2. Publishes in the Commerce Daily contract descriptions and companies invited to bid. This practice enables subcontractors to make proposals.

3. Requires that all procurement offices maintain a record of contracts in excess of $25,000 placed in labor-surplus areas.

4. With permission of the Bureau of the Budget, is experimenting with a program, which requires prime contractors to give information to NASA on their first- and second-tier subcontracts. This allows the compilation of telling information on how many subcontracts are being placed with small business and firms in distressed areas.

SMALL BUSINESS ADMINISTRATION

Has stepped up all of their programs, including the production assistance program and the set-aside program, to help secure defense contracts for small businesses in substantial and persistent labor-surplus areas. In particular, it has issued two regulations under its section 502 program which—

(1) Reduces the maximum interest rate in these areas to 4 percent.

(2) Establishes a 25-percent differential in the size standards for firms in such areas.

In the course of 12 months following these regulations, 37 loans were made under this program in an aggregate amount of $5.3 million.[28]

V. Legislation Relating to Procurement in Labor-Surplus Areas

There are a number of laws, with executive directives and regulations, already in existence which, if properly utilized, would be effective in carrying out national policy on labor-surplus areas. These laws and regulations seem to be incompletely realized in Government agencies at the policy, control, and operational levels. The recommendations in chapter VI, it is hoped, will facilitate a better use of these laws and effect a fuller implementation of the national policy toward procurement in labor-surplus areas. Appendix B contains a limited compilation of relevant passages from those statutes which relate to distressed areas and Government spending.

These laws and regulations are briefly summarized as follows:

Defense Manpower Policy No. 4 (revised), as issued under Executive Orders 10480 and 10773, proclaims a policy of encouraging the placement of contracts and facilities in areas of persistent or substantial unemployment.

The Armed Services Procurement Act of 1947, as amended and codified in 10 U.S.C. 2301 et seq., sets forth 17 exceptions under which a contract may be negotiated. Relevant exceptions are purchases (1) under a declared national emergency, (5) from educational institutions, and (16) for maintenance of the mobilization base.

The Defense Production Act of 1950, as amended and codified in 50 U.S.C. 2061 et seq., sets forth the following national policy:

> In the construction of any Government-owned industrial facilities and in the procurement of goods and services, under this or any other act, each department and agency of the executive branch shall apply, under the coordination of the Offices of Defense Mobilization, when practicable and consistent with existing

[28] Hearings, p. 136.