

Chairman PROXMIRE. Will they be reported in the statistics at all?

Mr. MORRIS. They will be reported, sir, as noncompetitive.

Chairman PROXMIRE. What does that amount to in terms of dollars—proportionate procurement?

Mr. MORRIS. It is a relatively small amount, sir.

Chairman PROXMIRE. Two, three, four, five percent—that area?

Mr. MORRIS. No, sir. The total of all procurements \$2,500 and under is 4 percent of our procurement dollars.

Chairman PROXMIRE. \$250 would be maybe 1 percent?

Mr. MORRIS. It could be, sir, in that range.

Chairman PROXMIRE. I see. Very good.

Mr. MORRIS. Secondly, sir, is it proper to classify a transaction as competitive when only one responsive offer is received on solicitations restricted to the prime contractor and his vendor for that item? We agree with GAO and have revised our rules to provide that such procurement shall not be reported as price competitive in the future.

(c) Are there instances where valid price competition exists, even though only one offer is received? We have revised this rule to state that the vast majority of competitive procurements require the receipt of at least two responsive offers, but that valid competitive pressures may exist where offers are solicited from at least two responsible offers, who normally contend for contracts for the same or similar items. Each such instance must be fully documented if it is classified as competitive. GAO has also endorsed this revision.

During the May hearings a question was raised as to whether our former rules overstated the degree of improvement in price competition. I frankly do not believe this is the case. We began our major emphasis on improving price competition in the spring of calendar year 1961. The following table shows the progress which has been reported since that time:

[In percent]

Type of construction	Fiscal year 1961	Fiscal year 1967
Formally advertised.....	11.9	13.4
Small business and labor surplus area set-asides.....	3.9	4.5
Negotiated price competition.....	13.4	20.8
Open market purchases (\$2,500 or less).....	3.7	4.2
Total.....	32.9	42.9

In fiscal year 1961, \$8.1 billion of contracts were awarded in the above categories. In fiscal year 1967, the total was \$18.6 billion. If our fiscal year 1967 procurement volume of \$43.4 billion—excluding intragovernmental—had been only 32.9 percent competitive (the fiscal year 1961 rate), the volume of purchases placed competitively would have been \$14.3 billion, or \$4.3 billion less than reported in fiscal year 1967.

We believe that if the new rules were in effect in 1961, both the fiscal year 1961 statistics and the fiscal year 1967 statistics would have been reduced by two or three percentage points. Thus, the same rate of improvement would result. In other words, the difference between 30 and 40 percent of awards placed under price competition would still generate about \$4 billion more awards under price competitive meth-