

ANNEX 1

THE WHITE HOUSE,
July 31, 1961.

Honorable DAVID E. BELL,
Director, Bureau of the Budget,
Washington, D.C.

DEAR MR. BELL: Since the end of World War II, the Federal Government has been making extensive use of contracts with private institutions and enterprises to provide for the operation and management of research and development facilities and programs, for analytical studies and advisory services, and for technical supervision of weapons systems and other programs administered on a systems basis. Through such contracts the Government has been able to accomplish scientific and technical work essential to urgent public purposes.

In part, the use of such contracts has been made necessary by the Government's entry into new fields, such as atomic energy, missile development and space exploration, and the need for talents and services not previously employed. In part, the use of contracts has also been induced by the recommendations of the second Hoover Commission and other groups that the Government terminate activities which could better be performed for it by private enterprise. Present Federal policies with respect to contracting-out Government activities are outlined generally in Bureau of the Budget Circular No. A-49, "Use of management and operating contracts", and Bureau of the Budget Bulletin No. 60-2, "Commercial-industrial activities of the Government providing products or services for governmental use".

After a decade or more of experience with such contracts, I think it would be desirable to review the effectiveness of this means of accomplishing the Government's purposes. Some of the questions that require review have been posed recently in studies and reports by several committees of Congress. I would like to have you undertake, with the assistance and cooperation of the other Federal officials most concerned, a review of the experience with respect to the types of contracts mentioned above. I am requesting the following officials to participate in the study: the Secretary of Defense, the Chairman of the Atomic Energy Commission, the Chairman of the United States Civil Service Commission, the Administrator of the National Aeronautics and Space Administration, and the Special Assistant to the President for Science and Technology.

The product of the review should be recommendations to guide future executive branch action. While there is a consensus that the use of contracts is essential and appropriate to carry on certain types of Federal operations, it also appears that use of the contract device has been made necessary in part by the limitations which exist with respect to direct Federal operations. I would like to have you explore the circumstances and conditions under which contractor operations provide the most effective means for accomplishing the Government's objectives in the areas under review. I would also like to have full consideration given to the limitations which make direct Federal operations difficult, and to the development of proposals for adjustments and new concepts in direct Federal operations which would provide the Government with greater flexibility in determining