

C. Contractor versus in-house methods of acquiring goods and services.

We are pleased to report that a number of important actions have been taken since our appearance before you last May, and that we have consulted frequently with Comptroller General Staats and his staff in developing these revised policies. While there are several matters on which final decisions have not been reached, all are being intensively examined and we will be pleased to keep you fully informed of our conclusions.

A. PROCUREMENT POLICIES

During the past 6½ years Defense procurement practices have undergone significant changes. In terms of volume alone we have experienced a 100-percent increase in number of actions (from 7.5 to 15.1 million since 1961), and an increase of 74 percent in dollar volume (from \$25.6 to \$44.6 billion). During this time frame there have been continuous efforts to introduce far stronger management controls and substantially greater incentives—with the goal of buying required equipment and supplies at the lowest sound price. We are dedicated to acting promptly and vigorously to eliminate inefficient procurement practices, and we thus welcome the spotlighting of such opportunities by congressional committees, the General Accounting Office, and our own internal audit and review staffs. As you so well appreciate, almost every purchase action represents a potential opportunity for either waste or improved buying, depending upon the soundness of our policies and the skill of our procurement personnel.

In your hearings earlier this year, you stressed particularly, the need for more precise rules governing competitive procurement, and for greater attention to the implementation of Public Law 87-653 (Truth in Negotiations Act). In addition, we believe you will be interested in our plans to improve small purchase procedures and in our progress with respect to more economical procurement of replenishment spare parts. I would like to comment briefly on each of these subjects.

1. PRICE COMPETITION

At the time of your hearings last May, GAO challenged three aspects of the longstanding definition of price competition. As a result, revised regulations were issued on August 18, 1967. These appear below as attachment A to this statement.

(The attachment follows:)

ATTACHMENT A

Memorandum for:

The Assistant Secretary of the Army (I. & L.).
 The Assistant Secretary of the Navy (I. & L.).
 The Assistant Secretary of the Air Force (I. & L.).
 The Director, Defense Supply Agency.
 The Director, Defense Communications Agency.
 The Director, Defense Atomic Support Agency.

Subject: Reporting of procurement statistics on price competition.

We have reviewed the current rules for reporting competitive procurements following the recent GAO report and Congressional hearings which dealt with this subject. While the attention focused on our reporting of competition was primarily in the spare parts area, our review has encompassed the full spectrum of procurement.