

Chairman PATMAN. We are glad to have him, too.

Mr. PEABODY. Thank you, Mr. Chairman.

Chairman PATMAN. I would like to ask you, according to the 17th Annual Report of the Activities of the Joint Committee on Defense Production, which contains statements of activities of various Government agencies in connection with the Defense Production Act, there has been a sharp increase over the last few years in the use of the Defense Production Act priorities and allocations authority.

Describe briefly how this system works.

Mr. DANIEL. Well, the material priorities and allocations are handled by BDSA, the Department of Commerce, as I have explained to you. This agency can make set-asides whereby a certain percentage of all the production of that, let's say, copper will be devoted to defense-rated orders for a certain period of time during each quarter, or during a month.

Other departments also have priorities and allocations authorities for those resources assigned to them. During the recent Middle East petroleum crises, the Secretary of the Interior issued a priority regulation in order to assure adequate supplies to the Department of Defense. This regulation is still in effect.

In order to be sure that there will be sufficient material to take care of defense orders, after this set-aside period of time, then the materials can be used for other purposes.

The priorities, an example which I cited, was one in which the Army or the Defense Department was given a priority on all herbicides of a certain type for use in Vietnam.

Chairman PATMAN. You covered that in your statement?

Mr. DANIEL. Yes, sir.

Would you care to add anything to this, Mr. Bertsch?

Mr. BERTSCH. Yes, sir.

I believe it should be pointed out that all defense procurement, except that for its civil functions, and those small procurements involving materials or products under \$500, must utilize a priority in the procurement process. Nothing is purchased by the Department of Defense that is not purchased under a priority.

As the Governor has pointed out, our defense materials system, which is a companion piece to the general priority system, sets aside a certain quantity of the basic materials of production, copper, steel, aluminum, and nickel, in order to make these available monthly or quarterly for the defense effort.

A priority is then used by the users of these materials in order to get them on time and in the quantities needed in order to fulfill their defense production obligations.

Chairman PATMAN. Thank you, sir.

Have there been any serious complications in administering this program since the buildup of military activity because of Vietnam?

Mr. BERTSCH. No, sir; there have been no serious complications, Mr. Chairman, because the system has been in existence since 1950, modified and simplified in 1953. We were prepared because of the judicious action of the Congress in extending this law, to meet the needs of the Defense Department despite the vast increase in their requirements.

Chairman PATMAN. Have there been any serious examples of producers rejecting a rated order?