

FAVORABLE POSITION OF CONTRACTOR WITH GOVERNMENT EQUIPMENT

Representative RUMSFELD. Mrs. Griffiths mentioned the problem of enabling one company in the private sector to compete favorably through a subsidy, against another company.

There is another aspect to this about which I have been concerned. I would be interested in your comment on it.

I serve on the Science and Astronautics Committee, also, and we have gotten into space program contracting over a period of years.

I worry not only that a company might be subsidized, but about this second aspect to it.

When a new contract is going to be let, the advantage of the company that has Government equipment in the submitting of a bid, of a response to a request for proposals, seems to me to be considerable, not only from the standpoint of the fact that they might be able to submit a lower price in their bid, but beyond that, there seems to be a tendency on the part of Government agencies in negotiating these contracts to say "Well, this company has the equipment, it is there physically, it does not have to be moved, it does not have to be repurchased, it does not have to be built from the bottom up for someone else, so give them the contract. And, this puts a tremendous advantage in the hands of the company that has the equipment that can be either used the way it is, or updated or changed slightly to help meet the request that is being let.

Frequently, the time element is important. The people who need whatever they are asking to be done may need it now. And so you can add a 2 or 3 or 4 or 8 or 10-month advantage sometimes, because the equipment is there.

Now, I am no procurement officer—and thank goodness—there is no job I would like less. But they have to have discretion, and they are human, and when they do have discretion, as they properly need some, they are going to be affected by all these items I have mentioned. And what happens is the executive branch of the Federal Government starts with a company, and then it builds, and it feeds on itself and its advantage. And I have seen it happen in NASA. I serve on the Government Operations Committee also, and I have been exposed to other instances there where I sense that it happens. I am not aware of a hearing held in the Congress on this subject. I have never seen a comprehensive review of it. I have never even had an opportunity to discuss it in any great depth with people, for example, in a position such as yourself, or in GAO, who are not on the firing line with respect to the letting of the contract. But I am convinced it is happening, that it is serious, and that it is creating some unfortunate imbalances in the private sector.

What are you doing about it, or do you even agree that there is a problem?

Mr. HUGHES. Certainly there is a problem, and I think there are several aspects of the problem that are somewhat separable. Some of them I think we are doing something about in a sense. Some of them are very difficult to do something about—once you get beyond the procurement, the contracting point.

First, there is the inherent advantage of the man who is on the