

system of contracting, our review was expanded to include an evaluation of that policy.

In February 1962 General Services Administration determined that three brands of felt tip markers available to agencies under its negotiated multiple-award contracts were comparable in performance. Notwithstanding this determination, General Services Administration renewed and extended the contract with the supplier of one of these brands during the period September 1962 through February 1964 at prices which were substantially in excess of prices negotiated with suppliers of the other two brands. We estimate that increased costs of about \$300,000 were incurred by Government agencies that ordered the higher priced markers during that period.

We believe that the increased costs would have been avoided had the General Services Administration either (1) negotiated a lower price with the supplier of the higher priced markers or failing this, (2) not extended nor renewed the contract with that supplier, thereby removing that brand of marker from the Federal Supply Schedule.

The General Services Administration on July 1, 1965, in commenting on our preliminary proposals, stated that there was no supportable method whereby, under the multiple-award system, a supplier offering comparable or competitive product could be precluded from participating in the Federal supply system simply because his product was priced higher. In view of the fact that the actions of the contracting officer were based on General Services Administration policy and in view of the substantial amount of negotiated procurement under the multiple-award system, we believe that the award of contracts to the supplier of the higher priced item has implications beyond felt tip marker contracts and that a revision of General Services Administration contracting policy would be desirable.

The General Services Administration enters into the negotiation of multiple-award contracts at a disadvantage when it adheres to the self-imposed requirement that it must ultimately award a contract to each supplier of a comparable or competitive product regardless of price. Under these circumstances there is little reason for the supplier to make the price concessions which are a part of the contract negotiation process. While a dollar value cannot be assigned to the advantage that would result from a stronger posture by the General Services Administration in negotiating multiple-award contracts, we nevertheless believe that there will be occasions when the Government will benefit if both the General Services Administration contracting officers and the contractors enter into negotiations of multiple-award contracts with the understanding that the contracting officer need not award a contract if he cannot negotiate a price that he believes is reasonable, all facts considered.

Accordingly, we are recommending to the Administrator of General Services that the General Services Administration revise the policy governing its multiple-award system of contracting, so that a contracting officer is not required as a matter of policy to award a contract to, or to extend or renew a contract with, a supplier with whom he cannot negotiate a reasonable contract price.