

APRIL 18, 1967.

HON. HAROLD D. DONOHUE,
House of Representatives, Congress of the United States,
Washington, D.C.

DEAR HAROLD: The attached (1966) hearing and report of the Subcommittee on Federal Procurement and Regulation contain considerable information on the question of differentials under the Buy American Act which is the concern of your letter of April 10, 1967.

The Subcommittee on Economy in Government of which I am Chairman will pursue this matter with the Budget Bureau and General Services Administration at hearings scheduled for May 15, 1967.

I am requesting our staff Consultant, Mr. Ray Ward, to discuss this matter with you further in case you wish to submit a statement for the hearing.

Sincerely yours,

WILLIAM PROXMIRE, *Chairman.*

CONGRESS OF THE UNITED STATES,
 HOUSE OF REPRESENTATIVES,
Washington, D.C., May 8, 1967.

JOINT ECONOMIC COMMITTEE,
Subcommittee on Federal Procurement and Regulations,
U.S. Congress, Washington, D.C.

DEAR COLLEAGUES: I have followed closely and have been very interested in the question of the application of the Buy American Act to the hand tool industry in this country.

As you are aware there presently exists a substantial difference between the protection provided to the domestic hand tool manufacturers under the regulations of the General Services Administration and that which would be afforded to them under the regulations of the Department of Defense. In 1964 the general procurement of hand tools after much discussion was transferred from the Defense Department to GSA where it remains today.

GSA procurement results in a six percent preference for American produced hand tool items as well as other American products with a maximum of twelve percent under certain conditions. The formula adopted by the Department of Defense, because of the balance-of-payments problems we have been experiencing, permits a fifty percent differential in favor of American manufactured products.

The inconsistency of a policy, where one government agency has one standard for procurement under the Buy American Act while a second government agency has another standard, is obvious on its face and creates serious and significant government procurement problems.

The importance of eliminating this incongruous situation has been apparent to your Subcommittee on Federal Procurement for some time now. At hearings held on March 23 and 24, 1966 this question was considered and the Subcommittee's conclusions were set forth in your report entitled "Economic Impact of Federal Procurement—1966" dated May 1966.

It was "strongly recommended" in the Report that the Bureau of the Budget take steps to apply uniform differentials under the Buy American Act for the same items regardless of which federal agency does the buying for the government.

In spite of this clear mandate from your Subcommittee the Bureau of the Budget made no move to rectify the situation and in the first week of November, 1966 both Representative Curtis, a member of your Subcommittee and myself wrote to the Bureau of the Budget urging, in accordance with your recommendation, the development of uniform standards and procedures to be applied in administering the Buy American Act.

The Bureau of the Budget rejected this position stating that they did not feel it was in our interest for agencies to change their procurement practices at this time.

It is my understanding that hearings will be held shortly by your Subcommittee at which this matter may again be considered. We are still hampered today by inequitable procurement procedures because of the failure of the Bureau of the Budget to take appropriate action.

Your report pointed out that to the extent that GSA takes a different course from the Defense Department in making awards to foreign producers, the bal-