

facturers. It is especially true in the case of purchases used primarily by the military that we have an interest in maintaining productive capacity with respect to sources which could be disrupted during an emergency. I am aware of and sympathetic to the Bureau's desire not to take actions which could have an adverse effect upon present attempts to conclude international trade agreements. My request does not represent a desire to defeat the progress and principles of the Kennedy Round. Rather, it is based upon a recognition that the domestic handtool industry has been prejudiced not by an attempt to secure freedom of international trade, but by what is in effect an arbitrary decision to apply one set of Government purchasing standards rather than another.

I believe that alteration of the present policy is especially necessary insofar as the domestic handtool industry is concerned, since this industry suffers to such an extent from present administration of Federal purchasing practices. It would, of course, be cumbersome and impractical to attempt to amend the Buy American Act for the purpose of relieving a particular industry. But, it would be entirely valid for the Bureau of the Budget to recognize the problem which has been created, and to alter the price differential applicable to such industry by administrative order. I have asked the Bureau to take such action in a letter dated November 16, 1967, addressed to the Bureau's Director, the Honorable Charles L. Schultze. I hope that this subcommittee will support this request by an emphatic reiteration of last session's recommendation that uniform price differentials be applied to the same items irrespective of which governmental agency is charged with purchasing responsibility.

Chairman PROXMIRE. Now as I understand it, the difficulty, as you say in the beginning of your statement, is that more than 90 percent of these purchases are used by the Department of Defense.

Senator BROOKE. That is correct.

Chairman PROXMIRE. Yet, the GSA makes the purchase, and applies the 6 and 12 percent differentials, rather than the 50 percent.

Senator BROOKE. That is correct.

Chairman PROXMIRE. That certainly seems to be a very legitimate complaint. One would think, just offhand, that the agency which used the tools would be the one where you would apply the differential.

Mr. Knott, do you have any observations on that?

Mr. KNOTT. It is the procuring agency that applies the rule. And as Senator Brooke has pointed out, the crux of the problem is not which agency does the buying. Unfortunately, there is a difference in the rules being applied by different agencies. It is not the agencies, but it is the rule that causes the problem.

Chairman PROXMIRE. You mean you feel the problem is that you have this discrepancy between what the Defense Department applies, the 50 percent—

Mr. KNOTT. Exactly.

Chairman PROXMIRE (continuing). And the 6 percent applies elsewhere. You should either compromise, take one or the other—

Mr. KNOTT. We have raised this very point with the Bureau of the Budget. If we are buying for Defense, why can't we use the Defense formula?