

Mr. ABERSFELLER. It was followed and accepted. It was a continuation, if you will, of the existing policies.

Chairman PROXMIRE. That method was noncompetitive?

DEFINITION OF "COMPETITIVE BIDS"

Mr. ABERSFELLER. It tends to be competitive in this sense, in that we ask for bids on a negotiated basis and when we get a price that is low and acceptable we allow anyone else to come in on a negotiated basis who is willing to match the low price. That is how we were buying tires.

Chairman PROXMIRE. What do you mean you were asking for bids on a negotiated basis?

Mr. ABERSFELLER. We asked them to submit bids for the price of the tire they were willing to vend. Once having established who is low among that entire group you then announce those prices and say, in effect, to all the losers "If any of you want to get in on this, God bless you, meet this price and you are in."

SYSTEM LACKS INCENTIVE

Chairman PROXMIRE. What incentive would anyone have to bid low?

Mr. ABERSFELLER. Precisely the point and this is why we faced up to this after the study I referred to earlier and after new people came in to our organization we reexamined this and couldn't agree with the conclusions of our experts. It was concurrently with that action that the General Accounting Office got involved in this matter and worked very closely with us. We then took the 87 volume items—there are well over a thousand items on schedule—analyzed them rather thoroughly and concluded we could save up to 35 percent. Under our Federal supply scheduling program we still have competition in tires—what we call a maximum order limitation. If a requirement occurs above that level we buy competitively. It was through those competing procurements we found we would save that percentage. This is what really started us on that course of action, finding that when we were getting competition we saved 35 and 40 percent. Obviously it is very clear, when you get competition you get better prices.

WILL STOCK 87 ITEMS

To make a long story short, we have decided to stock these 87 items, the GAO agrees with us, we estimate a saving of a million dollars.

DEFINITION OF "COMPETITIVE PROCUREMENT"

Chairman PROXMIRE. Is your definition of competitive procurement different than that of the Department of Defense? We are very troubled by their definition. Their definition includes all procurement of less than \$2,500. It was pointed out by the Comptroller that their analysis chosen at random showed that 70 percent of these procurements of less than \$2,500 were in fact not competitive and were specified as not competitive.