

11. *Adopt new programs under which more subcontracts are awarded in labor surplus areas*
12. *Institute a reporting system by which prime contractors with awards above \$100,000 must report subcontracts*

Greater emphasis must be given to the problem of subcontracting by prime contractors to firms in labor surplus areas. This will require missionary work in the conduct of the national policy with such contractors and it is for this reason that personnel at all levels of procurement should be entirely familiar with the national policy requirements. The "best efforts" clause (ASPR 1-805.3) and its meaning and purpose should be stressed in contract negotiations and coupled in interest with the requirements of ASPR 3-501 on preparation of requests for proposals and quotations. The subcommittee recognizes that many of the labor surplus areas lack large defense-oriented industrial complexes to qualify as prime contractors and that much of the capacity in such areas falls within the small business categories. These small businesses must be assisted in obtaining small Government contracts, as well as subcontracts. The use of breakout would assist such small contractors. The make-or-buy section of contract proposals should be carefully reviewed by procurement personnel to be sure that the national policy is being carried out. Pertinent statistics and other data should be available to all procurement personnel to assist them and prime contractors in the placement of contracts in labor surplus areas. An award program giving recognition to good work on the part of procurement personnel and contractors should be established.

13. *Government procurement contracts should provide for purchase at point of origin so that firms located in distressed areas will be competitive with firms that are located near points of delivery*

There seems to be no reason why production should be encouraged near points of delivery, yet freight costs are lower for firms adjacent to points of delivery and thus they are more competitive. Firms in distressed areas should be entitled to produce for the U.S. Government, regardless of their location. Competition may be so keen that for many of the common products purchased by the Nation, the difference in freight charges alone may be the prime factor in keeping firms in distressed areas from securing Government contracts.

14. *ARA and the Office of Economic Utilization policy should study the feasibility of having a factor covering public costs occasioned by economic dislocation included in the determination of costs in placing contracts*

One of the functions of the Government contract under the national policy set forth in DMP No. 4 is to encourage full utilization of existing production facilities and workers in preference to creating new plants or moving workers, thus assisting in the maintenance of economic balance and employment stability. Where unemployment develops in certain areas, unemployment compensation costs increase, and plants, tools, and worker skills remain idle, and are unable to contribute to our defense program.

Therefore, the subcommittee recommends that a study be made of including in the determination of costs for purposes of evaluation in the placement of contracts a factor covering other public costs which