

interest. That is, the American price is presumptively unreasonable if the U.S. bid or offered price exceeds the sum of the bid price for materials of foreign origin, plus a differential consisting of (1) 6 percent of the bid or offered price of materials of foreign origin, or (2) 10 percent of the bid or offered price of materials of foreign origin exclusive of applicable duty and all costs incurred after arrival in the United States.

However, the Armed Service Procurement Regulations adds a 50-percent evaluation factor in favor of goods of American manufacture. It is quite different from the Executive order; in other words, there is an addition of about 40 percent there.

I am reading from a staff memo:

The Armed Services Procurement Regulation (ASPR), for instance, adds a 50 percent "evaluation factor" in favor of goods of American manufacture. This procedure originated as a gold flow correction, but since the agreement among the world's central banks in 1968 whereby a two-tier gold system operates to end the monetary gold flow problem, the practice has been continued as a balance-of-payments correction. Thus, instead of a 10-percent alternative Buy American calculation, the Defense Department applies a 50-percent balance-of-payments factor.

Senator NELSON. I would like to skip to the bottom of page 15, Admiral, and the following sentence:

It is the policy of the Department of Defense to place a fair proportion of its total contracts for supplies and services with small business concerns.

and you go on beyond that.

What methods do you follow to place a fair proportion of the contracts with small business?

Admiral ETTER. Well, we encourage them in every way to bid on all solicitations. When they have failed to submit bids for one reason or another, because, possibly, of some of the difficulties of the manufacturing processes, the representatives of these small business firms are counseled at DPSC. They are advised as to what they might be able to do to put them in a better bidding position. Every effort is made in this regard to try to give them a fair share of the business.

Senator NELSON. What is the definition of a small business that is used by the Defense Department?

Colonel SNYDER. It is 750 employees in total. That includes all affiliations, firms under a common executive board or control.

Senator NELSON. Seven hundred and fifty or less employees?

Colonel SNYDER. Yes, sir.

Senator NELSON. Do you know how many there are with whom you have done business who fit the small business category?

Colonel SNYDER. I do not have that information specifically.

Senator NELSON. Could you supply it for the record?

Colonel SNYDER. Yes, sir.

Admiral ETTER. There is, in the backup data—in the exhibits there are some listings of the small businesses, and the ones that have been given contracts recently.

Senator NELSON. Where is that?

Admiral ETTER. Captain Pflag says he can name a few offhand.

Captain PFLAG. The Endo Laboratory, Knoll Associates, the Strong Cobb Arner Laboratories, Day-Baldwin—these have all been successful suppliers in the small business category, sir.