

Captain PFLAG. Yes.

Senator NELSON. How many do you have? Are they permanent civilian or military personnel?

Captain PFLAG. We have two civilians who are there on temporary additional duty assignments, and we have a full-time Medical Service Corps officer who has received special training at the Defense Personnel Support Center.

Unlike our contracts in the United States, in Europe we have a full-time resident inspector while production is going on.

Senator NELSON. Here, in this country?

Captain PFLAG. No, sir.

Senator NELSON. No; there.

Captain PFLAG. There.

Senator NELSON. So, if you make a purchase there, you have one of your personnel present at all times?

Captain PFLAG. Full-time resident inspector, sir; yes.

Senator NELSON. I think you covered that, Admiral. So maybe you could start on page 14. I think you have covered everything up to that, or the last sentence on page 13, unless there is something that you wish to add.

Admiral ETTER. No, sir.

The basic statute governing procurement by the Department of Defense—title 10, United States Code 2304—directs that purchases shall be made by formal advertising and authorizes the use of negotiation in 17 specifically enumerated situations.

Formal advertising operates most effectively where (1) an adequate number of qualified suppliers have actively competed for Government contracts; (2) they are willing to price competitively; (3) definitive specifications are available for the required product; and (4) there is sufficient time to carry out the inflexible formalities of the formal advertising process—

Senator NELSON. May I interrupt at this point, Admiral.

On item 2, what does that mean, "They are willing to price competitively"?

Admiral ETTER. Could I ask Colonel Snyder to respond to this part, sir.

Colonel SNYDER. To make a formal advertising meaningful, you must have competition. Otherwise, there is no basis of comparison. Now, to take that by itself would be most difficult to define. I cannot think of a single instance, other than a sole source supplier, where firms have been unwilling to price competitively.

The essential element of formal advertising is that you have some variance in price. Otherwise, there is no ability to differentiate one from another. On a supposition, if I may, if we were to solicit competition on a particular product, and if three firms came in with an identical price, unless there was some strange and unusual circumstances—I can't even think of an example offhand—we would be required to report them to the Federal Bureau of Investigation for possible collusion.

Now, I cannot remember, in my limited experience, of it ever happening, because all of the firms are well aware of this provision of law where they would be investigated very painfully if this