

Decisions which involve the question of whether the Government provides directly products or services for its own use must be exercised under uniform guidelines and principles. This is necessary in order—

To conduct the affairs of the Government on an orderly basis;

To limit budgetary costs; and

To maintain the Government's policy of reliance upon private enterprise.

At my direction the Director of the Bureau of the Budget is issuing detailed guidelines to determine when the Government should provide products and services for its own use. These guidelines are the result of long study, based on experience over the past 6 years since the current guidelines were issued.

Each of you is requested to designate an assistant secretary or other official of comparable rank to—

Review new proposals for the agency to provide its own supplies or services before they are included in the agency's budget;

Review experience under the new guidelines; and

Suggest any significant changes to the guidelines which experience may indicate to be desirable.

I do not wish to impose rigid or burdensome reporting requirements on each agency with respect to the new guidelines. However these guidelines will require that appropriate records be maintained relative to agency commercial or industrial activities. I am also requesting the Budget Director to report to me from time to time on how the new directives are being carried out, and whether experience suggests changes in the guidelines or in agency reporting requirements.

LYNDON B. JOHNSON.

Mr. STAATS. The circular lists a number of policy or operating considerations which might make it justifiable for the Government to continue or undertake a commercial operation. But absent those determinations which must be made by the head of the agency, then a cost analysis should be undertaken, and the Budget Circular A-76 sets forth in considerable detail the cost criteria which should be applied consistently by all the agencies in making such a cost determination.

Representative CURTIS. That would be a determination of something new. This is something which is already in, which would be a redetermination.

Mr. STAATS. It applies to both, Congressman Curtis. But the rule for new starts, as it is called, new determinations, is a tougher rule than for an existing activity because it was felt that on balance there could be a margin of error, and the burden of proof really ought to be on the Government as to why it needs to perform this function in-house.

There has been a good deal of controversy as to whether or not all of the costs applied on the Government side are correct, and there has been much negotiation, both by the General Accounting Office and by the Bureau of the Budget with a number of groups outside as to whether or not these tests are exactly correct.

AMENDED CRITERIA CONSIDERED

We have had it up with our consultant panel of very distinguished accounting people, and we are currently considering some changes in these criteria with the Bureau of the Budget.

We have a meeting scheduled this week, in fact, to review some changes which have been proposed in this regard. But this is a very important area and without some kind of criteria applied uniformly and consistently by the agencies, the Government will not only be going unnecessarily into private enterprises' domain, but will also run the risk of substantially increased costs.