

I do not wish to accuse anybody of wrongdoing. But it seems to me that the cases I have already developed are sufficient in nature and in scope to warrant a thorough-going congressional investigation into what is happening in the military procurement policies as they are being administered today under the Secretary of Defense.

(The DOD subsequently requested the insertion of the following into the record :) (See pp. 395, 590.)

Senator Dominick's concern regarding an increased percentage of military procurement accomplished without open competition is without foundation. The Department of Defense publishes annually a report on military prime contract awards and subcontract payments. The latest report covers the period July 1966 to July 1967. Table 9 on pages 32 and 33 of this report reflects competition in military procurements during FY 66 and FY 67. This Table shows that \$20.6 billion were awarded on a competitive basis during FY 67 and this represented 47.5% of all Defense purchases. In our reports to the Congress we have stated that 42.9% of all Defense purchases were awarded after price competition. A contract is reported as awarded on the basis of price competition only if the successful contractor won the award by a competitive proposal that definitely provided the lowest evaluated price to the Government. Our reports have not included awards made as a result of technical or design competition—a circumstance which is present when two or more equally qualified sources of supply are invited to submit design or technical proposals, with the subsequent contract award based primarily on this factor rather than on a price basis. Research and development contracts are examples of military awards which fall into this category. It is not correct to state that in Defense purchasing "the average percentage of noncompetitive procurement reaches 86%".

Senator Dominick incorrectly stated that the 100 largest business firms continually get a larger share of Defense business. A Defense report of the 100 Companies and their Subsidiary Corporations listed according to the net value of military prime contract awards for FY 67 shows that the percentage of Defense contracts going to the top 100 Companies has been reduced from 74.2% in 1961 to a low of 63.8% in 1966 with a slight increase of 1.7% in 1967, resulting from an up-swing in aircraft procurement of \$2.2 billion in FY 67.

Senator Dominick's comments on the issues surrounding the Research and development contract for a shoulder-borne, transportable flame thrower were discussed in detail in a visit by Assistant Secretary of the Army (R&D) O'Neal with Senator Dominick on 8 February 1967. Subsequently, in a letter of 20 October 1967, Secretary of the Army Resor commented further on this issue. Secretary Resor's letter was entered in the Congressional Record by Senator Dominick on October 24, 1967. Secretary Resor's letter follows:

"OCTOBER 20, 1967.

"Hon. PETER H. DOMINICK,
"U.S. Senate.

"DEAR SENATOR DOMINICK: I read with concern your statements in the Congressional Record of 19 and 28 September and 4 October concerning Army procurement policy. I have personally inquired into the matters you raised. For the reasons which follow, my conclusion is that Army actions were made honestly and in accordance with the needs of our combat forces in Southeast Asia.

"You raised first the question of award of the research and development contract for a multi-shot portable flame thrower to Northrop Nortronics, and suggested that the award should have been made to Custom Packaging Company of Aurora, Colorado. Nine manufacturers submitted proposals in response to the Army's request. After a careful technical evaluation Nortronics was ranked 1, Custom 9. Weighting certain factors used in the technical evaluation did not affect Custom's ranking, since no company received a lower score in four of the five characteristics evaluated—technical approach, technical personnel, background experience, and facilities. If the elements of the evaluation had not been weighted at all, the ranking of these two companies would have been exactly the same: Nortronics 1, Custom 9.

"You emphasized that Custom proposed a price of \$167,608 for the contract compared to Nortronics' estimate of \$387,000. The Army took these cost proposals into account in making the award. But such cost figures, inevitably based on difficult estimates, cannot be made the controlling factor in a research and