

procurements. The percentage of the value of all DSA procurements made through formal advertising was 27.4 percent in the first 8 months of fiscal year 1967, compared to 31.9 percent during a corresponding period in fiscal year 1966. However, since there has been a 33-percent increase in the value of total procurements during the same period, the value of the formally advertised portion actually increased by \$153.3 million. It should be noted that although the formal advertising rate declined, the percentage of competition was actually higher. During the first 8 months of fiscal year 1967, our competitive rate was 92.8 percent compared to 92.6 percent for the same period in fiscal year 1966. In some commodity areas, the more attractive civilian demand during the past year has made it difficult to attract suppliers with sufficient productive capacity to meet defense needs, and the Agency has had to resort to "rated" orders to obtain supplies. Any improvement in the formal advertising rate is believed to be contingent on changes in the Southeast Asia situation and a softening of the civilian economy.¹

The Southeast Asia situation has had significant impact on procurement and production activity. During the first 6 months of fiscal year 1967, 447,000 contracts, aggregating \$3.6 billion, were awarded. This represents an increase of 65,000 awards and \$1 billion over the comparable period of fiscal year 1966. It is anticipated that procurement volume for fiscal year 1967 will exceed \$6.2 billion compared with actual fiscal year 1966 volume of \$5.74 billion and fiscal year 1965 volume of \$3.04 billion.

To obtain military supplies for Vietnam in the quantities reflected by this increased procurement volume in the face of heavy civilian demand, special measures had to be taken. Included among these measures were—

(a) Changing, with service concurrence, Government specifications to permit procurement of acceptable commercial products, wherever possible, to broaden the production base.

(b) Procuring substitutes on an interim basis to meet urgent requirements when specification changes were inappropriate.

(c) Increasing production of short supply items at Government-operated facilities.

(d) Furnishing industry advance information of anticipated quantitative and delivery requirements.

(e) Limiting accelerated delivery procurement to immediate operational support needs.

(f) Avoiding payment of premium prices for accelerated deliveries wherever possible by reevaluation of such requirements with the services.

(g) Giving increased management attention to using more realistic production leadtimes and scheduling deliveries in consonance with industry conditions.

(h) Securing assistance of the Business and Defense Services Administration (BDSA) of the Commerce Department in invoking mandatory production provisions of the Defense Production Act of 1950, as amended. A total of 581 rated orders were issued by DSA from mid-December 1965 to 30 January 1967, and as of 30 January, no rated orders were pending.

¹ For end fiscal year 1967 data see table "Procurement and Production," following.