

7. An analysis of interstate and interregional subcontracting flows reveals that—

(a) Though the two leading subcontract performing States, California and New York, were net exporters of subcontracts (awarded a greater value of subcontracts than they received), they far outranked other States in value of subcontracts performed within the State. (See table 9A, col. 5.) This results from their retention of a high proportion of the sizable total dollar value of subcontracts awarded by their indigenous prime contractors. Among the leading States in DOD prime contracts received, California retains for within-State subcontract performance almost 53 percent of all subcontracts awarded by its prime contractors, New York retains 29 percent, and Missouri only 2 percent. (See table 10, col. 1.)

(b) On the average, only one-third of the subcontract procurement by prime contractors in a State are awarded to subcontractors within the same State. The retention ratios within the broader census division and region increase to 40 and 49 percent, respectively. (Table 10.)

(c) The general net flow of subcontracts tends towards the States in the northeast and north central regions. States in the west and south regions, except for Maryland and Virginia, received a substantially higher proportion of their subcontract performance from within-State prime contractors than from primes located in other States. (Table 10.)

(d) There appears to be little discernible relationship between the relative share a State receives in subcontracts and its distance from the prime contractor's State of origin. A special check of California and New York prime contractors showed that there were considerable variations in the proportion of subcontracts awarded within their particular State and region, and also their comparative awards to the other regions. Indicative of the peculiarities of distribution, subcontracting firms in California received a greater share of New York's awards than subcontractors within New York. New York, on the other hand, received only a small proportion of all California defense subcontract awards. As factors other than distance appear to be more significant in determining the selection of a subcontractor, these merit more study than data available for this study permitted. (See app. IV.)

8. A study of subcontracting concentration reveals that for all prime contractors (submitting usable data on value of awards to individual subcontractors) their top 10 subcontractors account for an average of over 80 percent of all subcontracts awarded. Considerably below this average are the prime contractors in the aircraft and airframe claimant program whose top 10 subcontractors accounted for only 50 percent. (See table 13.)

9. A sample of four large prime contractors indicates that 70 to 90 percent of their total subcontracting dollar value is concentrated in relatively few (no more than 10) SIC 4-digit industries. (See table 14.)