

Chairman PROXMIRE. Senator Brooke raises the point that it is going to be extremely hard to introduce and get legislation passed to apply to the handtool industry. On the other hand, the administration has provided a 50-percent differential as part of our balance-of-payments approach. And, they could just as easily, it would seem to me, provide that in view of the fact that the Defense Department uses 90 percent of these tools, they should be the agency that is recognized as the procurement agency.

Mr. KNOTT. I have no quarrel with that. I have no quarrel with his recommendation. I think his recommendation is fine. And, in fact, to do otherwise is to do just to the contrary to what you read in the preamble to the Federal Property and Administrative Services Act—the declaration of policy there was to establish for the Government an efficient and economical system for centralized procurement. And yet this nonuniform differential tends to dissipate that problem. If you followed the principle that has been suggested here—for the Defense Department to buy its own requirements when it uses 50 percent—then you get back to a system whereby each agency is in the business of buying for itself, and the whole idea of the national supply system, which I have described earlier this morning, where we have turned over to Defense the procurement of fuel and electronics and other commodities which we think they are best able to buy—and they have turned over to us the things that they think we are best able to buy—this would all go down the drain.

Chairman PROXMIRE. Has there been any rationale in principle for this discrepancy; for having the Defense Department apply the 50 percent? We all know that Secretary McNamara is enormously respected and very influential. And, I take it, this was an order of his that was first applied.

Mr. KNOTT. Yes.

Chairman PROXMIRE. Why is it that there is this difference? Is there any justification that you know of—why the Defense Department should have a 50-percent differential, and the rest have so much less?

Mr. KNOTT. No. I can only speculate to this extent. It goes back several years, and much of the implementation of the national supply system that has brought about these changes, whereby GSA, for example, does do all the procuring of handtools, does do all the procuring of paint—these have taken place since that time.

His rule was in effect at that time; ours, the 6-percent rule, was also in effect. The Bureau of the Budget felt that we should not change during the period that the Kennedy round discussions were underway.

Chairman PROXMIRE. I see. So, it is possible now that the Kennedy round discussions are over, that you could have a resolution of this with the 50 percent applying across the board.

Senator BROOKE. By an administrative order.

Mr. KNOTT. Yes; and we have urged that this be done.

Chairman PROXMIRE. And what would this mean in terms of the purchasing? The Defense Department buys what proportion of total procurement?

Mr. KNOTT. Our percentage is relatively small, because we are dealing only in the common-use items.