

## QUESTIONS FOR DEPARTMENT OF DEFENSE

From: Chairman William Proxmire.

For some items, the Navy buys wholesale from DSA and GSA, then warehouses the supplies in their facilities at Norfolk and Oakland from where they supply the ships. Could not this overlap be eliminated or reduced?

What was the cost of short-shelf-life material destroyed, or declared surplus by DOD for this fiscal year ending 6/30/66?

Describe the DOD program under A-76 for the current calendar year?

What is the current status of the Navy Dairy farm at Gambrills, Maryland?

(The reply from Assistant Secretary of Defense Ignatius appears below:)

ASSISTANT SECRETARY OF DEFENSE,  
(INSTALLATIONS AND LOGISTICS),  
Washington, D.C., June 3, 1967.

Hon. WILLIAM PROXMIRE,  
Chairman, Joint Economic Committee,  
Congress of the United States,  
Washington, D.C.

DEAR MR. CHAIRMAN: We appreciate the opportunity provided in your letter of May 17 to comment upon draft reports of the Comptroller General and the other subjects discussed during the recent hearing of your Committee.

The attached material, presented for your consideration and inclusion in the record, is responsive to the questions forwarded with your letter of May 23 and contains our observations on subjects discussed during the hearings.

Sincerely,

PAUL R. IGNATIUS.

SURVEY OF PROCUREMENT OF AERONAUTICAL SPARE PARTS IN THE DEPARTMENT OF  
DEFENSE

The issues presented in the report on Aeronautical Spare Parts are under study by the Defense Department, and comments will be furnished to GAO in the near future. However, we do wish to comment on the matters raised in the report on our competitive procurement statistics, particularly in the light of the extensive questioning and testimony on this subject. We believe it is essential that this aspect of the report be placed in proper perspective.

The GAO survey pointed out that some negotiated purchases of aeronautical spare parts of \$2,500 or more in value were being reported as competitive under circumstances that led the GAO to believe that effective competition in fact was not present. In particular, GAO believed that in instances where only one offer was received, although more than one offerer was solicited, the procurements in question should have been reported as competitive.

We have considered whether or not we should revise our regulations to eliminate from our statistics on competition all instances wherein one bid is actually received, notwithstanding the fact that several companies may have been solicited. In considering the question, we recognized that the rule must apply to procurements placed by formal advertising as well as by negotiation.

Procurement by formal advertising should never be employed in the first place unless a competitive environment exists and there is the likelihood of receipt of competitive proposals. This threat of competition is the controlling factor in the receipt of a competitive price, notwithstanding the receipt in a few instances of only one bid. We do not believe that either the GAO or the Committee would suggest a change in this area. Accordingly, we do not feel it is either necessary or desirable to change our present rules with respect to formal advertising.

In our judgment, the same circumstances are present in the area of competitive negotiation, although, admittedly, the situation is not as clear-cut as in the case of formal advertising. Certainly, for example, if there has been realistic price competition in prior procurements of a military item, the fact that only one offer is received on a subsequent procurement does not render the latter noncompetitive—providing, of course, all competitors were given an opportunity to respond to the Government's solicitation. The critical point is whether a company submits its offer under competitive pressure; that is under the assumption that competitors will respond to the solicitation. This is the basis of our present reporting rule.