

Dr. MACARTHUR. Well, when we evaluate the quality of a laboratory there are many criteria we use. The three services, the Air Force, the Army, and the Navy have advisory groups which periodically review the programs of the laboratories and come up with recommendations in terms of whether they are above standards, below standard, fine, mediocre, whatever they might be.

We also look at whether they have meaningful missions.

Secondly, within the Department of Defense at the D.D.R. & E. level when I come from, we look at programs from a programmatic standpoint, from a technical standpoint, and at that point we look at the contributions the laboratories are making to that program.

Thirdly, as you no doubt know, some of our laboratories are involved at only one end of the R. & D. spectrum, research and technology. Other laboratories are involved throughout the whole R. & D. spectrum through engineering development and test and evaluation.

Now, one of the criteria we use when a laboratory is involved at the research and technology end of the spectrum is how much of their output over the last few years has been incorporated in some of our systems development programs.

In a laboratory that is involved in engineering development, we look at the effectiveness of the systems or hardware they have developed or managed, and, lastly, we look at the individual laboratory director's independent research program and look at how he has managed his funds, what he has done, where he has invested them, but the real test is how much business he got based on those investments he has made.

It really comes down in the end to a number of criteria, but an overriding criteria is mission. Does it have a sense of purpose? Does it have high-quality people, and are they performing well?

Mr. DADDARIO. This is an evaluation process that goes on continuously?

Dr. MACARTHUR. It is a continuing evaluation process.

Mr. DADDARIO. Do you find that it works more efficiently in making determinations during time of budget restriction?

Dr. MACARTHUR. I certainly think so. I think it can be made to work every effectively. Naturally, other parameters are superimposed upon these conclusions we come to because many of these laboratories perform vital functions in their community, and when we take the next step in trying to phase out activities we run into some roadblocks in terms of the community, and the objections they raise.

Mr. DADDARIO. The reason I ask about that is a natural one because when agency funds are short you do then begin to look for places to cut. However, shouldn't we do this at all times and wouldn't we then find ourselves with the laboratories always in a better condition and the quality would remain more constant?

Dr. MACARTHUR. Yes. We have to have a program of continual appraisal and at the same time we have to remember that in the DOD the amount of money we spend in our in-house laboratories, is only 12 percent of the 8 billion I mentioned.

Mr. DADDARIO. That is still a bit of money.

Dr. MACARTHUR. Yes, it is \$900 million. But coming back to your point, I do believe it is a program of continual appraisal and reevaluation and as the defense needs change, we have to look at the mission of