

portation, Housing and Urban Development, and Justice, could find their priorities slipping if a servicing laboratory must divert its resources to work on new tasks assigned by its own agency.

Under the philosophy of the Bell Report the case can be made for the Departments of Transportation, Housing and Urban Development and Justice developing their own in-house research capability. As mission-oriented agencies, they now have similar research and development needs to their sister agencies. A decision to do this, however, must depend upon the most careful analysis of the range of alternatives. This analysis might lead to meeting the research needs of these agencies through any combination of their own laboratories, the laboratories of other agencies, and contractual relationships with universities and industry. If the agency can satisfy its research requirements without establishing one or more of its own laboratories, it should obviously do so.

With respect to the establishment of contractual arrangements, Bureau of the Budget Circular A-76 provides guidance to the agencies on the question of Government entry into commercial or industrial activity to provide a product or service obtainable from a private source. The essential purpose of the Circular is to further the Government's general policy of relying on the private enterprise system to supply its needs. Technically speaking, the Circular excepts nothing. Thus, research and development facilities come within its general purview, although other statements of policy such as the Bell Report affect decisions regarding research and development facilities. Obviously, however, and this is particularly true in the research and development area, program requirements and management considerations are the most compelling determinants.

Thus, the Circular clearly recognizes that there are circumstances under which the Government should provide a commercial or industrial product or service for its own use and provides the guidance for this determination. This is particularly true in the case of "new starts." Instructions are given for making cost comparisons of alternatives. Should an agency have authority to establish an in-house activity it must complete the cost comparison analysis prior to submitting its budget requests to the Bureau of the Budget. Thus, the budget process is a further check on the decision for a "new start."

Finally, I would like to say a few words regarding the establishment of personnel ceilings for laboratories. These determinations are made by the agencies, not by the Bureau of the Budget. With the assistance of the agencies, the Bureau does establish personnel ceilings for agencies as a whole. These are end of the year ceilings. Two figures are set—one for full-time employees, and one for total employees. The figures are based on an appraisal of current agency programs as compared with the previous year. The agency submits its request to the Bureau; this is examined in much the same manner as budgetary proposals. Once the overall agency figures are determined, the agency makes its final personnel allocations for all its units, including its laboratories. With respect to the flexible use of personnel in laboratories or other agency activities, Bureau policy as set forth in Circular A-64 encourages interagency sharing of personnel resources. Thus, agencies can arrange for personnel transfers where this is mutually advantageous.

QUESTIONS SUBMITTED TO PHILLIP S. HUGHES BY THE SUBCOMMITTEE ON SCIENCE, RESEARCH AND DEVELOPMENT

Question. 1. Please describe the type of "assistance and advice" which the Bureau receives from OST. Does it consist primarily of technical advice or does it include advice as to priorities, funding and duplication?

Answer. Contacts between the BOB and OST are extensive and occur at all staff levels. The Bureau's budget examiners frequently obtain substantive advice regarding agency scientific and technical programs. Sometimes such advice is strictly technical. At other times OST provides views on funding levels, priorities and on questions of balance in interagency programs. Occasionally OST staff participates in the preparation of special Bureau studies such as the Report to the President on Contracting for Research and Development (Bell Report) and The Administration of Government Supported Research at Universities. The Bureau continually seeks advice on R&D policy and budget issues from Dr. Hornig and his OST associates.

Bureau involvement in OST activities also provides a valuable input for performance of the Bureau's own functions. To illustrate, the Bureau has an observer on the Federal Council for Science and Technology and all FCST