

Mr. KNOTT. All right, sir.

Chairman PROXMIRE. Senator Brooke, we are delighted to have you this morning, and welcome you to the committee.

**STATEMENT OF HON. EDWARD W. BROOKE, A U.S. SENATOR FROM
THE STATE OF MASSACHUSETTS**

Senator BROOKE. Thank you, Mr. Chairman, for your courtesy.

Mr. Chairman, Senator Percy, I am appearing today to testify with respect to the serious situation which presently confronts the handtool industry of the United States. This subject received consideration by the Subcommittee on Federal Procurement and Regulation of the Joint Economic Committee during hearings conducted in 1966. It is now vital that the hitherto ignored recommendation of that subcommittee relative to price differentials applicable to handtool purchases by the Government be implemented without further delay.

As you are aware, the purchase of handtools for use by agencies of the U.S. Government is conducted by the General Services Administration, despite the fact that more than 90 percent of such purchases are used by the Department of Defense. Both GSA and the Department of Defense are governed by the provisions of the United States Code, title 41, sections 10a through 10d—the so-called Buy American Act.

GSA is bound in addition by the terms of Executive Order 10582, issued in 1954, which clarifies the vague "reasonable cost" criterion of the Buy American Act by authorizing a price differential of 6 percent in favor of domestic manufacturers (12 percent if small business is involved). However, the Department of Defense has departed from the guidelines set forth in Executive Order 10582, apparently on the theory that such action is necessary to prevent further inroads upon a favorable balance of payments, and has established a 50-percent price differential for its own purchases.

Purchase of handtools by GSA rather than by the Department of Defense has had an extremely negative effect upon the domestic industry. The difference between the 6-percent price differential applied by GSA and the 50-percent price differential applied by the Department of Defense is the crucial factor. Domestic handtool manufacturers who would clearly be able to bid successfully on the basis of the Department of Defense differential find that they are increasingly being underbid by foreign manufacturers as a result of the application of the inadequate GSA differential.

Thus, the awarding of contracts has been, to a large extent, influenced by an administrative decision that the purchase of handtools be the function of GSA rather than the Department of Defense. The negative effects upon domestic industry of this decision are all the more intolerable in light of the fact that the overwhelming percentage of handtool purchases are used by the Department of Defense; yet they are not subject to Department of Defense purchasing procedures.

The effect upon the U.S. handtool industry is inevitable. In 1948, the value of all mechanics hand service tools imported into the United States was approximately \$169,000. But by 1966 the value had increased to approximately \$14 million. And figures for the first 5