

The program, as presently administered will, in our opinion, perpetuate the large Government investment in general purpose machine tools in possession of contractors, and thus defer indefinitely the time when contractors would furnish all facilities, in accordance with the Department's basic policy, for performance of Government contracts.

PROGRAM FOR OBTAINING INCREASED COMPETITION IN PROCUREMENT OF PARTS AND COMPONENTS

The Department of Defense and the military Departments have initiated well-conceived programs placing increased emphasis on achieving competition to the maximum practicable extent in the buying of spare parts.

However, many of the problems we identified in our previous work in the area of aeronautical replacement spare parts still prevail. These problems were reported to the Congress in 1961 and 1963, and were discussed in hearings before interested congressional committees. Our recent survey indicates that incomplete or inadequate technical data still contribute significantly to the award of noncompetitive procurements.

Our survey showed that of about \$2 billion worth of aeronautical spare parts bought in fiscal year 1966 by four major purchasing centers, about \$425 million or 21.5 percent was reported to have been purchased competitively. Of this amount \$114 million, or less than 6 percent of the total was accomplished by use of advertising while \$311 million or 16 percent was procured by competitive negotiation wherein the number of firms requested to bid was somewhat limited.

A large percentage of the actions which were classified and reported to higher management levels within the Department of Defense as competitive procurements, in our opinion, were in fact made without competition.

The primary cause for misclassifying procurements as having been awarded on the basis of price competition appears to stem from the criteria in the Armed Services Procurement Regulation. The regulation permits a contract award to be classified as competitively priced, even when only one response is received, as long as two or more proposals were solicited and the accepted proposal meets certain other evaluation tests.

In addition, the Armed Services Procurement Regulation permits purchases of \$2,500 and under to be reported as competitive even though many are not. The four locations we visited reported in the fiscal year 1966 a total of about \$80 million in procurement actions of \$2,500 and under as being awarded on the basis of price competition. Of the total amount, however, an estimated \$55 million, or 69 percent, represented noncompetitive procurements.

We are proposing changes in the Armed Services Procurement Regulation to provide additional guidance to contracting officers for classifying and reporting of negotiated contracts.

Our survey tests of \$174 million in procurements classified as noncompetitive showed that about \$103 million or 59 percent was procured noncompetitively because of determinations that technical data were either not adequate or not available. Let me illustrate the inaccuracy of some of these determinations: