

percent of items tested during late 1964 and early 1965, to 13.5 percent of items tested during the first 9 months of 1966. The approved status of the contractor's system had not changed."

What is the significance of this?

Mr. STAATS. It results in some cases in the Government's not collecting rent for contractors' commercial use of Government-owned equipment. I think the general significance, Mr. Chairman, is that we do not feel that there has been adequate attention given to the problem which had been earlier identified.

INADEQUACIES NOT UNUSUAL

Chairman PROXMIRE. How typical is this? Do you think this is unusual or is this general?

Mr. STAATS. I would not say it is unusual, no.

Chairman PROXMIRE. You also say:

REPORTS OF COMPETITIVE PROCUREMENT

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.

I think you make a most convincing case that this is without competition. What is the argument, what is the Defense Department's argument here?

Mr. STAATS. Mr. Newman can respond to that.

Mr. NEWMAN. Mr. Chairman, as you know, a copy of this report just went to Defense. They have not had a chance to comment on it and we have not had a chance to discuss it with them.

Chairman PROXMIRE. We can ask Mr. Ignatius when he is up.

I just wondered if you could indicate to us what the merits of their feelings were.

Mr. NEWMAN. Well, I believe, frankly, that it is a case of misinterpretation and also a need for clarification of the existing ASPR's on what is to be reported to the Pentagon in support of the cost reduction program and really what criteria should be used in determining when we have competition. This is one of the problems we are having today, Mr. Chairman.

As you know, under Public Law 87-653 competitive procurement is not under that category, that is, if the contracting officer decides he has competition, he does not need cost data upon which to negotiate. In a majority of these cases an audit by Defense Contract Audit Agency is not requested by the contracting officer.

We are finding in this area that the door is sort of wide open. We have to get better criteria to determine what is competition, especially because, in many cases, contracting officers feel that if two individuals can do the job, this is competition so long as they have a technical, engineering know-how. We feel that *price* competition is of vital importance in any negotiations.

Chairman PROXMIRE. In other words, if all can do the job or three can do the job all at the same price you do not consider it competitive.

Mr. NEWMAN. Well, it may be competitive pricewise, but it is a case of picking the one who has the best record of performance.