

Mr. O'HARA: If we could run through these exceptions, proposition No. 1, section 7, that is Davis-Bacon. No. 2 is the Walsh-Healey Act. No. 3 is contracts for the carriage of freight and personnel by vessel or airplane, or bus, truck, express, railway line, or oil or gas pipeline where published tariff rates are in effect.

I can see the rationale for that. We don't have the same competitive situation which we face in service contract areas generally.

As you pointed out in your statement, the difficulty in this service contract area, where so much of the input on the job is direct labor costs and where you have a situation in which the low bidder who gets the contract is the fellow who is paying the lowest wages and has a great competitive advantage. It wouldn't be the case here.

Mr. DONAHUE. I think that that is true, sir.

Mr. O'HARA. Likewise, No. 4, I would assume a similar rationale.

Mr. DONAHUE. That is correct.

Mr. O'HARA. The various procurement agencies felt, I gather, that their administrative burdens would be eased if we chose \$2,500.

Mr. DONAHUE. I would prefer to have Mr. Zinman answer that question, if he would.

Mr. ZINMAN. Well, there are procedures available under the procurement statutes which permit both civilian and defense agencies to negotiate contracts which are less than \$2,500. Such contracts need not be submitted for formal advertising. It was felt by the agencies that in view of the expedited procedures for these lesser contracts, they didn't want to add complications.

Mr. O'HARA. I think that is a very good reason.

Finally, I would like to compliment our witness and his colleagues on the work they have done. I wouldn't have believed, and didn't believe, as a matter of fact, in January when this Congress convened, it would have been possible to come up with a bill that was not objectionable to any of the Government's procurement agencies or to the Bureau of the Budget.

Mr. DONAHUE. I would have shared that view. I think that they have done an excellent job.

Mr. O'HARA. I think it is more than excellent. It is miraculous.