic impact of their proposed action. Under the Director of Economic Utilization Policy, there is an Advisor of Economic Utilization Policy in each of the services—Army, Navy, and Air Force—as well as the Defense Supply Agency. The functions of this Office are as follows:

(a) Maintains and disseminates to appropriate units of the organization current information on areas, industries, and specific facilities which are, or may become, economically distressed, and which have a significant potential to participate in defense procurement and logistics programs.

²⁵ Hearings, p. 70.