

Chairman PROXMIRE. This gives me a chance to ask about this so-called competitive negotiated contract.

The Comptroller General, and I thought rightly, presented the competitive and noncompetitive in terms of advertised competitive bidding as his definition of a competitive procurement. And the non-advertised competitive bidding as not competitive.

Now, you have a further refinement, in which you say competitive negotiation. Can you give me an example of that? Obviously, it is not advertised. But, you must have more than one source which is competing at some stage in the procurement process.

ADEQUATE PRICE COMPETITION

Mr. MALLOY. That is right. We have a definition of adequate price competition for purposes of Public Law 87-653. It requires that at least two bidders contend for the contract, and truly contend for it in a competitive atmosphere. If that does not hold true, then it cannot be classified as a competitive transaction.

Chairman PROXMIRE. You don't advertise this for all comers. You simply pick two or more potential suppliers, and ask them to provide bids. Then on the basis of that, you negotiate with one of them?

NORMAL NEGOTIATION PROCEDURE

Mr. MALLOY. The normal procedure, Mr. Chairman, would be for us to solicit all of the suppliers that we know about—all that we have on our mailing list notwithstanding the fact that it is a negotiated transaction. Thereafter, depending on the bidding, there may be enough competition so that the contract could be awarded to the low responsive bidder in much the same way as formal advertising.

Chairman PROXMIRE. And, what is the difference between that and advertised competitive bidding?

Mr. MALLOY. Well, under the law, to be formally advertised, a transaction goes through a very formal procedure. Formal bid procedures require specifications that are firm and equally applicable to all bidders. There must be time available to go through this procedure. Thereafter the contract is awarded to the low responsive and responsible bidder.

Chairman PROXMIRE. Isn't it true you would, for example, in procuring a plane or procuring a submarine, or something of that kind—that you might have competition in the design phase, and then having made your commitment, then the production, and so forth, would not be competitive, but the whole procurement be classified as negotiated—competitive negotiations?

Mr. MALLOY. Yes. Many of our procurements would fall into that category.

Chairman PROXMIRE. And, you would classify that as competitive negotiation?

Mr. MALLOY. That is correct.

Mr. MORRIS. Except that the follow-on production, sir, if it continued only with the one source, it would not be competitive.

We have a separate classification.

Chairman PROXMIRE. What do you call that?