

would be occasioned by the pullout of contracts in a persistent and substantial labor surplus area and the impact (money and otherwise) on other Government agencies.

15. Prevent further concentration of defense industry by permitting negotiation of contracts under 10 U.S.C. 2304

The subcommittee believes that among the tools available to the Department of Defense which would facilitate the national defense in its retention of the industrial base and manpower resources, and which could be utilized in labor surplus areas, are the provisions set forth in 10 U.S.C. 2304, providing for exceptions under which contracts could be negotiated. These exceptions could and should be utilized to preclude undue concentration, allow dispersal, utilization of investments in facilities, authorize research and development activities, and like contract actions in labor surplus areas.

16. Allow modifications of contracts under authority of Public Law 85-804 and Executive Order 10789 in cases where such action would maintain productive facilities for national defense

Another avenue for action would be to utilize the powers set forth in the Contract Adjustment Act of 1958 (Public Law 85-804, and contained in 72 Stat. 972), and Executive Order 10789 of November 14, 1958 (23 F.R. 8897), which would authorize amendments and modifications to contracts under certain situations, including hardship relief, and which actions would facilitate the national defense in the retention of skills, capabilities, protection of Government investment, protection of Government facilities, and like activities in surplus labor area cases.

EXECUTIVE ACTION—ESTABLISHMENT OF FACILITIES

17. Place new Government facilities wherever possible in labor-surplus areas by requiring clearance for the placement of such facilities outside of labor-surplus areas

The testimony dealt mostly with procurement and the impact of Federal contracts made with private firms. The Defense Manpower Policy No. 4 requirement concerning the location of Federal and defense facilities, while not discussed in detail, is important. Each year Federal officials plan and propose numerous projects from temporary buildings to multistory permanent ones. Typically, these facilities have been concentrated in a few localities, some where the unemployment is relatively low. Agencies in the Federal Government which contemplate establishment of facilities in the amount of an excess of \$50,000 should be required to clear such facility action and to explain placement of such facility in other than a distressed or labor surplus area, or to point out the reasons why this mandate in Defense Manpower Policy No. 4 has not been complied with.

EXECUTIVE ACTION—ASSISTANCE TO SOURCES

18. Implement the policy of maintaining the mobilization base

The subcommittee is aware of the fact that all Government agencies want responsive and responsible contractor sources. The subcommittee further recognizes that the source finding, selection, and maintenance of source data are integral parts of the procurement