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THE POSITION OF SMALL BUSINESS IN GOVERNMENT PROCUREMENT (1974)

DATA COMPILED BY

SUBCOMMITTEE ON GOVERNMENT PROCUREMENT AND INTERNATIONAL TRADE

OF THE

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS

HOUSE OF REPRESENTATIVES

NOVEMBER 1974

Printed for the use of the Permanent Select Committee on Small Business of the House of Representatives

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C., October 30, 1974.

Hon. JOE L. EVINS,
Chairman, Permanent Select Committee on Small Business, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a compilation entitled "The Position of Small Business in Government Procurement (1974)" which contains information and statistical data assembled by the Subcommittee on Government Procurement and International Trade in connection with its continuing overall review of the small business policies, programs and practices of the Department of Defense, its military departments, and the major Federal civilian procurement agencies.

This compilation documents current comprehensive information obtained by the Subcommittee from the Department of Defense, the Departments of the Army, Navy and Air Force, the Defense Supply Agency, the General Services Administration, and the National Aeronautics and Space Administration regarding their small business performance record covering many areas, such as prime contracting, subcontracting, research and development, military construction, small business set-asides, and section 8(a) awards. The small business performance record of each of 49 additional civilian executive agencies for fiscal year 1974 is also listed.

In addition, detailed and current information is set forth in this compilation covering various subjects of concern to the committee about which ad hoc hearings, studies and investigations were conducted by the Subcommittee in the 93rd and prior Congresses. Examples of such subjects affecting small business are: (*a*) DOD machinery leasing practices; (*b*) progress and advance payments; (*c*) Government competition with private industry through in-house production; (*d*) DOD awards for research and development services to educational and nonprofit organizations; (*e*) denials of contracts for reasons of alleged lack of tenacity and perseverance; and (*f*) the recent curtailment of operations and staff in the small business offices of the Department of Defense and the Department of the Army.

Also included are agency comments regarding small business procurement problems resulting from inflation and the energy crisis, and statements of actions taken by DOD, its military departments, GSA and NASA to mitigate the impact of material shortages and price escalations on small businesses holding and being awarded fixed price contracts.

The subcommittee believes that this compilation will provide a base of information which will be of interest and useful to the Members of the Congress, and will serve as a valuable frame of reference to the

committee in considering the need for future in-depth investigations and hearings on specific problems by the subcommittee. It is, therefore, recommended that this compilation be published as a Committee Print for use by the committee and for distribution to interested parties.

With kindest regards and best wishes.

Sincerely yours,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

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DEPARTMENT OF DEFENSE

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 19, 1974.

Hon. JAMES R. SCHLESINGER,
Secretary of Defense,
Department of Defense,
Washington, D.C.

DEAR MR. SECRETARY: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of the small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government.

To obtain current information with respect to the activities of the Department of Defense which we plan to publish, please provide a report to the subcommittee in nine copies by September 19, 1974, setting forth the following information for fiscal years 1972, 1973, and 1974:

1. Total defense contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amount and percentage of total awards.

2. Total defense awards by claimant program to all business firms and to small business firms in percentages.

3. Total awards for military construction to all business firms, to small business in dollars and percentages, and small business set-asides in dollars and percentages of total awards.

4. Research and development awards to all business firms and to small business in dollar amounts and percentages.

5. Small business goals established for Department of Defense, each military department, and Defense Supply Agency, and achievements in each year.

6. Analysis of small business exclusion and participation in each year showing procurements (*a*) not offered to small business with reasons for exclusion; (*b*) offered but not awarded to small business and reasons for non-award; (*c*) set aside for small business; and (*d*) awarded to small business in unrestricted competition. Illustrate the statistical data for fiscal year 1974 by chart.

7. Summary of DOD's commercial and industrial in-house activities in each military department; identify the major procurement programs and categories of products and services involved, setting forth the amount of Government's capital investment, the amount paid each year for products and services, the number of civilian and military employees at the close of each fiscal year; the number of capital investment value of new starts and closings during each fiscal year; and your comments as to suitability for purchases of the products and services from small business.

8. Small business subcontracting program showing number of reporting contractors, subcontract payments in dollar amounts to small and other business concerns, and percentage of total to small business concerns.

9. Inventory of DOD-owned plant equipment in number of items and dollar value in custody of DOD and defense contractors at the close of each fiscal year; number and value of additional items acquired and the number and value of items sold and otherwise disposed of in each fiscal period.

10. Number and dollar amounts of DOD progress payments made to all defense contractors and to small business in each fiscal year; total number and dollar amount of progress payments outstanding with large and small contractors at the close of each fiscal period, showing face amount of defense contracts involved in such progress payments.

11. Number and amount of DOD advance payments made to large and small contractors in each fiscal year.

12. Total DOD contract awards in fiscal years 1972–74 for (*a*) work outside United States, and (*b*) education and nonprofit institutions; summarize the major procurement programs and categories of supplies and services involved in such contracts, and the major recipients of such awards; your comments as to the suitability for purchases of the products and services from small business either as prime contractors or as subcontractors.

13. Defense prime contract awards to the top 100 companies and their subsidiaries in fiscal year 1974 listed according to value of awards received.

14. Impact of inflationary price and cost increases on small business and mitigating actions by DOD, Army, Navy, Air Force, and DSA.

15. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

Reference is made to the committee's July 31, 1974, letter to you signed by Chairman Evins and all members of the full committee expressing concern that a recent curtailment of operations and staffing in the Small Business Office of the Department of Defense will have a detrimental effect upon the small business procurement programs of DOD, the military departments, and the Defense Supply Agency, and will inhibit small business opportunity to participate equitably in defense procurement.

In view of the serious and urgent nature of the matter, we request that in addition to the information you will provide in your response to the full committee, you submit a full and complete report to the subcommittee in 25 copies by September 9, 1974, setting forth the following:

A. Official description of the missions and functions of DOD's Small Business Office and the date on which the statement thereof became effective.

B. Names, titles, and grades of the DOD Small Business Advisor and members of his staff as of June 30, 1973, June 30, 1974, and as of the date of your report, indicating whether such staff is full or part-time.

C. Explanation of and justification for any changes which occurred since June 30, 1973, in staffing or mission.

D. Your plans—personnel and mission—and any changes contemplated for fiscal year 1975.

For your information a similar request was made by us to each of the military departments and the Defense Supply Agency. If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

[The committee's letter of July 31, 1974, referred to above, follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., July 31, 1974.

Hon. JAMES R. SCHLESINGER,
Secretary, Department of Defense,
The Pentagon, Washington, D.C.

DEAR MR. SECRETARY: We have been advised that recent action has been taken to curtail the operations of the Department of Defense office concerned with small business, which will affect both the size and the quality of the people employed in this activity.

Our concern is directed not only to the negative effect such an action will cause at the level of the Department, but its probable effect on the constituent Departments of Army, Navy, and Air Force, as well as the Defense Supply Agency. We understand that the civil servant who has headed the Department of the Army small business office has retired and the office has been so depleted that it appears it will not be able to perform its vital functions effectively.

We recognize that we do not have to indicate to you the importance of small business in our free enterprise system. They contribute to about 45 percent of our gross national product and provide a living to about 100 million Americans. As you know, the preservation of a viable small business community of defense contractors is also essential in order to achieve DOD's stated objectives to maintain a broad mobilization base, to enlarge the sources of supply, to increase competition, and to reduce costs to the Government.

Based upon our committee's procurement studies and hearings, we found that the small business advisors to the Departments of Defense, Army, Navy, Air Force, and Defense Supply Agency have performed well in their efforts to encourage small business participation in defense procurement. During the past 3 years, they were instrumental in reversing a long-term downward small business trend in DOD procurement. In the Final Report of our committee issued at the close of the last Congress, (H. Rept. 92–1626), we acknowledged their effectiveness (pages 165 and 166) and made certain recommendations (page 266) which call for their continued and enlarged activities on behalf of small business.

We wish to point out that any action which would reduce the effective participation of these small business advisors in the small business programs of the Department of Defense and its component military services will be contrary to our committee's findings and recommendations. More than this, we are concerned that such action will have a wide-ranging detrimental effect upon the small business community and tend to further weaken our Nation's economy.

It will be appreciated if you would promptly give this matter your serious consideration and advise the members of this committee whether the information we have been given is correct, and, if it is, what remedial action you propose to take.

With kindest regards and best wishes, we are

Very sincerely yours,

SILVIO O. CONTE, M.C.
Ranking Minority Member.

JOE L. EVINS, M.C.
Chairman.

JAMES T. BROYHILL, M.C.
J. WILLIAM STANTON, M.C.
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BOB BERGLAND, M.C.

Attachment.

EXTRACTS FROM THE COMMITTEE'S FINAL REPORT (H. REPT. 92–1626) CONTAINING THE FINDINGS AND RECOMMENDATIONS REFERRED TO IN THE ATTACHED DRAFT LETTER TO THE SECRETARY OF DEFENSE

FINDINGS

THE "NEW INITIATIVES" AND INCREASED EFFORTS FOR SMALL BUSINESS

The testimony obtained by the subcommittee from Secretary Shillito regarding DOD's "New Initiatives for Small Business" program and his assurances of increased attention to DOD's small business programs, was well received.

Many new tools designed to be helpful to small business have been provided and the subcommittee hopes that they will be promptly and fully utilized. The subcommittee considers this new program and DOD's increased efforts as an important breakthrough, a major step forward, in improving the position of small business in DOD procurement.

A number of DOD's new improvements are referred to in the body of this report and the complete text of the New Initiatives Program is set forth in the appendix.

IMPROVEMENT SEEN IN SMALL BUSINESS SHARE OF DOD FY 1972 PRIME CONTRACTING

The subcommittee is pleased to see signs of improvement in the record of DOD small business performance during FY 1972. Based upon presently available statistical data, the small business share of total DOD procurement in FY 1972 is 18.0 percent compared to 17.0 percent in the previous year.

It is noted that this improvement is DOD-wide and was achieved across-the-board by each one of the services and DSA.

In addition to this, DOD's research and development procurement in FY 1972 shows an increase in the small business share of R. & D. awards from $183 million or 3.7% of total R. & D. awards in FY 1971 to $255 million or 4.9% in FY 1972.

The reversal of the downard small business trend in DOD procurement which occurred in FY 1972 is an encouraging sign. More, however, needs to be done.

The subcommittee is still of the view that a return to the DOD small business performance of 21.8 percent achieved in FY 1966 can be realized with the aggressive application of the new policies and new initiatives adopted by DOD.

A DOD CRASH TYPE PROGRAM FOR SMALL BUSINESS NEEDED

DOD has the rationale and the opportunity to effectuate a speedy dramatic turnaround of the deteriorated position in which small business has been during the past few years.

The existence of a healthy, viable small business community of defense contractors is consistent with DOD's objectives to maintain a broad mobilization base, to enlarge the sources of supply, to increase competition and reduce costs to Government. Further, the DOD is aware of its responsibilities under the Congressional mandate that the Government should assist and protect the interests of small business concerns in order to preserve the free competitive enterprise system.

DOD has staffing to do this job, approximately 100 full-time field-level small business specialists, and 500 part-time field-level small business specialists. They are better equipped today through increased independence of action made possible by recent ASPR revision, and by experience, to do the job for small business.

UPGRADE THE SMALL BUSINESS ADVISORS

The subcommittee is very much aware of the dedicated performance by DOD's Small Business Director, and each of the Small Business Advisors to the Army, Navy, Air Force, and DSA. We know of their achievements and, at times, their frustrations and problems, through our frequent communications with them on behalf of small business.

The subcommittee is of the opinion that they should be upgraded in rank to the level of a Deputy Assistant Secretary, or its equivalent in DSA, in order to provide the "muscle" needed to do the job, especially at the contracting and technical personnel level, in order to achieve a reversal of the small business exclusion trend in line with Congressional intent.

The subcommittee also believes that it would be in the interest of increasing their effectiveness if meanwhile, they report to the Assistant Secretary for Installation and Logistics in their respective services and his counterpart in DSA.

For, to succeed in DOD's New Initiatives Program without reversing the small business exclusion trend could be meaningless as far as small business advancement is concerned.

A CHALLENGE AND AN OPPORTUNITY

The subcommittee believes that in this period when SBA's staffing of PCR's is substantially below the level needed to do the job as intended by the Congress, DOD is presented with a challenge, and an opportunity, to lead the way towards restoring the position of small business in Government procurement and thereby preserving the security of our Nation and the well-being of its people.

RECOMMENDATIONS

That the Department of Defense—

(*a*) Mobilize the 600 part-time and full-time small business specialists on DOD payroll in a crash type program designed to quickly restore the position of small business in defense procurement.

The committee believes that since DOD revised the ASPR to assure that the small business specialists are not subject to the direction of contracting or technical personnel, they are now in a better position to effectively perform their small business responsibilities.

(*b*) Encourage and enable the small business specialists to establish direct communication and consultation with the DOD engineers and technical personnel, to participate in determinations whether or not to invite small business, to recommend small business sources, to break out components from large systems and subsystems, to compete items previously obtained through sole-source procurement, and to aggressively implement DOD's "New Initiatives" program designed to increase opportunities for competitive bidding.

STATEMENT OF JOHN M. MALLOY, ACTING ASSISTANT SECRETARY OF DEFENSE, INSTALLATIONS AND LOGISTICS

This replies to that portion of your letter of August 19, 1974, to Secretary Schlesinger, concerned with the missions, functions, and staffing of your Small Business Office. Other information requested in your letter will be furnished separately at an early date.

Attached is an official description of the missions and functions of the Small Business Office, together with the professional staffing as of 30 June 1973 and 1974. As nearly as I have been able to determine, the basic small business missions and functions have remained unchanged for more than 20 years, except for the program of assistance to the disadvantaged, including minority-owned firms, which was initiated in about 1966.

While the mission of the Small Business Office remains unchanged, with no plans for any changes in FY 1975, there has been a professional staff reduction of one individual, as indicated in the attachment. No further reduction is contemplated at this time. In explanation of the reduction, I can add nothing to the statement made in my letter of 15 August 1974 to Chairman Evins. For economy reasons, it has been necessary to reduce the number of staff-level personnel within the Office of the Secretary of Defense, and our Small Business Office could not have been exempted. Although other elements of the procurement function have been reduced by 40 percent over the past 5 years, the single reduction in our Small Business Office is the first during the same period.

To assure no reduction in our efforts to assist small business firms, we are simply going to have to increase our efficiency and apply primary effort to areas that provide the best opportunities for continued improvement in supporting the small business community.

Sincerely,

JOHN MALLOY,
Acting Assistant Secretary of Defense
(Installations and Logistics).

Attachment as stated.

DEPARTMENT OF DEFENSE

DIRECTORATE FOR SMALL BUSINESS AND ECONOMIC UTILIZATION POLICY

A. Official description of missions and functions:

1. This directorate is primarily concerned with management of the small business program. Responsibility for this program entails liaison with the Small Business Administration, accountability to the Small Business Committees of the Congress for DOD's program activities, monitorship of implementation through goal-setting and measuring accomplishments by evaluation of procurement statistics, development of new or modified policies and procedures designed to enhance the interests of small firms, arranging periodic business opportunity conferences throughout the United States, and related matters.

2. It is also charged with implementing the President's program for minority business enterprise through contract awards under section 8(a) of the Small Business Act to be performed by selected minority firms, through the development of procedures designed to promote the creation and growth of minority-owned firms, through participation on committees and working groups comprised of all Federal agencies concerned with systematic and coordinated efforts to achieve program objectives, and to provide counseling and other assistance to minority firms both in the 8(a) program and in competitive procurements.

3. The Directorate also participates with other Federal agencies on the Government-wide Surplus Manpower Committee which, under the pertinent Presidential

Executive Order and implementing regulations, is responsible for the labor surplus area program that is designed to cause the placement of Federal contracts for performance in labor surplus areas for purposes of alleviating economic hardship and to promote the hiring of persons that are socially or economically disadvantaged.

4. This Directorate also performs a procurement information function designed to provide information to all interested firms, large or small on selling to the DOD. Informational publications are developed, maintained and distributed in response to inquiries, a large number of which are received from the Congress.

B. Names, titles, and grades of the DOD Small Business Advisor and members of his staff (all full-time):

1. As of 30 June 1973:
a. Harvard W. Powell, Director, GS–17.
b. Hugh G. Francis, Deputy Director, GS–16.
c. John W. Shepard, Staff Assistant, GS–15.
d. Cdr. J. G. Oaks, USN, Staff Assistant.
2. As of June 1974 (Deputy selection in process):
a. Harvard W. Powell, Director, GS–17.
b. John W. Shepard, Staff Assistant, GS–15.
c. Cdr. J. G. Oaks, USN, Staff Assistant.
3. As of date of submission:
a. Harvard W. Powell, Director, GS–17.
b. Stanley Tesko, Deputy Director, GS–15.
c. John W. Shepard, Staff Assistant, GS–15.

STATEMENT OF ARTHUR I. MENDOLIA, ASSISTANT SECRETARY OF DEFENSE, INSTALLATIONS AND LOGISTICS

In further reply to your letter of August 19, 1974, forwarded herewith is most of the requested information. The attachments hereto are numbered consecutively to correspond to the 14 items you listed and identify data not yet available.

I hope you will share my pleasure in the record of our achievements over the past 3 years, as reflected in these attachments, and I take this opportunity to highlight some good things that have been happening since former Secretary Shillito's appearance before your committee in November 1971. In 1971, it was evident that the small business share in defense procurements had been declining since the peak fiscal years of 1966 and 1967. However, this share has shown a steady increase since the low of 17 percent for prime contract awards in FY 1971. For FY 1972, the small business share of prime contract awards to all business firms rose by $836 million to a total of more than $6.1 billion representing 18 percent of the total awards of $34 billion. In FY 1973, in spite of a decrease of over 1½ billion in prime contract awards to all business firms, the small business share rose by $544 million to nearly $6.7 billion, or 20.5 percent of the total. In FY 1974, small firms received additional awards of $402 million, while holding its share at 20.5 percent. Since FY 1956 this percentage was exceeded only in FY 1966 and FY 1967 by slight margins.

In attachment No. 5, I have furnished your committee a summation of our accomplishments compared with our prime contract award objectives for the past several years. I call attention to the fact that our goals have been met or exceeded for FY 1972, FY 1973, and FY 1974.

The subcontracting picture has also improved. In FY 1972, while the percentage of subcontracts going to small firms remained at 34.8 percent, there was an increase of about $165 million, compared with subcontract awards to small firms in FY 1971. In FY 1973, these awards grew to nearly $4 billion, for an increase of about $514 million

over FY 1972, with a percentage increase from 34.8 to 35.8. In FY 1974, there was another increase of about $613 million over FY 1973, with a percentage increase to 38.1, the highest since FY 1969.

Taken together, the flow of small business awards at both the prime and subcontract levels increased in FY 1973 by about $1.1 billion, compared with FY 1972; and, in FY 1974, by about $1.2 billion more, compared with FY 1973.

We have also seen gains in our set-aside program. Compared with set-asides of about $1.6 billion in FY 1971, set-aside awards climbed in FY 1972 and in FY 1973 to a new high of $1.9 billion, or 5.8 percent of awards to all business firms. While our set-aside performance in FY 1974 exceeded that of FY 1971 and FY 1972, we had a setback in FY 1974, compared with FY 1973. This was principally due to the petroleum situation and dissolved set-asides of more than $100 million, although small firms received awards of more than $400 million in FY 1974 for petroleum and other fuels and lubricants. I understand the Defense Supply Agency is furnishing a more detailed explanation to you on that situation.

R. & D. awards to small firms have set a new record. The dollars have climbed significantly each year from $183 million awarded in FY 1971. For FY 1972, the figure was $256 million, and for FY 1973, it was $272 million. In FY 1974, despite a drop of more than $500 million in total R. & D. awards compared with FY 1973, small business received $300 million, which represents 5.8 percent of the total. Records on R. & D. awards to small firms have been maintained since FY 1956. Both in dollars and percentages, performance in FY 1974 represents an all-time high for DOD in R. & D. awards to small firms.

The increase in construction awards to small firms has also been dramatic. In FY 1974, the small business share of construction awards was 58.3 percent, the highest since FY 1969. In total dollars, FY 1974 awards to small firms were the highest in many years and exceeded FY 1973 by $18 million, despite a drop of $567 million in total construction awards. The percentage of small business set-aside awards in FY 1974, compared with total awards to all business firms, was 30.7, the highest since FY 1966.

We do not claim credit for a good portion of these significant gains. As we have pointed out many times in the past, our achievements are controlled to a great degree by shifts in the volume and types of items and services that small firms can supply. Nevertheless, I am confident that the sustained emphasis we give our small business program, and the help we get from the Small Business Administration, have played a major part.

Opportunities for minority business firms have grown as well. Since last reporting to you in 1971, many specific actions have been taken. A minority business subcontracting program has been established paralleling that of our small business subcontracting program. In addition to affirmative actions that we require of our major suppliers, we obtain quarterly reports from them showing the volume of their purchases from minority-owned firms. This is coupled with periodic onsite reviews by our contract administration people. Statistics covering 8(a) contract awards to minorities, as well as available data on competitive awards to firms at the prime and subcontract levels are included as attachment No. 15. The competitive award figures are not nearly as large as we would like. The problem of identifying

minority firms has a significant bearing. I am confident that many awards have been made to minority-owned firms that are not included in these totals, but we have not as yet fully identified them. Our procuring activities are working with the field organizations of other agencies and with private groups to identify these firms and to promote their participation.

I assure you we will continue to encourage new and better ways to meet our mutual objectives in support of the small business community.

Sincerely,

ARTHUR I. MENDOLIA,
Assistant Secretary of Defense
(Installations and Logistics).

Attachments as stated.

ATTACHMENT NO. 1

DEPARTMENT OF DEFENSE

AWARDS TO ALL BUSINESS FIRMS (INCLUDING CIVIL FUNCTIONS) FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total awards to all firms	$34,046	$32,478	$34,518
Total awards to small firms	$6,128	$6,672	$7,074
Percent to small firms	18.0	20.5	20.5
Total small business set-aside awards	$1,752	$1,890	$1,817
Percent of set-asides to total awards to all firms	5.1	5.8	5.3

ATTACHMENT NO. 2

SMALL BUSINESS PERFORMANCE BY PROGRAM

[Dollar amounts in millions]

Program	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	All business firms	Percent to small business	All business firms	Percent to small business	All business firms	Percent to small business
Total	$34,046.5	18.0	$32,478.5	20.5	$34,518.5	20.5
Airframes and spares	5,043.9	.9	3,926.8	1.0	3,792.9	1.3
Aircraft engines and spares	1,500.2	2.0	1,178.3	3.1	1,560.1	2.3
Other aircraft equipment	1,006.7	10.0	1,034.5	8.6	1,127.8	8.6
Missile and space systems	4,972.9	2.1	4,429.3	2.7	4,225.5	2.7
Ships	2,277.2	5.2	2,114.5	6.7	3,704.4	6.4
Combat vehicles	241.6	8.7	309.7	8.8	489.4	8.2
Noncombat vehicles	409.5	13.6	324.5	22.7	235.0	42.2
Weapons	350.1	9.8	343.7	12.7	392.2	16.8
Ammunition	2,583.0	15.2	2,247.3	16.5	1,535.4	16.3
Electronics and communications equipment	3,700.2	10.2	3,538.8	10.2	3,697.4	11.0
Petroleum	939.6	31.2	931.3	33.3	1,667.8	24.1
Other fuels and lubricants	35.8	30.1	27.4	36.4	22.4	51.7
Containers and handling equipment	.7	85.8	.8	42.1	.2	23.7
Textile, clothing and equipage	393.8	66.0	356.7	67.7	497.6	62.1
Building supplies	51.0	26.9	70.8	33.4	75.0	57.3
Subsistence	773.6	51.0	790.9	48.3	975.3	45.6
Transportation equipment	.5	31.8	.3	15.4	5.8	22.2
Production equipment	66.6	33.6	61.0	28.1	63.7	22.5
Construction	1,666.7	59.7	1,773.9	59.8	1,675.6	67.7
Construction equipment	85.0	11.7	64.8	12.5	73.1	10.5
Medical and dental supplies and equipment	170.8	17.1	162.7	16.4	163.3	15.3
Photographic equipment and supplies	43.0	23.1	36.6	23.7	31.5	31.1
Materials handling equipment	59.3	49.5	74.8	64.1	69.8	53.4
All other supplies and equipment	678.8	41.3	755.2	43.4	802.8	41.0
Services	2,709.8	18.8	2,680.1	21.5	2,667.6	21.9
All actions of less than $10,000	3,246.3	49.1	3,412.7	48.6	3,682.2	47.3
Civil functions	1,039.8	36.0	1,831.1	36.7	1,284.7	45.7

ATTACHMENT NO. 3

NET AMOUNT OF MILITARY AND CIVIL FUNCTIONS, PRIME CONTRACTS FOR CONSTRUCTION ($10,000 OR MORE)

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total awards all firms	$2,553	$3,257	$2,690
Total small business awards	$1,299	$1,550	$1,568
Percent of small business awards to total	50.9	47.6	58.3
Set-aside awards	$655	$816	$827
Percent of set-aside awards to total awards	25.7	25.1	30.7

ATTACHMENT NO. 4

RESEARCH AND DEVELOPMENT AWARDS TO ALL BUSINESS FIRMS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total R. & D. awards to all firms	$5,168	$5,656	$5,148
Total R. & D. awards to small firms	$256	$272	$300
Percent to small firms	4.9	4.8	5.8

ATTACHMENT NO. 5

INTERIM AND FINAL SMALL BUSINESS GOALS AND ACCOMPLISHMENTS—FISCAL YEARS 1972 THROUGH 1974

[In percent]

Department	1972	1973	1974
DOD:			
Interim	17.3	18.3	20.7
Final	17.2	18.2	20.2
Actual	18.0	20.5	20.5
Army:			
Interim	18.8	20.2	23.1
Final	18.2–18.5	19.8–20.0	23.9–24.2
Actual	19.8	23.1	26.0
Navy:			
Interim	12.7	13.5	14.6
Final	10.6–12.1	13.2–13.5	12.8–13.1
Actual	13.2	14.3	14.1
Air Force:			
Interim	10.6	12.1	13.3
Final	10.2–11.2	10.3–11.0	12.0–12.5
Actual	11.6	13.2	13.1
DSA:			
Interim	45.1	45.0	45.7
Final	44.1–45.0	44.6–44.9	45.1–45.4
Actual	44.6	46.0	39.3

ATTACHMENT NO. 6

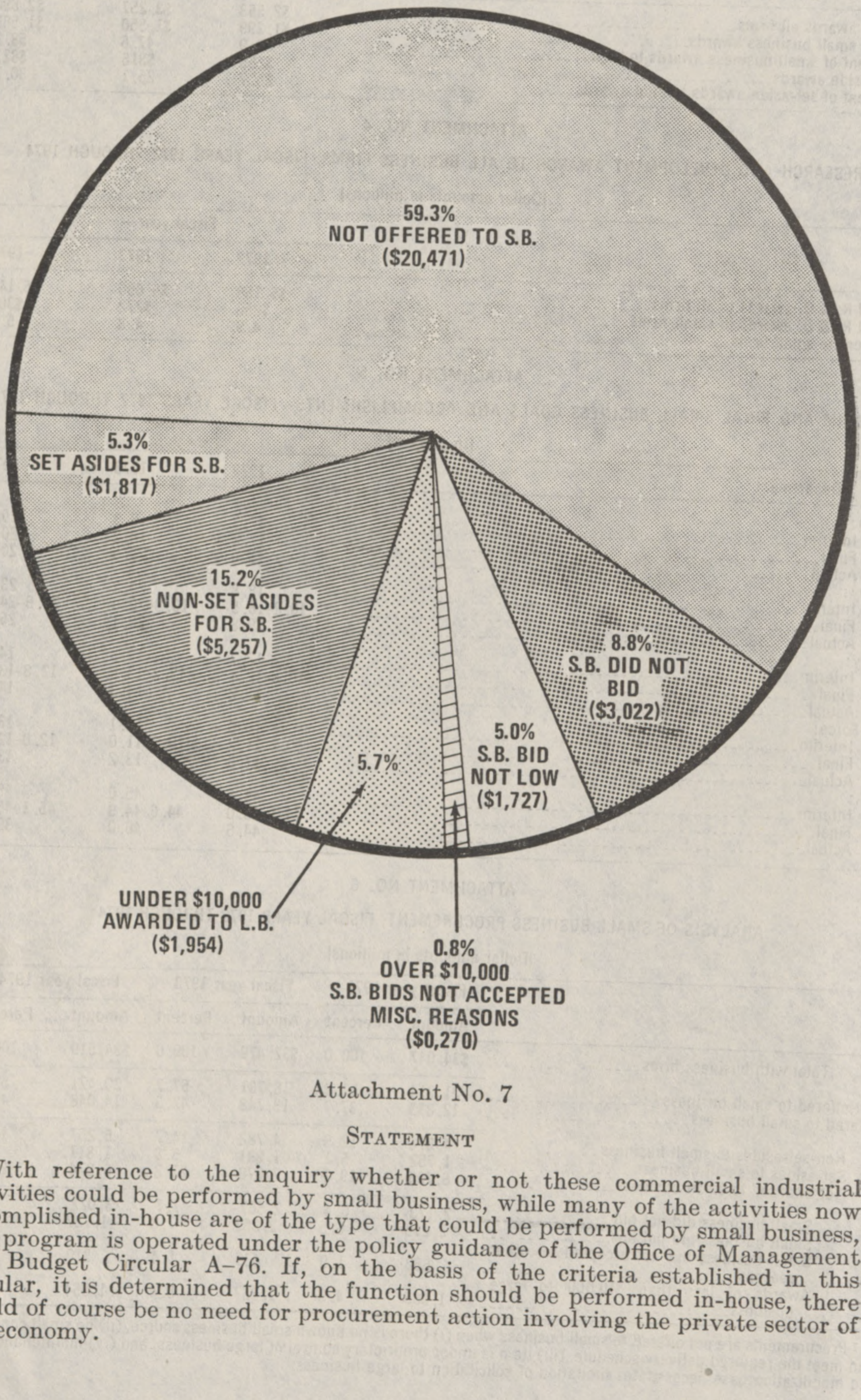
ANALYSIS OF SMALL BUSINESS PROCUREMENT, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount	Percent	Amount	Percent	Amount	Percent
Total with business firms	$34,047	100.0	$32,479	100.0	$34,519	100.0
Not offered to small business [1]	21,214	62.3	18,731	57.7	20,471	59.3
Offered to small business	12,833	37.7	13,748	42.3	14,048	40.7
Non-set-asides to small business	4,376	12.9	4,782	14.7	5,257	15.2
Set-asides to small business	1,752	5.1	1,891	5.8	1,817	5.3
Not awarded to small business	6,705	19.7	7,076	21.8	6,974	20.2
Small business did not bid	2,173	6.4	2,507	7.7	3,022	8.8
Small business bid not low	2,215	6.5	2,363	7.3	1,727	5.0
Small business bid not accepted for other reasons	652	1.9	439	1.4	270	.8
Awards of less than $10,000 to large business	1,665	4.9	1,767	5.4	1,954	5.7

[1] Procurements are not offered to small business when (i) there is no known small business source, (ii) no small concern can meet the required delivery schedule, (iii) item is under proprietary control of large business, and (iv) maintenance of the mobilization base necessitates limitation of solicitation to large business.

SMALL BUSINESS PARTICIPATION IN DEFENSE PROCUREMENT FY 1974 (Millions of Dollars)



Attachment No. 7

STATEMENT

With reference to the inquiry whether or not these commercial industrial activities could be performed by small business, while many of the activities now accomplished in-house are of the type that could be performed by small business, this program is operated under the policy guidance of the Office of Management and Budget Circular A–76. If, on the basis of the criteria established in this circular, it is determined that the function should be performed in-house, there would of course be no need for procurement action involving the private sector of the economy.

Conversely, if the determination is reached under the criteria of OMB Circular A–76 that the product or service should be obtained from the commercial source, then the procurement is effected under the Armed Services Procurement Regulation, including its provisions for the small business program.

Data for FY 1974 not yet available. They will be furnished the subcommittee at a later date, as soon as available.

DOD Commercial Industrial Program Data

In response to the committee's request (Item 7)—

Status as of end of FY 1972 was:

1. Within this program, 101 categories were used to cover the products and services produced in-house.
2. Our inventories showed a Government capital investment of $9,688,016,000.
3. We paid $5,658,863 for the products or services produced in-house.
4. We used 404,152 civilian and military personnel to accomplish this in-house effort.

Status as of end of FY 1973 was:

1. Within this program we used 101 categories to cover the products and services produced in-house.
2. Our inventories showed a Government capital investment of $10,855,655,000.
3. We paid $5,350,501,000 for the products or services produced in-house.
4. We used 380,946 civilian and military personnel to accomplish this in-house effort.

LIST OF FUNCTIONAL AREAS AND REVIEW SCHEDULES OF DOD COMMERCIAL OR INDUSTRIAL ACTIVITIES AND DOD CONTRACT SUPPORT SERVICES

	Review cycle		
	1st yr	2d yr	3d yr
Maintenance and/or repair of equipment (intermediate/direct/general):			
J501 Aircraft	X	----------	
J502 Aircraft engines	X	----------	
J503 Missiles	X	----------	
J504 Vessels			X
J505 Combat vehicles		X	
J506 Noncombat vehicles	X	X	X
J507 Electronic and communications equipment		X	
J510 Railway equipment			X
J511 Special equipment	X	----------	
J512 Armament		X	
J513 Messhall equipment	X	----------	
J514 Medical and dental equipment			X
J515 Containers; textiles, tents, and tarpaulins			X
J516 Metal containers	X	----------	
J519 Industrial plant equipment		X	
J520 Other	X	----------	
Nonmission—Essential repair, maintenance modification, alteration and/or rebuild of equipment (depot/indirect):			
K531 Aircraft	X	X	X
K532 Aircraft engines	X	X	X
K533 Missiles	X	X	X
K534 Vessels	X	X	X
K535 Combat vehicles	X	X	X
K536 Noncombat vehicles	X	X	X
K537 Electronic and communications equipment	X	X	X
K538 Railway equipment	X	X	X
K539 Special equipment	X	X	X
K540 Armament	X	X	X
K541 Industrial plant equipment	X	X	X
K542 Messhall equipment	X	----------	
K543 Medical and dental equipment			X
K544 Containers; textiles, tents, and tarpaulins			X
K545 Metal containers	X	----------	
K546 Other	X	----------	
Mission—Essential repair, maintenance modification, alteration and/or rebuild of equipment (depot/indirect):			
M531 Aircraft	X	X	X
M532 Aircraft engines	X	X	X
M533 Missiles	X	X	X
M534 Vessels	X	X	X
M535 Combat vehicles	X	X	X
M537 Electronic and communications equipment	X	X	X
M538 Railway equipment	X	X	X
M539 Special equipment	X	X	X
M540 Armament	X	X	X

See footnotes at end of table, p. 12.

LIST OF FUNCTIONAL AREAS AND REVIEW SCHEDULES OF DOD COMMERCIAL OR INDUSTRIAL ACTIVITIES AND DOD CONTRACT SUPPORT SERVICES—Continued

		Review cycle		
		1st yr	2d yr	3d yr
Installation services:				
S706	Installation bus services	X		
S708	Laundry, dry cleaning services	X		
S709	Custodial services	X		
S710	Insect and rodent control			X
S712	Refuse collection and disposal services			X
S713	Food services		X	
S714	Furniture		X	
S715	Office equipment	X		X
S716	Motor vehicle operations			X
S717	Motor vehicle maintenance		X	
S724	Guard services		X	
S725	Electrical plants and systems, G–O [1]			X
S726	Heating plants and systems, G–O [1]			X
S727	Water plants and systems, G–O [1]			X
S728	Sewage and waste plants and systems, G–O [1]			X
S729	Air conditioning and refrigeration plants, G–O [1]			X
S730	Other services or utilities	X		
Other nonmanufacturing operations:				
T801	Packing and crating	X		
T802	Cataloging			X
T803	Acceptance testing			X
T804	Training and consultant services		X	
T805	Operation of bulk liquid storage	X		
T806	Printing and reproduction (except JCP-approved printing plants)	X		
T807	Photographic, film, and TV services, including CATV		X	
T808	Mapping and charting	X		
T809	Administrative telephone services	X		
T810	Air transportation services		X	
T811	Water transportation services		X	
T812	Rail transportation services		X	
T813	Contractor engineering and technical services (CETS)	X	X	X
T814	Fueling service (aircraft)			X
T815	Scrap metal operation	X		
T816	Communications and electronics services			X
T817	Other	X		
Automatic data processing:				
W824	Data processing services		X	
W825	Maintenance of ADP equipment			X
W826	Systems design, development, and programing services			X
W827	Other	X		
Products manufactured/fabricated in-house:				
X931	Ordnance equipment—ammunition and related products			X
X932	Products made from fabric or similar materials		X	
X933	Container products and related items		X	
X934	Food and bakery products			X
X935	Liquid, gaseous and chemical products			X
X936	Rope, cordage and twine products		X	
X937	Logging and lumber products			X
X938	Communications and electronic products			X
X939	Construction products		X	
X940	Rubber and plastic products			X
X941	Optical and related products		X	
X942	Sheet metal products			X
X943	Foundry products		X	
X944	Machined parts			X
X945	Other	X		
Repair, alteration and minor construction of real property (excludes repair incident to maintenance and military construction (MILCON funded projects):				
Z992	Buildings and structures			X
Z993	Grounds (improved)		X	
Z994	Surfaced areas		X	
Z996	Grounds (other than improved)		X	
Z997	Railroad facilities	X		
Z998	Waterways and waterfront facilities	X		
Z999	Other	X		

[1] Government owned.

NOTES

Functional areas J501 through Z999 comprise the specific DOD in-house commercial or industrial activities and the contract support services which are to be reviewed and inventoried.

Functional areas X931 through X945 are the DOD in-house manufacturing activities to be reviewed and inventoried. No contract activities in category groupings X931 through X945 require review or inventory.

DOD COMMERCIAL INDUSTRIAL PROGRAM

	Investment (thousands)	Products and services (thousands)	People
Fiscal year 1972:			
Army	$3,475,451	$1,525,885	108,347
Navy	3,709,641	2,192,067	133,096
Marine Corps	306,475	107,251	12,881
Air Force	2,145,118	1,746,040	142,700
Defense Supply Agency	51,331	87,620	7,128
Total	9,688,016	5,658,863	404,152
Fiscal year 1973:			
Army	5,059,192	1,636,916	108,048
Navy	3,644,831	1,842,148	116,022
Marine Corps	326,179	115,071	11,867
Air Force	1,763,591	1,655,842	137,384
Defense Supply Agency	61,862	100,524	7,625
Total	10,855,655	5,350,501	380,946

DATA FOR SMALL BUSINESS HEARINGS (DOD COMMERCIAL AND INDUSTRIAL ACTIVITIES)

	Fiscal years—		
	1972	1973	1971–73
ARMY			
Amount Government capital investment (thousands)	$3,475,451	$5,059,192	----------
Amount paid annually for products and services (thousands)	$1,525,885	$1,636,916	----------
Number of civilian and military employees	108,347	108,048	----------
Number of new starts			42
Capital investment value of new starts			$45,100,000
Number of closings and conversions to contract			39
Capital investment value of closings or conversions			$12,502,000
NAVY			
Amount Government capital investment (thousands)	$3,709,641	$3,644,831	----------
Amount paid annually for products and services (thousands)	$2,192,067	$1,842,148	----------
Number of civilian and military employees	133,096	116,022	----------
Number of new starts			9
Capital investment value of new starts			939,419
Number of closings and conversions to contract			31
Capital investment value of closings or conversions			$22,795,000
AIR FORCE			
Amount Government capital investment (thousands)	$2,145,118	$1,763,591	----------
Amount paid annually for products and services (thousands)	$1,746,040	$1,655,842	----------
Number of civilian and military employees	142,700	137,384	----------
Number of new starts			9
Capital investment value of new starts			$2,500,000
Number of closings and conversions to contract			15
Capital investment value of closings or conversions			$2,800,000
MARINE CORPS			
Amount Government capital investment (thousands)	$306,475	$326,179	----------
Amount paid annually for products and services (thousands)	$107,251	$115,071	----------
Number of civilian and military employees	12,881	11,867	----------
Number of new starts			1
Capital investment value of new starts			$161,000
Number of closings and conversions to contract			9
Capital investment value of closings or conversions			$2,763,000
DEFENSE SUPPLY AGENCY			
Amount Government capital investment (thousands)	$51,331	$61,862	----------
Amount paid annually for products and services (thousands)	$87,620	$100,524	----------
Number of civilian and military employees	7,128	7,625	----------
Number of new starts			0
Capital investment value of new starts			0
Number of closings and conversions to contract			0
Capital investment value of closings or conversions			0

ATTACHMENT NO. 8

DEFENSE SMALL BUSINESS SUBCONTRACTING PROGRAM, FISCAL YEARS 1972 THROUGH 1974

[In millions]

	Fiscal year—		
	1972	1973	1974
1. Number of large contractors reporting	767	765	706
2. Military subcontracts	$9,925	$11,094	$12,039
(a) To small business concerns	3,457	3,971	4,584
(b) To other business concerns	6,468	7,123	7,455
3. Percent of total to small business concerns	34.8	35.8	38.1

ATTACHMENT NO. 9

DOD-OWNED PLANT EQUIPMENT

[Dollar amounts in thousands]

	Military		Contractor		Total	
	Units	Dollar value	Units	Dollar value	Units	Dollar value
June 30, 1971:						
Metalworking	73,766	$881,668	64,783	$1,459,033	138,549	$2,340,701
Other IPE	146,423	642,194	88,385	636,812	234,808	1,279,006
Other P.E.[1]		6,662,388		1,946,747		8,609,135
Total						12,228,842
June 30, 1972:						
Metalworking	75,801	1,022,406	56,213	1,309,775	132,014	2,332,181
Other IPE[2]	160,838	695,853	84,676	620,965	245,514	1,316,818
Other P.E		7,079,109		2,308,596		9,387,705
Total						13,036,704
June 30, 1973:						
Metalworking	80,220	1,107,185	52,141	1,233,001	132,361	2,340,186
Other IPE[2]	285,243	1,293,158	80,431	602,564	365,674	1,895,722
Other P.E		7,161,851		2,145,742		9,307,593
Total						13,543,501
June 30, 1974:						
Metalworking	79,350	1,146,277	49,122	1,161,605	128,472	2,307,882
Other IPE[2]	338,558	2,015,187	78,327	592,403	416,885	2,607,590
Other P.E.[3]						
Total						

[1] Plant equipment.
[2] In addition to the traditional arsenal and shipyard coverage, these increases are the results of expanding the central record to include military supply system stocks being held for issue and assets in use within the supply system.
[3] Data now being accumulated and will be provided as soon as possible.

Note: All figures exclude disposals in process and school loans.

NEW INDUSTRIAL PLANT EQUIPMENT DELIVERED TO THE DEPARTMENT OF DEFENSE

	DOD-owned facilities		Contractor-owned facilities		Total	
	Units	Acquisition cost	Units	Acquisition cost	Units	Acquisition cost
Fiscal year:						
1971	6,071	$45,814,427	635	$6,865,363	6,706	$52,679,790
1972	6,898	45,113,588	414	2,524,862	7,312	47,638,450
1973	6,764	55,580,706	641	4,662,785	7,405	60,243,491
1974	5,463	49,426,851	727	3,723,055	6,190	53,149,906

INDUSTRIAL PLANT EQUIPMENT SALES AND OTHER DISPOSALS

	Units	Acquisition cost
Fiscal year:		
1971	22,729	$210,137,000
1972	22,425	193,475,000
1973	14,769	94,671,000
1974	14,744	117,822,000

Attachment No. 10

DOD Summary of Progress Payments on Prime Contracts as of 30 June 1972 (Not Including Public Works Construction)

[Dollar amounts in thousands]

1. Number of contractors with outstanding progress payments	1,622
2. Number of small business contractors with outstanding progress payments	978
3. Small business percent of contractors with progress payments	60.3
4. Number of contracts with progress payments outstanding	4,722
5. Number of small business contracts with progress payments outstanding	1,497
6. Small business percent of contracts with progress payments	31.7
7. Face amount of contracts with outstanding progress payments	$43,170,355
8. Face amount of small business contracts with outstanding progress payments	$1,349,746
9. Small business percent of face amount of contracts with outstanding progress payments	3.1
10. Progress payments outstanding	$4,395,129
11. Progress payments outstanding with small business	196,430
12. Percent progress payments outstanding with small business	4.5

DOD Summary of Progress Payments on Prime Contracts as of 30 June 1973 (Not Including Public Works Construction)

[Dollar amounts in thousands]

1. Number of contractors with outstanding progress payments	1,723
2. Number of small business contractors with outstanding progress payments	1,128
3. Small business percent of contractors with progress payments	65.5
4. Number of contracts with progress payments outstanding	5,616
5. Number of small business contracts with progress payments outstanding	1,944
6. Small business percent of contracts with progress payments	34.6
7. Face amount of contracts with outstanding progress payments	$48,299,854
8. Face amount of small business contracts with outstanding progress payments	$2,476,449
9. Small business percent of face amount of contracts with outstanding progress payments	5.1
10. Progress payments outstanding	$3,945,279
11. Progress payments outstanding with small business	$329,248
12. Percent progress payments outstanding with small business	8.3

DOD Summary of Progress Payments on Prime Contracts as of 30 June 1974
(Not Including Public Works Construction)

[Dollar amounts in thousands]

1. Number of contractors with outstanding progress payments	1, 885
2. Number of small business contractors with outstanding progress payments	1, 265
3. Small business percent of contractors with progress payments	67. 0
4. Number of contracts with progress payments outstanding	6, 191
5. Number of small business contracts with progress payments outstanding	2, 212
6. Small business percent of contracts with progress payments	35. 7
7. Face amount of contracts with outstanding progress payments	$47, 568, 347
8. Face amount of small business contracts with outstanding progress payments	$2, 537, 707
9. Small business percent of face amount of contracts with outstanding progress payments	5. 3
10. Progress payments outstanding	$2, 459, 565
11. Progress payments outstanding with small business	$309, 284
12. Percent progress payments outstanding with small business	12. 6

ATTACHMENT NO. 11

DOD ADVANCE PAYMENTS OUTSTANDING—U.S. BUSINESS FIRMS

[Dollar amounts in thousands]

	June 30—		
	1972	1973	1974
Number	10	14	15
Small business number	1	1	1
Small business percent of number	10.0	7.1	6.7
Amount	$15, 447	$29, 786	$82, 485
Small business amount	$966	$100	$75
Small business percent of amount	6.3	0.3	0.1

Attachment No. 12

Offshore Procurement

Offshore procurement amounted to $2 billion in FY 1972, $2.2 billion in FY 1973, and $2.4 billion in FY 1974. Although contract awards in terms of current dollars are rising somewhat from the low in FY 1972, the rise is attributable in part to the U.S. dollar devaluation in relation to the currencies of such countries as Japan and Germany and the rising costs for such commodities as oil.

The leading two commodity categories purchased offshore in FY 1974 were $711 million for services to support and maintain overseas bases and $672 million for oil. These two categories approximate almost 60 percent of the total offshore purchases with construction, aircraft, and electronics, the other major commodity categories accounting for only about 20 percent of the offshore purchases. When compared to FY 1969 (Vietnam peak year) commodity grouping of about 44 percent and 33 percent respectively a significant change in the commodity mix for offshore procurement is evident.

A substantial number of contractors performing offshore effort are U.S. companies. However, U.S. small business would not have the capital, facilities, or other resources to compete for the type of effort required. Other business placed offshore involves the purchase of military systems such as the Harrier aircraft and involves the procurement of supplies and services available locally where U.S. small business could not compete with foreign sources.

It has been the policy of the Department of Defense for the last 10 years to procure U.S. end items for use outside the United States. The general exceptions to this has been where supplies or services are not available from U.S. sources, where indigenous sources can best satisfy the need, or the supplies or services are cheaper than U.S. items after the application of a 50 percent differential factor in favor of U.S. suppliers.

Pertinent data attached. Data relative to major contractors in FY 1974 will be furnished at a later date.

OFFSHORE PROCUREMENT

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Number (thousands)	Value (millions)	Number (thousands)	Value (millions)	Number (thousands)	Value (millions)
Under $10,000	595	$195	642	$203	615	$191
Over $10,000	13	1,814	13	1,975	14	2,179
Total	608	2,009	655	2,178	629	2,370
Principal commodities:						
Services		574		679		711
Oil		437		546		672
Construction		225		208		216
Aircraft		221		209		199
Electronics		103		83		99
Principal countries:						
Vietnam		298		254		138
Germany		223		296		370
Japan		216		309		368
United Kingdom		165		144		135
Canada		128		140		142
Thailand		61		147		110

MAJOR DOD CONTRACTORS PERFORMING WORK OUTSIDE UNITED STATES

[In thousands of dollars]

	Fiscal year—	
	1972	1973
Petroleum:		
Asiatic Petroleum Corp	$67,341	$112,173
Caltex Oil Products	109,126	86,356
Esso International Corp	111,778	140,939
Aircraft: United Kingdom Ministry of Defense—Harrier	107,486	70,775
Services—Base maintenance:		
Pacific Architects & Engineers, Inc	59,073	29,115
ITT Arctic Services	45,017	10,480
Canadian Commercial Corp	84,273	100,146
Defense Facilities Administration Agency: Japan	158,510	240,286
Total	742,604	790,270

Educational and Other Nonprofit Institutions

The Department of Defense (DOD) contracted for $751 million with these institutions in FY 1972, $740 million in FY 1973, and $805 million in FY 1974. Three categories account for the preponderance of the dollars expended with these institutions. These are missile systems, electronics, and services. About 78 percent of the dollars in FY 1974 were awarded for R.D.T. & E. Five of the top seven contractors were Federal contract research centers. These centers are specifically established to assist various research activities of the DOD and generally are exclusively dedicated to projects and tasks in support of DOD research projects. The remainder of contractors are almost exclusively college and universities who provide the facilities which attract the type of personnel desired by the DOD to undertake basic and applied research.

Pertinent data is attached. Data relative to major contractors in FY 1974 will be furnished at a later date.

EDUCATIONAL AND OTHER NONPROFIT PROCUREMENT

[In millions of dollars]

	Dollar value, fiscal year—		
	1972	1973	1974
Under $10,000	32	36	40
Over $10,000	719	704	765
Total	751	740	805
Category:			
Awards for other	120	130	178
Awards for R.D.T. & E	631	610	627
Total	751	740	805
Principal commodities:			
Missile systems	196	220	255
Electronics	162	141	161
Services	331	316	324
Major contractors:			
MIT [1]	126	124	----------
Johns Hopkins University [1]	72	76	----------
Aerospace [1]	71	71	----------
MITRE [1]	35	42	----------
SRI	28	27	----------
University of California	19	22	----------
Rand Corp. [1]	17	14	----------

[1] Federal Contract Research Centers.

Attachment No. 13

Defense Prime Contract Awards to the Top 100 Companies

Information for this attachment will be forwarded at a later date.

Attachment No. 14

Impact of Inflationary Price and Cost Increases on Small Business

Each Service and the Defense Supply Agency has examined the potential impact on Department of Defense contracting due to material shortages and price escalation.

They examined Public Law 85–804 claims since January 1973 (amendment without consideration). The Army and Navy reported no request for relief directly related to this problem, while the Air Force reported a few minor claims. DSA reported 18 claims with a considerable increase in the first quarter CY 1974.

Contract terminations since January 1973 were reviewed. The Army and Navy concluded that there was no practical way of categorizing the reason for terminations, while the Air Force reported a number of terminations due to the indicated problem. DSA indicated only limited information available, but that there was considerable evidence that contractors had refused to deliver, rather than incur losses from increased material costs.

The failure to obtain competitive solicitations during the last six months was also reviewed. The Army reported some reduction in competition with severe impacts, mostly in raw material areas (copper, petroleum, and paper). The Navy and Air Force reported no major lack in competition. DSA reported significant failures to obtain competition, particularly in basic items.

Regarding refusals to accept orders or exercise options since January 1973, the Army reported only isolated cases, while the Navy reported no significant complaints. The Air Force reported several cases of refusal and more of reluctance in accepting options. DSA reported a significant degree of difficulty, particularly where petroleum or its byproducts were involved.

It appears that there has been some impact on DOD procurement due to material shortages and price escalation, but the Services and DSA are coping with these problems. The serious impact evidently has been felt by those firms holding firm

fixed-price contracts for basic items, some of which found it difficult to fulfill contractual obligations because of the sudden material shortages and price rises. The impact has not, as yet, significantly jeopardized the firms to do further business. DOD should expect prices for basic items to be higher in the future.

DOD policy has concentrated on techniques for awarding new contracts and ways of administering them that should mitigate the impact of shortages and extreme price escalation on Government contractors, e.g., using shorter term contracts, not including fixed-price follow-on options in contracts, more use of cost-type in lieu of firm fixed-price contracts, or not exercising Government options which would result in bankrupting a small firm.

For contracts in existence, it should be recognized that when the Government enters into fixed-price contracts, it is for the purpose of assuring delivery of the required product or service at a fair and reasonable price. Contractors accepting these contracts are expected to honor their obligation to delivery as well as to take necessary steps to optimize their opportunity for profit. Individual management performance plays a major role in how this is accomplished. Additionally, a great majority of these contracts are awarded competitively, to the lowest bidder, and the granting of price increases to winning contractors may be inequitable to the other bidders. Nevertheless, when actual or threatened loss under a Defense contract will impair the productive ability of the contractor whose continued performance is essential to the national defense, consideration can and has been given to requests for relief under the provisions of Public Law 85–804, on a case-by-case basis.

For future contracts, there are means now available to cope with price uncertainties. One is the use of Economic Adjustment Clauses, the provisions of which have been further strengthened in Defense Procurement Circular 120, published 11 March 1974, and are now contained in the latest publication of the Armed Services Procurement Regulation dated 1 July 1974. These provisions are usually tied to some outside index, rather than the particular contractor's cost experience and provide for price increases based on this index. When the uncertainties justify such action, some form of redeterminable or cost reimbursement contract can be used. It is also possible that other contractual arrangements may best serve in individual situations.

Extreme fluctuations of prices and any reluctance of firms to commit to long term fixed prices can be recognized by shorter term contracts. In addition, priced production options and/or multi-year contracts should not be used, unless all contingencies are clearly exposed and acceptable to both parties.

It is not the intent nor the desire of DOD to cause well-managed contractors, large or small, to suffer loss. Neither is it our intent or desire to contribute to spiraling prices by being willing to pay any amount asked.

Recognizing that we have been operating in this environment for several months, many contracts in existence during the period are reaching conclusion, thereby tending to clear up short term problems. For the long term, we will do our best to recognize and alleviate any such problems wherever possible.

Attachment No. 15

Minority Business Enterprise Program

DOD has consistently supported the President's Minority Business Enterprise Program, principally through awarding contracts to the Small Business Administration (SBA) pursuant to section 8(a) of the Small Business Act.

The section 8(a) program involves entering into noncompetitive contracts for supplies, services, and construction requirements with the SBA which in turn, subcontracts these defense requirements with its approved socially or economically disadvantaged business firms (including minorities).

From 1 July 1969 through 30 June 1974, DOD has made 1,933 section 8(a) awards, totaling $364 million. This compares with all Federal agency awards (including DOD) of 6,904 contracts valued at $726.6 million during the same period

DOD has a continuing concern in assisting in the implementation of the President's minority business enterprise program. We expect the DOD contribution to the section 8(a) program to continue in the same relative amount.

SEC. 8(a) AWARDS WITH DOD AGENCIES (PER SBA STATISTICS THROUGH JUNE 30, 1974)

Agency	Fiscal year— 1969–72	1973	1974	Total
Dollar value of awards:				
Army	$50, 935, 454	$55, 546, 879	$79, 489, 940	$185, 972, 273
Navy [1]	20, 489, 647	16, 842, 769	15, 707, 043	53, 039, 459
Air Force	29, 464, 624	15, 394, 502	29, 481, 716	74, 340, 842
DSA	21, 251, 325	9, 950, 104	19, 452, 250	50, 653, 679
DOD total	122, 141, 050	97, 734, 254	144, 130, 949	364, 006, 253
Number of awards:				
Army	236	185	234	655
Navy [1]	163	106	94	363
Air Force	297	224	275	797
DSA	41	33	44	118
DOD total	737	548	647	1, 933

	Fiscal year— 1969	1970	1971	1972	Total
Dollar value of awards:					
Army	$1, 969, 027	$5, 304, 220	$10, 241, 958	$33, 420, 249	$50, 935, 454
Navy [1]	896, 920	3, 147, 745	5, 099, 719	11, 345, 263	20, 489, 647
Air Force	3, 651, 768	2, 474, 808	5, 480, 013	17, 858, 035	29, 464, 624
DSA	1, 993, 380	2, 471, 600	6, 584, 543	10, 202, 325	21, 251, 325
DOD total	8, 511, 095	13, 398, 373	27, 406, 233	72, 825, 872	122, 141, 050
Number of awards:					
Army	7	23	38	168	236
Navy [1]	4	27	50	82	163
Air Force	11	26	59	201	297
DSA	4	2	11	24	41
DOD total	26	78	158	475	737

[1] Includes Marine Corps.

DEPARTMENT OF DEFENSE

PLANTS PARTICIPATING IN THE MINORITY BUSINESS CONCERNS SUBCONTRACTING PROGRAM, FISCAL YEARS 1973 AND 1974

[Dollar amounts in thousands]

Period	1973 (July 1972–June 1973) Number	Amount	1974 (July 1973–June 1974) Number	Amount
Total	216	$22, 137	[1] 268	[1] $52, 340
July–September	1	29	179	12, 017
October–December	21	2, 878	208	12, 346
January–March	175	8, 126	236	12, 902
April–June	174	11, 104	254	15, 075

[1] Preliminary Subject to change.

DEPARTMENT OF THE ARMY

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 15, 1974.

Hon. HOWARD H. CALLAWAY,
Secretary of the Army, Department of the Army,
Washington, D.C.

DEAR MR. SECRETARY: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of the small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government.

To obtain current information with respect to your Department's activities which we plan to publish, please provide a report to the subcommittee in nine copies by September 18, 1974, setting forth the following information for fiscal years 1972, 1973, and 1974:

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amounts and percentages of total awards.
2. Small business subcontracting prog ram activities and performance.
3. Research and development awards to all business firms and to small business firms in percentages.
4. Awards by claimant program to all business firms and to small business firms in percentages.
5. Small business goals established by the Department of Defense for the Department of the Army and the goals assigned by your Department to each Command or Activity and their respective achievements.
6. Coordination with Small Business Administration in furtherance of small business programs, including set-asides, subcontracting and the section 8(a) program.
7. Awards made to the Small Business Administration under section 8(a).
8. Labor surplus area set-aside awards.
9. Small business nonresponsibility determinations based upon alleged lack of tenacity and perseverance and alleged lack of integrity, appeals taken and results.
10. Analysis of small business exclusion and participation showing procurements (*a*) not offered to small business with reasons for exclusion; (*b*) offered but not awarded to small business with reasons for nonaward; (*c*) set aside for small business; and (*d*) awarded to small business in unrestricted competition. Illustrate the statistical data for FY 1974 by chart.
11. Your comments regarding the paperwork problem encountered by small business in Army's procurement of platform trucks as set forth in the attached correspondence in connection with the subject matter of the subcommittee's review.
12. Such additional information or comments as you may wish to provide.

There is enclosed for your information a copy of the committee's July 31, 1974, letter to Defense Secretary Schlesinger signed by Chairman Evins and all members of the full committee expressing concern that a recent curtailment of operations and staffing in the Small Business Office of the Department of Defense will have a detrimental effect upon the small business procurement programs of DOD, the military departments, and the Defense Supply Agency, and will inhibit small business opportunity to participate equitably in defense procurement.

In view of the serious and urgent nature of the matter, we request that you provide a full and complete report to the subcommittee in 25 copies by September 9, 1974, setting forth the following:

A. Official description of the missions and functions of Army's Small Business Office and the date on which the statement thereof became effective.

B. Names, titles, and grades of the Army Small Business Advisor and members of his staff as of June 30, 1973, June 30, 1974, and as of the date of your report, indicating whether such staff is full or part-time.

C. Explanation of and justification for any changes which occurred since June 30, 1974, in staffing or mission.

D. Your plans—personnel and mission—and any changes contemplated for fiscal year 1975.

If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

Enclosure. [1]

STATEMENT OF EDWIN GREINER, ACTING ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND LOGISTICS

This is in reply to your letter of 15 August 1974 to Mr. Callaway, wherein you requested some information on our Army Small Business Office. The responses to your inquiries are keyed to your 15 August letter, paragraph 12.

A. Assistant Secretary of the Army (Installations & Logistics) Office Memorandum, Number 1–73, dated 16 May 1973, outlines the Small Business Office's Missions and Functions. An extract follows:

Chief, Small Business Division. The Small Business Division is responsible for the Army Small Business Program, Economic Utilization and Labor Surplus Areas, Army/Industry Materiel Information Liaison Program and Industrial Assistance Events and Hardcore Unemployed Programs. This responsibility includes:

(1) Advising the Army Secretariat and Staff on matters concerning those programs;

(2) Acting as focal point for members of Industry seeking opportunities to participate in Army procurements;

(3) Providing surveillance of each program within all procuring activities;

(4) Representing the Army on all Federal Agency Ad Hoc Committees within these areas of responsibility;

(5) Providing surveillance of the Army/Industry Materiel Information Liaison Office (Advanced Planning Procurement Information) Programs for Industry.

(6) Directing the collection, compilation and evaluation of procurement statistics of Army participation with the small business community and firms located in Labor Surplus and hardcore areas.

B. The names, titles and grades of the Army Small Business Advisor and members of his staff as of 30 June 1973, and 30 June 1974, are as follows:

1. Mr. Jack W. Askins, Army Small Business and Economic Utilization Policy Advisor, GS–16, full-time.

2. Mr. Francis C. Brda, Deputy Army Small Business and Economic Utilization Advisor, GS–15, full-time.

3. Ms. Lucia R. Zurawski, Secretary, GS–7, full-time.

As of the date of this letter, the only change to the office has been occasioned by the retirement of the GS–16 on 30 June 1974. Mr.

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[1] For letter of July 31, 1974, see p. 2.

Francis C. Brda has been detailed on a full-time basis to that position pending completion of the in process personnel recruiting actions.

C. There have been no changes in the staffing or mission during the period 30 June 1973 to 30 June 1974.

D. Presently the Small Business functions are under the supervision of a General Officer who is our Director of Materiel Acquisition. It is planned to elevate the Assistant for Small Business in the organization to where he reports directly to the Deputy Assistant Secretary of the Army for Installations & Logistics. This change will not affect missions or functions.

As a result of a large directed reduction in personnel throughout all offices of the Assistant Secretary of the Army (Installations & Logistics), the Small Business Office was reduced by one space. To compensate for this one space reduction, the Assistant for Small Business will report to the Deputy Assistant Secretary of the Army (Installations & Logistics). This realignment will provide more accessibility to the expertise of the entire Assistant Secretary of the Army (Installations & Logistics) staff and Army elements, thus insuring that the best support possible is provided to the Small Business Program. I believe that such restructuring within our limited personnel resources will enhance the Small Business Program.

I hope this provides you with the rationale for our future plans and I want to assure you that the small business activities will continue to receive high priority within this office with a view towards improving our past accomplishments.

Sincerely,

EDWIN GREINER,
Acting Assistant Secretary of the Army
(Installations & Logistics).

ADDITIONAL STATEMENT OF EDWIN GREINER, ACTING ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND LOGISTICS

This is in further reply to your letter of 15 August 1974 to Mr. Callaway, indicating your subcommittee's continuing interest in our small business procurement policies and practices and requesting current information with respect to our small business related activities.

It is a pleasure for me to have the opportunity to present some of the highlights of our small business program. In your letter of 15 August 1974, you stated that your committee would review our small business procurement policies and practices. Each of the specified areas will be covered and that part which is largely statistical is included and designated as inclosures to the statement.

I am pleased to report that for FY's 72, 73 and 74, the percentage of dollars awarded to small business firms has steadily increased (inclosure No. 1) from 20.6 percent in FY 72 to 24.0 percent in FY 73, to a 12-year high of 26.0 percent in FY 74. The Army's small business set-asides, as a percentage of total dollars awarded, have also increased. In FY 72, 5.8 percent of the total awards were set-aside for small business. In FY 73 and FY 74, 7.7 percent of the total awards were set-aside for small business.

The Armed Services Procurement Regulation (ASPR 1–707) prescribes policy, procedures and necessary reviews under which the

Department of the Army's small business subcontracting program is conducted. The Defense small business subcontracting program requires a Defense prime contractor to assume an affirmative obligation with respect to subcontracting with small business concerns. The contractor's performance in this effort is subject to Government surveillance. Army contractors, including Government-owned-contractor-operated (GOCO) munition plant contractors are inspected on a routine basis, i.e., normally every six (6) months. The Small Business Administration is invited to participate in the inspection. Such contractors have a designated responsible employee who is available to the small business firms seeking guidance and assistance in obtaining subcontracts.

The Army has 23 GOCO plants and 4 other companies which are under Army surveillance responsibility. These plants and other companies reported that 39.3 percent of their subcontract commitments were placed with small firms in FY 72; 42.6 percent in FY 73 and 36.7 percent in FY 74.

In certain procurements, potential prime contractors are required to submit a "make or buy" plan to the contracting officer. The contracting officer is required to obtain the advice of the small business specialist regarding the adequacy of the "make or buy" plan. The proposed "make or buy" program is also made available to the Small Business Administration (SBA) representative for his review and recommendations. The purpose of the review by the small business specialist and the SBA representative is to insure that an equitable opportunity is afforded small business subcontractors.

The prime objective of the research and development program is to obtain and/or maintain the scientific and technological superiority required to advance the effectiveness of military operations. The accomplishment of this objective requires the broadest base of qualified responsive contractors having research and development capability. It is essential that the best qualified contractors possessing demonstrated technical and scientific competency in the various fields of endeavor be fully utilized, whether large or small. The Army is constantly searching for the most advanced scientific capability that industry can offer so that the best possible equipment, weapons and systems can be developed and produced within reasonable costs.

Small business concerns with R. & D. capability are encouraged to participate in our research and development programs through the receipt of qualitative requirements information to industry, research and development seminars and continuous referral of Army requirements to the Small Business Administration in an effort to locate qualified business sources. Army laboratories have full time small business advisors who also search continuously for qualified small business concerns to participate in their respective programs.

In fiscal year 1974, small business received $72 million in R. & D. contracts; 5.7 percent of total R. & D. awards of $1.3 billion (inclosure No. 2). Experience during recent years in the R.D.T. & E. program has indicated that over 90 percent of all awards (91.7 percent in FY 74) are in support of the development phase. The development phase requires the greatest amount of contractor capacity since it involves hardware for experimental or operational test. Out of a total R. & D. program involving U.S. firms of $1.3 billion, $1.1 billion was in the "development" area where small business received 4.8 percent of the

development program. In "research" areas small business received 36.8 percent.

The analysis of the awards by claimant program during FY 72 through FY 74 (inclosure No. 3) confirms that the small business awards rate is generally upward.

More specifically, the largest dollar expenditures in FY 72 were in the ammunition program where small business received 13.5 percent of the total; in FY 74, small business received 15.6 percent of the total. In the missile and space systems program, the second largest dollar value program in FY 72, the small business percentage of dollars awarded, increased from 2.5 percent in FY 72 to 3.8 percent in FY 74. The third largest dollar program was in the area of construction, where small business firms received 49.9 percent of the awards in FY 72 compared to 69.7 percent in FY 74. The electronics and communications equipment program also showed an increased percentage of small business awards from 17.1 percent in FY 72, to 19.8 percent in FY 74.

The Department of the Army was successful in attaining the OASD (I. & L.) assigned small business goal for fiscal years 1972, 1973, and 1974 (inclosure No. 4). In FY 1972 we were assigned a target goal of 18.5 percent of total dollars awarded to U.S. business firms to be awarded small business firms. Our minimum goal was 18.2 percent. The Army awarded 20.6 percent to small business in FY 72. In FY 73, we were assigned a target goal of 20.0 percent and a minimum goal of 19.8 percent. We achieved 24.0 percent. Finally, in FY 74, OASD (I. & L.) assigned a target goal of 24.2 percent and a minimum goal of 23.9 percent to the Department of the Army. We awarded 26.0 percent of our total U.S. business awards to small business concerns in FY 1974. That is the highest rate of small business awards since FY 1962 when we achieved 27.5 percent.

We in the Department of the Army believe that our relationships with the SBA are excellent. The SBA has assigned a Procurement Center Representative to OASA (I. & L.) on a liaison basis and we are in almost daily contact with him on small business matters. Demonstration of our cooperation with the SBA is evidenced by our increase in percentage of awards to small business firms, our increase in the percentage of small business set-asides and our steady diminishing of certificates of competency and tenacity and perseverance determinations. However, I think the best evidence of our cooperation is the fact that the Army has awarded more dollars to the SBA under authority of section 8(a) of the Small Business Act than has any other Federal agency.

With respect to awards made to the Small Business Administration under section 8(a) of the Small Business Act (inclosure No. 5), I am particularly pleased to report that the Department of Army awarded 234 contracts valued at $79.5 million in FY 74, almost twice the dollars as the next leading Federal agency. The effectiveness of the Army program is apparent as over one-half of DOD dollars and over one-fourth of total Federal dollars came from Army the last 3 fiscal years. Inasmuch as items and services awarded to the SBA via 8(a) are normally susceptible to small business participation, it is particularly significant to note that the Department of Army not only cooperated with the SBA re: 8(a) contracts but at the same time was able to continue to increase the percentage of small business set-aside awards.

Labor surplus area set-aside awards during FY 72 through FY 74 were: $93.4 million in FY 72, $31.4 million in FY 73 and $8.2 million in FY 74 (inclosure No. 6). The reason for the decline in labor surplus area set-asides is due to the fact that as the overall dollar expenditures are reduced, the size of the individual procurements has reduced to the point where relatively few procurements can be divided into two or more economic production runs. As you know, the key criterion for labor surplus area set-asides is that a procurement has to be divisible into two or more economic production runs. Many procurements which otherwise would have been labor surplus area set-asides cannot be initiated because the quantity was not divisible into two or more economic production runs.

I am pleased to report that there is a definite trend toward fewer cases of tenacity and perseverance (T. & P.) determinations (inclosure No. 7). In FY 72 there were 38 T. & P. cases, in FY 73 the number decreased to 16 and in FY 74 there were 14 cases regarding tenacity and perseverance. One of the major factors contributing to this decline in T. & P. cases is the fact that since mid FY 70, the SBA has an appeal procedure whereby they can review each T. & P. determination and appeal if they feel it is necessary. Information regarding certificate of competency matters are attached as inclosures No. 8, 9, and 10.

The analysis showing procurements awarded to small business; not awarded to small business and reasons therefor; and procurements not offered to small business is attached as inclosures 11 and 12.

In summary, the analysis shows that small business in FY 72, was not offered 54.3 percent of all procurement dollars awarded to U.S. firms. In FY 73, the percentage of procurements not offered to small business dropped to 50.7 percent and in FY 74, to 49.7 percent o fall procurement dollars awarded to U.S. firms. The types of procurements involved in this area are the major weapons systems procurements such as missiles, aircraft, combat vehicles such as tanks, ammunition and certain electronic systems.

Conversely, the percentage of procurement dollars that was offered to small business firms in FY 72 through 74 rose from 45.7 percent in FY 72 to 50.3 percent in FY 74.

The non-set-aside awards to small business firms in FY 1972 were 14.8 percent of all procurement dollars awarded to U.S. business firms. The percentage of non-set-aside awards to small business increased from 16.3 percent in FY 73 to 18.3 percent in FY 74. The set-aside awards to small business firms in FY 1972 were 5.8 percent of all procurement dollars awarded to U.S. business firms. The percentage of set-aside awards to small business increased in FY 74 to 7.7 percent.

Regarding the paperwork problem encountered by small business in our recent procurement of platform trucks, the Army agreed with the firm that a 23-page solicitation is a lot of paperwork for a purchase of approximately $4,000.00. However, any procurement over $2,500 was required by law (10 U.S.C. 2304(a)) to be made by formal advertising when "feasible and practicable." Invitation for Bids (IFB) DABT-35-74-B-0052 for 25 Platform Hand Trucks was issued under that requirement of law. The material in the IFB is required by the Armed Services Procurement Regulation (ASPR) and is largely based on requirements of law and national policy.

There is hope for the future with the raising of the small purchase authority from $2,500 to $10,000. Under small purchase procedures three suppliers in the trade area are normally solicited telephonically and a one sheet order (DD Form 1155) with conditions of purchase on the reverse side, is then issued to the firm offering the lowest price. This form is normally prepared as a "snap out" to provide copies to the contractor, finance office, receiving office, etc., without further reproduction. While we will probably not be able to use the one sheet form because of other statutory requirements for various clauses, we will certainly cut out a lot of the paperwork.

The "Contractor's Information Questionnaire" which the company objected to was a locally devised form designed to obtain information on suppliers to assure that the firm selected for award is capable of performing the contract. Use of the questionnaire has been discontinued as the contracting officer needs information only on the firm being considered for award and normally that information is available in the Department of Defense.

One other minor point, the ASPR was recently revised to provide for three instead of four copies of solicitations to be sent to bidders. One copy is for retention by the bidder and the other two for use in award of the contract.

In summary, we believe in the importance of small business in our free enterprise system. We know that the preservation of a viable small business community of defense contractors is essential in achieving our stated objective to maintain a broad mobilization base, enlarge the sources of supply, to increase competition, and reduce costs to the Government. Demonstration of that belief is evidenced by our increase in percentage of awards to small business concerns, our increase in the percentage of small business set-asides, our contract awards to the SBA on 8(a) contracts, and our steady diminishing of certificates of competency and the number of tenacity and perseverance determinations. We in the Department of the Army intend to continue to encourage and develop the existing and potential capacity of the small business community in order to maintain a healthy and competitive business community.

Sincerely,

EDWIN GREINER,
Acting Assistant Secretary of the Army
(Installation & Logistics).

Attachments.

ATTACHMENT 1

DEPARTMENT OF THE ARMY

AWARDS TO ALL BUSINESS FIRMS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total all business awards	$7,621	$7,169	$6,996
Total awards to small business firms	$1,571	$1,720	$1,821
Percent to small business	20.6	24.0	26.0
Total small business set-aside awards	$440	$549	$536
Percent of set-asides to total all business firms	5.8	7.7	7.7

Note: $1 and over—U.S. business firms only.

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ATTACHMENT 2

DEPARTMENT OF THE ARMY

RESEARCH, DEVELOPMENT, TEST AND EVALUATION SMALL BUSINESS AWARDS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amount in millions]

	Fiscal year—		
	1972	1973	1974
Total all business awards	$1,225	$1,203	$1,253
Total small business awards	$73	$75	$72
Percent to small business	6.0	6.2	5.7

Note: $1 and over—U.S. business firms only.

ATTACHMENT 3

DEPARTMENT OF THE ARMY

SMALL BUSINESS PERFORMANCE CLAIMANT PROGRAMS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

Program	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	All business firms	Percent to small business	All business firms	Percent to small business	All business firms	Percent to small business
Total	$7,621	20.6	$7,169	24.0	$6,996	26.0
Airframes and spares	254	1.8	189	1.4	399	1.9
Aircraft engines and spares	88	2.5	55	4.2	99	2.7
Other aircraft equipment	137	6.2	141	9.2	204	6.2
Missile and space systems	1,625	2.5	1,336	4.2	1,243	3.8
Ships	3	59.6	5	67.3	8	78.8
Combat vehicles	241	8.5	309	8.6	489	8.2
Noncombat vehicles	374	10.3	285	19.1	189	38.2
Weapons	105	16.2	110	26.3	156	32.9
Ammunition	1,792	13.5	1,487	14.1	1,068	15.6
Electronics and communications equipment	626	17.1	620	15.3	682	19.8
Petroleum	1	82.9	1	11.8	3	24.7
Other fuels and lubricants					2	80.2
Containers and handling equipment	1	97.4	1	44.7		
Textiles, clothing and equipage	24	33.0	26	30.8	23	33.4
Building supplies	4	75.3	21	17.5	21	26.8
Subsistence	93	36.9	123	37.9	170	33.3
Transportation equipment					6	22.3
Production equipment	26	18.3	34	21.0	37	13.8
Construction	917	49.9	985	52.6	726	69.7
Construction equipment	6	9.5	15	4.7	4	42.5
Medical and dental supplies and equipment	5	40.4	3	29.9	5	25.4
Photographic equipment and supplies	1	52.5	1	56.9	1	48.3
Materials handling equipment	11	64.1	5	27.2	10	22.8
All other supplies and equipment	106	39.6	125	28.3	141	37.7
Services	357	31.7	408	39.3	388	40.1
All actions of less than $10,000	824	50.1	884	50.3	982	49.0

ATTACHMENT 4

DEPARTMENT OF THE ARMY

SMALL BUSINESS GOALS AND ACCOMPLISHMENTS, FISCAL YEARS 1972 THROUGH 1974

[In percent]

Commands/agencies	1972	1973	1974
Total Department:			
Assigned minimum	18.2	19.8	23.9
Target	18.5	20.0	24.2
Actual	20.6	24.0	26.0
Army Materiel Command:			
Assigned	12.7	15.1	18.2
Actual	15.1	16.8	17.5
Continental Army Command: [1]			
Assigned	45.9	44.5	----------
Actual	44.5	47.3	----------
Chief of Engineers:			
Assigned	30.8	45.0	51.8
Actual	45.1	47.2	64.3
Training and Doctrine Command:			
Assigned			51.1
Actual			45.5
Forces Command:			
Assigned			52.0
Actual			47.0

[1] Became Tradoc and Forscom in fiscal year 1974.
Note: $1 and over—U.S. business firms.

ATTACHMENT 5

DEPARTMENT OF THE ARMY

PRIME CONTRACTS AWARDED TO SMALL BUSINESS ADMINISTRATION UNDER SEC. 8(a) OF THE ACT

[Dollar amounts in millions]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Number	Value	Number	Value	Number	Value
Total	168	$33.3	185	$53.9	234	$79.5

ATTACHMENT 6

DEPARTMENT OF THE ARMY

PRIME CONTRACT LABOR SURPLUS AREA SET-ASIDE AWARDS, FISCAL YEARS 1972 THROUGH 1974

[In millions of dollars]

	Fiscal year—		
	1972	1973	1974
Total preference awards [1]	93.4	31.4	8.2

[1] $10,000 and over.

ATTACHMENT 7

DEPARTMENT OF THE ARMY

TENACITY AND PERSEVERANCE CASES

	Fiscal year—		
	1972	1973	1974
Total number of cases	38	16	14
Number of cases appealed by SBA	2	1	4
Number of cases Army overruled, contracting officer and agreed with SBA	0	0	2

ATTACHMENT 8

DEPARTMENT OF THE ARMY

NUMBER AND DOLLAR VALUE OF CERTIFICATE OF COMPETENCY CASES, FISCAL YEAR 1972

	Total		MTMTS		Corps of Engineers		Army Materiel Command		Conarc		Others	
	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value
(a) Number of cases where company did not file			3		6		102		3		1	
(b) Number of actions reversed by PCO and award made without issuance of COC			1		2		21		2			
(c) Number of COC's issued							19		1		3	
(d) Numbr of cases where company filed but SBA declined to issue COC					4		38		2			
Total	208	$111,434,796	4	$934,119	12	$1,197,918	180	$107,870,347	8	$1,057,300	4	$275,112

ATTACHMENT 9

DEPARTMENT OF THE ARMY

NUMBER AND DOLLAR VALUE OF CERTIFICATE OF COMPETENCY CASES, FISCAL YEAR 1973

			Corps of Engineers		Army Materiel Command		Continental Army Command		Others	
	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value
(a) Number of cases where company did not file			8		95		1		5	
(b) Number of actions reversed by PCO and award made without issuance of COC			1		13				1	

(c) Number of COC's issued			1		18				1	
(d) Number of cases where company filed but SBA declined to issue COC					34		2			
Total	180	$49,099,234	10	$3,132,472	160	$43,899,771	3	$1,642,058	7	$424,933

ATTACHMENT 10

DEPARTMENT OF THE ARMY

NUMBER AND DOLLAR VALUE OF CERTIFICATE OF COMPETENCY CASES, FISCAL YEAR 1974

			Army Materiel Command		Training and Doctrine Command		Forces Command		Others	
	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value	Number (each)	Value
(a) Number of cases where company did not file			156		1		1		1	
(b) Number of actions reversed by PCO and award made without issuance of COC			14							
(c) Number of COC's issued			14				2			
(d) Number of cases where company filed but SBA declined to issue COC			10		2				1	
Total	202	$35,549,399	194	$35,168,961	3	$202,643	3	$125,424	2	$52,371

ATTACHMENT NO. 11

DEPARTMENT OF THE ARMY

ANALYSIS OF SMALL BUSINESS PROCUREMENT, FISCAL YEARS 1971 THROUGH 1974

[Dollar amounts in millions]

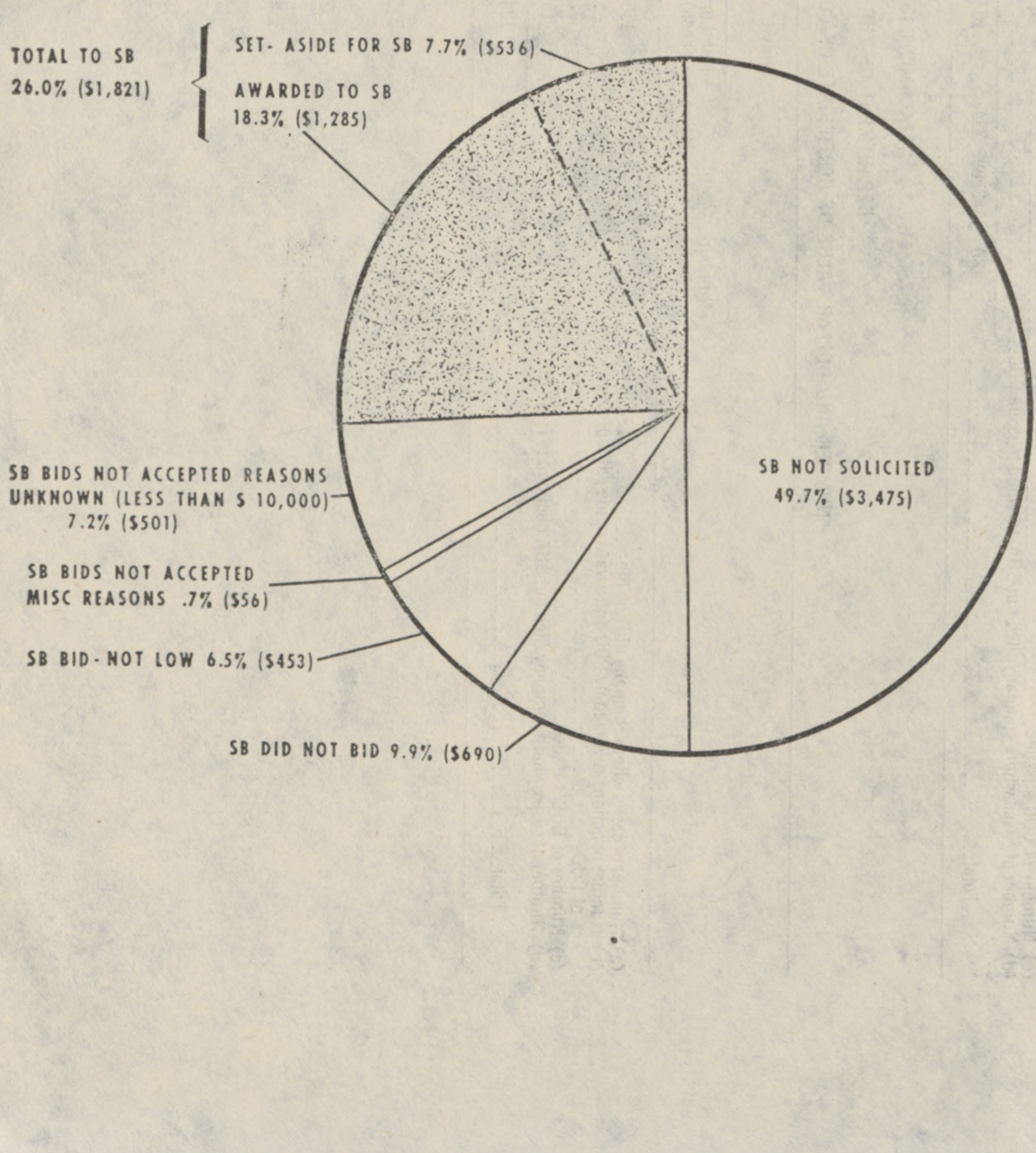
	1972		1973		1974	
	Amount	Percent	Amount	Percent	Amount	Percent
Total with business firms	$7,621	100.0	$7,169	100.0	$6,996	100.0
Not offered to small business	4,136	54.3	3,634	50.7	3,475	49.7
Offered to small business	3,485	45.7	3,535	49.3	3,521	50.3
Non-set-aside/awarded to small business	1,131	14.8	1,171	16.3	1,285	18.3
Set-aside/awarded to small business	440	5.8	549	7.7	536	7.7
Not awarded to small business	1,914	25.1	1,815	25.3	1,700	24.3
Small business did not bid	683	9.0	733	10.2	690	9.9
Small business bid not low	664	8.7	549	7.7	453	6.5
Small business bid not accepted for other reasons	156	2.0	94	1.3	56	.7
Awards of less than $10,000 to large business	411	5.4	439	6.1	501	7.2

ATTACHMENT 12

DEPARTMENT OF THE ARMY

FY 1974 SMALL BUSINESS PARTICIPATION AND EXCLUSION

($ MILLIONS)



DEPARTMENT OF THE NAVY

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 15, 1974.

Hon. JOHN WILLIAM WARNER,
Secretary of the Navy,
Department of the Navy,
Washington, D.C.

DEAR MR. SECRETARY: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of the small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government.

To obtain current information with respect to your Department's activities which we plan to publish, please provide a report to the subcommittee in nine copies by September 18, 1974, setting forth the following information for fiscal years 1972, 1973, and 1974.

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amounts and percentages of total awards.
2. Small business subcontracting program activities and performance.
3. Research and development awards to all business firms and to small business firms in percentages.
4. Awards by claimant program to all business firms and to small business firms in percentages.
5. Small business goals established by the Department of Defense for the Department of the Navy and the goals assigned by your Department of each Command or Activity and their respective achievements.
6. Coordination with Small Business Administration in furtherance of small business programs, including set-asides, subcontracting and the section 8(a) program.
7. Awards made to the Small Business Administration under section 8(a).
8. Labor surplus area set-aside awards.
9. Small business nonresponsibility determinations based upon alleged lack of tenacity and perseverance and alleged lack of integrity, appeals taken and results.
10. Analysis of small business exclusion and participation showing procurements (*a*) not offered to small business with reasons for exclusion; (*b*) offered but not awarded to small business with reasons for non-award; (*c*) set aside for small business; and (*d*) awarded to small business in unrestricted competition. Illustrate the statistical data for FY 1974 by chart.
11. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

There is enclosed for your information a copy of the committee's July 31, 1974, letter to Defense Secretary Schlesinger signed by Chairman Evins and all members of the full committee expressing concern that a recent curtailment of operations and staffing in the Small Business Office of the Department of Defense will have a detrimental effect upon the small business procurement programs of DOD, the military departments, and the Defense Supply Agency, and will inhibit small business opportunity to participate equitably in defense procurement.

In view of the serious and urgent nature of the matter, we request that you provide a full and complete report to the subcommittee in 25 copies by September 9, 1974, setting forth the following:

A. Official description of the missions and functions of Navy's Small Business Office and the date on which the statement thereof became effective.

B. Names, titles, and grades of the Navy Small Business Advisor and members of his staff as of June 30, 1973, June 30, 1974, and as of the date of your report, indicating whether such staff is full or part-time.

C. Explanation of and justification for any changes which occurred since June 30, 1973, in staffing or mission.

D. Your plans—personnel and mission—and any changes contemplated for fiscal year 1975.

If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

Enclosure.[1]

STATEMENT OF JACK L. BOWERS, ASSISTANT SECRETARY OF THE NAVY, INSTALLATIONS AND LOGISTICS

Secretary Middendorf has asked me to respond to your letter of August 15 requesting current information concerning the Department of the Navy's small business activities.

I am pleased to report that in FY 1974 the Navy exceeded its Department of Defense assigned small business goal of 13.1 percent. Approximately $1.7 billion or 14.1 percent of the total dollar value of our prime contracts was placed with small business concerns. Our research and development contract awards to small firms totaled $120 million or 7.1 percent of the total. This represents the highest dollar volume of research and development awards to small firms since the inception of the Navy's small business program.

Shortly after appointment to my current position, I issued a memorandum, dated 13 July 1973, to the heads of all major Navy procuring activities reaffirming the long standing Navy policy of providing maximum procurement opportunities to small business concerns. A copy of this memorandum is attached.

We have continued to stress the use of small business set-asides as an effective technique for increasing small business awards and as affirmative evidence of a purchasing activity's commitment to the principles of the small business program. Set-aside goals have been established for selected activities and their progress has been carefully monitored.

The Navy has also recognized the value of a continuing course to indoctrinate Navy technical, procurement, and small business personnel on the importance of the small business program, its objectives, and techniques required to carry out the congressional mandate that a fair proportion of Government contracts be placed with small business. To this end, for three consecutive years (FY 1972–FY 1974), the Navy has held 1-day small business colloquia at various Naval installations throughout the United States The number of locations, annually, ranged from 10 to 14 sites. Each year approximately 600 Navy people participated in these colloquia. It is our understanding that the Navy small business colloquia, with some modifications, will now be converted to a DOD small business colloquia with anticipated participation from all Military Departments and the Defense Supply Agency.

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[1] For letter of July 31, 1974, see p. 2.

The attached tabs respond to the request for data and information contained in your correspondence. They are annotated to conform to the numbers of your paragraphs.

Pursuant to your request, there is also enclosed as a separate attachment (Tab A) an official description of the Navy's Small Business Office and other pertinent requested personnel data.

Sincerely yours,

JACK L. BOWERS,
Assistant Secretary of the Navy
(Installations & Logistics).

Enclosures.

TAB 1

DEPARTMENT OF THE NAVY

AWARDS TO U.S. BUSINESS FIRMS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total awards to U.S. firms	$11,655	$10,687	$11,864
Total awards to small firms	1,542	1,532	1,673
Percent to small firms	13.2	14.3	14.1
Total small business set-aside awards	$384	$397	$411
Percentage of set-asides to total awards to U.S. firms	3.3	3.7	3.5

TAB 2

DEPARTMENT OF THE NAVY

SMALL BUSINESS SUBCONTRACTING PROGRAM ACTIVITIES AND PERFORMANCE

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	[1] 1974
Number of reporting companies	21	29	30
Total subcontract commitments	$1,747	$1,969	$2,552
Total subcontract commitments to small firms	467	542	782
Percent to small firms	26.7	27.5	30.6

[1] Interim data.

TAB 3

DEPARTMENT OF THE NAVY

RESEARCH AND DEVELOPMENT AWARDS TO U.S. BUSINESS FIRMS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total R. & D. awards to U.S. firms	$1,538	$2,084	$1,700
Total R. & D. awards to small firms	85	97	120
Percent to small firms	5.5	4.6	7.1

TAB 4

DEPARTMENT OF THE NAVY

SMALL BUSINESS PERFORMANCE BY PROGRAM

[Dollar amounts in millions]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	All business firms	Percent to small business	All business firms	Percent to small business	All business firms	Percent to small business
Total	$11,655.3	13.2	$10,687.2	14.3	$11,864.5	14.1
Airframes and spares	2,183.8	.2	1,681.1	.6	1,261.8	.9
A/C engines and spares	394.0	1.0	283.7	2.3	255.7	1.6
Other A/C equipment	517.8	6.2	531.4	7.3	514.7	6.1
Missile and space systems	1,136.0	2.5	1,134.4	2.4	1,210.2	2.2
Ships	2,255.3	4.8	2,089.5	6.3	3,671.8	6.0
Combat vehicles	.2	100.0	.1	65.6	(1)	100.0
Noncombat vehicles	2.1	86.4	2.7	51.1	2.4	73.8
Weapons	190.1	6.5	188.6	5.6	180.9	5.2
Ammunition	595.0	15.6	611.3	17.7	358.5	14.3
Electronic and communication equipment	1,858.8	8.2	1,639.0	9.2	1,736.8	8.5
Petroleum	.6	38.1	.3	22.9	7.7	45.2
Other fuels and lubricants	.5	39.7	.2	100.0	1.6	38.2
Containers and handling equipment	.1	15.0	(1)	0	(1)	100.0
Textiles, clothing and equipage	5.6	45.1	7.1	31.8	10.3	69.8
Building supplies	3.0	43.0	1.3	38.3	2.5	76.0
Subsistence	29.1	51.1	27.0	42.8	36.9	29.7
Transportation equipment	.2	26.4	0	0	(1)	0
Production equipment	24.9	46.0	17.3	37.7	11.8	39.7
Construction	569.0	68.7	537.6	66.4	672.4	64.4
Construction equipment	1.5	42.1	.6	32.1	.5	67.3
Medical and dental supplies and equipment	1.7	18.7	1.4	26.0	2.1	29.9
Photographic equipment and supplies	2.9	41.6	3.0	38.5	3.8	32.6
Materials handling equipment	2.4	62.6	1.2	39.6	3.2	50.9
All other supplies and equipment	120.4	41.7	142.3	50.5	142.5	44.1
Services	917.3	22.0	979.2	20.1	889.1	23.4
All actions less $10,000	843.4	50.7	806.8	49.3	887.2	48.7

[1] Less than $50,000.

TAB 5

DEPARTMENT OF THE NAVY

SMALL BUSINESS GOALS AND ACHIEVEMENTS, FISCAL YEARS 1972 THROUGH 1974

[In percent]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Goal	Achievement	Goal	Achievement	Goal	Achievement
Department of the Navy	12.1	13.2	13.5	14.3	13.1	14.1
Naval Ordnance Systems Command	1.1	1.3	1.3	1.3	1.4	1.6
Naval Air Systems Command	1.1	1.3	1.3	1.7	1.7	2.0
Naval Supply Systems Command	32.3	31.4	31.5	30.2	30.2	30.8
Naval Ship Systems Command	2.9	5.1	5.2	5.4	5.4	5.1
Naval Facilities Engineering Command	55.9	56.9	59.3	54.8	53.0	53.9
Naval Electronic Systems Command	6.7	5.6	6.0	11.2	10.0	8.8
Chief of Naval Operations Procurement	85.8	80.9	80.9	76.7	76.7	80.7
Office of Naval Research	28.4	22.1	23.0	21.0	21.4	25.2
Bureau of Naval Personnel	28.2	48.9	48.9	22.7	(1)	(1)
Marine Corps	49.9	44.0	44.4	38 2	39.7	39.0
Military Sealift Command	27.2	23.2	23.8	20.1	19.0	23.8

[1] No direct procurement.

TAB 6

In the implementation of the Navy's program for helping small firms, we have maintained a close and continuing cooperative working relationship with the Small Business Administration (SBA). Our purchasing personnel and small business specialists frequently contact SBA for assistance in locating competent small firms in selected procurement areas. We make available to SBA representatives, for screening purposes, including the possible initiation of set-asides, those procurements not considered appropriate for set-aside action by the Navy's small business specialist or the procuring contracting officer. In most instances, there has been agreement between the Navy and SBA concerning set-aside action to be taken on individual procurements. In the subcontracting area, it is customary procedure for the SBA representative to be invited to participate with the Navy small business specialist in reviews made of the effectiveness of a prime contractor's small business subcontracting program. We provide SBA with advance information concerning our proposed procurements and give careful consideration to their recommendations that selected requirements be reserved for negotiation under the authority of section 8(a) of the Small Business Act. In many instances, the Navy has taken the initiative in recommending to SBA procurements which could be set aside for socially and economically disadvantaged entrepreneurs under the section 8(a) program.

TAB 7

DEPARTMENT OF THE NAVY

AWARDS TO THE SMALL BUSINESS ADMINISTRATION UNDER SEC. 8(a) OF THE SMALL BUSINESS ACT

	Number	Amount
Fiscal year—		
1972	81	$11,585,458
1973	106	16,842,769
1974	94	15,707,043

TAB 8

DEPARTMENT OF THE NAVY

PRIME CONTRACT LABOR SURPLUS AREA SET-ASIDE AWARDS OF $10,000 OR MORE, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total preference awards	28,339	7,365	4,983

TAB 9

DEPARTMENT OF THE NAVY

SMALL BUSINESS NONRESPONSIBILITY DETERMINATIONS BASED UPON LACK OF TENACITY, PERSEVERANCE, OR INTEGRITY, FISCAL YEARS 1972 THROUGH 1974

Year	Number of determinations	Number of Navy activities involved	Value	Determinations appealed by SBA		Navy concurred with SBA appeal	
				Number	Value	Number	Value
1972	[1] 5	4	$149,835	0	0	0	0
1973	6	4	218,189	2	$85,115	1	$65,340
1974	[2] 7	6	66,319,231	2	66,085,749	1	85,749

[1] 1 procurement valued at approximately $100,000 was subsequently referred to SBA for certificate of competency action because a review by the procuring contracting officer indicated that questions of capacity and credit were involved.

[2] Includes a Military Sealift Command procurement for manning, operation, and maintenance of 9 tankers, valued at approximately $66,000,000.

TAB 10

DEPARTMENT OF THE NAVY

ANALYSIS OF SMALL BUSINESS PROCUREMENT, FISCAL YEARS 1972 THROUGH 1974

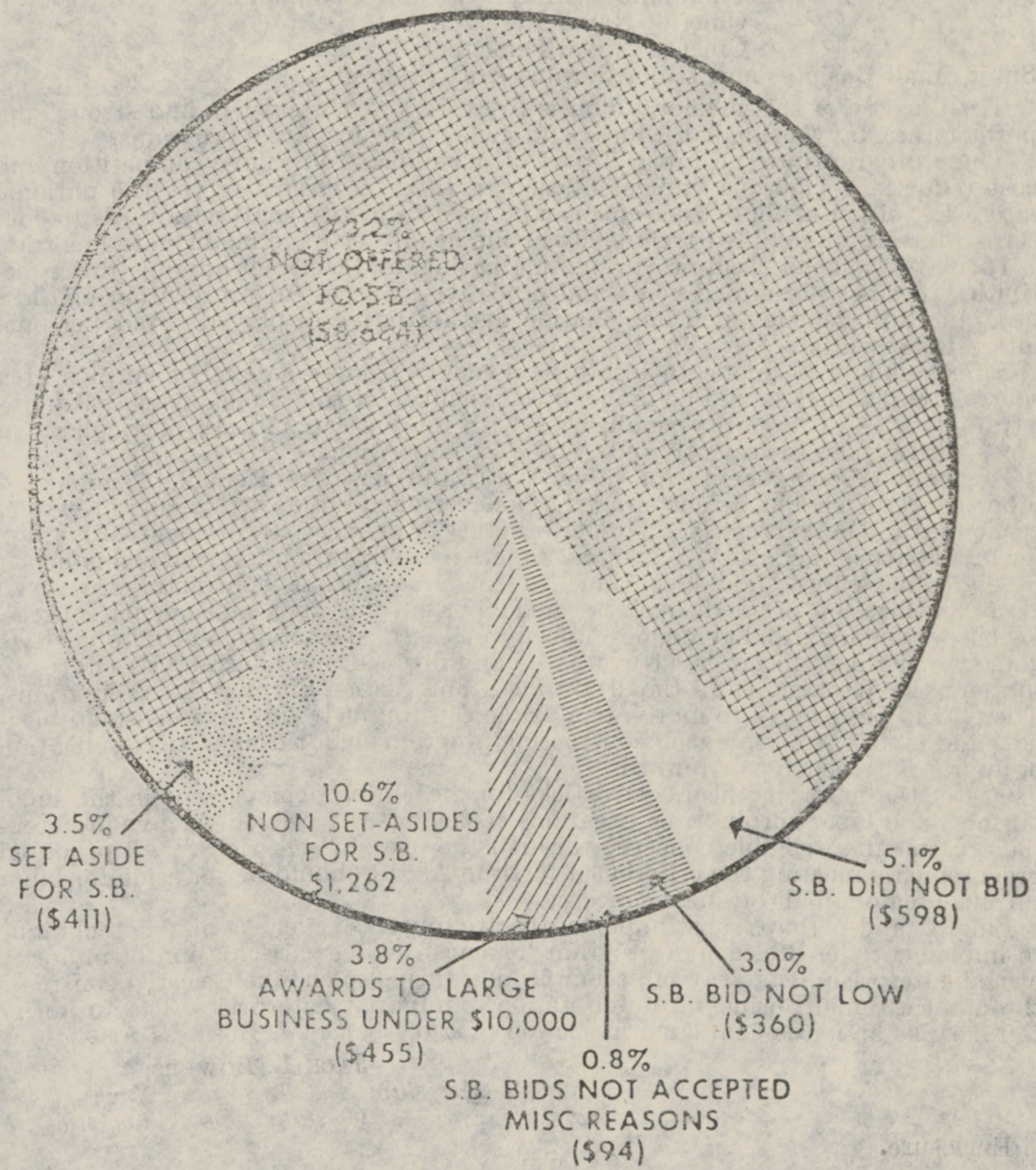
[Dollar amounts in millions]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount	Percent	Amount	Percent	Amount	Percent
Total with U.S. business firms	$11,655	100.0	$10,687	100.0	$11,864	100.0
Not offered to small business [1]	8,833	76.2	7,827	73.2	8,684	73.2
Offered to small business	2,772	23.8	2,860	26.8	3,180	26.8
Non-set-asides for small business	1,158	9.9	1,135	10.6	1,262	10.6
Set-asides for small business	384	3.3	397	3.7	411	3.5
Not awarded to small business	1,230	10.6	1,328	12.5	1,507	12.7
Small business did not bid	385	3.3	532	5.0	598	5.1
Small business not low	379	3.3	356	3.4	360	3.0
Small business bid not accepted for other reasons	51	.4	31	.3	94	.8
Awards of less than $10,000 to large business	415	3.6	409	3.8	455	3.8

[1] Procurements are not offered to small business when (i) there is no known small business source, (ii) no small concern can meet the required delivery schedule, (iii) item is under proprietary control of large business, and (iv) maintenance of the mobilization base necessitates limitation of solicitation to large business.

SMALL BUSINESS PARTICIPATION IN NAVY PROCUREMENT

FY 1974
MILLIONS OF DOLLARS



TAB 10A

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, D.C., 13 July 1973.

Memorandum for the Commandant of the Marine Corps
Chief of Naval Material
Commander, Military Sealift Command
Chief of Naval Research
Chief of Naval Personnel

Subj: Small Business and Labor Surplus Area Programs.

The purpose of this memorandum is to express my interest in and strong support of the Navy's Small Business and Labor Surplus Area Programs.

These programs are an integral part of our efforts to achieve competition and cost reduction. Vigorous implementation of these programs serves the national interest. Neither of these programs can be used to justify contract awards to concerns that are unqualified technically or financially or have inadequate facilities.

I look to the head of all procuring, purchasing, and contract administration activities to meet prescribed goals and objectives. Successful prosecution of these programs will depend upon imagination and initiative displayed. Your personal interest is essential.

Efforts should be made to locate new small business and labor surplus area sources. Utilization should be made of the facilities of the Small Business Administration (SBA) to identify small firms with unique capabilities, particularly in areas where there is presently only limited competition.

Breakout of components for direct Navy purchase from small business and other concerns should be encouraged whenever such action will result in overall economies and not adversely affect performance or delivery requirements. Planning for breakout is mandatory to insure competitive solicitation for such components.

Aggressive effort should continue to encourage prime contractors to make greater utilization of small business and labor surplus area subcontract sources. Whenever the weighted guidelines procedure is used to establish a profit objective, your contracting officers must evaluate carefully a prime contractor's efforts to support the Government's Small Business and Labor Surplus Area Programs. There is no better way to motivate a prime contractor to improve his small business and labor surplus area subcontracting program than through this application of appropriate penalty or reward.

One of the most significant yardsticks for measuring achievement in the small business and labor surplus area programs is the extent to which we give preferential treatment to eligible concerns through the use of "set-asides." All proposed procurements meeting the criteria set forth in ASPR should be set aside for labor surplus area or small business concerns.

Finally, and perhaps most importantly, we must use every available technique to implement the President's program for encouraging participation of minority owned enterprises. One way of accomplishing this is to channel selected contracts through the Small Business Administration to minority enterprises. The authority to take this action is contained in section 8(a) of the Small Business Act.

JACK L. BOWERS,
Assistant Secretary of the Navy
(Installations & Logistics).

Enclosure.

Tab A

MISSION AND FUNCTIONS OF NAVY SMALL BUSINESS OFFICE

A. Attached is the official description of the mission and functions of the Navy Small Business Office. Its effective date was 21 May 1970.

B. The Navy's Small Business Advisor and his staff are:

Morris Questal, Special Assistant for Small Business and Economic Utilization, GS–16.

Lillian M. Newton, Staff Assistant, GS–9.

Mr. Questal and Mrs. Newton devote their full time to small business duties.

C. No changes have occurred in staffing or mission since June 30, 1973.

D. No changes in small business personnel or staffing is contemplated for FY 1975.

I. INTRODUCTION

The incumbent of this position serves as economic utilization and small business advisor for the Department of the Navy. The incumbent serves as advisor and reports directly to the Assistant Secretary of the Navy (I. & L.).

II. MAJOR DUTIES AND RESPONSIBILITIES

1. *Program Planning and Development.*—Develops and redevelops as necessary specific small business (ASPR 1–700) and economic utilization (ASPR 1–800) programs of such nature as to be an assisting factor to the Navy in the conduct of its overall programs for research and development, procurement of equipment and missiles, operation and maintenance, construction, and disposal of Navy material. Develops intensive and extensive small business and economic utilization (labor surplus) programs which will meet the requirements placed upon the Navy by the Secretary of Defense, of such nature as to bring about greater utilization of prime and subcontractors in small business and labor surplus area program activities. This includes establishment and monitoring of a program to channel selected contracts to minority entrepreneurs under the authority of section 8(a) of the Small Business Act. Exercises surveillance through staff visits to the Naval activities in the United States and procurement and contract management installations, and the plants of Navy contractors over the effectiveness with which small business and economic utilization (labor surplus area) programs are conducted and the effect of these programs on the industrial community.

2. *Advisory Duties.*—Serves as the sole focal point for all policy matters affecting the relations of the Navy with small business, including minority entrepreneurs, and labor surplus area concerns. Attends and addresses meetings throughout the United States in the interest of furthering the Navy small business, assistance to minority entrepreneurs, and economic utilization (labor surplus) programs and the maintenance of good public relations; conducts and makes appropriate arrangements for indoctrination meetings of procurement and contracting officers, administrative contracting officers and of the Navy small business and labor surplus specialists for the purpose of securing positive action in carrying out the spirit and intent of the small business, assistance to minority entrepreneurs, and labor surplus area policies and procedures.

3. *Representational Duties.*—Represents the Department of the Navy at all top level discussions of small business and economic utilization (labor surplus) policies and programs with officials of DOD and of the service elements, including but not limited to the small business and labor surplus area advisors of those Departments. Represents the Department of the Navy in all negotiations with top officials of the Small Business Administration and of other agencies involved in the small business and economic utilization (labor surplus) programs. Satisfactorily resolves any conflict or problems which may arise. Meets frequently with the staff directors of the Senate and House Small Business and other committees to keep them apprised of changes and the progress made by the Navy small business and economic utilization programs and to discuss with them the Navy position or views in respect to the many problem areas in which their respective committees are concerned. Coordinates and participates in all presentations before the Senate and House Small Business Committees and other committees setting forth the aims and accomplishments of the Navy small business and economic utilization programs. Monitors and assists in all other formal Navy presentations made before those committees on complaint cases. Prepares appropriate small business, minority entrepreneur, and economic utilization (labor surplus) data for use by members of the Secretaries staff in appearances before congressional committees, at which it is anticipated that such matters will be brought up. Represents the Assistant Secretary of the Navy (I. & L.) at meetings in various parts of the country with material procurement officials of the Naval Establishment in the interests of furthering the small business, minority entrepreneur assistance, and economic utilization (labor surplus) programs. Meets with top officials of the major prime and subcontractors to the Navy for the purpose of developing coordinated and effective programs designed to carry out Navy policies for the most practical use of small business, including minority entrepreneurs, and economic utilization (labor surplus) area concerns as subcontractors and suppliers. Serves as the Navy member of the Defense Industrial Assistance Events program group which is responsible for the approval of business opportunity meetings and exhibits sponsored by various State and city organizations

at which Department of Defense participation is requested. Following the approval of such conferences and exhibits, arranges for designation of specific individuals to be responsible for adequate participation by the Department of the Navy and provides such additional guidance as may be necessary. Serves as principal member of the Surplus Manpower Committee of the Office of Emergency Planning and takes the necessary steps to implement within the Navy, the decisions reached.

4. *Related Duties.*—Initiates or coordinates upon any proposed revisions of the ASPR or the Departmental regulations which would have an impact upon the Navy small business, minority entrepreneur assistance, or economic utilization (labor surplus) policies and programs. Serves as the focal point for all major policy complaints from small business and labor surplus area concerns on matters involving the Navy. Undertakes to resolve or have resolved the problems presented in a manner satisfactory to the complainant and the Navy. Counsels, advises and meets with individuals representing small business and labor surplus area concerns whose problems bring them to the Secretariat, including those individuals for whom appointments are requested by the Small Business Administration and other Government agencies, by the Department of Defense, congressional representatives, or committees. Insures that there is made available to small business and labor surplus concerns, timely information with respect to proposed procurements in order that they may have full opportunity to compete in compliance with applicable provisions of the Appropriation Act and other statutory requirements. Insures that small business and labor surplus area concerns are provided with adequate information on the steps they must take to become properly listed in the source systems of the Navy purchasing offices. Insures that there is made available to purchasing agencies of the Navy, information as to commodities and services that might be produced and furnished by small business and labor surplus area concerns and that all other proper actions are taken which will give such concerns an equitable opportunity to participate in the furnishing of commodities and services to the Navy. Insures that small business individual enterprises and labor surplus area concerns interested in subcontracting opportunities are provided with available and pertinent information that would help them in contacting prime contractors and their major subcontractors. Insures that information as to the capability of specific small business and labor surplus area concerns which have submitted that information to the Navy is furnished to the Navy major prime and subcontractors. Compiles or causes to be compiled comprehensive and valid records which will reflect the extent of participation of small business and labor surplus area concerns in Navy procurement and production programs, including their participation of small business concerns as subcontractors to Navy prime contractors and their major subcontractors. Serves as the focal point within the Navy for the dissemination of this information. Develops and provides periodic information and required reports to the Secretary of the Navy, the DOD, the SBA, and other agencies and congressional committees on the extent and trends of the participation of small independent enterprises, minority entrepreneurs, and labor surplus area concerns in Navy programs. Reviews and submits comments to the Navy Secretary on proposed legislation or reviews existing legislation that would have an impact on the small business, minority entrepreneur, and labor surplus area policies and programs of the Navy.

III. CONTROLS OVER THE POSITION

Works under the technical supervision of the Assistant Secretary of the Navy (Installations and Logistics). Guidelines used are contained in regulations and directives on small business and labor surplus area matters. Work may be reviewed by superior for conformance and consistency with related program areas.

DEPARTMENT OF THE AIR FORCE

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 15, 1974.

Hon. JOHN L. MCLUCAS,
Secretary of the Air Force,
Department of the Air Force, Washington, D.C.

DEAR MR. SECRETARY: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of the small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government.

To obtain current information with respect to your Department's activities which we plan to publish, please provide a report to the subcommittee in nine copies by September 18, 1974, setting forth the following information for fiscal years 1972, 1973, and 1974:

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amounts and percentages of total awards.
2. Small business subcontracting program activities and performance.
3. Research and development awards to all business firms and to small business firms in percentages.
4. Awards by claimant program to all business firms and to small business firms in percentages.
5. Small business goals established by the Department of Defense for the Department of the Air Force and the goals assigned by your Department to each Command or Activity and their respective achievements.
6. Coordination with Small Business Administration in furtherance of small business programs, including set-asides, subcontracting and the section 8(a) program.
7. Awards made to the Small Business Administration under section 8(a).
8. Labor surplus area set-aside awards.
9. Small business nonresponsibility determinations based upon alleged lack of tenacity and perseverance and alleged lack of integrity, appeals taken and results.
10. Analysis of small business exclusion and participation showing procurements (*a*) not offered to small business with reasons for exclusion; (*b*) offered but not awarded to small business with reasons for non-award; (*c*) set aside for small business; and (*d*) awarded to small business in unrestricted competition. Illustrate the statistical data for FY 1974 by chart.
11. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

There is enclosed for your information a copy of the committee's July 31, 1974, letter to Defense Secretary Schlesinger signed by Chairman Evins and all members of the full committee expressing concern that a recent curtailment of operations and staffing in the Small Business Office of the Department of Defense will have a detrimental effect upon the small business procurement programs of DOD, the military departments, and the Defense Supply Agency, and will inhibit small business opportunity to participate equitably in defense procurement.

In view of the serious and urgent nature of the matter, we request that you provide a full and complete report to the subcommittee in 25 copies by September 9, 1974, setting forth the following:

A. Official description of the missions and functions of Air Force's Small Business Office and the date on which the statement thereof became effective.

B. Names, titles, and grades of the Air Force Small Business Advisor and members of his staff as of June 30, 1973, June 30, 1974, and as of the date of your report, indicating whether such staff is full or part-time.

C. Explanation of and justification for any changes which occurred since June 30, 1973, in staffing or mission.

41-212—74——4

D. Your plans—personnel and mission—and any changes contemplated for fiscal year 1975.

If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

Enclosure.[1]

STATEMENT OF RICHARD J. KEEGAN, DEPUTY ASSISTANT SECRETARY, PROGRAMS AND ACQUISITION

This is in response to your letter of August 15, 1974, concerning the Air Force small business program.

We are pleased to submit the specific information requested. The data contained in attachments 1 through 11 correspond with the numbered paragraphs of your letter. Attachment 12 is the information you requested concerning the mission and functions of the Air Force Small Business Office and its staffing.

Attachment 11, additional information or comments, is provided in the form of a statement which discusses our performance in some detail. The Air Force is most proud of its accomplishments in this important national program during the past 3 years. The following are some of the highlights of our statement.

In fiscal year 1973 we awarded the highest percentage (13.2 percent) of dollar awards to small business firms in the 24-year history of the Air Force small business program. This was followed in 1974 by a small business performance rate of 13.1 percent, notwithstanding substantially increased spending for airframes and aircraft engines.

The dollars awarded to small business firms have increased in each of the 3 years under review. In fact, dollars awarded to small business firms in fiscal year 1974 totaled $1.237 billion. This is the second highest total in 24-years. The highest dollar figure is $1.312 billion awarded in fiscal year 1967, the height of the Vietnam buildup. In that year, total spending was almost $11 billion, or $1.5 billion more than fiscal year 1974.

Set-aside performance in terms of both dollars and percentages have increased in each of the past 3 years. The amount of contract dollars awarded under set-asides by the Air Force last year of $384 million is the highest total since we began keeping separate records on set-asides (fiscal year 1966).

Contract dollars awarded to firms controlled by socially or economically disadvantaged persons pursuant to section 8(a) of the Small Business Act have likewise increased in each of the 3 years under review. In fact, the $29.3 million in 8(a) awards for fiscal year 1974 represents an increase of 46 percent over the $20.0 million awarded in fiscal year 1973. Even more important perhaps, the Air Force consistently has awarded more 8(a) contracts than any of the other Military Departments thereby providing business opportunities for a greater number of disadvantaged entrepreneurs.

In summary, the accomplishments noted above are substantial. They are the result of dedicated effort on the part of procurement, requirements, technical and small business personnel both within

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[1] For letter of July 31, 1974, see p. 2.

and outside of the Air Force, not the least of which has been the participation by members of your committee staff in a number of Air Force small business conferences and seminars.

We intend to continue our efforts in furtherance of the small business program. Thank you for the opportunity to report on these matters.

Sincerely,

RICHARD J. KEEGAN,
Deputy Assistant Secretary
(Programs & Acquisition).

Twelve attachments.

12 ATTACHMENTS

1. Prime contract awards to all business, small business and small business set-asides.
2. Small business subcontracting program activities performance.
3. Research and development awards to all business firms and small business.
4. Awards by claimant program to all business firms and percent to small business firms.
5. Small business goals and achievements by activity.
6. Coordination with Small Business Administration.
7. Section 8(a) awards to the Small Business Administration.
8. Labor surplus area set-aside awards.
9. Small business nonresponsibility determinations based upon alleged lack of tenacity and perseverance or integrity.
10. Analysis of small business procurement—exclusion and participation.
11. Additional information or comments.
12. Mission and functions of the Air Force Small Business Office and its staffing.

ATTACHMENT 1

DEPARTMENT OF THE AIR FORCE

PRIME CONTRACT AWARDS TO ALL BUSINESS, SMALL BUSINESS AND SMALL BUSINESS SET-ASIDES, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total awards to all firms	$10,012	$9,031	$9,448
Total awards to small business firms	$1,157	$1,191	$1,237
Percent to small business firms	11.6	13.2	13.1
Total small business set-aside awards	$305	$350	$384
Percent of set-asides to total awards to all firms	3.0	3.9	4.1

ATTACHMENT 2

DEPARTMENT OF THE AIR FORCE

SMALL BUSINESS SUBCONTRACT STATISTICS FOR PRIME CONTRACTORS UNDER AIR FORCE COGNIZANCE

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Subcontracts	$2,536	$3,075	$3,348
Small business	597	826	1,004
Large business	1,939	2,249	2,344
Percent to small business	23.6	26.9	30.1
Performance—Formal surveillance reviews:			
Excellent	27	17	18
Satisfactory	6	6	4

Small Business Subcontract Program—Activities and Performance

activities

The Air Force has instituted an aggressive small business subcontract effort which we have called our "Small Business Subcontract Special Emphasis Program." There is a full-time small business specialist at our Air Force Contract Management Division who works on a continuous basis on this program. In addition, there is a part-time small business specialist at each of our Air Force Plant Representative Offices who augments his efforts.

The performance of our prime contractors in the small business subcontracting program is evaluated by actual plant visits generally made once a year by the Air Force Contract Management Division small business specialist. These evaluations are jointly made with the cognizant Small Business Administration Procurement Center Representative. In addition, the part-time small business specialists exercise surveillance on a continuous basis.

Following is a listing of some of the actions taken in our "small business subcontract special emphasis program" which show the positive attitude being taken:

(1) Personal "reemphasis" letters have been sent by the Commander, Air Force Contract Management Division, to the chief executive officer of each contractor activity where the Air Force has small business subcontract review responsibility. The personal support of chief executive officers has been solicited in giving impetus to the small business subcontract program.

(2) Our Air Force Contract Management Division small business specialist has given small business program orientation briefings to contractor procurement, requirement, and production personnel.

(3) A small business booklet entitled "Big Ideas for Small Business or Selling to Air Force Primes as Viewed by the Air Force Contract Management Division" was prepared and given wide distribution to the small business community by the Air Force Contract Management Division. The purpose of this booklet is to better acquaint small business firms with the subcontract opportunities available with our major prime contractors.

(4) A small business poster campaign being conducted in-house was extended to include prime contractors.

(5) A program of selecting a "Small Business Subcontractor of the Month" was outlined and suggested for use by our prime contractors.

(6) Special emphasis is being given to the small business aspects of a contractor's make-or-buy program.

(*a*) Where a contractor's make-or-buy program is a part of a contract negotiation, special attention is being given to the factor as to whether small business firms may be able to compete for subcontracts.

(*b*) The Air Force Contract Management Division is giving special attention to whether a contractor is deviating from his historical make-or-buy policies and procedures during joint Air Force/Small Business Administration reviews of prime contractors' small business subcontract programs.

(*c*) Contracting officers are requesting the comments of the contract administration small business specialist in addition to obtaining the coordination of the procuring activity small business specialist regarding a contractor's proposed make-or-buy program.

(7) Prime contractors are being encouraged to utilize the Commerce Business Daily in locating small business sources in areas where none or few small business sources are known.

(8) Prime contractors are being encouraged to utilize the SBA voluntary referral program to the maximum degree to locate new small business sources.

(9) A voluntary small business subcontract set-aside program is being tested with two of our Air Force Systems Command maintenance and operations contractors.

(10) The Air Force Contract Management Division is giving special emphasis in their periodic reviews of small business subcontracting programs as to the validity of categories such as "mandatory large business," "no known small business sources," "justified sole source other than mandatory," and "small business sources eliminated for justifiable reasons."

(11) A test is being made at the Aeronautical Systems Division wherein certain work under prime contractor facilities contracts will be directed to small business firms. This test applies to facilities contracts with no profit or fee, for work necessary to modernize, maintain, and repair the facilities, including in some cases real property and production equipment, which is wholly owned by the Government but which is being operated and/or used by the prime contractor in question. The results of this test effort will be made known to the ASPR Committee by July 31, 1975. They can then consider whether this might have application throughout the Department of Defense.

ATTACHMENT 3

DEPARTMENT OF THE AIR FORCE

RESEARCH AND DEVELOPMENT AWARDS TO ALL BUSINESS FIRMS AND SMALL BUSINESS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total R. & D. awards to all firms	$2,331	$2,287	$2,099
Total R. & D. awards to small business firms	78	68	72
Percent to small business firms	3.3	3.0	3.4

ATTACHMENT 4

DEPARTMENT OF THE AIR FORCE

AWARDS BY CLAIMANT PROGRAM TO ALL BUSINESS FIRMS AND PERCENT TO SMALL BUSINESS FIRMS, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	All business firms	Percent to small business	All business firms	Percent to small business	All business firms	Percent to small business
Total	$10,012.1	11.6	$9,030.6	13.2	$9,448.1	13.1
Airframes and spares	2,604.9	1.4	2,055.6	1.3	2,191.3	1.4
Aircraft Engines and spares	1,016.9	2.4	837.9	3.3	1,205.3	2.5
Other aircraft equipment	343.6	16.8	349.3	9.6	397.7	13.0
Missile and space systems	2,211.9	1.6	1,950.9	1.9	1,772.3	2.1
Ships	.9	100.0	.2	100.0	.4	100.0
Combat vehicles	23.1	48.8	25.1	48.2	30.7	63.5
Noncombat vehicles	54.8	9.0	45.1	8.8	55.4	8.8
Weapons	194.0	29.3	149.3	35.6	108.8	29.7
Ammunition	1,095.4	8.6	1,153.4	7.1	1,149.5	7.8
Electronics and communication equipment	.1	-------	.1	82.7	.8	64.9
Petroleum	.1	----------	----------	----------	.1	16.8
Other fuels and lubricants	.1	82.9	----------	----------	----------	----------
Containers and handling equipment	9.9	51.6	12.3	46.2	12.7	49.0
Textiles, clothing and equipage	9.3	35.6	17.7	7.8	3.2	24.7
Building supplies	52.4	34.0	56.7	33.5	74.9	31.5
Subsistence	----------	----------	----------	----------	----------	----------
Transportation equipment	15.6	38.8	9.1	36.1	14.4	30.8
Production equipment	178.4	80.7	248.4	73.8	274.5	70.3
Construction	.5	29.9	.9	10.8	.1	212.5
Construction equipment	2.0	23.7	1.3	27.6	1.8	28.5
Medical and dental supplies and equipment	21.6	26.2	20.5	24.8	12.3	33.5
Photographic equipment and supplies	8.4	17.5	14.3	79.8	4.2	85.5
Materials handling equipment	154.0	31.2	151.3	38.4	143.0	41.9
All other supplies and equipment	1,008.1	17.1	856.3	21.1	822.2	21.0
Services	1,005.9	42.5	1,074.7	41.5	1,172.6	40.1
All other action of less than $10,000						

ATTACHMENT 5

DEPARTMENT OF THE AIR FORCE

SMALL BUSINESS GOALS AND ACHIEVEMENTS BY ACTIVITY, FISCAL YEARS 1972 AND 1973

[In percent]

	Fiscal year 1972			Fiscal year 1973		
	Target goal	Minimum goal	Achievement	Target goal	Minimum goal	Achievement
Total Air Force	11.2	10.2	11.6	11.0	10.3	13.2
Alaskan Air Command	57.1	52.0	51.5	55.0	53.8	60.3
U. S. Air Force Academy	59.8	59.2	59.5	48.0	46.4	57.0
Aerospace Defense Command	34.8	31.6	36.6	36.0	34.1	29.9
U. S. Air Forces in Europe	23.0	20.9	21.4	22.0	21.3	18.1
Air Force Accounting and Finance Center	60.6	55.0	66.4	62.0	57.3	31.4
Air Force Logistics Command	17.5	16.0	18.8	16.0	15.5	19.1
Aeronautical Chart and Information Center	42.6	39.0	26.7	(1)		
Air Force Systems Command	3.0	2.7	3.6	3.0	2.8	3.5
Air Training Command	46.3	42.0	42.9	41.0	39.7	42.4
Air University	49.6	45.0	35.8	37.0	34.9	38.1
U.S. Air Forces Southern Command	56.2	50.8	71.4	73.0	71.7	87.8
Headquarters Air Force Reserve	38.0	34.4	38.0	39.0	36.0	39.7
Headquarters Command USAF	57.9	53.0	55.0	38.0	36.6	66.6
Military Airlift Command	21.6	19.6	26.1	39.5	33.0	38.1
Pacific Air Forces	33.8	30.0	45.5	48.0	46.0	59.7
Strategic Air Command	48.2	43.9	44.4	46.0	44.9	44.6
Tactical Air Command	48.0	43.7	45.8	39.0	36.5	42.4
U.S. Air Force Security Service	53.8	49.0	45.5	47.0	46.0	39.9
Air Force Communications Service	23.2	21.2	20.2	11.0	9.9	11.8
Total Air Force Logistics Command	17.5	16.0	18.8	16.0	15.5	19.1
Oklahoma City Air Logistics Center		9.4	8.9	9.8	9.6	11.3
Ogden Air Logistics Center		22.0	33.7	24.0	22.4	27.6
San Antonio Air Logistics Center		21.1	22.4	19.0	18.3	23.6
Sacramento Air Logistics Center		13.8	17.1	15.9	14.8	15.5
Warner Robins Air Logistics Center		13.4	19.3	16.5	16.4	17.9
2750th Air Base Wing, Wright-Patterson Air Force Base		31.2	34.4	20.0	19.5	34.7
Aerospace Guidance and Metrology Center		45.0	60.2	47.0	47.0	45.9
Total Air Force Systems Command	3.0	2.7	3.6	3.0	2.8	3.5
Headquarters Air Force Systems Command[2]			3.9			2.8
Arnold Engineering Development Center		2.1	9.8	4.2	3.8	6.0
Space and Missile Systems Organization		1.3	2.2	1.7	1.5	2.3
Air Force Flight Test Center		25.2	25.3	26.0	25.8	24.6
Rome Air Development Center		12.5	10.5	12.5	12.0	12.0
Air Force Special Weapons Center		24.4	26.8	26.0	25.0	23.4
Armament Development and Test Center		9.2	12.5	10.7	10.5	9.7
4950th Test Wing, Aeronautical Systems Division		8.6	11.6	11.8	11.5	12.5
Air Force Eastern Test Range		10.2	11.5	11.8	11.6	14.8
Aeronautical Systems Division		.8	1.5	.9	.9	1.1
Electronics Systems Division		5.7	7.3	6.5	6.5	5.4
Office of Scientific Research		37.7	35.9	40.0	40.0	38.0
Aerospace Medical Division		38.5	54.7	46.0	45.0	61.4
Air Force Civil Engineering Center[3]						44.4

[1] ACIC merged into a DOD organization.
[2] Headquarters AFSC is not assigned a goal.
[3] AFCEC activated during fiscal year 1973.

DEPARTMENT OF THE AIR FORCE

SMALL BUSINESS GOALS AND ACHIEVEMENTS BY ACTIVITY, FISCAL YEAR 1974

[Dollar amount in thousands]

	Target dollar goal	Minimum dollar goal	Small business dollar achievement	Percent achieved
Total Air Force	$1,205,710	$1,150,226	$1,236,745	----------
OSD assigned percent goal	12.5	12.0	----------	13.1
Alaskan Air Command	$16,000	$15,313	$17,560	62.0
U.S. Air Force Academy	10,500	9,943	11,068	59.1
Aerospace Defense Command	18,000	17,500	19,900	34.0
U.S. Air Forces in Europe	370	349	213	18.5
Air Force Accounting and Finance Center	560	526	576	48.2
Air Force Logistics Command	410,000	390,000	427,066	19.9
Air Force Systems Command	196,000	185,581	198,170	3.4
Air Training Command	94,000	89,531	98,173	41.8
Air University	10,000	9,669	8,620	29.0
U.S. Air Forces Southern Command	2,380	2,260	1,485	71.0
HQ Air Force Reserve	6,150	5,852	10,615	50.7
Headquarters Command USAF	19,100	18,167	21,349	45.9
Military Airlift Command	138,000	131,542	136,229	39.3
Pacific Air Forces	11,200	10,565	10,685	54.5
Strategic Air Command	166,000	161,166	163,788	41.4
Tactical Air Command	98,000	93,322	102,890	42.7
U.S. Air Force Security Service	3,150	2,940	3,080	43.8
Air Force Communications Service	6,300	6,000	5,278	8.6

Note: In fiscal year 1974 a dollar goal was assigned by the Air Force for the 1st time.

DEPARTMENT OF THE AIR FORCE

SMALL BUSINESS GOALS AND ACHIEVEMENTS, BY ACTIVITY, FISCAL YEAR 1974

[Dollar amounts in thousands]

	Target goal	Minimum goal	Small-business achievement	Percent achieved
Oklahoma City Air Logistics Center	$77,200	$74,400	$74,667	11.3
Ogden Air Logistics Center	77,600	74,800	89,515	28.0
San Antonio Air Logistics Center	103,400	98,400	113,286	22.7
Sacramento Air Logistics Center	38,000	35,200	33,217	16.4
Warner Robins Air Logistics Center	90,800	85,700	84,874	21.7
2750th Air Base Wing, Wright-Patterson Air Force Base	21,000	20,000	29,681	40.3
Aerospace Guidance and Metrology Center	2,000	1,500	1,826	46.4
Total, Air Force Logistics Command	410,000	390,000	427,066	19.9
Headquarters, Air Force Systems Command [1]			159	24.1
Arnold Engineering Development Center	3,700	3,600	4,040	5.8
Space and Missile Systems Organization	34,600	33,600	35,774	2.5
Air Force Flight Test Center	10,200	9,800	13,363	33.0
Rome Air Development Center	9,300	8,300	11,096	16.0
Air Force Special Weapons Center	19,000	18,300	21,221	24.8
Armament Development and Test Center	22,200	21,200	18,179	12.7
4950th Test Wing, Aeronautical Systems Division	24,000	23,500	19,224	11.0
Air Force Eastern Test Range	13,500	13,300	16,581	14.4
Aeronautical Systems Division	28,500	27,400	31,509	1.0
Electronics Systems Division	25,400	24,300	19,970	4.3
Office of Scientific Research	1,900	1,800	2,160	45.2
Aerospace Medical Division	3,700	3,400	4,582	55.4
Air Force Civil Engineering Center	300	271	312	36.1
Total, Air Force Systems Command	196,000	185,581	198,170	3.4

[1] Headquarters, Air Force Systems Command, is not assigned a goal.

Attachment 6

COORDINATION WITH SMALL BUSINESS ADMINISTRATION

In furtherance of small business programs, including set-asides, subcontracting and the section 8(a) program.

FISCAL YEARS 1972–74

1. SBA personnel have been invited to attend and have attended a number of conferences of Air Force Small Business Specialists. These include the Air Force Systems Command (AFSC) conferences and the meetings held by the Air Force Logistics Command (AFLC) every 6 months where the SBA Procurement Center Representatives (PCR's) meet together with the AFLC Small Business Specialists.

2. SBA has been invited to attend and speak at the small business seminars attended by procurement, requirements and technical personnel which now have been held at least once at each of the Air Logistics Centers. These seminars will continue in the future.

3. The Air Force Small Business Office constantly stresses cooperation and team-work with the SBA. For example, the SBA PCR is always contacted during Headquarters USAF staff surveillance visits. The Air Force Small Business Advisor is attempting to visit SBA regional officials and District Directors whenever he is in their area to sound out and discuss mutual problems and opportunities.

4. The Air Force has devoted one-sixth of the curriculum of the Air Force Small Business Course given at Lowry Air Force Base to the SBA and its role. SBA lecturers teach this part of the course which is attended by Base Procurement Officers and Small Business Specialists assigned to Base Procurement Offices.

5. Subcontract surveillance reviews at the plants of major contractors who are under the cognizance of the Air Force for contract administration are conducted by a joint Air Force-SBA team.

6. The new SBA Associate Administrator for Procurement Assistance has been invited to visit major Air Force installations to acquaint him with the Air Force small business program and problems which require joint action.

ATTACHMENT 7

DEPARTMENT OF THE AIR FORCE

SEC. 8(a) AWARDS TO THE SMALL BUSINESS ADMINISTRATION, FISCAL YEARS 1972 THROUGH 1974

	Fiscal year—			
	1972	1973	1974	Total
Number of awards to SBA	213	264	259	736
Dollar value of awards to SBA	17,515,010	20,047,712	29,269,549	66,832,271

ATTACHMENT 8

DEPARTMENT OF THE AIR FORCE

LABOR SURPLUS AREA SET-ASIDE AWARDS, $10,000 OR MORE, FISCAL YEARS 1972 THROUGH 1974

[Dollar amounts in millions]

	Fiscal year—		
	1972	1973	1974
Total preference awards	$18	$7.1	$11

ATTACHMENT 9

DEPARTMENT OF THE AIR FORCE

REASON CONTRACTS NOT AWARDED TO SMALL BUSINESS LOW BIDDERS

TENACITY AND PERSEVERANCE OR INTEGRITY

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Number	Value	Number	Value	Number	Value
Total Air Force	1	$14,349	5	$495,572	2	$64,800
Air Force Logistics Command	0		[1] 3	412,957	[2] 1	28,224
Air Force Systems Command	9		[2] 1	71,180	0	
Air University	[1] 1	14,349	[3] 1	11,435	0	
Strategic Air Command	0		0		[1] 1	36,576
CERTIFICATES OF COMPETENCY						
Number and value of such withheld awards	109	$20,301,065	131	$40,655,805	151	$34,255,405
Identify the procuring activities involved in such determinations	([4])	([4])	([4])	([4])	([4])	([4])
Number and value of withheld awards referred to SBA	109	20,301,065	128	28,137,229	142	31,255,194
Low bidder failed or declined to appeal	53	4,539,846	59	7,023,982	89	17,609,938
Reversed by the procuring activity before SBA decision	22	5,138,893	11	569,441	11	631,769
COC issued by SBA	16	2,709,328	32	7,440,939	31	9,438,240
SBA declined to issue a COC	18	7,912,998	26	23,136,732	11	3,575,247

[1] Not appealed.
[2] Appeal denied.
[3] Not appealed because of urgency.
[4] See attachment 1.

COC'S BY AIR FORCE COMMANDS

	Number	Value
FISCAL YEAR 1972		
Air Training Command:		
Low bidder declined to appeal	1	$518,191
COC issued	3	906,107
Military Airlift Command: COC issued	2	179,922
Strategic Air Command:		
Low bidder declined to appeal	4	154,471
COC issued	1	55,194
Air Force Systems Command:		
Reversed by procuring activity before SBA decision	6	1,946,497
SBA declined to issue COC	4	137,031
Air Force Logistics Command:		
Low bidder neglected or declined to appeal	48	3,864,184
Actions reversed by procuring activity or by PAS board before SBA decision	16	3,192,396
COC issued	10	1,568,105
SBA declined to issue COC	14	7,775,967
FISCAL YEAR 1973		
Air Training Command:		
Low bidder declined to appeal	5	4,191,003
COC issued	2	437,464
Military Airlift Command: Low bidder declined to appeal	4	203,657
Strategic Air Command:		
Low bidder declined to appeal	4	455,458
COC issued	3	122,237
Tactical Air Command:		
Low bidder declined to appeal	3	203,961
COC issued	1	237,935
SBA declined to issue COC	1	35,000
Air Force Communications Service: SBA declined to issue COC	1	6,630
Headquarters Command USAF: Low bidder declined to appeal	1	19,985
Aerospace Defense Command: COC issued	1	46,000
Air Force Systems Command: SBA declined to issue COC	1	100,000
Air Force Logistics Command:		
Low bidder declined to appeal	42	1,949,918
Reversed by procuring activity before SBA decision	11	569,441
COC issued	25	6,597,303
SBA declined to issue COC	23	22,995,132

COC'S BY AIR FORCE COMMANDS—Continued

	Number	Value
FISCAL YEAR 1974		
USAF Academy: COC issued by SBA	1	$54,889
Military Airlift Command:		
Low bidder declined to bid	1	53,594
COC issued by SBA	1	120,934
SBA declined to issue COC	1	407,258
Strategic Air Command:		
Low bidder declined to appeal	2	144,242
COC issued	4	291,437
SBA declined to issue COC	2	259,196
Tactical Air Command:		
Low bidder declined to appeal	1	40,662
COC issued	1	89,891
Air Force Systems Command:		
Low bidder declined to appeal	1	36,000
COC issued	1	107,370
Headquarters Command USAF: SBA declined to issue a COC	1	143,896
Air Training Command: Low bidder declined to appeal	1	12,364,859
Air Force Logistics Command:		
Low bidder declined to apply for COC	83	4,970,581
Reversed by procuring activity before SBA decision	11	631,769
COC issued	23	8,773,719
SBA declined to issue COC	7	2,764,897

ATTACHMENT 10

DEPARTMENT OF THE AIR FORCE

ANALYSIS OF SMALL BUSINESS PROCUREMENT, FISCAL YEARS 1972 THROUGH 1974

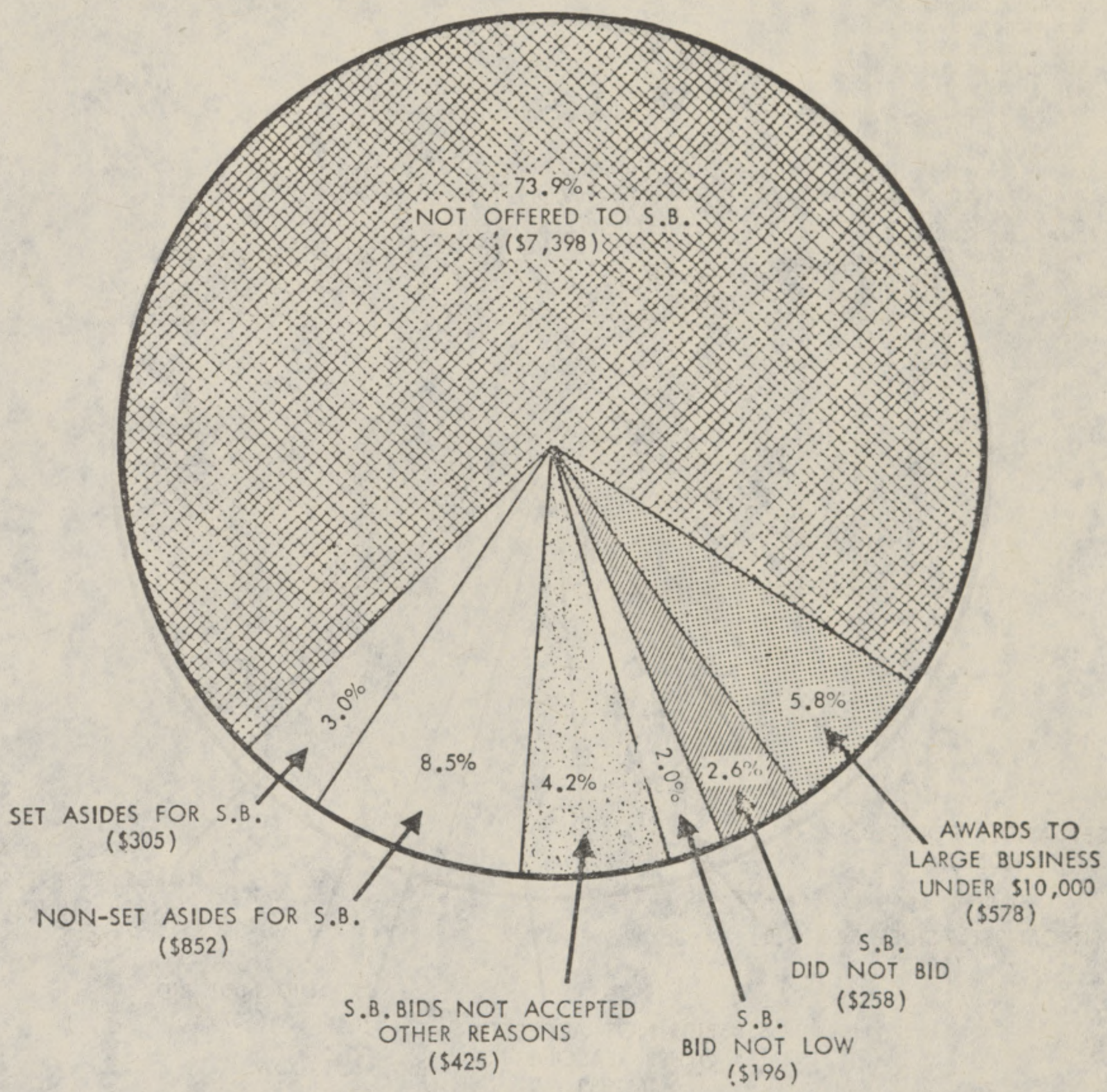
[Dollar amounts in millions]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount	Percent	Amount	Percent	Amount	Percent
Total with business firms	$10,012	100.0	$9,030	100.0	$9,448	100.0
Not offered to small business [1]	7,398	73.9	6,391	70.8	6,775	71.7
Offered to small business	2,614	26.1	2,639	29.2	2,673	28.3
Non-set-asides to small business	852	8.5	840	9.3	853	9.0
Set-asides to small business	305	3.0	350	3.9	384	4.1
Not awarded to small business	1,457	14.6	1,449	16.0	1,436	15.2
Small business did not bid	258	2.6	379	4.2	508	5.4
Small business bid not low	196	2.0	158	1.7	127	1.3
Small business bid not accepted for other reasons	425	4.2	283	3.1	99	1.0
Awards under $10,000 to large business	578	5.8	629	7.0	702	7.5

[1] Procurements are not offered to small business when (i) there is no known small business source, (ii) no small concern can meet the required delivery schedule, (iii) the item is under the proprietary control of large business, and (iv) maintenance of the mobilization base necessitates limitation of solicitation to large business.

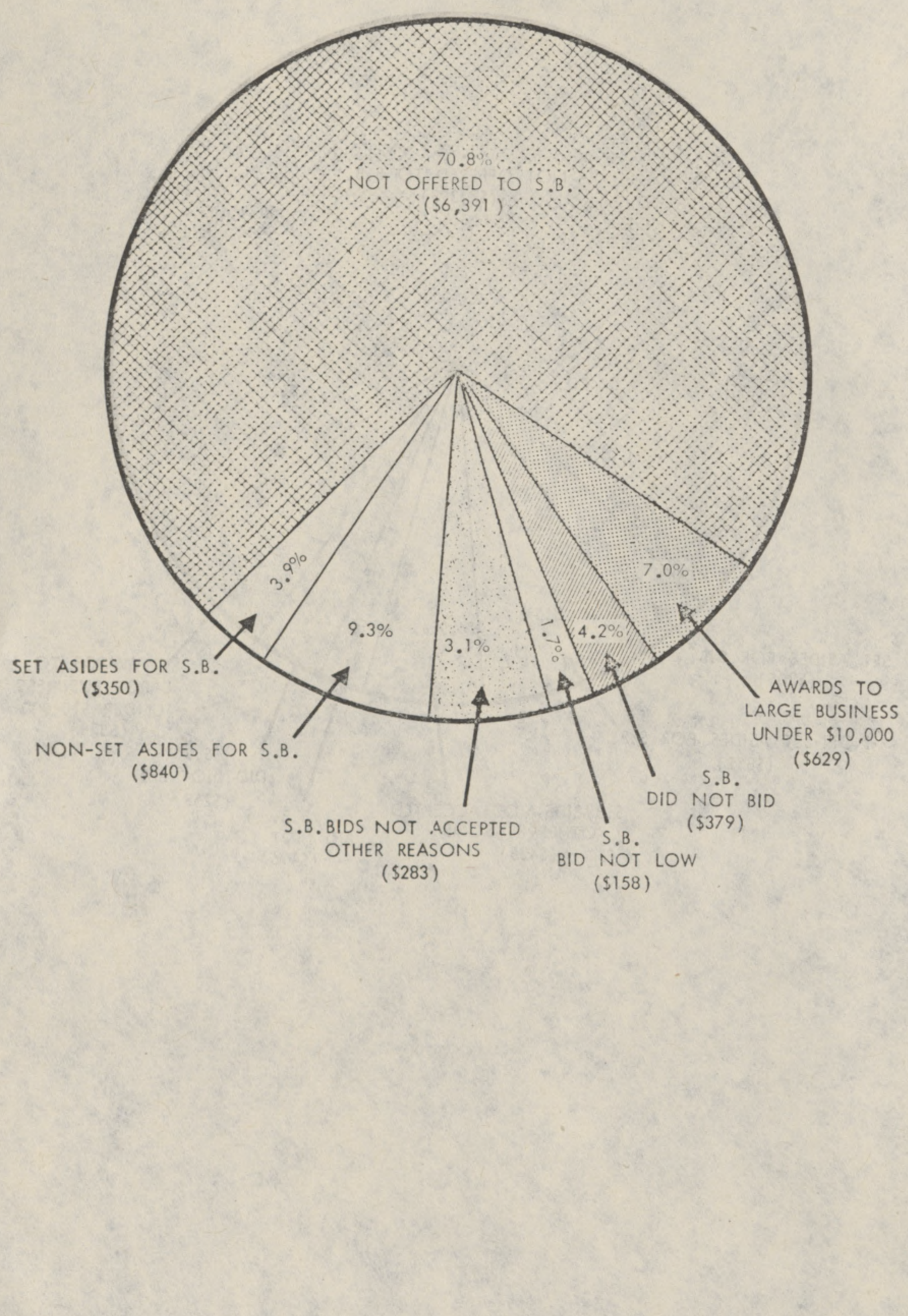
SMALL BUSINESS PARTICIPATION IN AIR FORCE PROCUREMENT
FY 1972

(MILLIONS OF DOLLARS)



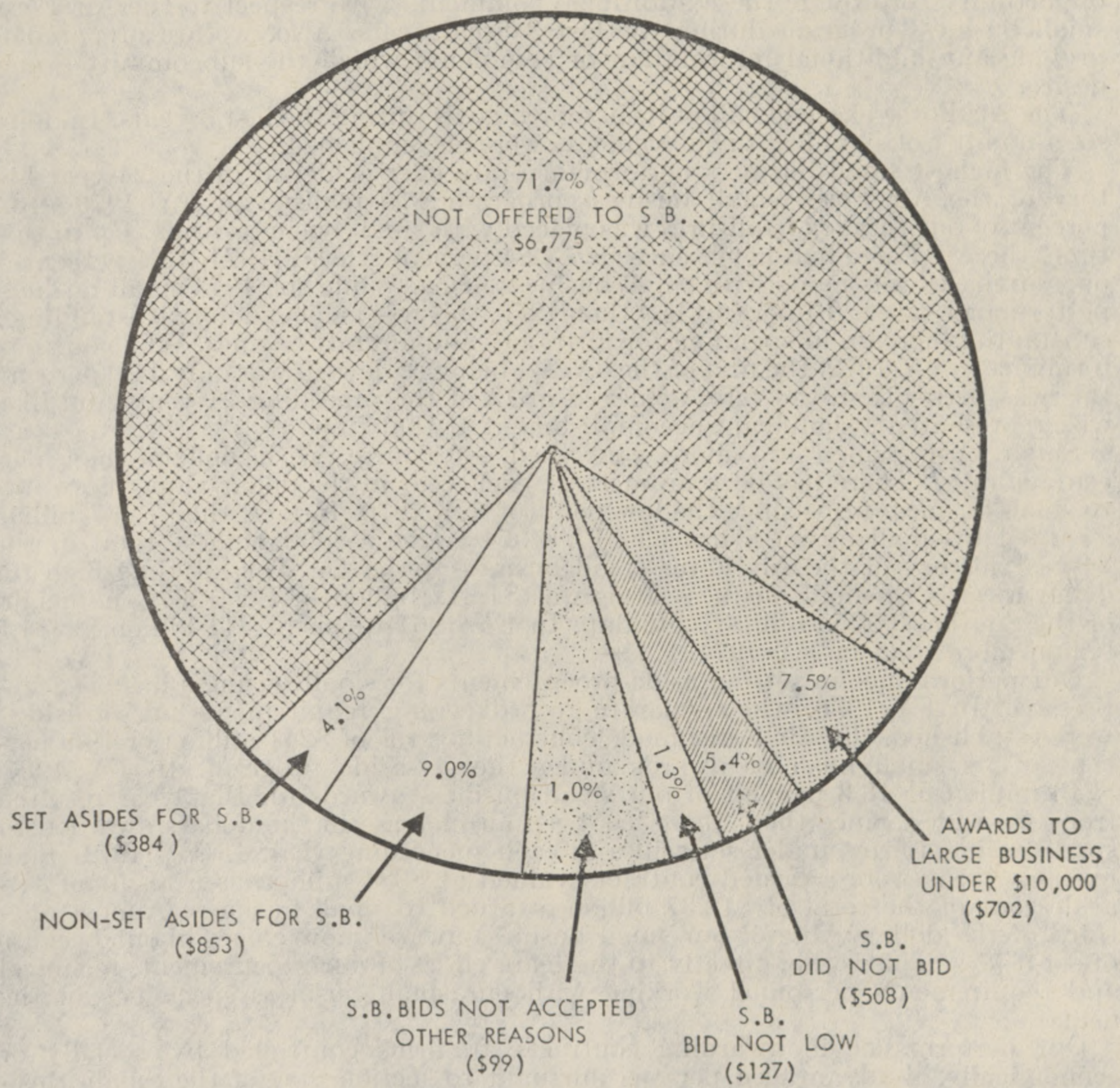
SMALL BUSINESS PARTICIPATION IN AIR FORCE PROCUREMENT
FY 1973

(MILLIONS OF DOLLARS)



SMALL BUSINESS PARTICIPATION IN AIR FORCE PROCUREMENT
FY 1974

(MILLIONS OF DOLLARS)



Attachment 11

STATEMENT OF MR. RICHARD J. KEEGAN, DEPUTY ASSISTANT SECRETARY (PROGRAMS AND ACQUISITION), OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS)

Mr. Chairman and members of the committee, we are pleased to have the opportunity to provide these additional comments with respect to the Air Force small business program during the last 3 fiscal years. Also, we are prepared to provide any additional information or comments which the subcommittee may desire.

The Air Force exceeded all of its assigned goals during the last 3 years. In doing so, a number of significant achievements were accomplished.

The highest small business performance rate ever achieved in the 24-year history of the Air Force small business program was realized in FY 1973—13.2 percent of our total expenditures was placed with small business firms. Up to that time, the Air Force had never exceeded 12.4 percent. In FY 1974, 13.1 percent of our purchases was made with small business firms. While the 1974 small business performance rate is 0.1 percent less than 1973, this was achieved notwithstanding a substantial increase in spending for airframes and aircraft engines. While our performance in FY 1972, the first of the 3 years being reviewed, was only 11.6 percent, this was better than the rates achieved in 18 of the preceding 21 years and likewise represented a significant accomplishment at that time.

Small businessmen are more concerned, of course, with dollars than percentage rates. There has been an increase each year in the dollar value of awards to small business firms since the low point of FY 1970. In fact, the $1.237 billion awarded to small business firms in FY 1974 is the second highest total in the 24-year history of the Air Force small business program. The all time high for dollar awards to small business firms was $1.312 billion in FY 1967, the height of the Southeast Asia military buildup. In FY 1967 we spent $11 billion, or $1.5 billion more than in FY 1974.

Our performance in setting aside procurements for small business has been impressive. In FY 1966, when separate recordkeeping requirements on set-asides were established, the Air Force made contract awards of $241 million or 19.9 percent of its small business awards under the set-aside program. In FY 1967, $240 million or 18.3 percent of our small business awards for that year resulted from set-asides. Since then, there has been an increase in the dollars awarded to small business firms under set-asides in each succeeding year. In FY 1974 small business firms were awarded contracts valued at $384 million as a result of set-asides out of the total of $1.237 billion awarded to small business. Almost one-third of the dollar value of our small business awards now comes about because of set-asides. This is due directly to the team effort of our procurement, technical and requirements personnel working with our small business specialists in the field.

Our performance in awarding contracts to firms controlled by socially or economically disadvantaged persons pursuant to section 8(a) of the Small Business Act has likewise demonstrated continuing growth and improvement. Each of the 3 years under review has experienced an increase in the dollar value of these contracts over that of the preceding year. In FY 1974 we awarded $29.3 million in 8(a) contracts. This was a 46 percent increase over the amount awarded in FY 1973. At the same time, the Air Force has consistently awarded the greatest number of 8(a) contracts among the Military Departments. We believe that this is very significant as it affords business opportunities for a greater number of disadvantaged entrepreneurs.

I would also like to take the opportunity at this time to discuss some of the activities which have taken place during the last 3 years which have contributed to the continuing successful performance indicated above. No single act, of course, brought this about. Rather, it resulted from a great number of different actions. The one common thread, however, is that our actions are designed to motivate Air Force personnel—buyers, engineers, logisticians, contracting officers, small business specialists and commanders—to support the small business program.

The Air Force Logistics Command (AFLC) is the largest single contributor of Air Force contract awards to small business firms. It accounts for about one-third of all small business awards. For the first time, all five Air Logistics Centers (ALC's) recently held small business seminars. These seminars are day long affairs and are attended by several hundred key procurement and technical personnel. The format for these seminars was pioneered at the Sacramento ALC. Speakers from the Small Business Committee staffs and the Small Business

Administration are featured as well as key Air Force procurement officials. We believe that these seminars have been very helpful in motivating our people toward taking that extra effort which is often required to see that small business is given an opportunity to participate in our procurements. In FY 1974, AFLC awarded 19.9 percent of its procurement dollars, or $427 million, to small business firms. This is the best performance in that command since FY 1966.

Analysis of the Air Force small business program indicates that approximately one-half of all our small business dollars comes from Air Force commands other than AFLC or the Air Force Systems Command (AFSC). Most of this is base procurement. We have taken what we consider to be two important steps to motivate the people involved in procurement in these other commands.

First, there are no full-time small business specialists outside of AFLC and AFSC since their procurement work loads and organizations do not permit this. There are, however, approximately 135 people whose primary additional duty is that of being the small business specialist at their command or base. At the base level, these people generally are key civilian procurement personnel, usually the deputy base procurement officer. To motivate them and their bosses—the Base Procurement Officers—we have developed a 3-day small business training course at Lowry Air Force Base. In addition to being motivational in nature, the course is designed to give them the technical information they need and to show them how to establish an effective program at their base. We trained 110 people last year and will train 75 this year. We plan to continue the course in the future at the present level.

Second, it was apparent that there was little statistical visibility of the major claimant program item in base procurement—the category called "Procurements Under $10,000." We found that this data was available in our reporting system but was not being used. Accordingly, we developed the attached report on procurement actions under $10,000 by customer code and we publish it for each base as well as for each command. It is designed to be used as a management tool by these commands so that they can compare the performance of their individual bases in this important area. It should also be noted that this report helps explain an area in attachment 10—Awards Under $10,000 to Large Business—which has caused concern by the subcommittee for several years. The report shows that commissary sales account for 87 percent of the awards under $10,000 that are made to large business. This is due primarily to the necessity to stock name brand items in our commissaries.

The Commerce Business Daily (CBD) is an absolutely essential marketing tool for most small businessmen. We publicize most of our solicitations and contract awards over $10,000 in that paper. It takes only one quick glance at any CBD to see that the quality and organization of what we are publishing leaves much to be desired. Items are poorly described, essential data often is missing and there is too little time provided for many procurements. Consequently, we have authorized and budgeted for the production of a training film entitled "How to Publicize Defense Procurements." The film will be made by the Air Force Aerospace Audio Visual Service at Norton Air Force Base, Calif. The first script meeting is scheduled for September. The film will be designed to show our buyers and technical people how to organize and write an effective "advertisement."

The catalyst for the Air Force small business program is the small business specialist located where the buying is taking place. The Air Force Small Business Office has undertaken a series of staff visits and surveillance reviews designed to motivate these key people at our major procuring activities and at our major commands to greater accomplishments. The Air Force small business advisor attempts to visit each major Air Force buying activity at least once a year to discuss problems and opportunities. Staff surveillance reviews are now conducted annually at our major commands and at a number of our major buying activities by the Air Force Small Business Office. Senior Air Force procurement officials likewise cover small business performance during their staff visits. My office itself participates in various small business conferences and seminars throughout the year. This person to person contact is vital to encourage our small business specialists to be aggressive, innovative and effective in discharging their duties.

Even more important to a successful small business program is the support of the commander. In addition to the reviews, seminars and visits noted above, Air Force commanders are motivated through the Secretary of the Air Force small business and minority enterprise award program. This program was initiated for FY 1972 and involves the presentation of an award plaque to those commands that meet their assigned small business goals.

An effective small business program involves, of course, more than motivation. There must be a solid base of policies, procedures and tools. I would like to mention just briefly some of our more innovative approaches to this aspect of the Air Force small business program.

The Space and Missile Systems Organization, AFSC, in Los Angeles conducted a course on Government purchasing procedures to provide basic procurement training for local small businessmen. This course was patterned after the one we reported on to this subcommittee in 1971. The course was offered through the Los Angeles School Division of Adult Continuing Education and was given in Van Nuys, Calif. As you know, Mr. Chairman, we were able to put on the course there because of your interest and assistance. The course was well received by the small businessmen who attended. Future offerings of this course are planned and other activities are reviewing the possibility of offering the course in their geographic areas.

The Armament Development and Test Center, AFSC, at Eglin Air Force Base, Fla., has developed a computerized procurement history by commodity, contractor performance and vendor source file. Their office has a terminal and printer which gives them instant data retrieval. The present data bank is very comprehensive. One of its more important uses is that previous small business responses by commodities can be retrieved to help decide whether any given new procurement can be set aside.

The Aeronautical Systems Division, AFSC, at Dayton, Ohio, is testing a program whereby subcontracts for the modernization, maintenance and repair of Government owned production facilities are being set aside for small business by the prime contractors who are utilizing the facilities involved. This program was developed with the assistance of the local SBA Procurement Center Representative. During FY 1974 ASD initiated small business subcontract set-asides having an estimated value of $1.4 million. The program appears to have considerable merit. The ASPR Committee has granted authority to continue the test through FY 1975.

In closing, I would like to say that our support of the small business program is not based on altruism, We need all the help we can get to make our dollars stretch further. Small business means competition, cost savings, quicker and better responses, technical innovation and an expanded industrial base. You may be assured of our continued support for this vital national program.

Attachment.

AIR FORCE REPORT FOR SMALL BUSINESS PERCENTAGES BY CUSTOMER CODES

TOTALS FOR AIR FORCE, AS OF JUNE 30, 1974

[Actions under $10,000 only]

Customer identification	Large business dollars	Small business dollars	Large and small business dollars	Small business percent
(B) Base supply	36,710,222	71,111,627	107,821,849	66.0
(C) Clothing sales store	988	124,761	125,749	99.2
(E) Base equipment management	913,348	2,099,888	3,013,236	69.7
(F) Non-Air Force activity	11,395	112,185	123,580	90.8
(G) Satellite account (base supply)	248,429	209,590	458,019	45.8
(H) Base chaplain	17,130	164,635	181,765	90.6
(L) Library account	34,739	230,403	265,142	86.9
(M) Medical supply	6,899,508	7,697,382	14,596,890	52.7
(O) Civil engineer	2,312,845	16,958,248	19,271,093	88.0
(T) Commissary	528,960,254	216,592,900	745,553,154	29.1
(U) Contract maintenance	2,343,783	9,681,713	12,025,496	80.5
(V) Miscellaneous (services)	17,166,908	43,109,328	60,276,236	71.5
(X) Miscellaneous (commodities)	13,706,990	38,650,309	52,357,299	73.8
Total	609,326,539	406,742,969	1,016,069,508	40.0
J001. DD form 1057 totals (CONUS only):				
Base	591,365,338	397,234,592	988,599,930	NA
Central	110,298,530	72,999,743	183,298,273	NA
Total	701,663,868	470,234,335	1,171,898,203	NA

Attachment 12

Mission and Functions of the Air Force Small Business Office and Its Staffing

A. The official description of the missions and functions of the Air Force Small Business Office is set forth in Department of the Air Force Headquarters Pamphlet 21–1 dated May 31, 1974. The following statement for the Directorate of Procurement Policy, Deputy Chief of Staff/Systems and Logistics, appears on page 19–17:

"1. *MISSION* (LGP)

"Functions as the office of primary responsibility (OPR) for planning, directing and supervising the development and implementation of procurement policies and procedures, and surveillance of their application by field activities, and for the acquisition of materiel and services by the Air Force. This responsibility extends from the release of requirements through delivery of the product to the using activity or to inventory.

"2. *FUNCTIONS*

"*Deputy for Small Business.* (LGPF) Represents the Air Staff on small business and labor surplus area matters. Acts as advisor to the Director and to the Secretary of the Air Force on these matters."

B. Donald E. Rellins, GS–16, Air Force Small Business Advisor/Deputy for Small Business, Directorate of Procurement Policy, Deputy Chief of Staff/Systems and Logistics.

David S. Taylor, GS–15, Assistant Deputy for Small Business, Directorate of Procurement Policy, Deputy Chief of Staff/Systems and Logistics.

Inis F. Millholland, GS–7, Secretary.

All personnel indicated above were in these positions on June 30, 1973, June 30, 1974, and are in these positions on the date of this report. All of these personnel are full-time in the positions indicated.

C. There have been no changes in staffing or mission. The mission and functions statement quoted above is identical to the earlier statement which was dated November 18, 1971.

D. The Air Force plans to continue the above. No changes in staffing or mission are contemplated for fiscal year 1975.

41–212—74——5

DEFENSE SUPPLY AGENCY

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 16, 1974.

Lt. Gen. WALLACE H. ROBINSON, JR.,
Director, Defense Supply Agency,
Cameron Station, Alexandria, Va.

DEAR GENERAL ROBINSON: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government.

To obtain current information with respect to your Agency's activities, which we plan to publish, please provide a report to the subcommittee in nine copies by September 18, 1974, setting forth the following information for fiscal years 1972, 1973, and 1974:

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amounts and percentage of total awards.

2. Awards by claimant program in all business firms and to small business firms in percentages.

3. Small business goal established by the Department of Defense for the Defense Supply Agency and the goal assigned by your Agency to each supply center or activity and their achievements.

4. Coordination with Small Business Administration in furtherance of small business programs, including set-asides and the section 8(a) program.

5. Section 8(a) awards made to the Small Business Administration.

6. Labor surplus area set-aside awards.

7. Small business nonresponsibility determinations based on negative preaward surveys, including those due to alleged lack of tenacity and perseverance and alleged lack of integrity.

8. Analysis of small business exclusion and participation showing procurements (*a*) not offered to small business with reasons for exclusion; (*b*) offered but not awarded to small business with reasons for non-award; (*c*) set aside for small business; and (*d*) awarded to small business in unrestricted competition. Illustrate the statistical data for FY 1974 by chart.

9. Description of counseling by DSA small business advisors and specialists.

10. Industrial plant equipment used by defense contractors under Defense Contract Administration Services cognizance.

11. Progress payments to small business, including the percentage of contracts authorizing such payments and dollar payments made on those contracts administered by DCAS. Criteria applied in making progress payments.

12. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

There is enclosed for your information a copy of the committee's July 31, 1974, letter to Defense Secretary Schlesinger signed by Chairman Evins and all members of the full committee expressing concern that a recent curtailment of operations and staffing in the Small Business Office of the Department of Defense will have a detrimental effect upon the small business procurement programs of DOD, the military departments, and the Defense Supply Agency, and will inhibit small business opportunity to participate equitably in defense procurement.

In view of the serious and urgent nature of the matter, we request that you provide a full and complete report to the subcommittee in 25 copies by September 9, 1974, setting forth the following:

A. Official description of the missions and functions of DSA's Small Business Office and the date on which the statement thereof became effective.

B. Names, titles, and grades of the DSA Small Business Advisor and members of his staff as of June 30, 1973, June 30, 1974, and as of the date of your report, indicating whether such staff is full or part-time.

C. Explanation of and justification for any changes which occurred since June 30, 1973, in staffing or mission.

D. Your plans—personnel and mission—and any changes contemplated for fiscal year 1975.

If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Subcommittee on Government Procurement and International Trade.

Enclosure.[1]

STATEMENT OF P. F. COSGROVE, JR., REAR ADMIRAL, SC, USN, DEPUTY DIRECTOR

This is the initial response to your letter of 16 August 1974 concerning your current review of Government small business procurement policies, programs, and performance. The report on the missions, functions, and staffing of the Small Business Offices of this Headquarters, which you requested by 9 September 1974, is enclosed in 25 copies. A formal statement setting forth other information requested in your letter will be furnished to you by 18 September 1974.

As you may know, this Headquarters has two staff offices designated to administer its small business and socioeconomic programs in separate functional areas. The Defense Supply Agency Small Business and Economic Utilization Advisor is responsible for matters relating primarily to the procurement function while the Assistant for Small Business and Economic Utilization, Defense Contract Administration Services (DCAS), has primary responsibility for the Department of Defense small business subcontracting program for prime contracts administered by DCAS. The enclosed report has been structured accordingly.

No changes have occurred in the staffing or missions of either of these offices since 30 June 1973. Also, there are no plans for changes in their personnel strengths or missions for fiscal year 1975.

Sincerely,

P. F. COSGROVE, JR.,
Rear Admiral, SC, USN, Deputy Director.

Enclosure.

PART I—MISSION, FUNCTIONS, AND STAFFING OFFICE OF THE DSA SMALL BUSINESS AND ECONOMIC UTILIZATION ADVISOR

A. The mission and functions statement for the DSA Small Business and Economic Utilization Advisor, which became effective on 27 July 1972, is provided on the following page.

B. Names, titles, and grades of the DSA Small Business and Economic Utilization Advisor and members of his staff as of 30 June 1973 and 30 June 1974 are as follows:

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[1] For letter of July 31, 1974, see p. 2.

Name	Title	Grade
William C. Girard	Small business and economic utilization adviser	GS–16
George H. Fisher	Deputy small business and economic utilization adviser	GS–15
Richard R. Stevens	Procurement analyst	GS–13
Hubert L. Smoczynski	do	GS–13
Marie A. Fenlon	Secretary	GS–7
Lilli Poole	do	GS–6

All personnel devote full time to small business and socioeconomic matters.

4001 SMALL BUSINESS AND ECONOMIC UTILIZATION ADVISOR

Mission

Develops policy for and administers the DSA small business and economic utilization programs, assuring compliance with the Small Business Act, Defense Manpower Policy No. 4, and DOD policy as the mission relates to DSA procurement. Furnishes advice to the Director, DSA on small business and economic utilization matters.

Functions

1. Serves as the focal point and senior staff coordinator for all DSA procurement functions and matters related to small business and economic utilization.
2. Maintains liaison with the Director for Small Business and Economic Utilization Policy, OASD (I. & L.), the Small Business Administration, Departments of Commerce and Labor, on all DSA procurement small business and economic utilization matters; develops policy and procedures covering DSA relationships with these Federal activities.
3. Formulates and administers DSA procurement policies implementing those promulgated by DOD.
4. Serves as the DSA member of the DOD Small Business and Economic Utilization Advisor Group, and of the ASPR subcommittees on small business and economic utilization policy and related matters pertaining to DSA procurements.
5. Formulates and administers the actions necessary to increase small business and labor surplus area competition for DSA awards. Develops and administers DSA participation in industrial assistance events, coordinating the nationwide activities of Government and non-Government organizations in support of such events.
6. Provides general policy guidance to HQ DSA CAS for the development and implementation of the DSA small business subcontracting program.
7. Exercises staff supervision over the DSA Small Business and Economic Utilization Programs at DSA field procurement activities.
8. Reviews proposed major procurements and assures that small business and/or labor surplus area set-asides are initiated, as appropriate.
9. Formulates and administers plans and policy for the interrelation of the DSA small business and economic utilization programs with other DSA programs, including industrial readiness, and standardization.

PART II—MISSION, FUNCTIONS, AND STAFFING OFFICE OF THE ASSISTANT FOR SMALL BUSINESS AND ECONOMIC UTILIZATION DEFENSE CONTRACT ADMINISTRATION SERVICES

A. The mission and functions statement for the DCAS Assistant for Small Business and Economic Utilization, which became effective on 5 April 1972, is provided on the following page.

B. Names, titles, and grades of the DCAS Assistant for Small Business and Economic Utilization and members of his staff as of 30 June 1973 and 30 June 1974 are as follows:

Name	Title	Grade
George C. Tolton	Assistant for small business and economic utilization	GS–15
Lloyd C. Alderman	Deputy assistant for small business and economic utilization	GS–14
Helmi M. Birmingham	Secretary	GS–6

All personnel devote full time to small business and socioeconomic matters.

6710 ASSISTANT FOR SMALL BUSINESS AND ECONOMIC UTILIZATION

Mission

Acts as the principal staff advisor and assistant to the Executive Director for Contract Administration and the Deputy Director, CAS, in the development and application of major policy, plans, and nationwide programs relating to maximum utilization of small business and labor surplus area concerns as subcontractors in prime and subcontractors' facilities under the cognizance of DCAS. Performs within the framework of the ASPR small business and economic utilization programs. Exercises staff supervision over DCASRs concerning small business and labor surplus area matters.

Functions

1. Serves as the focal point for DDCAS in all functions and matters related to contract administration aspects of small business and labor surplus area programs.
2. Formulates and administers policy pertaining to contract administration which implement those promulgated by DOD and SBA.
3. Maintains liaison with the Director of Small Business and Economic Utilization Policy, OASD (I. & L.), on all contract administration small business and labor surplus area programs.
4. Maintains close coordination with the Small Business and Economic Utilization Advisors of the Military Departments, DSA, and NASA on operational contract administration matters to insure uninterrupted service to the procuring activities.
5. Maintains coordination with the SBA to insure maximum utilization of small business firms as subcontractors.
6. Acts as the focal point for Deputy Director, CAS, to insure performance of DCASR Small Business Office acting as the DOD local coordinator, when so designated, for the conduct of counseling clinics and related events throughout the United States.
7. Provides representation on ASPR subcommittees on small business and labor surplus area matters.

STATEMENT OF WALLACE H. ROBINSON, JR., LIEUTENANT GENERAL, USMC, DIRECTOR

This is in further response to your 16 August 1974 letter wherein you requested certain information concerning this Agency's small business program. The information requested concerning the missions, functions, and staffing of the Headquarters small business offices was previously forwarded to the subcommittee by letter dated 5 September 1974.

As further requested in your letter, enclosed are nine copies of the report on the Defense Supply Agency small business program and performance for fiscal years 1972–74. The specific areas addressed in your letter have been discussed in the report and statistical data is included as enclosures thereto.

Sincerely,

WALLACE H. ROBINSON, Jr.,
Lieutenant General, USMC, Director.

Enclosure.

DEFENSE SUPPLY AGENCY SMALL BUSINESS PROGRAM AND PERFORMANCE FOR FISCAL YEARS 1972–74

By letter dated 16 August 1974, certain detailed information was requested concerning the Defense Supply Agency (DSA) small business programs and performance, and the action being taken to strengthen the programs. Before specific subjects are discussed, certain background information concerning DSA will place in perspective the information which is being provided.

DSA has now been operational nearly 13 years. Throughout that time, the principal objective has been, and continues to be, to provide responsive, effective, and economical logistics support to the Military Services. The items managed by DSA are principally "secondary items of supply," rather than principal end items, such as weapon systems and equipment, which are managed by the Services themselves. DSA provides the majority of repair parts for the operating forces' weapons systems. DSA also provides fuel and other petroleum products for use by the Services and supports the individual fighting man with food, clothing, and medical supplies.

To carry out its logistics support functions, the Agency organization consists of a Headquarters and four types of primary field activities: Defense Supply Centers, or Inventory Control Points; Defense Depots, or Storage and Issue Activities; Defense Service Centers; and Defense Contract Administration Services Regions. The Agency's operating force consists of some 55,000 full-time military and civilian personnel.

Procurement and management of DSA-assigned items are accomplished primarily at the six commodity-oriented Defense Supply Centers: Construction located at Columbus, Ohio; Electronics located at Dayton, Ohio; Fuel located at Cameron Station, Alexandria, Va.; General located at Richmond, Va.; Industrial and Personnel Support located at Philadelphia, Pa.

Storage and issue of material is the function of the Defense Depots in Mechanicsburg, Pa.; Memphis, Tenn.; Ogden, Utah; and Tracy, Calif.; and several of the Supply Centers. The Service Centers include the Defense Logistics Services Center, Battle Creek, Mich.; the Defense Industrial Production Equipment Center, Memphis, Tenn.; the Defense Property Disposal Service, Battle Creek, Mich.; and the Defense Documentation Center, Alexandria, Va. Contract Administration Services are accomplished through 11 regional offices, located in Atlanta, Boston, Chicago, Cleveland, Dallas, Detroit, Los Angeles, New York, Philadelphia, San Francisco, and St. Louis, and various district, area, and subordinate offices.

Specific areas enumerated in your letter are discussed in the following paragraphs. Statistics requested have been provided as enclosures. Because these data apparently reflect general areas of committee interest, each enclosure will be specifically identified and discussed. Trends and/or occurrences which have had an impact on the small business community will be highlighted.

1. PRIME CONTRACT AWARDS AND SMALL BUSINESS SET-ASIDES FOR FY 1972–1974

The first enclosure (tab A) reflects prime contract awards in FY 1972, 1973, and 1974 to all U.S. firms for work in the United States. It also provides dollar awards and percentages of total dollar awards to small business firms, with a breakdown reflecting the dollars and percentages of awards to small business concerns which were made as a result of set-asides.

The statistics through FY 1973 reflect a continuation of the trend, which started in FY 1970, of an increasing percentage of awards to small business firms. Subsequent to the low of 41.8 percent recorded by this Agency in FY 1969, the percentage of awards rose steadily to 43.1 percent in FY 1970, 44.4 percent in FY 1971, 44.6 percent in FY 1972, and 46.0 percent in FY 1973. This trend continued well into FY 1974. As indicated in the month-to-month cumulative rate chart for FY 1974 (tab A–1), DSA attained a cumulative rate of 46.4 percent through October, the highest rate achieved since the Agency's inception. The previous high of 46.3 percent was reached during the Vietnam buildup in FY 1966. Beginning in November 1973, performance reflects the impact of the oil embargo imposed during the recent Middle East conflict. The embargo necessitated the shifting of approximately $400 million of petroleum requirements usually purchased overseas to the domestic procurement programs, which serves as the basis for the computation of the small business percentage award rate. Almost all of these overseas requirements had to be purchased from large business concerns because small business refineries were already performing at capacity on DSA contracts. Notwithstanding the fact that the overall percentage accomplishment in FY 1974 is 6 percentage points below the accomplishment in FY 1973, the actual dollars awarded to small business were $200 million greater than in FY 1973.

The statistics covering set-aside awards to small business concerns further reflect the impact the energy crisis has had upon the DSA small business program. The growing nationwide shortages of petroleum and other fuels and lubricants became apparent in DSA procurements as early as FY 1972, long before the energy crisis made its dramatic public appearance in the form of long gasoline lines in

November and December 1974. Historically, a large percentage of DSA awards for petroleum and other fuels and lubricants have been small business set-aside awards. Utilizing a specially designed small business set-aside procedure, the Defense Fuel Supply Center (DFSC) has been able to consistently set aside for small business large quantities of the domestic requirements for bulk fuels. For example, in FY 1971, when small business set-aside awards within DSA reached an alltime high of 16.5 percent of total awards to U.S. concerns, DFSC awarded $286,645,000 to small business concerns of which $186,691,000—or 65.1 percent—were awarded as a result of set-asides. During the same fiscal year, DFSC experienced "failed set-asides" on procurements of domestic fuels valued at about $63 million. The dollar value of failed set-asides increased to $68 million in FY 1972 and $84 million in FY 1973. During the first half of FY 1974, small business set-asides were made for petroleum products valued at $110 million. However, all of these set-asides had to be dissolved. Under the individual procurements, small business refineries obtained awards under the unrestricted portion for the total quantity of product they desired to supply. All awards made during the second half of FY 1974 were made under the mandatory allocation program administered by the Federal Energy Administration (FEA). During FY 1974, although small business refineries received awards totaling $409,379,000 for petroleum and other fuels and lubricants, only $24,270,000—or 5.9 percent—was made as a result of small business set-asides.

2. AWARDS BY CLAIMANT PROGRAM FOR FY 1972–1974

As previously discussed, there was a general increase in dollars awarded, as shown on tab B. This increase was over $400 million between FY 1973 and FY 1974, with significant increases in some four program areas. The remaining programs stayed the same or showed a slight decrease. Concerning the percentage of dollars awarded to small firms, the major reductions occurred in the same four program areas, with the major change being in the petroleum area. Although in several other program areas the percentage of awards to small firms increased, this increase was not sufficient to affect the decrease mentioned above.

As stated above, the major increase in U.S. dollars and reduction in small business percentage occurred in the petroleum area, with the U.S. dollars increasing over $200 million and the small business percentage decreasing almost 10 percentage points. The detailed reasons for these changes have been discussed in the previous sections. Referring to the previous section, had the $400 million not been returned from overseas for domestic procurement for products from large firms, the small business percentage for the Defense Fuel Supply Center would have been almost 33 percent and the overall small business percentage would have increased accordingly.

In the area of clothing, textiles, and equipage, the value of contracts awarded to U.S. firms increased by some $120 million and the percentage of dollars awarded to small firms declined from 72.5 percent in FY 1973 to 63.8 percent in FY 1974. This decline was primarily a result of a change which occurred in the sources of cotton and synthetic cloth for use on clothing contracts placed by the Defense Personnel Support Center, Philadelphia, Pa. Historically, contracts for clothing items produced from cotton and synthetic cloth required the prime contractor to provide, as "contractor furnished material," the fabric needed to fabricate the items. Under these conditions, the total contract award price, covering both materials and labor, were reported, in the case of awards to small business firms, in the small business column. This was done even though as much as 50 percent of the total award price represented cloth which was purchased from a large business supplier. However, during FY 1974 the cut, make and trim contractors, most of whom are small business firms, encountered extreme difficulty in obtaining the cotton and synthetic material required to perform under their contracts. To alleviate these conditions, it was necessary for DSA to purchase the fabric directly from the large manufacturers and provide it as "government furnished material" to the contractors. Under these circumstances, the cloth purchases, even though they were ultimately procured from the same large business sources, were required to be reported as large business awards for statistical purposes. The additional fabric procured for this use, and for stock, amounted to approximately $100 million.

In the subsistence area, from FY 1973 to FY 1974, dollars awarded to U.S. firms increased some $100 million and the small business percentage fell slightly. This decline was primarily caused by a change in the "mix" of subsistence items procured. Resale requirements increased, a large percentage of which goes to

large firms for "brand name" items while troop feeding requirements remained about the same. Of the $100 million increase mentioned above, about $44.3 million is attributable to increased brand name purchases.

In the area of construction equipment, dollars awarded to U.S. firms during FY 1974 increased slightly, but the percentage awarded to small firms decreased from 14.7 percent in FY 1973 to 7.8 percent in FY 1974. This decrease was caused by increases in awards of contracts for large earth moving and grading machines, the predominance of which come from large business firms. These items are purchased at the direction of the Military Services and there is no way to predict requirements. Also, requirements for these items changes from year to year depending upon the Service programs for these types of items.

As shown by tab B, other program areas experienced some change during the year in the percentage of awards to small firms. However, those were more than overshadowed by the tremendous increase in U.S. dollar awards in the fuel area and the large reduction in the small business percentage resulting from the domestic procurement of overseas requirements and the petroleum embargo.

3. DSA SMALL BUSINESS GOALS

The small business goals established by OASD (I. & L.) for DSA and the goals assigned by DSA Headquarters to the Defense Supply Centers for FY 1972–FY 1974 are set forth in tab C. Also shown are the achievements for the same fiscal years and the interim goals which have been established for FY 1975. As can be seen from the statistics, the DSA goals have been substantially increased in each fiscal year. Except for FY 1974, the Agency has, for the reasons previously stated, effectively attained these goals each year.

You may be assured that DSA will exert all possible effort to meet whatever goal is finally assigned and to assure the success of the small business program.

4. COORDINATION WITH THE SMALL BUSINESS ADMINISTRATION (SBA)

Relationships between DSA and the SBA have continued to follow the pattern established by the Director of the Agency when it was first established and organized. Soon after the Agency was activated, the first Director met with severa, officials of SBA, the Director of Small Business and Economic Utilization Policyl OASD (I. & L.), and the DSA Small Business Advisor and announced that the DSA small business program would be based upon complete cooperation with SBA. This basis has continued over the years and this close relationship has been continued to assure that full benefits accrue to the DSA small business suppliers and to be certain that the DSA program adequately reflects stated SBA policy.

The personal interest in the small business program shown by the first Director has continued. The present Director reviews and appraises the results of the small business program in the monthly management review of key indicators and is advised of other major program developments as they occur.

There are many examples of how the cooperation between this Agency and SBA has aided the small business program. I will cite only a few.

On 14 March 1974, the Director, DSA hosted a meeting with the Deputy Administrator, SBA, and members of his staff. The purpose of this meeting was to brief SBA personnel on the mission and functions of DSA and to discuss various items of mutual interest. This meeting resulted in agreement on the following four action items for future meetings between staff personnel of SBA and this Agency.

a. A meeting with the Defense Fuel Supply Center staff on allocation problems and the Federal Energy Administration. On 11 April 1974, the Commander, Defense Fuel Supply Center, completed this action by briefing SBA personnel on:

(1) Center's small business program in the petroleum and fuel area,

(2) The impact of the energy crisis upon the small business program,

(3) Action needed to expand the section 8(a) minority business program for heating fuel oil deliveries to Federal installations under the Federal Energy Administration mandatory allocation program.

b. A workshop on price escalation and relief to small business contractors in appropriate cases. As a result of a meeting of the DSA staff on this subject, action was taken to issue Procurement Letters to all DSA primary activities, providing guidance for:

(1) The greater use of price adjustment provisions in DSA contracts.

(2) Procedures to be followed on contracts which contain options for increased quantities, and

(3) Limiting the use of options for increased quantities in future contracts.

c. Examination of the possibility of establishing ad hoc joint DSA/SBA management and technical assistance teams for the purpose of providing on the scene assistance to selected small contractors. This has been accomplished.

d. Orientation on the Defense Documentation Center operation to explore how small businesses and SBA might better benefit from data and documents collected by this Center. This action was completed on 18 April 1974 when the Director of the Defense Documentation Center briefed SBA personnel, outlining the duties and mission of that activity, the collection and distribution of documents generated by DOD and selected Federal agencies, and the availability of this data to prospective sources.

In executing the section 8(a) contract program, DSA has maintained a continuing liaison with SBA personnel from Headquarters, as well as the personnel in the SBA field offices. DSA has day-to-day contact with Washington SBA personnel to clarify and firm-up requirements, correct procedural difficulties, and generally oversee the operation of the program. Personnel located at DSA field activities regularly contact SBA field personnel to assure orderly execution of individual section 8(a) contract cases and to adequately administer the contract after it is placed. In addition, joint SBA/DSA effort is maintained during the life of each section 8(a) contract to provide assistance to the SBA subcontractor wherever such is required by the company. No matter what the area of the required assistance, every effort is expended by both SBA and DSA personnel to assure, insofar as possible, the orderly execution of the contract.

This cooperative attitude also prevails in the performance of Contract Administration Services functions in that the small business specialists at the region and district offices cooperate fully with the SBA field personnel in all possible cases. SBA personnel are invited to accompany our specialists on their reviews of the prime contractors' subcontracting programs and in many instances SBA is asked to provide names of potential subcontractors for certain types of work when the prime contractors are unable to locate such subcontractors.

5. SECTION 8(a) PROGRAM CONTRACT AWARDS, FY 1972–1974

The number and dollar value of awards to the SBA under section 8(a) of the Small Business Act during FY 1972 through FY 1974 are set forth on tab D.

Performance under this program is dependent upon the ability of the SBA to qualify and approve minority-owned concerns to provide our requirements. Nevertheless, beginning in FY 1974 a DSA goal was established for the purpose of managing and overseeing performance and to create an incentive for the field activities to actively assist SBA in locating potential firms and in identifying requirements susceptible for such accomplishment. Awards to the SBA for subcontracting to minority enterprises during FY 1974 totaled $17.5 million, $300 thousand below the goal. However, during the same period SBA returned requirements to DSA activities totaling $7.4 million because of their inability to locate and qualify sources therefor.

6. LABOR SURPLUS AREA SET-ASIDE AWARDS IN FY 1969–1971

The dollar value by purchasing activities of labor surplus area set-aside awards made from FY 1972 through FY 1974 are shown in tab E. The statistics indicate that total labor surplus area set-aside awards have steadily increased to a high of $78.7 million in FY 1974 from $46 million in FY 1971. This increase occurred even though there was general improvement in the economic condition of this country and a steady decrease in the number of major labor areas in substantial and persistent labor surplus area categories. This decrease in the number of major areas is clearly reflected by the steady decrease in the percentage in the cumulative labor surplus award rate of DSA awards. In FY 1972, 37.2 percent of DSA awards were made in labor surplus areas. This percentage has decreased to 30.8 percent in FY 1974. The increase in LSA preference award can be attributed to two major areas: (i) Increased emphasis and management of the program at all levels of DSA and (ii) use of the combined labor surplus/small business procedure implemented during this period. During the last hearings before the subcommittee, the problems being experienced involving the conflict between the labor surplus area and small business programs and their effect upon the small business program were enumerated. At that time, procurements of certain items which had historically been procured from small firms under total small business set-asides were being changed to partial labor surplus area set-asides, allowing large firms to bid on the unrestricted portion. It was also reported that there was a procedure which could be

developed to simultaneously accommodate the objectives of the Small Business Act and the DMP–4 in a single procurement.

DSA developed a procedure under which procurements which meet the criteria for both a partial labor surplus area set-aside and a total small business set-aside would be set aside for small business firms only, and a part of the requirement would be further set aside for small firms which also qualify as labor surplus area firms. This procedure was approved by the Surplus Manpower Committee under DMP–4 and authorized for use within DOD on a trial basis. During this test period, DSA activities employed the combined procedure on a total of 92 procurement actions totaling awards of more than $26 million. This procedure has proven to be a definite plus to the small business and economic utilization programs in DSA.

7. NONRESPONSIBILITY DETERMINATIONS DURING FY 1972–1974

The data requested relative to "nonresponsibility" determinations will be presented in two parts; those cases involving determinations of nonresponsibility because of a lack of tenacity and perseverance, and those involving nonresponsibility because of a lack of capacity and credit. These two determinations are very closely allied, as both involve the rejection of a bidder's offer based on the nonresponsibility of the firm, as determined by preaward surveys. In those cases involving the lack of tenacity and perseverance of a small firm, SBA is advised of such determination and, as set forth in ASPR, that agency has, within a specified time limit, the right of appeal of the determination to the Contracting Officer. In this situation, the final decision is made by the Head of the Procuring Activity (HPA) or his designee. In cases involving the lack of capacity or credit of a small firm, the case is referred to the SBA for consideration of the issuance of a certificate of competency (COC). In these cases, the final decision is made by the SBA. Should that agency decide to issue a COC, the Contracting Officer is bound to make the award.

A tabulation of the cases in FY 1972–1974 involving determinations that small firms were nonresponsible because of a lack of tenacity, perseverance or integrity, is included at tab F. The statistics indicate that DSA has had relatively few determinations for these reasons and the quantity has continually decreased over the years to a new low of three determinations involving three companies during FY 1974. It is hoped that this number can be further reduced in future years.

The guidance for making determinations of this type is included in ASPR 1–903 and in general involves the willingness to perform the contract in an acceptable manner rather than the ability to perform (capacity and credit) as involved in COC determinations discussed below. The ASPR recognizes that determinations in this area are difficult and require thoroughly prepared supporting data and a review of the case by the HPA, or his designee, prior to finalization.

The summary of cases involving determinations of nonresponsibility because of a lack of capacity or credit is set forth at tab G. These statistics provide a breakdown of the disposition of the FY 1974 cases which involved a determination by the Contracting Officer that the firms involved were nonresponsible because of a lack of capacity and credit and the cases were referred to SBA.

The statistics indicate that the overall number of cases referred to SBA for COC action has steadily decreased over the last three years. In addition, the statistics show clearly that in over 54 percent of the cases, the company involved does not file for a COC and in 20 percent of the cases the company files, but SBA declines to issue the certificate. Also, in several cases where SBA decided the company was responsible, discussions between the SBA and the purchasing activity resulted in agreement that the company was responsible and award was made without further COC action. In still other cases, the SBA found the firm to be responsible and COC's were issued.

8. ANALYSIS OF SMALL BUSINESS PARTICIPATION FY 1972–1974

This analysis showing details of procurements not offered to small business with reasons therefor and other detailed areas concerning small business participation in DSA procurements is attached at tab H.

In summary, these data indicate that during FY 1972–1974 small business has been offered from 76.5 percent to 89.1 percent of all procurement dollars awarded to all U.S. firms. These data also indicate a decrease for FY 1974 for most areas where small business was not awarded the contract. The only increase was in the area where small business did not bid. This increase was predominantly in the fuel

area where the capacity of all small firms was filled and those solicitations which were offered could not be responded to because of a lack of production capability.

Detailed statistical data for FY 1974 are analyzed in chart form at tab J. Of the $4.3 billion awarded to U.S. firms during the fiscal year, $3.3 billion or about 76.5 percent was offered to small business firms. Although the total dollars offered to small companies during FY 1974 exceeds previous years, the percentage is lower because of the reasons set forth on tab J–1. Although, as previously discussed, many factors worked to the detriment of the small business program during the year, actual dollars awarded to small firms were about $200 million more than in FY 1973. Tabs J–2 through J–5 provide details of the data included on tab J.

Comments on Other Actions Taken by DSA

a. Industrial Preparedness Planning

During the previous hearings, the committee was informed of DSA's plan to encourage more involvement of small business firms in the DSA industrial preparedness planned program (IPP). Under the IPP, the DOD establishes "planned producers" for those critical items identified as necessary to fulfill mobilization requirements. The ASPR covering this subject provides that total small business set-asides may not be made when it is determined that a large business planned producer desires to bid on an existing requirement. This effectively reduces the number of total set-aside awards that can be made for small business concerns, even though all of the criteria for total small business set-asides are otherwise met. In September 1971, the DSA IPP manual was amended to provide that in establishing new planned producer lists, when small business firms are capable of meeting total mobilization requirements for an item, small business firms only will be utilized as planned producers for that item. Since the implementation of this policy, an average of 2,078 items have been reviewed annually under this procedure. Currently, there are some 2,884 items for which it has been determined that planned producers will be limited to small business firms. This represents an increase of more than 1,700 in items reserved for small planned producers since October 1971 when the procedural change became effective at DSA activities.

b. Section 8(a) Contracts for Coal

Another area DSA has explored with SBA to expand the section 8(a) contracting program within DSA involves DOD coal requirements. For the past 3 years, the Defense Fuel Supply Center (DFSC) has been experiencing considerable difficulty in obtaining competitive responses to their solicitations for coal. The sources of supply are extremely limited. Small business capacity is being utilized to the maximum possible extent to meet the demands. However, on the most recent procurement, DFSC experienced a shortfall on coverage of approximately 670,000 tons. Efforts to satisfy these requirements under volunteer allocation programs were unsuccessful. The Federal Energy Administration (FEA) has now been approached to get a special allocation for coal, to satisfy the DOD requirement. In addition to these current problems, the efforts underway to maximize the use of coal on DOD installations and the legislation being considered to require the increased use of coal by utility systems and industrial size plants will generate unprecedented requirements for additional coal production.

DSA has recommended to SBA that consideration be given to the use of the section 8(a) contract program under the Small Business Act to stimulate greater coal production in Appalachia and on Indian reservations in the western States to reduce unemployment in these areas, and to increase the supply of coal for existing and future government requirements.

c. Technical and Management Assistance for Small Contractors

As previously discussed, DSA and SBA have worked out an agreement to provide technical, management, financial, and other forms of assistance to small business contractors and particularly to minority-owned contractors. This agreement is operational and will be exercised as required. Currently, the Defense Contract Administration Services Region, St. Louis, has implemented a test program to provide technical and managerial assistance to small business and minority-owned contractors to promote timely and effective performance on government contracts. The program is structured to provide assistance and counseling from various government activities to assist a contractor in resolving specific technical or managerial problems, or improving technical procedures, which would enable him to accomplish ongoing and projected government work in a more realistic and efficient manner. This test procedure closely parallels the

DSA/SBA agreement and should provide very useful information and data to gage the effectiveness of the program.

d. Carlot Procurements of Beef for Troop Feeding

Until a year and a half ago, carlot procurements of most beef products (steaks, roasts, etc.) for troop feeding were purchased under a 60-percent small business class set-aside. During this period, 6 of every 10 carlots were purchased from small firms only and 4 of every 10 offers were solicited from both small and large firms. In January 1973, a revised specification covering various beef products was introduced, requiring beef roasts and steaks to be deboned, portioned, and furnished in a ready to use condition. These operations require special machinery not previously utilized. The specification was introduced to eliminate shipment of bones and other waste, and because of a shortage of butchers in the Military Services.

Initially, small firms did not have the requisite skills and specialized forming machinery and equipment required to produce in accordance with the new specification. This caused the suspension of the 60-percent class set-aside.

Action was initiated by the purchasing office to encourage small beef suppliers to obtain the required equipment and requisite skills to again provide specification products to DSA. Small business firms slowly began to obtain the required machinery and instituted the necessary production and quality control training and small business set-asides were gradually reinstituted. The percentages have been increased as small business capacity has increased. As of the present time, sufficient small business capacity has been established to permit the institution, in June 1974, of a total small business class set-aside on 10 of the beef products most commonly purchased.

e. Master Solicitation

As previously reported to your committee, DSA has been very active in exploring ways and means of reducing the size and complexity of Government solicitations and the amount of paperwork otherwise generated. One of the ways developed to combat this problem was the Master Solicitation.

Under this technique, terms and conditions used repetitively in DSA solicitations are prepositioned with industry. These particular paragraphs are cataloged and published and sent to all potential sources on the bidders' lists, leaving only new requirements and variable terms and conditions to be published in individual solicitations. This technique has been found to significantly reduce manhours for contract preparation and printing, in addition to effecting a considerable reduction in the amount of paper used by DSA activities. It identifies the new and different clauses, terms, and conditions for the potential bidders and saves time in reading the inquiry when it is received.

The Master Solicitation technique is now used extensively throughout DSA. Industry response to date has been very good, with virtually all companies being in favor of the technique.

The Master Solicitation technique has been reviewed by and concurred in by the Comptroller General, and has been presented to the ASPR Committee for consideration for general use by the Military Services and DSA. The procedure has been made optional for use by the Services, but it has not been adopted on a broad scale.

g. Recruitments Identification for Section 8(a) Approved Petroleum Product Supply Firms

Since November 1971, DFSC has furnished SBA Regional Offices with contract bulletins (to be known in the future as Contract Summary Documents) to facilitate identification of requests for section 8(a) approved petroleum product supply firms. These bulletins, which are furnished far in advance of procurement action, serve in general as the vehicle for requirements forecasting future requirements. In addition, they provide the SBA with information required to determine which installations might be appropriate for section 8(a) approved firms to service for the next ordering period. The success of this procedure can be shown statistically by the increase in the value of awards by DFSC to the SBA under section 8(a) of the Small Business Act each year since FY 1971, as follows:

Fiscal year:	
1971	$359, 408
1972	1, 610, 144
1973	3, 189, 171
1974	7, 267, 615

With the coming of the energy crisis, the FEA issued the "Petroleum Allocation and Price Regulations," which provide, in part, that users of petroleum products must obtain these products from firms which furnished the product during calendar year 1972. These firms are referred to as base period suppliers of record. To be eligible for future contracts, section 8(a) approved petroleum product supply firms must either be base period suppliers of record, or FEA must grant exceptions to the above cited regulations to assure a source of product supply to these firms. The FEA has granted exceptions to certain section 8(a) approved firms and is expected to grant exceptions to others, which qualify under FEA's hardship or gross inequity guidelines and whose cases have been or are being presented to the FEA. DFSC is continuing to provide marked-up Contract Summary Documents to the SBA Regional Offices to show those activities currently served by major petroleum companies. This action permits these offices to work with selected section 8(a) firms which may qualify for exceptions to the FEA regulations and may be able to supply DSA requirements under the section 8(a) contract program.

h. Combined Small Business/Labor Surplus Area Set-Asides

During previous hearings, this Agency advised the committee that a new combined set-aside procedure had been developed whereby the total amount of a requirement might be set aside for small business firms only, with a part of the requirement further set aside for small firms which also qualify as labor surplus area firms. This procedure is used for certain procurements which meet the criteria for both a partial labor surplus area set-aside and a total small business set-aside. By utilizing the new procedure, the total requirement would be awarded to small firms, thus meeting the intent of the Small Business Act, and a part of the requirement would be awarded to labor surplus area firms, thus meeting the requirements of DMP–4. This procedure was approved by the ASPR Committee and subsequently cleared by the Office of Emergency Preparedness.

As previously stated, during FY 1974, this procedure was used by DSA for some 92 cases involving approximately $26 million. The procurements resulted in the award to small business firms, by a set-aside of $26 million, with over $10 million thereof being awarded to small firms which also qualify as labor surplus area firms.

Based on these data, it is felt that this procedure has been very successful and that it is a definite asset to both the small business and the labor surplus area programs. By utilizing this procedure, contracting officers were relieved of the responsibility of deciding whether to make a total small business or a partial labor surplus area set-aside, thus increasing the set-aside awards on both ends of the spectrum. DSA intends to continue to utilize this procedure as it is a definite asset to both the small business and economic utilization programs.

Small Business and the Defense Contract Administration Services

The Defense Contract Administration Services is a major operational entity of the Defense Supply Agency. Within DCAS special emphasis is placed on the small business program.

DCAS was established in 1965; the product of reorganization and consolidation of contract administration organizations within the military departments. As the name implies, DCAS is a service-type organization. The services performed encompass a wide range of specific and necessary functions that support the military, as well as civilian agency procurement process. These services include the administration of contracts, performing inspection and in-plant quality assurance, production support, industrial security surveillance, payment of contractor invoices, and other functions enumerated in ASPR 1–406. Prior to 1965, these services were performed by the separate military services and DSA. However, the creation of DCAS consolidated the separate contract administration functions and offices, resulting in a single organization with which industry could deal. This consolidation has provided greater efficiency and uniformity in doing business. DSA regards the small business programs of DCAS as a highly important feature of the overall DSA mission. The DCAS small business effort is divided into two major areas, the subcontracting program and the counseling and assistance program. The scope of these programs and the important goal each serves is to increase participation by small business in military procurement through both prime and subcontracting.

a. Defense Subcontracting Program

In H.R. 92–1609 the committee restated the proposition that if small business is to receive a fair share of Government procurement dollars, it must be achieved in subcontracting as well as in prime contracts. The committee also noted, with justifiable concern, that the small business share of DOD subcontracting was at an alltime low. The enactment, in 1961, of Public Law 87–305 established the small business subcontracting program for the purpose of encouraging and increasing small business subcontracting opportunities in Government procurement. DCAS is the Government's principal agency for the effective implementation of that law. Hence, this significant responsibility which is a major part of the small business program in DCAS, is the involvement with the defense subcontracting program for small business concerns. This program provides that, in contracts which exceed or may exceed $500,000 in value, the prime contractor is obligated to undertake specific responsibilities which assure proper consideration of small business in subcontracting. Considering the number of contractors committed to this program and the dollar value of their contracts, the program is of a large magnitude and creates a multi-billion dollar market for small business concerns.

In connection with responsibilities relating to this program, several developments of interest to the committee have occurred since Agency spokesmen appeared before the subcommittee in September 1971. At that time, DCAS was experiencing an alltime low, with only 40.9 percent of the total subcontracting dollars being awarded to small business concerns. During FY 1972 and FY 1973, however, the level of small business subcontracting climbed more than two and one half percentage points to 43.7 percent. During FY 1974, a further increase in the percentage of small business subcontracting of 47.4 percent has been realized. The following chart shows DCAS subcontracting statistics for FYs 1972, 1973, and 1974 respectively:

[Dollar amounts in billions]

Activity	Fiscal year	Total subcontracting dollars (large and small business)	Subcontracting dollars (small business)	Percent
DCAS	1972	$5.94	$2.47	41.6
DCAS	1973	6.37	2.78	43.7
DCAS	1974	5.98	2.84	47.4

During FY 1974, a total of 680 defense prime contractors held one or more individual defense orders of $500,000 or more and were committed to establish and maintain a defense subcontracting program for small business. Of those 680 participating contractors, 609 or 89 percent were assigned to DCAS for performance of contract administration services including surveillance of contractors' compliance with these programs. Among DCAS-assigned contractors the percentage of reportable subcontracts awarded to small business under the subcontracting program was, as noted on above chart, 47.4 percent. In addition to an increase in the percentage of subcontract awards, the chart shows a substantial increase in actual dollar value of awards. We believe the improvement and upward trend stem directly from the continued intensive efforts exerted by DCAS Small Business Specialists under the surveillance program. It must be pointed out also that the prime contract workload is greater than in previous years. Experience has demonstrated that an increase in the prime contract workload has traditionally been characterized by a greater level of subcontracting. In addition to the large business firms which are required to report their subcontract commitments to the Assistant Secretary of Defense (I. & L.), approximately 500 firms classified as small business are also committed to the subcontracting program. Small business firms are not required to report subcontract commitments as is the case with large business firms. However, small business concerns committed to the program are otherwise required to meet the obligations of the program, including the maintenance of records showing purchase transactions. Experience with the small business sector of prime contractors reveals that small firms utilize, wherever possible, other small companies as subcontractors.

In monitoring the subcontracting program during FY 1974, DCAS small business and economic utilization specialists performed a total of 3,334 program reviews. Such reviews serve to assure that prime contractors are in compliance with their obligation to establish and maintain a subcontracting program and to

undertake specific responsibilities which assure small concerns an equitable opportunity to compete for subcontracts. Considered during reviews are specific factors, such as: (i) The general attitude of the firm and its higher level management personnel toward small business, (ii) purchasing policies and practices, especially how these favor or take into proper consideration the capabilities of small business during make-or-buy decisions. Also, the contractor's records are reviewed to determine the extent of consideration given small business in awarding subcontracts and purchase orders. During the actual review company officials are urged to use the services provided by the DCAS specialists in locating qualified small business sources. DCAS specialists further encourage contractors to utilize the facilities inventory of the SBA and other assistance provided by the SBA to small business. In addition to providing the necessary surveillance to assure compliance with the terms of contracts, small business specialists provide small business concerns with information and leads on actual and potential subcontract opportunities. In this connection, directories published by the 11 DCAS regional offices contain the names, addresses, product lines, and other useful information on principal contractors. Such directories are furnished to small business in an effort to identify appropriate subcontracting opportunities. DCAS has published, and continues to distribute, a small brochure on subcontracting opportunities. In several regions, listings of minority business concerns showing their production capabilities are also available in order that large prime contractors may solicit these firms as possible suppliers or subcontractors.

One of the unique factors which lends well to the success of the small business subcontracting program is the working knowledge which the DCAS specialist has of the different kinds and extent of defense production taking place in the various plants for which his office has contract administration responsibility. Because of the widespread geographical locations of both DCAS regional and district offices, this means that DCAS has a "man on the spot" in every industrial complex throughout the United States. In addition to his own direct contact with the small business community, the specialist also maintains frequent contact with other DCAS elements, industrial specialists, production specialists, quality assurance representatives, contract administrators, and industrial security representatives who furnish the specialist useful information on small business problems, capabilities, and other areas of interest. All of this contact keeps the specialist informed and in a position to assist small business in the resolution of problems.

Reviews of the prime contractors' minority business enterprise (MBE) subcontracting programs required by ASPR 1–332.2 are made simultaneously with the reviews of mandatory small business subcontracting programs. The DCAS field force took the introductory steps to implement the MBE subcontracting program with the large prime contractors under its cognizance beginning on 1 July 1972. However, the mandatory reporting period did not begin until the third quarter of January 1973. Consequently, the value of subcontracts placed with minority firms under the MBE subcontracting program reflect only the last half of FY 1973. FY 1974 statistics represent the first complete fiscal year. Statistics for partial FY 1973 and entire FY 1974 are as follows:

[Dollar amounts in millions]

Fiscal year	Subcontracts awarded MBE firms	
	Amount	Percent
1973:		
DOD prime contractors	$22.0	48
DCAS-assigned prime contractors (last half)	10.5	
1974:		
DOD prime contractors	51.0	61
DCAS-assigned prime contractors	31.2	

Since the inception of the MBE program, specialists have continuously exercised surveillance over each prime contractor in order to emphasize the program and to detect deficiencies requiring corrective measures. Efforts have been undertaken to determine the present degree of cooperation and support field offices are giving to the MBE program. The survey revealed that all regional and district commanders and their deputies are members or alternate members of the Federal Executive Boards or Federal Executive Associations in compliance with DOD Directive

5030.54. Many of the commanders and deputies and all small business specialists are members of the Minority Business Opportunity Committees (MBOCs) located in the cities where region and district DCAS offices are also maintained.

b. Counseling and Assistance Program

The counseling and assistance program is a major feature of the small business and minority business enterprise program endeavor within DCAS. A corps of 45 full-time small business and economic utilization specialists are assigned to 24 key industrial cities coast to coast. These specialists, together with the 14 full- and part-time specialists located at DSA procuring activities, endeavor to provide the industrial community counseling and assistance on doing business with the Defense Department and subcontracting with the Department's prime contractors. Many counseling aids are provided including publications, bidders' mailing list application forms, commodity lists, the Commerce Business Daily, and other publications which contain Government marketing information. Professional counseling is offered both to groups and individuals and is oriented toward providing the small business firms with information on the general nature of Federal procurement and the various military market. Specifically, it is the job of the specialist to know what defense activities are buying and which small businesses are in a position to fill defense requirements. A continuing effort is expended in informing a wide sector of industry through various means as to the kind of service which we provide. A few examples are: Providing assistance in the interpretations of bids, specifications, and contract requirements; counseling on the marketing of new products and ideas, including research and development; and assisting in the resolution of problems with prime contractors and buying activities.

The specialists work closely with local, State, and area industrial development organizations and various groups which promote commerce and general economic growth. Involvement with such groups has been very effective. Typical of the organizations with whom such liaison and communication is maintained are the Small Business Association of New England and the Minority Business Opportunity Committees (MBOCs) of the Federal Executive Boards, located in the principal cities throughout the United States. Also such business and industrially oriented organizations as the Small Business Council for the State of Michigan; the Florida Defense and Space Industries Association; the Midwest Small Business and Economic Utilization Council in Chicago; and the Southern California Small Business and Economic Utilization Council of Los Angeles, as well as many State economic development departments and chambers of commerce.

The success of the counseling and assistance program and its magnitude are measured by the number of firms assisted. During the past 3 fiscal years (1972, 1973, and 1974), the DCAS and DSA procuring activity small business teams interviewed, counseled, referred to buying activities or prime contractors, or otherwise assisted an annual average of approximately 33,000 U.S. businessmen or business concerns. This counseling and assistance activity consists of face-to-face conferences and communication on behalf of small companies through written and telephone contact with both buying agency representatives and contractors. Through the Automated Voice Network immediate contact can be made with Defense installations which generate requirements, test, store, buy, or otherwise are involved in the procurement process. For example, inquiry may be made of a Government laboratory as to the status of a small firm's product which has been submitted for testing; or a buying activity may be called on for technical information needed by a small firm which is preparing a bid. The DSA counseling and assistance activities clearly reflect the overall DSA policy "to solve the problem, not just refer it." DSA is of the considered opinion that the counseling and assistance program is the most significant and productive means by which to assist small business concerns. The dialogue that characterizes countless meetings between DCAS Small Business Specialists and the business community bridges the gap that separates buyer and seller. It is though this process that small business comes to understand the Federal procurement process and enjoys this abundant market opportunity afforded therein.

A significant feature of the counseling and assistance effort in DSA is the active participation in the Federal procurement conference program supported by the Departments of Defense and Commerce. During calendar years 1972, 1973, and 1974 to date, Headquarters and field organization personnel have participated in 66 Federal Procurement/Business Opportunity Conferences conducted throughout the United States, and in 10 minority Business Opportunity Seminars held during calendar year 1972. More than 60 cities have hosted one or more industrial assistance events or minority seminars which have been attended by thousands of individual businessmen or business concerns, many of whom have developed into defense producers at both the prime and subcontract level. DSA partici-

pation in these events is twofold. First, prime contractors are requested to participate. They attend in the capacity of counselors to discuss subcontracting opportunities generated by their prime contractors. Second, DCAS and procurement specialists counsel at these events to broaden the market potential for small business concerns seeking subcontracts and also those desiring information about prime contract opportunities. These specialists also serve from time to time, as DOD field coordinators, assisting the sponsors in such areas as publicity, invitations, setting up conference areas, etc. Prime contractor participation in these conferences is particularly meaningful. Large prime contractors with a subcontractor market to offer, counsel small business concerns on their purchase and subcontracts requirements. Often this face-to-face counseling results in the development of new and needed suppliers. A number of prime contractors, through these conferences, find new sources for materials and products they need not only for defense production, but for commercial production. DSA will continue to give the program maximum support and active participation.

The Government's minority business enterprise seminar program has been another distinct and major activity in which the DSA small business team has actively participated as DOD coordinators and/or counselors. DCAS has worked closely in conjunction with Department of Commerce Officer of Minority Business Enterprise and the Federal Procurement Task Force of which DOD is a member participant in order to implement the national policy of involving minority businesses in the Federal procurement process. DSA small business personnel have participated in each seminar that has been conducted to date and will continue to provide its support in all scheduled future events. In addition to the Federal procurement conferences described above, DSA small business personnel are frequently involved in many local industrial assistance events, small business council meetings, seminars, classroom presentations, and similar activities for the purpose of apprising industry on doing business with the Federal Government and its major contractors.

10. Industrial Plant Equipment Being Used by Defense Contractors Under Defense Contract Administration Services Cognizance

Of the approximately 18,000 contractors assigned to DCAS some have in their possession Department of Defense Industrial Plant Equipment (IPE). The following chart summarizes the extent of such possession over a 3-year period.

As of—	Prime contractor plants in possession of IPE	Number of items	Acquisition dollar value of IPE
June 30, 1972	634	52,500	$998,671,905
June 30, 1973	586	48,467	904,465,196
June 30, 1974	546	45,286	855,699,463

By definition in appendix B–102.11 of the Armed Services Procurement Regulation (ASPR), Industrial Plant Equipment (IPE) is that part of plant equipment with an acquisition cost of $1,000 or more; used for the purpose of cutting, abrading, grinding, shaping, forming, joining, testing, measuring, heating, treating, or otherwise altering the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply, processing, assembly, or research and development operations; and IPE is further identified by noun name in Joint DOD Handbooks as listed in ASPR 13–312.

11. Progress Payments to Small Business

The Defense Contract Administration Services has under its administration nearly 217,000 contracts valued at approximately 51 billion dollars. This contract workload is held by some 18,000 contractors of which over 90 percent are small business concerns. Of the contracts assigned to DCAS as of 31 July 1974, 89,201 are with small business firms and 1,887 (or 2.1 percent) authorize the making of progress payments. Depending upon the circumstances of a given contract, progress payments under ASPR are authorized. Whenever such payments are authorized, standard criteria are applied in making progress payments. The criteria are published and are promulgated in Defense Supply Manual 8105.1, entitled "Contract Administration Manual for Contract Administration Services," and a copy of an excerpt is enclosed as tab K. Close and continuing attention is

given to the important subject of contract financing, including progress payments. It is standard practice to facilitate contractor financing through the expeditious payment of all progress payments. The determination to provide progress payments is made by the buying activities.

From the date of issuance of the aforementioned small business contracts which authorize progress payments, DCAS has made payments totaling $1,046,960,000 of which $214,688,000 is unliquidated. Historical data on progress payments made against contracts with small business concerns during specific fiscal years is not available.

TAB A

DSA AWARDS TO ALL BUSINESS FIRMS (INCLUDING CIVIL FUNCTIONS)

	Fiscal year—		
	1972	1973	1974
Total awards to all firms	$3,263,333	$3,284,423	$4,324,426
Total awards to small firms	$1,455,218	$1,510,639	$1,700,982
Percent to small firms	44.6	46.0	39.3
Total small business set-aside awards	$495,638	$425,870	$298,593
Percent of set-asides to total awards to all firms	15.2	13.0	6.9
Goal (percent)	44.1	44.6	45.1

Tab A–1

Monthly cumulative rate chart awards to small business firms

[Percent of total U.S. business]

July 1973	38.2	January 1974	42.9
August 1973	42.9	February 1974	44.1
September 1973	46.0	March 1974	40.5
October 1973	46.4	April 1974	39.7
November 1973	46.2	May 1974	39.5
December 1973	43.5	June 1974	39.3

TAB B

SMALL BUSINESS PERFORMANCE BY PROGRAM

[Dollar amounts in thousands]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	All business firms	Percent to small business	All business firms	Percent to small business	All business firms	Percent to small business
Total	$3,795,673	44.6	$3,912,596	46.0	$4,324,428	39.3
Airframes and spares	631	5.7	621	7.6	929	7.8
Aircraft engines and spares	1,106	1.0	1,963	3.6	285	3.5
Other aircraft equipment	8,616	30.8	12,918	29.1	11,014	17.6
Missile and space systems	152	10.5	659	28.1	346	25.1
Ships	19,031	41.5	20,555	34.6	24,555	39.2
Combat vehicles	552	60.7	651	64.8	413	47.7
Noncombat vehicles	12,135	39.4	12,603	51.7	12,627	44.4
Weapons	54		171		289	49.5
Ammunition	1,999	99.4			14	
Electronic and communications equipment	101,269	22.8	111,116	26.7	108,608	28.1
Petroleum	1,368,239	31.1	1,448,756	33.3	1,656,235	24.0
Other fuels and lubricants	35,013	29.9	26,940	35.0	19,181	50.8
Separate containers						
Textile, clothing, and equipage	373,029	69.0	329,204	72.5	451,295	63.8
Building supplies	34,361	70.4	31,695	58.1	48,523	71.5
Subsistence	600,260	54.7	584,628	52.1	693,708	51.0
Transportation equipment	14	100.0				
Production equipment	86	100.0	170	60.0	121	21.5
Construction	2,285	100.0	2,491	100.0	1,837	98.9
Construction equipment	82,730	11.2	53,829	14.7	68,341	7.8
Medical and dental equipment	164,982	16.2	159,055	16.0	154,338	14.6
Photo equipment	23,686	11.2	17,130	3.4	11,838	20.7
Material handling equipment	37,366	51.5	54,818	63.7	52,317	56.9
All other equipment	320,591	47.0	360,511	48.8	367,218	41.1
Services	15,364	31.3	20,279	32.5	12,468	40.8
Under $10,000	592,122	56.3	661,833	57.2	627,928	56.0

TAB C

SMALL BUSINESS GOALS SHOWN AS PERCENTAGE OF TOTAL U.S. DOLLARS (FISCAL YEARS)

	1972		1973		1974		1975
	Goal	Achievement	Goal	Achievement	Goal	Achievement	interim goa
DSA total	44.1	44.6	44.6	46.0	45.1	39.3	40.7
DCSC	45.2	46.0	47.0	52.6	50.7	44.9	50.7
DESC	24.1	25.7	25.3	28.8	28.3	31.2	30.6
DFSC	34.0	31.3	32.6	33.6	33.9	24.4	30.0
DGSC	42.7	53.5	49.8	54.4	51.1	51.9	53.0
DISC	44.7	45.8	44.8	43.0	42.6	44.1	42.6
DPSC total		54.6		54.6		52.5	
Cloth	66.8	69.1	73.6	72.6	67.0	63.9	67.0
Medic	18.6	18.8	16.8	18.3	19.0	17.4	19.0
Subs	55.3	55.9	54.9	55.3	55.3	53.3	55.3

TAB D

CONTRACTS AWARDED UNDER THE SEC. 8(a) PROGRAM DURING FISCAL YEAR 1972

DCSC	DESC	DFSC	DGSC	DISC	DPSC	DDMT	DDTC	DDOU
$538,357	$114,247	$164,872	$145,600		$750,000	$29,671	$53,352	
215,408		68,500	177,600		2,447,350	87,032		
43,382		199,550	15,250		255,500	4,450		
266,178		1,059,038			273,000			
44,297					350,000			
520,878					217,909			
545,835					69,840			
16,802					874,729			
40,650					672,457			
48,498								
2,280,285	114,247	1,491,960	338,450	0	5,910,785	121,153	53,352	0

Note: Total awards, $10,810,232.

CONTRACTS AWARDED UNDER THE SEC. 8(a) PROGRAM DURING FISCAL YEAR 1973

DCSC	DESC	DFSC	DGSC	DISC	DPSC	DDTC	DDMT
$68,964	0	$255,115	$84,930	$4,176	$2,262,531.59	$52,249	$71,408.00
149,121		62,792	82,236	7,500	708,000.00		67,741.70
42,000		13,887	97,880		14,499.00		87,940.00
29,554		181,133			1,464,000.00		56,187.00
33,500		32,784			954,529.68		77,719.63
		243,328			50,629.00		163,497.00
		2,146,255			1,484,000.00		
		71,610			3,110,500.00		
		100,067			3,047,632.00		
		68,500					
		13,700					
323,139	0	3,189,171	265,046	11,676	13,096,321.27	52,249	524,493.33

Note: Total awards, $17,462,095.60.

Company	Amount	Goal
DPSC:		
Engineering Arts, Inc	$4,564.32	
Do	86,892.62	
Do	33,507.00	
Markham Bros. & Co	1,237,174.22	
Amherst Industries, Inc	263,750.00	
First American Dairies	1,098,673.00	
O'Morgan Mattress & Box Spring Co	75,000.00	
Watts Manufacturing Co	461,210.00	
Garland Foods	587,420.00	
Do	5,341,386.10	
Chinese Maid, Inc	13,000.00	
Do	94,043.20	
Total	9,296,620.46	$9,100,000
DDMT: Quarles Cleaning Co	77,720.00	100,000
DDTC: California Paving Co	79,886.60	50,000
DDOU	0	50,000

Company	Amount	Goal
DGSC:		
Davis Bros. Construction Co., Inc	$43,364.10	
Multimac, Inc	265,244.40	
Total	308,608.50	500,000
DISC:		
RADCON	10,582.50	
Norris Machine Tool Co	8,650.00	
Terrell Tool Co	14,610.00	
Medley Tool & Model Co	26,500.00	
Do	49,875.00	
Do	14,000.00	
Smal Tren Engineering	6,760.00	
Medley Tool & Model Co	20,240.00	
Do	14,416.00	
Do	29,950.00	
Smal Tren Engineering	7,375.20	
Do	7,500.00	
Total	210,458.50	200,000

SEC. 8(a) AWARDS DURING FISCAL YEAR 1974 (BY CENTER)

DCSC:		
George Davis & Son	15,312.54	
Albert J. Britton Construction Co	21,728.67	
George Davis & Son	2,254.33	
Albert J. Britton Construction Co	174,249.01	
Do	48,438.45	
Do	27,065.50	
Edmonds Heating & Air-Conditioning Co	24,192.62	
Total	313,241.12	250,000
DESC	0	
DFSC:		
Wrights American	118,859.00	
Hayes Oil Co	17,640.00	
O'Sullivan Fuel Oil, Inc	1,098,390.00	
Wallace & Wallace	3,730,298.00	
Grimes Oil Co	839,336.00	
Lindsey Bros., Inc	168,100.00	
Vanguard Oil & Service	897,887.00	
Al Jones Oil Co	397,105.00	
Unified Industries, Inc	23,100.00	
Total	7,290,715.00	7,500,500

SEC. 8(a) ACCOMPLISHMENTS AND GOALS DURING FISCAL YEAR 1974

Center	Goal	Awards	Goal met
DCSC	$250,000	$313,241.12	Yes.
DESC	50,000	0	No.
DFSC	7,500,000	7,290,715.00	No.
DGSC	500,000	308,608.50	No.
DISC	200,000	210,458.50	Yes.
DPSC	9,100,000	9,296,620.46	Yes.
DDMT	100,000	77,720.00	No.
DDOU	50,000	0	No.
DDTC	50,000	79,886.60	Yes.
Total	17,800,000	17,577,250.18	

TAB E

PRIME CONTRACT LABOR SURPLUS AREA SET-ASIDE AWARDS OF $10,000 OR MORE

[In millions of dollars]

	Fiscal year—		
	1972	1973	1974
Total preference awards:			
DSA	69.5	67.2	78.7
DCSC	16.5	14.9	10.1
DESC	.8	.4	1.0
DFSC	1.5	6.3	4.4
DGSC	12.0	6.8	8.1
DISC	3.4	6.4	7.0
DPSC	35.3	32.3	48.1

TAB F

TENACITY AND PERSEVERANCE CASES (INVOLVING SMALL BUSINESS BIDDERS)

	Fiscal year—					
	1972		1973		1974	
	Companies	Cases	Companies	Cases	Companies	Cases
DSA purchasing office:						
DCSC	1	1	0	0	2	2
DESC	0	0	3	10	0	0
DFSC	1	1	1	1	0	0
DGSC	1	1	0	0	0	0
DISC	0	0	0	0	0	0
DPSC	2	2	2	2	1	1
Total	5	5	6	13	3	3

Note: Appealed by SBA—9 of the 10 cases involving 2 firms referred to SBA during fiscal year 1973 by DESC were appealed by SBA, but the appeals were denied by the HPA. There were no appeals by SBA for any other cases.

TAB G

CERTIFICATE OF COMPETENCY ACTIONS

	Fiscal year—		
	1972 number	1973 number	1974 number
Total referrals to SBA	238	204	184
Bidder did not file for COC or withdrew COC application	116	104	100
Awarded by procuring activities without COC	22	16	8
SBA declined to issue COC	32	22	37
Other (procurement canceled or low bid modified/expired, or pending at end of year)	7	11	11
SBA issued COC	46	39	31
Not referred to SBA because of urgency	2	14	12

TAB H

ANALYSIS OF SMALL BUSINESS PROCUREMENT

[Dollar amounts in millions]

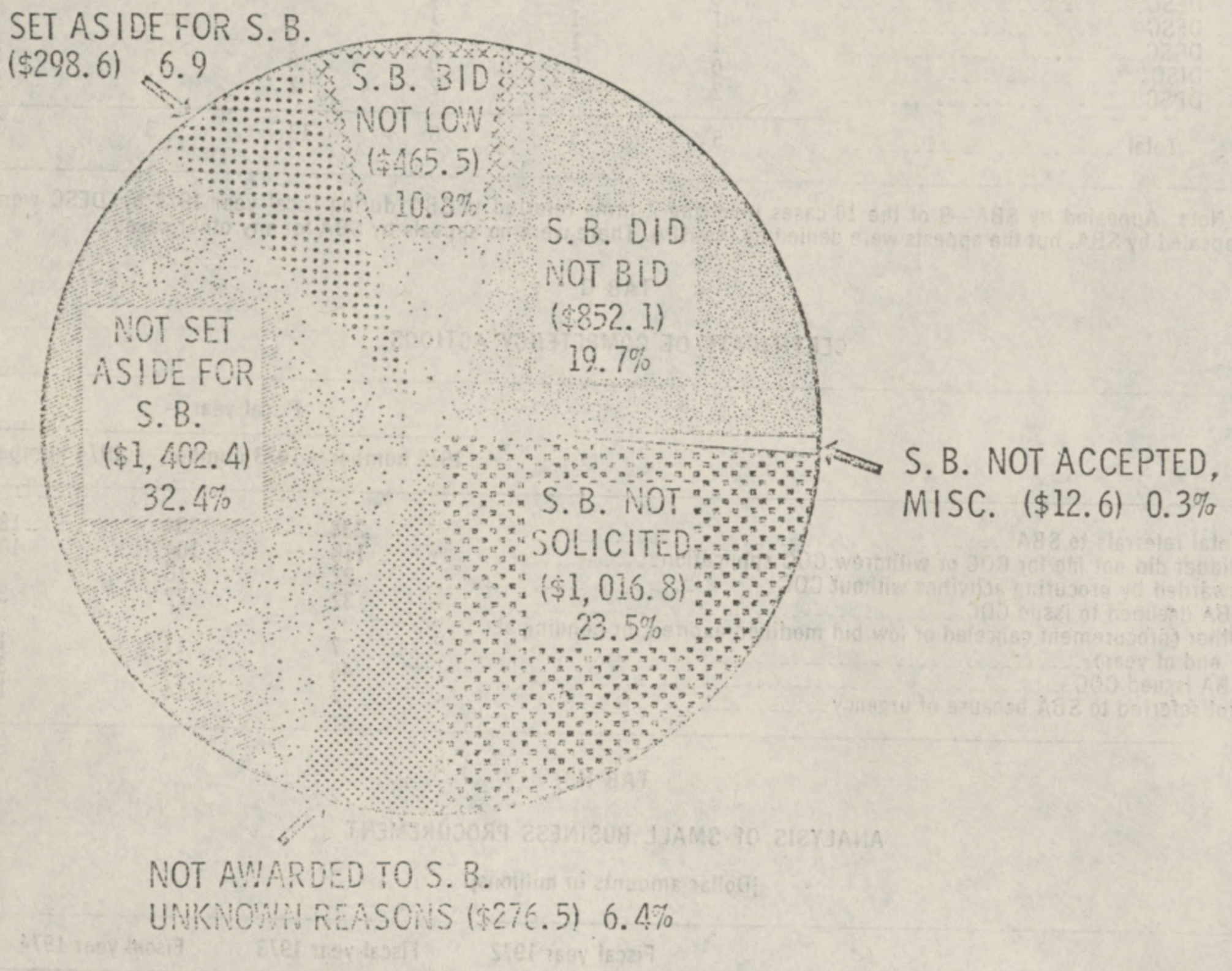
	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount	Percent	Amount	Percent	Amount	Percen
Total with business firms	$3,263.3	100.0	$3,284.4	100.0	$4,324.4	100.0
Not offered to small business	355.1	10.9	376.1	11.5	1,016.8	23.5
Offered to small business	2,908.2	89.1	2,908.3	88.5	3,307.6	76.5
Won by small business	1,455.2	44.6	1,510.6	46.0	1,701.0	39.3
Set-aside to small business	495.6	15.2	425.9	13.0	293.6	6.9
Open competition	959.6	29.4	1,084.7	33.0	1,402.4	32.4
Not awarded to small business	1,808.1	55.4	1,773.8	54.0	2,623.4	60.7
Small business did not bid	513.1	15.7	381.9	11.6	852.1	19.7
Small business bid not low	678.2	20.8	721.9	22.0	465.5	10.8
Small business bid not accepted for other reasons	14.9	.5	21.9	.7	12.6	.3
Reasons unknown awards of less than $10,000 to large business (assumed to have been offered to small business)	246.9	7.6	272.0	8.3	276.5	6.4

TAB J

SMALL BUSINESS PARTICIPATION IN DSA PROCUREMENT

FY 1974

(MILLIONS OF DOLLARS)



SMALL BUSINESS PARTICIPATION IN DSA PROCUREMENTS, FISCAL YEAR 1974

	Dollar value (millions)	Percent of total U.S. dollars
Small business:		
Not solicited	1,016.8	23.5
Did not bid	852.1	19.7
Bid not low	465.5	10.8
Not accepted, miscellaneous	12.6	.3
Not awarded to small business, unknown reasons	276.5	6.4
Not set aside for small business	1,402.4	32.4
Set aside for small business	298.6	6.9

Tab J–1

Not Offered to Small Business

Amount.—$1,016,763,000.
Percent.—23.5 of total U.S. dollars.

	Fiscal year 1974	
	Value (thousands)	Percentage of total
DCSC	$37,695	3.7
DESC	62,630	6.2
DFSC	545,284	53.6
DGSC	42,155	4.1
DISC	10,508	1.0
DPSC:		
C. & T	19,480	1.9
Med	86,484	8.5
Subs	208,916	20.6
Other buying offices	3.611	.4
Total	1,016,763	100.0

ANALYSIS

Fuel.—Dollars not offered to small firms in fuel area caused by fuel shortage, crisis, and the embargo. Under FEO, subsequently FEA, offerings to small business were drastically reduced because of the allocation program. Also, because of the embargo, petroleum products valued at over $400 million normally procured and used overseas had to be returned and procured domestically. Because of a lack of small business capacity, this entire amount was procured from large firms.

DPSC-Subsistence.—Represents procurements made as a result of overseas requirements for brand name resale items based on customer preference in commissaries.

DPSC-Medical.—Represents requirements for sole source medical and dental items and for items where there are no small sources.

DESC.—Represents requirements for electron tubes where there are very few small firms and almost no available small business capacity.

Tab J–2

Small Business Solicited But Did Not Bid

Amount.—$852,087,000.
Percent.—19.7 of total U.S. dollars.

	Fiscal year 1974	
	Value (thousands)	Percentage of total
DCSC	$67,229	7.9
DESC	5,443	.6
DFSC	573,579	67.3
DGSC	29,208	3.4
DISC	22,176	2.6
DPSC:		
C. & T	43,951	5.2
Med	34,185	4.0
Subs	75,656	8.9
Other buying offices	660	.1
Total	852,087	100.0

DFSC.—Increase in dollars where small firms were solicited but did not bid is due to the fuel shortage and the small firm's inability to obtain sufficient crude oil to provide additional petroleum products. Additional DFSC requirements had to be absorbed by large firms.

Tab J–3

SMALL BUSINESS BID BUT WAS NOT LOW

Amount.—$465,537,000.
Percent.—10.8 of total U.S. dollars.

Center	Fiscal year 1974	
	Value (thousands)	Percentage of total
DCSC	$63,742	13.7
DESC	8,806	1.9
DFSC	148,569	31.9
DGSC	16,576	3.6
DISC	18,939	4.1
DPSC:		
C. & T	97,066	20.8
Med	9,776	2.1
Subs	99,831	21.4
Other buying offices	2,232	.5
Total	465,537	100.0

Tab J–4

SMALL BUSINESS BID NOT ACCEPTED FOR MISCELLANEOUS REASONS

Amount.—$12,599,000.
Percent.—0.03 of total U.S. dollars.

Center	Fiscal year 1974	
	Value (thousands)	Percentage of total
DCSC	$3,451	27.4
DESC	1,248	9.9
DFSC	861	6.8
DGSC	1,470	11.7
DISC	1,054	8.4
DPSC:		
C. & T	2,880	22.9
Med	1,367	10.8
Subs	69	.5
Other buying activities	199	1.6
Total	12,599	100.0

Tab J–5

NOT AWARDED TO SMALL BUSINESS, REASONS UNKNOWN

Amount.—$276,460,000.
Percent: 6.4.

No detailed center by center breakdown available. This figure represents cases under $10,000 which were awarded to large business and where it is assumed that small business firms were solicited. The specific reason for not awarding these purchases to small business firms cannot be ascertained.

Tab K

CH 1 DSAM 8105.1

E–521 ADMINISTRATION OF PROGRESS PAYMENTS

E–521.1 Reference

ASPR Appendix E.

E–521.2 General

The primary purpose of progress payments, as discussed in ASPR Appendix E, is to reduce the impact which predelivery expenditures for long lead time items

may have on the contractor's working capital with the possible resultant adverse affect on his ability to produce. For this reason, controls will be established within the Contract Administration element to assure that progress payment requests are processed expeditiously and promptly submitted to the payment office. Normally, ACOs will be expected to complete processing of such requests within four working days. In cases of unusual delay, such as when an audit or field evaluation must be made in advance of payment, the contractor will be formally advised of the reasons for the delay and the estimated date for final action under his request.

E–521.3 Review of Contract Terms

Immediately upon receipt of a contract which provides for progress payments, the ACO should:

a. Verify with the Financial Services element/DCAA contract auditor that the contractor's accounting system is acceptable for purposes of making progress payments under the instant contract.

b. Ensure that the progress payment rate and the liquidation rate complies with ASPR E–510.1 and E–510.2. Instances of noncompliance for which authorization is not apparent should be brought to the attention of the PCO without delay.

c. Verify that contracts awarded after 1 January 1972 show identical rates in paragraphs (a)(1), (a)(3), (a)(4), and (b) of the progress payment clause. Deviations therefrom should be brought to the attention of the PCO.

d. Verify the contractor's status as small or large business. This is most significant because of differences in the base for computing progress payments on contracts awarded after 1 January 1972.

E–521.4 Procedures

a. *Review and Evaluation of Requests for Progress Payments (DD Form 1195)*

(1) It is the responsibility of the ACO to approve contractor's requests for progress payments when such payments are authorized under the terms of a contract. The ACO and other personnel involved should be thoroughly familiar with the provisions of ASPR Appendix E, Part 5. A complete understanding of ASPR E–519 and E–521 is particularly important for the proper administration of the progress payments clause during the term of the contract.

(2) For the purpose of approving progress payments, principal reliance will be placed on the adequacy of the contractor's accounting system and controls, and on the reliability of the contractor's certificates. Audit of requests for progress payments in advance of payment will be limited to those situations in which there is reason to question the reliability or accuracy of the contractor's certificate, or reason to believe that the contract will involve a loss. Upon receipt of a request for progress payment, the ACO should:

(a) Determine that the various rates agree with those shown in the contract. Requests containing improper rates should be returned to the contractor for correction.

(b) Review all entries and computations on the request for compliance with the contract and for mathematical accuracy.

(c) Annotate the form to indicate the date of receipt from the contractor.

(3) A DSA Form 325, Progress Payment Administration Record, will be prepared when processing individual requests for progress payments as well as for accomplishing the periodic evaluations (in depth reviews) as contemplated by ASPR E–521. Once the adequacy of the contractor's accounting system and controls has been established, and except for periodic evaluations, the ACO will normally complete only DSA Form 325, section A, items 1 through 14 and 28, remarks as appropriate, and the signature block. When the ACO requires information pertaining to individual items in section B of the form, he will obtain the required information by request directly to the functional element involved. Detailed instructions for the use, preparation, and processing (when required) of both the DD Form 1195 and the DSA Form 325 are printed on the reverse side of each form.

(4) The ACO will establish a schedule for periodic (in depth) evaluations based on his knowledge of the contractor's financial condition, experience, performance record, reliability, quality of management, and adequacy of accounting systems and controls. The frequency of such evaluations will be at least semiannually, or more frequently at the discretion of the ACO. In exercising this discretion, the ACO should recognize that a contractor experiencing performance delays/problems, or one who appears to be financially unstable, would be subject to more frequent detailed evaluations than the contractor who was not experiencing

these delays/problems. Evaluations, however, must be made with such frequency as to ensure that progress payments are not made in excess of actual progress under the contract(s).

(5) The contractor's physical progress on the contract must be evaluated periodically. The initial progress review should be made early in the contract performance period. The results of the first review will provide a basis for determining the validity of the contractor's certification on the DD Form 1195, and for establishing the frequency for future reviews. These reviews will assure that progress payments made are fairly supported by the value of the work actually accomplished on the undelivered portion of the contract. ACOs should ensure that unliquidated progress payments do not exceed the limitations in paragraphs (a)(3) and (a)(4) of the progress payment clause. When it is determined that physical progress is less than represented by the contractor, any excess (unearned) progress payments should be deducted from subsequent progress payment requests.

(6) The ACO must be kept informed concerning the contractor's overall operations and financial condition. Difficulties encountered and losses suffered in operations outside of the progress payment contract could adversely affect performance of that contract and the liquidation of the progress payments. When contractors are found to be marginal (see ASPR E–521), full information on contract progress, contractor's other operations and financial condition should be obtained and analyzed at frequent intervals.

(7) Section III of DD Form 1195 must be completed only if the contractor has received advance payments against the contract, or if items have been delivered, invoiced and accepted as of the end of the period for which the progress payment is requested. Particular care should be taken to assure that amounts entered in this section and allocated to delivered and undelivered items are correct. The ACO must satisfy himself that when the contract delivery requirements are met, the unliquidated progress payment balance will be reduced to zero.

(8) Contractors holding contracts awarded prior to 1 January 1972 may request progress payments at any reasonable interval. However, payments to contractors shall not be made more frequently than bi-weekly.

(9) A Progress Payment Log will be maintained by the ACO either in the contract file or at the ACO's desk for each contract involving progress payments. The log should identify each major action taken by the ACO and should indicate the "Maximum Allowable Payment Remaining" after approval of each request. Upon completion of the contract, the log will be filed in Section 5 of the official contract file as "related matter" (see paragraph S2–100.7a(3)).

b. *Special Areas of Consideration*

(1) *Subcontract Costs*

(a) The progress payment clause in contracts awarded to large business concerns after 1 January 1972 authorizes the contractor to request progress payments based on his progress payments to subcontractors, only after actual payment to the subcontractor. Contracts with small business concerns and other contracts awarded prior to 1 January 1972 allow the contractor to request progress payments based on unpaid billings for progress payments to subcontractors which have been approved for current payment in the ordinary course of business, when the subcontracts conform to the progress payment clause in the Government contract.

(b) When a contractor's request includes progress payments made to a subcontractor, the ACO will assure that the applicable subcontract(s) include a progress payment clause and the title provision of that clause provides for the vesting of title directly in the Government (see ASPR E–513.2).

(2) *First Article Approval.* When a contract contains a requirement for first article approval, the amount of costs claimed must be in consonance with the contract first article payment limitations. When the alternate progress payment clause authorized by ASPR 1–1902(c) is included in the contract, the contractor may acquire specific materials or components, or commence production prior to approval of the first article. Costs incurred under such authorization will be eligible for progress payments. When contracts with first article approval requirements do not include a price or cost estimate applicable to the first article, the ACO should establish an estimate, using advice of his pricing team. The amount so established should be discussed with the contractor to obtain agreement, and thereby simplify the billing/payment process. Where an agreement cannot be reached payments should not exceed the ACO's estimate.

(3) *Adequacy of Accounting System.* In order to ensure proper administration of contracts providing for progress payments, the contractor's accounting system

and controls must be able to identify costs allocable to progress payments. If not already a matter of record in the DCAS office, the ACO will request the contract auditor to determine that, notwithstanding acceptability of the system for cost type contracts, (see paragraph E–506.3d), the contractor's accounting system is adequate for proper administration of contracts providing for progress payments. When it is determined that changes to the accounting system are necessary, the accounting system shall be deemed inadequate and progress payments suspended, until such time as the necessary changes are made. In those cases when the contractor's accounting system (other than small business) initially does not permit identification of paid costs by contract, but is otherwise acceptable, the ACO may, after coordination with the DCAA auditor, approve temporary use of a reasonable system of allocation of paid costs to contracts.

(4) *Alternate Liquidation Rate.* The alternate method of liquidation of progress payments is a means of allowing the contractor to retain more funds, once delivery commences under the contract, than would be allowed if the ordinary rate were used. Contracts entered into after 1 January 1972 must include the ordinary rate of liquidation, i.e., the same rate as that used for payment, until the contract is modified pursuant to ASPR E–512.2(b).

(a) Contracts shall be amended (by the PCO) to substitute the alternate rate of liquidation for the ordinary rate, at the contractor's request, when the conditions in ASPR E–512.2(b) are met. Contractors' requests for contract amendment to include and alternate rate of liquidation will be referred to DCAA for verification of contract cost experience. Upon receipt of the DCAA advisory report, the ACO will submit his review and evaluation of the contractor's proposal with a firm. recommendation. If the PCO agrees that the contract should be amended he will do so, or he may request the ACO to effect the contract modification for him.

(b) The alternate liquidation rate shown in a contract is based on the negotiated profit percentage taken from the table in ASPR E–512.3(c). If, during performance of a contract containing the alternate rate, the contractor's costs increase, the true profit rate will decrease. In such instances the liquidation rate must be increased when processing progress payments by way of deductions from delivery billings. Such increases in the liquidation rate do not require formal modification of the contract.

(c) The ACO should request periodic audits (normally semiannually) to determine whether the negotiated profit rate, used to establish the liquidation rate, is being earned. Where the profit is less than that originally negotiated, the ACO shall administratively adjust the liquidation rate and approve for payment which will assure recoupment of all unliquidated progress payments by the time delivery under the contract is completed.

(5) *DD Form 1195 for Statistical Purposes.* As indicated in the general instructions on the reverse of the DD Form 1195, a requirement exists in some instances for contractors to prepare a DD Form 1195 for statistical purposes only. Once a progress payment has been made under a contract and so long as there are unliquidated progress payments outstanding, a DD Form 1195 must be prepared for each calendar quarter even if no progress payment is requested during that calendar quarter. The form so prepared must show the most current data on all line item entries and be submitted not later than the last working day of the quarter. This is an "information only" type DD Form 1195 and should reflect, such things as contract price changes, total costs eligible for progress payments, changes in costs applicable to delivered and undelivered items, and changes in the amount of unliquidated progress payments.

E–521.5 Postaward Financial Surveillance Reports

a. The importance of early detection and immediate reporting of contractors encountering financial problems cannot be overemphasized. In consonance therewith, Financial Services personnel are expected to maintain close surveillance over contractors with marginal financial capability and the moment there is reason to question their financial capability, the ACO will be so notified immediately.

b. Upon receipt of a written notification of adverse financial conditions from the Financial Service element, the ACO will consolidate the information provided and submit a Report of Adverse Developments (ASPR E–216) to the PCO of the Department or Agency principally concerned with contract financing and to that organization's Contract Financing Office. These reports should be forwarded by the ACO as soon as there are indications that the contractor's financial condition has become shaky. The reports should not be delayed until it is a foregone conclusion that the contractor will be declaring bankruptcy or will be unable to continue performance because of financial reasons. If it appears that involuntary or voluntary bankruptcy is imminent, the ACO should so advise the DCASR Counsel.

c. To assist in expediting distribution of Reports of Adverse Development, the addresses for the Departmental Contract Financing Offices are identified below:

Army:

Comptroller of the Army
Directorate of Comptroller Systems
Attn: Contract Financing Office
Washington, D.C. 20314

Air Force:

Assistant for Banking & Contract Financing
Comptroller, U.S. Air Force
ATTN: AF/ACC
Washington, D.C. 20330

DSA:

Headquarters Defense Supply
ATTN: DSAH–CFF
Cameron Station
Alexandria, Virginia 22314

Navy:

Comptroller of the Navy
ATTN: NCD–4
Room 4C741, The Pentagon
Washington, D.C. 20301

E–521.6 Suspension or Reduction

a. Since the ACO's judgment in suspending or reducing a request for progress payment may be subject to later review, any such action must be thoroughly and completely documented in the official contract file. The ACO, at his discretion, may wish to secure the concurrence of higher authority in the proposed action. This will ensure that the action is proper, legal, and within the intent of ASPR appendix E and the contract clauses.

b. The suspension or reduction of progress payments are considered to be drastic measures, properly invoked only after discussions with the contractor. The ACO must prepare a statement of written findings based upon substantial evidence that the conditions for invoking subparagraph (c) of the Progress Payment clause exist and give appropriate written notice to the contractor. In addition, suspension of certain Progress Payments may be submitted for Board review (see paragraph 50–600.3c). PCOs should normally have been alerted at an early date to problems which subsequently lead to the suspension of progress payments. They should be kept appraised of developments which may adversely affect performance.

GENERAL SERVICES ADMINISTRATION

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 19, 1974.

Hon. ARTHUR F. SAMPSON,
Administrator,
General Services Administration,
Washington, D.C.

DEAR MR. ADMINISTRATOR: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of the small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government.

To obtain current information with respect to your Administration's activities which we plan to publish, please provide a report to the subcommittee in nine copies by September 18, 1974, setting forth the following information for fiscal years, 1972, 1973, and 1974.

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amounts and percentages of total awards.

2. Awards by GSA operating services to all business firms, to small business firms in dollars and percentages, and small business set-asides in dollar amount and percentages of total awards.

3. Small business share in dollars and percent of GSA's major procurement programs during the same period, such as construction and repair work, ADP equipment and software, etc., and the small business set-asides by dollar amounts and percentages of such procurements.

Your comments regarding the suitability of purchases of the requirements in such programs from small business and the establishment of class set-asides for such items.

4. Labor surplus area set-aside awards showing small business share thereof in dollars and in percent of total labor surplus awards.

5. The section 8(a) program and awards made to the Small Business Administration.

6. The organization and operation of GSA's small business programs, and detailed information as to any changes which occurred since June 30, 1971, in the missions, staffing, and operations in support of the small business programs.

7. Coordination with SBA in furtherance of small business programs, including set-asides, subcontracting and the section 8(a) program.

8. Small business subcontracting program showing subcontract payments in dollar amounts to small and other business concerns, and percentage of total to small business concerns.

9. Nonresponsibility decisions involving small business low bidders based upon alleged lack of either (*a*) capacity and credit, or (*b*) tenacity, perseverence or integrity; appeals or other actions taken; and final determinations thereof.

10. Current status report and statistical data regarding GSA's centralized procurement and stockage of commercially available items, the number and dollar value of items purchased for the GSA storage depot system in each fiscal year, and an update of data called for in committee's recommendation No. 11 of House Report No. 91–1608.

11. Progress payments and advance payments, if any, made by GSA to small business firms and to others.

12. Your comments regarding the GSA and the Government agency wide use of liberalized progress payments and advance payments on a preferential basis to encourage small business participation in procurement.

13. Impact of inflationary price and cost increases on small business and mitigating actions by General Services Administration.

14. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

STATEMENT OF ALLAN G. KAUPINEN, ASSISTANT ADMINISTRATOR OF GENERAL SERVICES

This is in reply to your letter of August 19, 1974, requesting information concerning General Services Administration (GSA) small business activities for fiscal years 1972, 1973, and 1974.

You have requested fourteen categories of information in your letter and we have responded to each of these categories below.

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amounts and percentages of total awards.

[In thousands of dollars]

	Total prime procurement	From small business		Small business set-asides	Set-asides as a percent of total procurement
		Procurement	Percent		
Fiscal year:					
1972	$1,306,925	$503,139	38.5	$176,750	13.5
1973	1,456,485	517,472	35.5	182,478	12.5
1974	1,561,775	603,509	38.6	181,797	11.6

2. Awards by GSA operating services to all business firms, to small firms in dollars and percentages, and small business set-asides in dollar amount and percentages of total awards.

[In thousands of dollars]

			From small business		Small business set-asides	
	GSA operating service	Total prime procurement	Total amount	Percentage	Total amoun	Percentage of prime
Fiscal year:						
1972	FSS	$755,077	$323,904	42.8	$89,694	11.87
1973	FSS	813,247	330,327	40.6	85,212	10.47
1974	FSS	930,125	415,552	44.7	89,460	9.61
1972	PBS	433,571	156,817	36.1	83,610	19.28
1973	PBS	539,775	179,268	33.2	94,089	17.43
1974	PBS	330,011	180,398	54.7	92,337	27.97
1972	PMDS	24,769	6,303	25.4	2,885	11.64
1973	PMDS	8,920	6,176	69.2	3,177	35.61
1974	(1)					
1972	TCS	90,075	15,254	16.9	561	.62
1973	ADTS[2]	91,009	888	1.0	0	0
1974	ADTS	297,738	6,549	2.2	0	0

[1] In fiscal year 1974 PMDS was abolished. The functions of that service were absorbed by FSS and PBS.

[2] In fiscal year 1973 TCS was abolished. The transportation and motor pool functions were transferred to FSS and the remaining communication function together with the automated data processing function of FSS were combined to form the newly created ADTS.

Note: The operating services identified by abbreviations in the above table are named below; FSS—Federal Supply Service, PBS—Public Buildings Service, PMDS—Property Management and Disposal Service, TCS—Transportation and Communications Service, ADTS—Automated Data and Telecommunications Service.

3. Small business share in dollars and percent of GSA's major procurement programs during the same period, such as construction and repair work, ADP equipment and software, etc., and the small business set-asides by dollar amounts and percentages of such procurements. Your comments regarding the suitability of purchases of the requirements in such programs from small business and the establishment of class set-asides for such items.

Our response by categories of procurements follows:

A. CONSTRUCTION, REPAIR AND IMPROVEMENT

[Dollar amounts in thousands]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount	Percent	Amount	Percent	Amount	Percent
Total procurement	$359,201		$481,464		$229,087	
Small business	102,373	28.5	139,255	28.9	105,345	46
Set-asides	59,955	16.7	80,301	16.7	81,504	35.6

Comment.—GSA makes a dedicated effort to establish set-asides in every commodity class and in the construction and repair program. PBS sets aside every requirement from $2,500 to $1,000,000 where there is reasonable competition and examines every requirement above $1,000,000 on a case-by-case basis to determine its suitability for set-aside. Some exceptions are made in the Construction Manager (CM) system of contracting where separate contracts are awarded for each major category of the work, such as architectural, mechanical, electrical, plumbing, etc. The new lower small business size standards published by the Small Business Administration at 39 FR 5626 and 5627, February 14, 1974, have significantly narrowed the base for competition on small business set-asides while, on these CM projects, the specialty contractor may be bidding as a prime contractor for a substantial portion of a multi-million dollar facility.

B. TELECOMMUNICATIONS PROCUREMENTS

[Dollar amounts in thousands]

	Total procurement	Small business procurement	Percent	Small business set-asides	Percent
Fiscal year:					
1972	$72,503	0	0	0	0
1973	88,329	[1] 3	0	0	0
1974	244,033	[1] 3	0	0	0

[1] This figure represents a procurement by region 10 of switchboard answering services and minor in-house equipment repairs.

Telecommunications procurements by ADTS central and regional offices entail procurements of facilities and services from tariffed common carriers (AT&T, Western Union, Bell System, associated and independent telephone companies). As these procurements are sole source, they are not amenable to small business set-asides, small business subcontracting, or to award of contracts to SBA pursuant to section 8(a) of the Small Business Act. Historically, procurement in

the telecommunications field has been noncompetitive. However, the Federal Communications Commission's Carterfone decision in 1968 permitted the interconnection of privately procured telephone facilities to the Bell System and thus gave birth to the "interconnect industry." With the recent growth of the industry, ADTS, supported by the General Accounting Office, has actively investigated the extent and capabilities of the new market and its applicability to Federal requirements. Although it does not appear that there will be any immediate benefits, the competitive procurement of telephone facilities and services may, in the long run, provide a measure of business potential to small business concerns.

C. ADP EQUIPMENT AND SOFTWARE

ADP PROCUREMENT, CENTRAL OFFICE

[Dollar amounts in thousands]

	Total procurement	Small business procurement	Percent	Small business set asides	Percent
Fiscal year:					
1972	[1]				
1973	$2,447	502	20.5	0	0
1974	[2] 23,656	2,209	[3] 9.5	0	0

[1] During fiscal year 1972, FSS was responsible for all ADP procurements. Figures representing total central office ADP procurement for fiscal year 1972 were not separately identified.

[2] The substantial increase in dollar volume of procurements results from the fiscal year 1975 transfer to the ADTS central office of some ADP procurement activities formerly performed by region 3.

[3] The decrease in percentage of dollar volume in small business procurement is not statistically meaningful. The fiscal year 1973 figure reflects a percentage based on a small volume of ADP procurements. The fiscal year 1974 figure, based on a much more substantial volume of procurement, provides a more realistic picture of the small business procurement share.

The above table reflects Central Office procurements only. Regional procurements in FY 1972, FY 1973, and FY 1974 were 4,017, 4,378, and 3,219 respectively. The small business portion has not been separately identified.

Procurement programs in the ADP field (including the third party programs, the requirements contract programs, and the ADP schedules program) do not lend themselves to small business set-asides due to the lack of viable body of small business competition for the requirements. Procurements frequently involve types, large quantities of items, or immediate deliveries beyond the capabilities of small businesses. Nevertheless, over the past two years, small business has gained an increasing dollar volume of independent agency ADP procurements, registering an increase in procurement dollar volume of 440 percent in FY 1974 alone. Although, as stated, ADP schedule purchases are not amenable to small business set-asides, small businesses have been successful in producing a wide variety of products which are covered by the ADP schedule. These products include terminals, data entry systems, memory units, disc packs, etc. The increasing number of small businesses added to and clearly identified on the schedule has produced significant results.

Since 1968, the number of small business concerns filling orders under the schedule has increased fivefold with a concomitant increase in annual dollar volume of 280 percent.

D. FEDERAL SUPPLY SERVICE

FSS screens all procurements for total, partial, or class set-aside potential. Where criteria are met for set-asides, as set forth in the Federal procurement regulations, all or portion of a procurement may be restricted to exclusive small business participation. Whereas FSS buys commercially available items, most commodity groups lend themselves to set-aside consideration. In FY 74, FSS placed 44.7 percent of its procurement volume with small business concerns. This is the highest FSS small business percentage since FY 68. The following table reflects total procurement volumes for the ten commodity groups for which there was the highest expenditure of funds for fiscal years 1972, 1973, and 1974.

10 HIGHEST COMMODITY GROUPS, FISCAL YEARS 1972, 1973, AND 1974

[In millions of dollars]

Commodity group	Federal supply group No.	Amount
FISCAL YEAR 1972		
Office, household, and quarters furniture	71	134.4
Office supplies and devices	75	128.2
Instruments and laboratory equipment	66	123.0
Office equipment	74	121.0
Special industrial machinery	36	113.2
Photographic equipment	67	87.6
Hand tools	51	61.9
Containers/packaging	81	56.2
Paint, brushes, adhesives	80	48.9
Cleaning equipment and supplies	79	37.1
Excludes group 23, motor vehicles, trailers, and cycles		137.3
Excludes group (25, 28, 29, 30) vehicle parts and accessories		[1] 110.4
FISCAL YEAR 1973		
Special industrial machinery	36	177.7
Instruments and lab equipment	66	154.1
Office equipment	74	129.6
Office, household, and quarters furniture	71	120.0
Office supplies and devices	75	115.3
Communication equipment	58	78.3
Photographic equipment	67	74.4
Hand tools	51	73.3
Containers/packaging	81	46.4
Paint, brushes, adhesives	80	43.8
Excludes group 23, motor vehicles, trailers and cycles		212.5
Excludes group (25, 28, 29, 30) vehicle parts and accessories		[1] 110.4
FISCAL YEAR 1974		
Office supplies and devices	75	189.8
Instruments and lab equipment	66	186.9
Office equipment	74	178.8
Office, household, and quarters furniture	71	163.8
Special industrial machinery	36	159.8
Photographic equipment	67	94.3
Communication equipment	58	85.4
Hand tools	51	74.3
Containers/packaging	81	62.5
Paint, brushes, adhesives	80	46.2
Excludes group 23, motor vehicles, trailers and cycles		158.0
Excludes group (25, 28, 29, 30) vehicle parts and accessories		[1] 110.4

[1] Estimate.

4. Labor surplus area set-aside awards showing small business share thereof in dollars and in percent of total labor surplus awards.

LABOR SURPLUS AREA SET-ASIDE AWARDS (UNDER PREFERENCE PROCEDURES)

[In thousands of dollars]

	Total procurement	From small bu siness	Percentage (rounded)
Fiscal year:			
1972	24,389	2,928	12.0
1973	34,024	4,183	12.3
1974	65,762	3,515	5.3

TOTAL PROCUREMENT IN LABOR SURPLUS AREAS (INCLUDES ABOVE PLUS AWARDS UNDER NONPREFERENCE PROCEDURES)

[In thousands of dollars]

	Total procurement	From small business	Percentage (rounded)
Fiscal year:			
1972	349,799	110,427	31.6
1973	417,350	128,898	30.9
1974	528,118	183,876	34.8

5. The section 8(a) program and awards made to the Small Business Administration.

SEC. 8(a) VOLUME

Fiscal year	Number of contracts	Amount (millions)
1972:		
FSS	80	$11.2
PBS	321	22.2
PMDS	51	.7
TCS	20	.6
NARS	1	.003
GSA total	473	34.7
1973:		
FSS	78	16.4
PBS	279	32.1
PMDS	84	1.9
GSA total	441	50.4
1974:		
FSS	146	20.8
PBS	221	23.1
GSA total	367	[1] 43.9

[1] Explanation of 8(a) Decline from fiscal year 1973–74:

In fiscal year 1973, 26 concessions were valued at $13,895,950 over the term of the lease. Projected sales for the period of the entire lease were recorded in the 1st year of the lease until November 1972. 1 concession was valued at $10,000,000 for 20 yr. At that time, reporting methods were changed to reflect projected volume in each fiscal year only based on 12 mos from the date of award.

In fiscal year 1974, employing the new reporting technique, 10 concessions were awarded valued at $559,100 for that fiscal year. The change in reporting techniques accounts for the apparent decline in 8(a) volume in fiscal year 1974.

8(a) volume excluding concessions: 1974—$43,328,021; 1973—$36,560,980.

Adding 8(a) volume and estimated concessions sales for a final figure is the equivalent of combining dissimilar items. The former are sales to Government; the latter represent projections of concessions sales on which the Government realizes approximately 1½ percent return.

6. The organization and operation of GSA's small business programs, and detailed information as to any changes which occurred since June 30, 1971, in the missions, staffing, and operations in support of the small business programs.

The Director of Business Services (Grade 15) has responsibility for the overall direction of GSA's small business program and Regional

Directors of Business Affairs in our 10 regional offices provide the program direction in the field. Nine of the Regional Directors are Grade 14 and one is Grade 13. The Directors are responsible for the operation of GSA's 13 Business Service Centers.

While GSA's small business programs are carried out in essentially the same manner as they were in 1971, since that time the number of BSC's in operation has increased from 11 to 13 and the number of BSC personnel has increased from 72 to 78. These two newest Business Service Centers are located in Philadelphia and Houston. An additional Center is scheduled to open in Miami before the end of calendar year 1974.

The entire Business Services staff of 78 people devote most of their time in rendering assistance to small business firms, and the majority of the staff members have responsibility for identifying new small business bidders for Government contracts through their counseling activities both inside and outside of the Business Service Centers. Our Circuit Rider program to nonregional office cities and our frequent participation in business opportunity meetings and seminars takes our counselors out to the field where they are more accessible to businessmen. In addition to the active search for new potential small business contractors, BSC personnel are responsible for other functions related to Government contracting. These include the distribution of pamphlets concerning doing business with the Federal Government; the posting, safeguarding, and opening of bids; the furnishing of specifications to prospective bidders; and the processing of new item applications.

Regional Directors of Business Affairs must review every regional procurement action which a contracting officer proposes not to set-aside for small business. When during the course of the review it is determined that two or more competitive and responsible small business bidders would compete for the contract, the non-set-aside proposal is abandoned and the procurement is set-aside. This same review function is performed in the Central Office operation of the Federal Supply Service by a small business specialist who is a member of the Socio-Economic Policy Staff, an organizational component of the Office of the Commissioner, FSS.

Supplementing the small business program efforts of Business Services personnel in the Central Office and in the Regions are the small business representatives of PBS, FSS, and ADTS. There is one such representative in each of these operating services, and it is their responsibility to coordinate and promote on a national scale the small business program within their respective organizations.

7. Coordination with SBA in furtherance of small business programs, including set-asides, subcontracting and the section 8(a) program.

We have an excellent day-to-day working relationship with SBA Procurement Center representatives in our central and 10 regional procurement offices. In addition, SBA has assigned members of their Government liaison staff to coordinate small business policy level matters.

In an effort to further strengthen our close ties with SBA, a tripartite agreement between GSA, S A, and ACTION was entered into on May 23, 1974. A copy of the agreement is attached. (Attachment 1.)

In another area, GSA and SBA officials worked closely in the development of a GSA form (No. 2689) to be completed by Federal Supply Services contracting officers for every procurement which they propose not to set aside for small business. This form is reviewed by GSA Business Service Center personnel in the regions, by the Small Business Representative of the Federal Supply Service in the Central Office, and by the SBA Procurement Center representatives. The review provides an opportunity to offer remedial action on a preaward basis by providing sources or to challenge an initial determination not to set aside a procurement. GSA Form 2689 is attached. (Attachment 2.)

8. Small business subcontracting program showing subcontract payments in dollar amounts to small and other business concerns, and percentage of total to small business concerns.

SMALL BUSINESS SUBCONTRACTING PROGRAM

[In thousands of dollars]

	Total	From small business	Other	Percentage
Fiscal year:				
1972	63,261	29,202	34,060	46.16
1973	280,895	179,799	101,096	35.99
1974	64,347	40,574	23,773	36.94

The statistics shown are for Public Buildings Service. Figures are not available in the Federal Supply Service. FSS contracts for commercial items in excess of $500,000 are exempt from reporting requirements under the small business subcontracting clause. This exemption has been allowed because it is not feasible for commercial suppliers to differentiate subcontracts under Government contracts from other subcontracts for the same commercial items supplied to other private sector customers.

9. Nonresponsibility decisions involving small business low bidders based upon alleged lack of either (*a*) capacity and credit, or (*b*) tenacity, perseverance or integrity; appeals or other actions taken; and final determinations thereof.

NONRESPONSIBILITY DECISIONS, FISCAL YEARS 1972, 1973, and 1974

	Capacity and credit	Tenacity and perseverance
Declined to file	116	2
COC's issued	74	----------
COC's den ed	50	----------
Total	240	2

10. Current status report and statistical data regarding GSA's centralized procurement and stockage of commercially available items, the number and dollar value of items purchased for the GSA storage depot system in each fiscal year, and an update of data called for in committee's recommendation No. 11 of House Report No. 91–1608.

A. Data on GSA Storage Depot System.

[In millions of dollars]

	FSS procurement for stock	Percent of procurement for stock to total FSS procurement
Fiscal Year:		
1972	483.9	29.6
1973	449.7	25.3
1974	609.9	29.8

B. Update on Committee Recommendations Nos. 11a and b (11c is shown in A above and 11d provided in FY 71).

1. (11*a*) The subcommittee recommends that GSA provide a complete status report to the subcommittee by April 15, 1971, setting forth detailed information regarding (*a*) the transfer of procurement missions from the Defense Supply Agency to GSA involving commercially available and shelf-type items * * *. The transfer of procurement and supply missions from DSA to GSA totalling 65 Federal Supply Classes thru June 1968. The following related procurement and supply transfers have taken place since that date:

(*a*) The Department of Defense (DOD) offered GSA procurement and supply management for the three classes in FSG 87, Agricultural Supplies, which we accepted for national management effective November 1969:

FSC 8710—Forage and feed.
FSC 8720—Fertilizers.
FSC 8730—Seeds and nursery stock.

This brought our GSA National Supply System Classes up to a total of 68.

(*b*) Agreement was reached to transfer the DOD coordinated procurement responsibilities from the Army Single Manager to GSA for commercial passenger carrying vehicles and trucks up to 10,000 pounds gross vehicle weight, with minor exceptions. This transfer took place late in 1968. Though this does not relate to the Defense Supply Agency procurement and supply management functions, this action did assign to GSA partial procurement responsibilities for the following Federal Supply Classes:

FSC 2310—Passenger motor vehicles.
FSC 2320—Trucks and truck tractors, wheeled.

(*c*) In our current negotiations with the DSA to minimize dual management between our agencies, 635 items in DSA classes are to be transferred from Defense Supply Centers to GSA for national management in January and February 1975. In addition, GSA has accepted national management responsibility for FSC 7540, Standard Forms. This transfer will be from the Defense General Supply Center effective February 1975, and will increase to 69 the number of Federal Supply Classes nationally managed by GSA.

2. (11*b*) The subcommittee recommends that GSA provide a complete status report to the subcommittee by April 15, 1971, setting forth detailed information regarding * * * (*b*) the progress of the program recently established by GSA to delete certain items from stockage * * *.

It is our policy to make a continuing review of stock items to determine which should be deleted. However, the data on the number of past deletions for specific timeframes is not readily available.

11. Progress payments and advance payments, if any, made by GSA to small business firms and to others.

During fiscal years 1972, 1973, and 1974 progress payments were made on all major construction projects and eleven progress payments were made on supply contracts during the same period. In the past, SBA has provided advance payment on approximately 10 percent of all 8(a) contracts.

12. Your comments regarding the GSA and the Government agency-wide use of liberalized progress payments and advance payments on a preferential basis to encourage small business participation in procurement.

Preferential progress payments may be made to small business concerns in accordance with Federal Procurement Regulations 1–30.504–3—Progress Payments exclusively for small business.

A. *Progress Payments.*—Construction contracts require monthly progress payments based on work in place and may include payment for materials properly stored on or near the site. There is no separate payment procedure for small business firms. However, all progress payments are processed promptly, on a monthly basis, upon receipt of the required documents from the contractor.

PBS has recently directed contracting officers to utilize the provision for payment for materials stored offsite to the fullest extent practicable to permit contractors to place early orders for materials.

PBS also is conducting a pilot program for releasing monthly progress payments in full as earned, deleting the retained percentage requirement. In order to assess the monetary savings accruing to the Government by the earlier release of funds, bidders are required on the pilot projects, to bid a discount percentage as an alternate, for award of the contract on the basis of full progress payments.

The above provisions should be of particular assistance to small business construction contractors who need the accelerated cash flow, and we expect to share in the benefits by receiving lower bid prices.

B. *Advance Payments.*—Upon SBA approval, our minority small business suppliers receive advanced payments for "8(a)" contracts. Special bank accounts are designated from which funds may be withdrawn for direct materials, direct labor, and overhead expenses required for the purpose of the contract.

13. Impact of inflationary price and cost increases on small business and mitigating actions by GSA.

Three steps have been taken to mitigate the impact of inflation. First, we have implemented economic Price Adjustment clauses which allows for adjustments in price based on escalation in cost of goods and materials to the contractor (attachments 3 and 4). Second, selected contracts have been changed from 12 months to shorter periods so as to reduce the length of time bidders are held to their bid prices. Third, selected procurements have been converted from indefinite to definite quantity types, a step which also reduces the length of time a bidder is tied to his prices.

14. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

Small Business Goals

Small business goals were established for the first time in GSA for fiscal year 1974. Our goal for fiscal year 1974 was 38 percent and we

exceeded it by six-tenths of 1 percent. Small business performance for fiscal year 1974 was 38.6 percent as contrasted to 35.5 percent for fiscal year 1973. A goal of 39 percent has been set for fiscal year 1975.

If the committee has any questions or requires elaboration on any of the data contained in this report, we will be pleased to provide it upon request.

Sincerely,

ALLAN G. KAUPINEN,
Assistant Administrator.

Attachments.

(Text of tripartite agreement signed May 23, 1974 at White House ceremony.)

ATTACHMENT 1

MEMORANDUM OF UNDERSTANDING AMONG GSA, SBA, AND ACTION FOR THE DEVELOPMENT OF A MUTUALLY ADVANTAGEOUS JOINT EFFORT TO FURTHER ASSIST SMALL BUSINESSES

PURPOSE

The purpose of this Memorandum of Understanding is to coordinate the activities of the General Services Administration (GSA), the Small Business Administration (SBA), and ACTION in order to provide maximum counseling and guidance by way of free management service for the small business community. This service may be provided by Service Corps of Retired Executives/Active Corps of Executives (SCORE/ACE) volunteers who are co-sponsored by ACTION and SBA.

GSA, through its Business Service Centers, may find that small business representatives who request its services require management counseling before they are prepared to bid or enter into contracts. As a result of this agreement, such prospective clients needing management counseling will be referred to the nearest office of the Small Business Administration for the required counseling.

Conversely, whenever SBA and ACTION clients are interested in doing business with GSA, they will be referred to the nearest GSA Business Service Center for counseling and assistance.

This agreement will require close cooperation between the local representatives of GSA, SBA, and ACTION. Each of the three agencies will maintain current brochures and handout material available for prospective clients.

Out-of-pocket expenses for Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE) volunteers will be paid by ACTION. Additionally, SBA will have available other resources such as the Small Business Institute (SBI), and SBA 406, Management and Technical Assistance Programs.

In areas where any of the parties to this agreement do not have staff/facilities, the agency with existing facilities will make available all services and materials deemed appropriate to carry out the intent of this Memorandum of Understanding. Details of operational procedures for accomplishment of this agreement will be developed jointly by representatives of GSA, SBA, and ACTION to assure mutual compatibility of agency directives on this subject.

AMENDMENT

This Understanding may be amended at any time by written agreement of the parties.

EFFECTIVE DATE

This Understanding shall take effect upon the date of the execution thereof.

Executed by:

ARTHUR F. SAMPSON,
Administrator, General Services Administration.

Date: May 23, 1974.

THOMAS S. KLEPPE,
Administrator, Small Business Administration.

Date: May 23, 1974.

MICHAEL P. BALZANO, Jr.,
Director, ACTION.

Date: May 23, 1974.
Witnessed:
May 23, 1974.
FREDERIC V. MALEK,
Deputy Director, Office of Management and Budget

ATTACHMENT 2

PROCUREMENT NOT SET ASIDE FOR SMALL BUSINESS

1. TO	2. FROM (Issuing Office) (Include ZIP Code)
Business Service Center	
3. IFB NUMBER	4. ESTIMATED COST
	$

5. DESCRIPTION OF COMMODITY/SERVICE AND FSC/FSN NUMBER(S)

PRIOR YEAR LOCAL PROCUREMENT EXPERIENCE

6. NUMBER OF RESPONSES BY		7. AWARDED TO	8. REMARKS
a. LARGE BUSINESS	b. SMALL BUSINESS	(Check) a. ☐ LARGE BUSINESS b. ☐ SMALL BUSINESS	

9. REASON FOR NOT MAKING SET ASIDE *(Check appropriate item)*

a. ☐ Insufficient known small business sources. No reasonable expectation that offers will be obtained from a sufficient number of responsible SB firms at reasonable prices.

b. ☐ Procurement made from Labor Surplus Area concerns pursuant to FPR 1-1.802.

c. ☐ Partial small business set-aside not feasible. Procurement not suitable for division into two economic production runs or reasonable lots.

d. ☐ Qualified products.

e. ☐ Proprietary item.

f. ☐ Other reasons *(Explain)*

10. CONTRACTING OFFICER *(Signature)*	DATE	11. CONCURRENCE BY LEVEL ABOVE CONTRACTING OFFICER *(If needed)* *(Signature)*	DATE

BSC REVIEW	SBA REVIEW
12. *(Check one)* a. ☐ NO BSC ACTION FEASIBLE IN THIS CASE b. ☐ PROVIDED ADDITIONAL SOURCES *(See reverse)*	13. *(Check one)* a. ☐ NO SBA ACTION FEASIBLE IN THIS CASE b. ☐ PROVIDED ADDITIONAL SOURCES *(See reverse)*
14. BSC DIRECTOR *(Signature)* DATE	15. SBA DIRECTOR *(Signature)* DATE

GENERAL SERVICES ADMINISTRATION *(See reverse for additional information (where applicable))* GSA FORM 2689 (4-72)
GSA DC 72-11508

ATTACHMENT 3

UNITED STATES OF AMERICA,
GENERAL SERVICES ADMINISTRATION,
FEDERAL SUPPLY SERVICE,
Washington, D.C., January 25, 1974.

FSS procurement letter No. 105–1.
Reply to attn of: FPP.
Subject: Economic Price Adjustment clauses for term/requirements type contracts only.

ALL FSS PROCURING ACTIVITIES (FPP DISTRIBUTION LIST)

1. *Background.* The effective date established for price increases as initially provided in Procurement Letter No. 105 (i.e. time of delivery) is herewith changed and the price increases are applicable only to delivery orders received by the contractor after the effective date of the price increase. This change was considered to be favorable to the Government for both pricing and administration and will simultaneously provide the needed incentive for industry bid participation. Since the price adjustment clauses are new and untested, additional changes may be necessary to further adjust the clauses to meet FSS procurement requirements. Recommendations in this regard should be submitted to FPP.

2. *Interim instructions.* Pending formal revision of GSPR 5A, the following interim instructions are effective immediately:

a. The next to the last paragraph of Enclosure 1 and paragraph (c)(4) of Enclosure 3 are revised to read as follows:

> Upward adjustment in contract unit prices shall be effective only for delivery orders received by the contractor after the effective date of the price increase, as authorized by the Contracting Officer.

b. Enclosure 2 is superseded by Enclosure 2 (Revision 1).

c. Guidance concerning Federal Supply Schedules—When price increases are authorized in Federal Supply Schedule contracts pursuant to either Enclosure 1 or Enclosure 2, it is essential that the notice of contract amendment is published and distributed promptly so that it ordinarily will be received before the effective date of any price increase. Ordering personnel are cautioned not to order quantities in advance of normal requirements for the specific purpose of assuring receipt of an order prior to the effective date of an announced price increase.

d. For selected commodities, such as soap, where time of delivery may be the best basis for the effective price adjustment date, an exception from use of the normal basis as prescribed in this procurement letter may be requested.

e. Information concerning wholesale price indexes and consumer price indexes may be obtained by telephone from the Office of Publications, Bureau of Labor Statistics, Department of Labor (202–961–2532 or 961–3239).

F. B. BUNKE,
Acting Assistant Commissioner
for Procurement.

Revised enclosure 2—See attached.

Enclosure 2 (Revision No. 1)

PRICE ADJUSTMENT CLAUSE FOR STANDARD SUPPLIES—ECONOMIC PRICE ADJUSTMENT

(a) The Contractor warrants that the unit price stated herein for ——— is not in excess of the Contractor's applicable established price in effect on the contract date for like quantities of the same item. The term "unit price" excludes any part of the price which reflects requirements for preservation, packaging and packing beyond standard commercial practice. The term "established price" means one which (i) is an established catalog or market price for a commercial item sold in substantial quantities to the general public, and (ii) meets the criteria of paragraph 1–3.807–3 of the Federal Procurement Regulations. Such price is the net price after applying any applicable discounts offered by the Contractor from his catalog, list, or schedule price.

(b) The Contractor shall promptly notify the Contracting Officer concerning any price reductions to commercial customers and Federal agencies in accordance with the "Price Reductions" clause in this contract, and each corresponding contract unit price shall be decreased in the manner and on the effective date as specified in the Price Reductions clause.

(c) If the Contractor's applicable established commercial price is increased after the contract date, the corresponding contract unit price shall be increased in a proportionate amount upon the Contractor's request in writing to the Contracting Officer, and the contract shall be modified accordingly, providing that:

(1) The aggregate of the increases in any contract unit price made under this clause shall not exceed —— percent of the original contract unit price.

(2) No modification incorporating an increase in a contract unit price shall be executed pursuant to this clause until (i) the Contracting Officer is notified that a revised commercial price list has been issued, (ii) the increase in the applicable established price has been verified by the Contracting Officer, and (iii) a revised discount schedule and marketing data sheet has been submitted evidencing that the discounts offered to the Government under the revised commercial price list are in the same ratio or better than those discounts offered to commercial or Government users at the time of contract award. (NOTE: If a special price list is published for Government use, such price list shall be published by the Contractor in coordination with the Contracting Officer.) In lieu of submitting a revised discount and marketing data sheet the Contractor may submit a letter certifying that the discount schedule in effect at the time of award is unchanged.

(3) The increased contract unit price(s) shall be effective only for delivery orders received by the Contractor after the effective date of the price increase, as authorized by the Contracting Officer.

ATTACHMENT 4

UNITED STATES OF AMERICA,
GENERAL SERVICES ADMINISTRATION,
FEDERAL SUPPLY SERVICE,
Washington, D.C., January 8, 1974.

FSS procurement letter No. 105.
Reply to attn of: FPP.
Subject: Economic Price Adjustment clauses for term/requirements type contracts only.

ALL FSS PROCURING ACTIVITIES (FPP DISTRIBUTION LIST)

1. *Background.* GSA is experiencing difficulty in obtaining complete coverage of our requirements for many commodities, caused by serious shortages in the commercial market place. It is anticipated that this limited availability will continue and that new shortages in other commodities will develop.

In connection with shortages and the instability of current market conditions the contracting officer may determine that price adjustment provisions for term/requirements type contracts are necessary (*a*) to protect the contractor and the Government against significant economic fluctuations in labor or materials cost, (*b*) to provide for contract price adjustments in the event of changes in the contractor's established prices, or (*c*) where industry indicates that price adjustments are a necessary prerequisite to bidding on term contract.

2. *Interim procedure.* The following three conditions could warrant consideration of price adjustment provisions: (*a*) Economic Price Adjustment—Established Published Prices and/or Indexes; (*b*) Economic Price Adjustment—Standard Supplies; and (*c*) Economic Price Adjustment—Material and Labor. Use of "(*c*) Economic Price Adjustment—Material and Labor" requires prior approval pursuant to the provisions of GSPR 5A–7.103–73.

The provisions are *not* applicable to definite quantity contracts.

(a) *Economic Price Adjustments—Established Published Prices and/or Indexes of Raw Materials.*

The price adjustment cluase (enclosure 1) is authorized for use in fixed-price contracts, both *advertised* and *negotiated.*

The effectiveness of these provisions is determined by the ability to find a base price index or "peg" which is acceptable to both the Government and bidder. This "peg" can be an index in any official or quasi-official publication wherein the raw material price(s) fluctuations are published on a regularly scheduled basis (i.e., in the procurement of soap, tallow prices published monthly by the U.S. Department of Agriculture in "Hide and Offal Sales Report" are used as the basis on which price adjustments are predicated).

(b) *Economic Price Adjustment—Standard Supplies.*

The price adjustment clause (enclosure 2) is authorized for use in fixed-price multiple-award Federal Supply Schedule contracts.

These provisions are applicable when there are established or published catalog and/or market prices for items which are sold in substantial quantities on the commercial market and when the prices have been verified. "Multiple award" negotiations generally meet these criteria.

With the precarious conditions in today's market place these provisions could serve as an inducement to industry to bid one-year requirements contracts.

(c) *Economic Price Adjustments—Materials and/or Labor.*

If price adjustment provisions outlined in (*a*), above, are unsuccessful in the Government's attempt to get full industry participation, this price adjustment clause (enclosure 3) is authorized for use in fixed-price *negotiated* contracts only.

These provisions are for use mainly with direct material cost, but they may also be used in connection with labor costs under certain circumstances and may be used only when (i) the design and engineering factors are not major elements in the production of the commodity, (ii) one or more identifiable labor and material cost factors are subject to change, and (iii) bidders demand that it be a prerequisite to bidding on Government requirements.

Use of these provisions require caution, and the Schedule referenced in the enclosed clause shall describe in detail the types of labor and materials subject to adjustments, as in the following examples:

Types of labor and materials	Rates of pay and material prices	Quantities and direct cost per unit
Machine operator	$6 per hour	2 minutes to produce HD. $0.20 HD.
11-point manilas stock	$28 per hundredweight	6 lb including waste per HD. $1.68 HD.

Source: I.P. Nov 1973.

They should be used when the Government is failing to obtain complete coverage and is in effect competing with commercial sources for its fair share of the available tonnage/production.

Alternate proposals should be encouraged. Since there is direct communication during negotiations, the establishment of a "peg" which is satisfactory to both the contracting officer and the supplier should be pursued.

F. B. Bunke,
Acting Assistant Commissioner for Procurement.

Enclosures (3).

Enclosure 1

Economic Price Adjustments

The unit price(s) of all items which are purchased under this contract are subject to price adjustments, upward or downward in accordance with increases or decreases in the price of (*insert applicable raw material*) as quoted in the publication (*insert name of publication*) which is issued by (*insert name of publisher*) on a (*week, biweekly, monthly*) basis. The price(s) of (*insert raw material or other appropriate measuring unit*) as shown below shall be considered the base price of (*insert raw material*) for the contract period. The base price is the price from which any price adjustment(s) will be made.

Frequency—Illustrated are monthly and quarterly time frames. Other time frequencies are authorized.

MONTHLY PRICE ADJUSTMENTS

The prices published in the last issue of (insert name of publication) received prior to the 25th of each month of the contract period shall be the price used for determining any adjustment of the contract price for the ensuing month. No adjustment shall be made unless the price(s) of (insert raw material) has changed (insert minimum basis for change) or more, upward or downward from the base price as reflected in this price adjustment clause.

QUARTERLY PRICE ADJUSTMENTS

The prices published in the (insert month and year), (insert month and year), and (insert month and year), (insert name of publication) shall be the price used for determining any adjustment of the contract price for the ensuing three (3) months. No adjustment shall be made unless the price(s) of (insert raw material) has changed (insert minimum basis for changes) or more, upward or downward from the base price as reflected in this price adjustment clause.

Methods—Illustrated are two methods for computing price adjustments. Contracting officer should determine appropriate method for the commodity involved.

1. Price adjustments will be calculated as the difference between the base price (insert price basis of raw material) of (insert raw material nomenclature), and the market price of such (raw material nomenclature) as shown in the (date of publication) of (name of publication). The difference shall be multiplied by the percent of (material) as shown for each (stock or bid item) in the contract. The product of this calculation shall be multiplied by the (appropriate commodity unit) and the total added or subtracted from the original contract price, as appropriate.

BASE PRICE(S) INFORMATION

Raw Material: Tallow.
Basis for Price Adjustment: $0.08 per Pound.
Below is an example of Price Adjustment:
Basis for Price Adjustment: $.08 per pound.
Latest Market Price of Tallow: $.10 per pound.
Differential: $.02 per lb. more.
Tallow percentage (obtained from applicable commodity stock item): 80%.
Multiply differential by the tallow percentage: $.016 per pound.
Contract price per case of soap (31 pounds): $3.60.
Increase $.016 per pound x 31 pounds: $.406.
Adjusted price: $4.096 per case.

2. Price adjustment will be calculated as the difference between the base price (insert price basis of raw material) of (insert raw material nomenclature) as shown in (the date of publication and the name of the publication). The difference shall be multiplied by actual weight (shown below) of the raw material used in the manufacture of the commodity. The result shall be added to or subtracted from the unit price, as appropriate.

BASE PRICE(S) INFORMATION

Raw Material Nomenclature: Paper.
Basis of Price Adjustment: $28.00 cwt.
Weight of Raw Material Used in Finished Product:
Letter size, 5 lbs.
Legal size, 6 lbs.
Below is an example of Price Adjustment:
Base Price: $28.00 per cwt.
March 1974 Market Price for Paper: $30.00 per cwt.
Differential: $2.00 per cwt ($.02 per pound).
Weight of Material Used in Ream of Paper: 5 pounds.
Multiply Weight of Raw Material (5 lbs.) x Differential ($.02): $.10 increase.
Contract Price: $1.80 a ream.
Adjusted price: $1.90.

No upward adjustment shall apply to supplies or services which are required to be delivered or performed prior to the effective date of the adjustment unless the Contractor's failure to deliver or perform in accordance with the delivery schedules results from causes beyond the control and without the fault or negligence of the Contractor within the meaning of the clause of this contract entitled "Default," in which case the contract shall be amended to make an equitable extension of the delivery or performance schedule.

The aggregate of the increases in any contract unit price (or labor rate) made under this clause shall not exceed ( ) percent of the original unit price (or labor rate). There is no percentage limitation on the amount of decrease made under this clause.

Enclosure 2

PRICE ADJUSTMENT CLAUSE FOR STANDARD SUPPLIES—ECONOMIC PRICE ADJUSTMENT

(a) The Contractor warrants that the unit price stated herein for ——— is not in excess of the Contractor's applicable established price in effect on the contract date for like quantities of the same item. The term "unit price" excludes any part of the price which reflects requirements for preservation, packaging and packing

beyond standard commercial practice. The trem "established price" means one which (i) is an established catalog or market price for a commercial item sold in substantial quantities to the general public, and (ii) meets the criteria of paragraph 1–3.807–3 of the Federal Procurement Regulations. Such price is the net price after applying any applicable standard trade discounts offered by the Contractor from his catalog, list, or schedule price.

(b) The Contractor shall promptly notify the Contracting Officer as to the amount and effective date of each decrease in any applicable established price, and each corresponding contract unit price shall be decreased by the same percentage that the said established price is decreased. Such decrease shall apply to items delivered on and after the effective date of the decrease in the Contractor's established price, and this contract shall be modified accordingly. The Contractor shall certify on each invoice that each unit price stated therein reflects all decreases required by this clause, or shall certify on the final invoice that all price decreases required by this clause have been applied in the manner herein required.

(c) If the Contractor's applicable price is increased after the contract date, the corresponding contract unit price shall be increased, upon the Contractor's request in writing to the Contracting Officer, by the same percentage that the established price is increased and the contract shall be modified accordingly, provided that:

(1) The aggregate of the increases in any contract unit price made under this clause shall not exceed —— percent of the original contract unit price;

(2) The increased contract unit price shall be effective on the effective date of the increase in the applicable established price if the Contractor's written request is received by the Contracting Officer within 10 days thereafter, but if not, the effective date of the increased unit price shall be the date of receipt by the Contracting Officer of such request;

(3) The increased contract unit price shall not apply to quantities scheduled under the contract for delivery before the effective date of the increased contract unit price unless the Contractor's failure to deliver before such date results from causes beyond the control and without the fault or negligence of the Contractor, within the meaning of the "Default" clause of this contract;

(4) No modification incorporating an increase in a contract unit price shall be executed pursuant to this clause until (i) the increase in the applicable established price has been verified by the Contracting Officer, and (ii) a revised discount schedule and marketing data has been submitted evidencing that the discounts offered to the Government are in the same ratio or better than those discounts offered to commercial or Government users at the time of contract award.

(d) Within 30 days after receipt of a Contractor's written request, the Contracting Officer may cancel, without liability to either party, any portion of the contract affected by the requested increase and undelivered at the time of such cancellation.

(e) Pending any cancellation as provided in (d), above, and thereafter if there is no cancellation, the Contractor shall continue deliveries according to the delivery schedule of the contract and shall be paid for such deliveries at the contract unit price increased to the extent provided by (c), above.

[End of Clause]

Enclosure 3

ECONOMIC PRICE ADJUSTMENT CLAUSE (LABOR AND MATERIAL)—ECONOMIC PRICE ADJUSTMENT

(*a*) If at any time during the performance of this contract there is an increase or decrease in the rates of pay for labor (including fringe benefits) or unit prices for materials set forth in the Schedule, the Contractor shall notify the Contracting Officer thereof within thirty (30) days of such increase or decrease or within such further period as may be approved in writing by the Contracting Officer, but in any event not later than final payment under the contract. Such notice shall include the Contractor's proposal for an adjustment in the contract unit prices to be negotiated in accordance with paragraph (b), below, and shall be accompanied by data, in such form as the Contracting Officer may require, including (i) the causes, (ii) the effective date, and (iii) the amount, both of the increase of decrease and of the Contractor's proposal for price adjustment.

(*b*) Promptly upon receipt of any notice and data described in (*a*), above, the Contractor and the Contracting Officer shall negotiate a price adjustment, and the effective date thereof, in the contract unit prices. Such adjustments will be limited to the amount of increase or decrease in the labor rates (including fringe benefits) or unit price of materials, as identified in the Schedule; provided, however, that such negotiations be postponed by the Contracting Officer until an accumulation of such increases and decreases results in an adjustment allowable under paragraph (*c*)(5) of this clause. The price adjustment, and the effective date thereof, shall be set forth in an amendment to this contract. Such amendment shall also revise the rates of pay for labor (including fringe benefits) or unit prices for materials set forth in the Schedule to reflect the increase or decrease therein. Pending agreement on, or determination of, any such adjustment and its effective date, the Contractor shall continue performance.

(*c*) Notwithstanding any other provision of this clause, any price adjustments under this clause shall be subject to the following limitations:

(1) There shall be no adjustment for supplies or services whose production cost is not affected by a change in the rates of pay for labor (including fringe benefits) or unit prices for materials set forth in the Schedule.

(2) There shall be no adjustment other than for increases or decreases in the rates of pay for labor (including fringe benefits) or unit prices of materials set forth in the Schedule.

(3) There shall be no adjustment for any increase or decrease in the quantities of labor or materials set forth in the Schedule for each item to be delivered hereunder.

(4) No upward adjustment shall apply to supplies or services which are required to be delivered or performed prior to the effective date of the adjustment unless the Contractor's failure to deliver or perform in accordance with the delivery schedules results from causes beyond the control and without the fault or negligence of the Contractor within the meaning of the clause of this contract entitled "Default," in which case the contract shall be amended to make an equitable extension of the delivery or performance schedule.

(5) No adjustment shall be made unless the price of (*insert raw material*) has changed (*insert minimum basis for change*) and/or the rate of labor (including fringe benefits) has changed (*insert minimum basis for change*), or more, upward or downward from the prices shown in the Schedule.

(6) The aggregate of the increases in any contract unit price (or labor rate) made under this clause shall not exceed——percent of the original unit price (or labor rate). There is no percent age limitation on the amount of decrease made under this clause.

(*d*) The final invoice submitted under this contract shall include a certification that the Contractor has not experienced a decrease in rates of pay for labor (including fringe benefits) or unit prices for materials set forth in the Schedule or that he has given a notice of all such decreases in compliance with (*a*), above.

(*e*) The Contracting Officer may examine the Contractor's books, records, and other supporting data relevant to the cost of labor (including fringe benefits) and materials during all reasonable times until the expiration of three (3) years from the date of final payment under this contract.

[End of Clause]

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[The subcommittee's request for information follows:]

PERMANENT SELECT COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
NINETY-THIRD CONGRESS,
Washington, D.C., August 19, 1974.

Hon. JAMES C. FLETCHER,
Administrator, National Aeronautics and Space Administration, Washington, D.C.

DEAR MR. ADMINISTRATOR: As you know, our Subcommittee on Government Procurement and International Trade conducts a continuing review of the small business procurement policies, programs, and performance of the defense and major procurement agencies of the Federal Government.

To obtain current information with respect to your Administration's activities which we plan to publish, please provide a report to the subcommittee in nine copies by September 18, 1974, setting forth the following information for fiscal years, 1972, 1973, and 1974:

1. Prime contract awards to all business firms for work in the United States, to small business firms in dollars and percentages, and small business set-asides in dollar amount and percentage of total awards.

2. Research and development awards, construction and other awards by fund, showing trend of small business participation and set-asides in dollars and percentages.

3. The organization and operation of NASA's small business programs, and detailed information as to any changes which occurred since June 30, 1971, in the mission, staffing, or operations in support of the small business programs.

4. Coordination with SBA in furtherance of small business programs, including set-asides, subcontracting and section 8(a) program.

5. Labor surplus area set-aside awards, showing small business share thereof in dollars and in percent of total labor surplus awards.

6. The section 8(a) program and awards made to Small Business Administration.

7. Nonresponsibility decisions involving small business low bidders based upon alleged lack of either (*a*) capacity and credit, or (*b*) tenacity, perseverance or integrity; appeals or other actions taken; and final determinations thereof.

8. Inventory of NASA's commercial and industrial activities and technical service facilities established under Budget Circular A–76 at the close of fiscal years 1972–74; identify the major procurement programs and categories of products and services involved, setting forth the amount of Government's capital investment, the amount paid annually for products and services, the number of employees at the close of each fiscal period; the number and capital investment value of new starts and closings during each fiscal year; and your comments as to suitability for purchases of the products and services from small business.

9. Total NASA contract awards in fiscal years 1972–74 for educational and nonprofit institutions; identify the major procurement programs and categories of supplies and services involved in such contracts, and the major recipients of such awards; your comments as to the suitability for purchases of the products and services from small business either as prime contractors or as subcontractors.

10. Analysis of small business exclusion and participation, showing procurements (*a*) not offered to small business with reasons for exclusion; (*b*) offered but not awarded to small business with reasons for nonaward; (*c*) set-aside for small business; and (*d*) awarded to small business in unrestricted competition. Illustrate the statistical data for fiscal year 1974 by chart.

11. A summary progress report of NASA's technology utilization program supplementing the information presented thereon by NASA to the committee on November 18, 1971; examples of transfers or other benefits to small business of technological innovations developed under NASA contracts; describe changes, if any, in the technology utilization program since November 18, 1971.

12. Small business subcontracting program, showing number of reporting contractors, total awards to them, their subcontract payments in dollar amounts to small and other business firms, and percentage of total to small business concerns.
13. Progress payments and advance payments, if any, made by NASA to small business firms and to others.
14. Impact of inflationary price and cost increases on small business and mitigating actions by NASA.
15. Such additional information or comments as you may wish to provide in connection with the subject matter of the subcommittee's review.

If any questions should arise, please contact the committee's General Counsel, Henry A. Robinson.

Your cooperation is appreciated.

Sincerely,

JAMES C. CORMAN,
Chairman, Subcommittee on Government Procurement and International Trade.

STATEMENT OF GERALD D. GRIFFIN, ASSISTANT ADMINISTRATOR FOR LEGISLATIVE AFFAIRS

The enclosed report has been prepared in response to your letter of August 19, 1974, in which you request certain information from the National Aeronautics and Space Administration with regard to the subcommittee's review of the small business procurement policies, programs, and performance of the defense and major civilian procurement agencies of the Federal Government. The report is submitted in nine copies, as you requested.

The information contained in the report is presented in the same numerical sequence as itemized in the request. The report is complete with the exception of item 8, an inventory of NASA's commercial and industrial activities, which is currently being prepared. It will be provided immediately upon completion, estimated to be in about two weeks.

We appreciate the opportunity of informing the subcommittee of our efforts in behalf of small business. NASA fully accepts its responsibilities under the small business program, and confirms its commitment to the attainment of program objectives.

If we can be of further assistance to you or the subcommittee, please do not hesitate to call on us.

Sincerely,

GERALD D. GRIFFIN,
Assistant Administrator for Legislative Affairs.

Enclosures.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, WASHINGTON, D.C.

(Report of NASA's small business program for the Subcommittee on Government Procurement and International Trade, House Select Committee on Small Business).

1, 2. Attachment 1 provides, in table form, the information required by items 1 and 2.

This shows that NASA's small business percent of total business awards increased from 7.6 percent in FY 72 to 8.6 percent in FY 74, which is the highest small business percentage attained by NASA since FY 62.

During this 3-year period the increasing trend is also reported in the research and development (R. & D.) and the research and project management (R. & P.M.) appropriation categories.

Though a decline in small business percentage is reported for the construction of facilities (C of F) category, the actual dollar awards to small business increased each year. The lower small business percentage in C of F is the result of several major Space Shuttle-related contract awards to large construction firms.

The table shows the close correlation of the increasing total small business trends with the steady increases in the set-aside program: The set-aside percent of total business (2.9 percent), and the set-aside percent of small business (33.9 percent), for FY 74, are the highest annual set-aside percentages ever attained by NASA.

3. The organization and operations of NASA's small business program continues in much the same way as presented in our testimony before the subcommittee in November 1971. The program is under the direct management supervision of the Assistant Administrator for Procurement, NASA Headquarters. In November 1973 the procurement function was elevated organizationally to the level of Assistant Administrator. The NASA Small Business Advisor, reporting directly to the Assistant Administrator for Procurement, is responsible for the administration of NASA's small business program. An assistant for minority business matters, the Minority Business Officer, is assigned to the Small Business Office. Additionally, the Small Business Advisor functions as an industry assistance officer. In September 1972 the Small Business Advisor function was elevated to the GS–15 rating.

At field installations, the small business program is the direct responsibility of each Installation's top procurement official, the Procurement Officer, whose authority stems directly from the Installation's Director. Each field installation Procurement Office is functionally responsible to the Assistant Administratior for Procurement, NASA Headquarters. A designated Small Business Specialist, reporting to the Procurement Officer, is responsible for program implementation at each of these field Installations. The Small Business Specialist is often assigned other related responsibilities such as industry assistance, bid room operations and source files development, which, we believe, enhances his ability to function on behalf of small business. Additionally, the Small Business Specialist functions as a Minority Business Specialist at most NASA Installations. Attachment 2 is a listing of NASA's small business-industry assistance principals.

NASA small business policies and procedures are set forth in the NASA Procurement Regulation, part 1, subpart 7. In its effort to maximize small business awards, NASA uses every technique or procedure currently available, to a degree consistent with the accomplishment of its primary research and development mission. Procurement planning, procurement request review, solicitation preparation and issuance, and source evaluation and selection are the principal elements of the direct procurement process where small business considerations are particularly applicable, and are exercised by NASA management and operating personnel.

NASA Small Business Specialists are charged with the responsibility for ensuring that all procurements, regardless of dollar value, are reviewed for set-aside consideration, for maximizing small business participation in competitive procurement, and for directing the attention of requirements and buying personnel to those small firms with capabilities in areas of particular interest to NASA. Most NASA solicitations and awards are announced in the Commerce Business Daily, with particular attention invited when subcontracting opportunities are available for small business under major procurement programs.

The NASA-wide class set-aside for all construction work valued between $2,500 to $500,000 continues in effect. However, consideration is now being given to increasing the upper limit to $750,000 or possibly $1 million.

As a matter of long-standing policy, NASA participates in most federally sponsored procurement conferences which are oriented toward the small businessman. At the end of the current schedule, NASA will have participated in 24 such conferences during this calendar year.

Changes in the mission, staffing or operations in support of small business are as follows:

Increased emphasis has been placed on section 8(a) contracting with small minority firms in compliance with Executive Order 11625. (This is further covered under items 4 and 6.)

New Small Business Specialists have been appointed at the Goddard Space Flight Center, the Kennedy Space Center, and the Marshall Space Flight Center.

Minority Business Specialists have been assigned at the Goddard Space Flight Center, Johnson Space Center, and the Marshall Space Flight Center.

4. There is continuing, close coordination at all levels between NASA and SBA in the conduct of NASA's small business program. SBA's Procurement Center Representatives (PCR) are working on a day-to-day basis with NASA field activities. The SBA Headquarters Liaison Staff provides a continuing interface with NASA's Small Business Office at NASA Headquarters. The NASA Small Business Advisor also works directly with other SBA Headquarters and field

offices on specific matters as may be required. These relations are informal, friendly, and effective. NASA also participates with the SBA in business meetings and seminars, including its annual Executive Small Business Conference. Joint efforts include participation on the Small Business Research and Development Committee, and pursuance of the NASA technology utilization program.

Concerning set-asides, SBA's PCR's continue to have the opportunity of reviewing all pending NASA procurements not already designated for set-aside. As provided for in the NASA PR, the SBA may appeal to the Installation Director a NASA decision not to make a set-aside, and if resolution is not possible at the field level, directly to the Administrator of NASA. Since a heavy administrative burden accrues to both agencies in such appeals, every effort is made to resolve these differences locally. There has been only one such appeal to the Administrator during the FY 72 through FY 74 period. In this case the NASA contracting officer's decision was upheld.

As to subcontracting, NASA continues its policy to delegate many contract administration functions to the Defense Contract Administration Services (DCAS) organization of the Department of Defense. This includes plant level surveillance of performance under the contract clauses pertaining to NASA's small business subcontracting program. In carrying out this surveillance, DCAS conducts periodic program reviews of prime contractors and followup actions in NASA's behalf, with SBA as a regular participant. A copy of each subcontracting report is reviewed by NASA Headquarters and forwarded to the NASA Installation of predominant interest.

In implementing the section 8(a) program, NASA and the SBA have established extensive working relations. The nature of the program requires the closest coordination and cooperation of all participants, and this has been achieved. As a result, the program is increasingly successful in meeting the objectives of minority business enterprise. (See response to item 6.)

5. The data on NASA awards in labor surplus areas is reported in attachment 3. NASA, since its inception, has seldom had the opportunity of making a labor surplus area set-aside. NASA procurements are not of the production-run type that lends itself to separation into economical lots for partial set-asides. None of the awards reported in attachment 3 was made as a labor surplus area set-aside.

6. The minority business enterprise program was established by Executive Order 11458 of March 8, 1969 with the principle objective of assisting minority-owned firms in achieving productive and economic stability in the competitive business environment. In keeping with this national policy, NASA works closely with the Small Business Administration (SBA) and the Office of Minority Business Enterprise (OMBE) in assisting small concerns owned and controlled by socially or economically disadvantaged persons and groups to participate in NASA's procurement opportunities. As you know, under the provisions of section 8(a) of the Small Business Act, 15 USC 637(a), NASA and other Government agencies may place contracts with SBA, which in turn subcontracts with minority concerns. NASA places particular emphasis on identifying products and services considered appropriate for section 8(a) contracting procedures. These requirements are referred to the SBA for matching with the capabilities of section 8(a) approved firms. Since program inception, NASA has channeled about $25 million to minority firms under the program, with its most recent experience as follows:

	Contract actions	Awards
Fiscal year:		
1974	168	$12,896,000
1973	105	7,161,461
1972	68	3,222,050

In order to insure an effective and meaningful minority business program, NASA has established a Minority Business Enterprise Program Council at each of its Installations. Chaired by the Deputy Center Director, with management participation, the Council functions as a planning and advisory group for each Center Director in carrying out the minority business program. A copy of the NASA Deputy Administrator's implementing letter is provided as attachment 4.

Though the main thrust of the minority business enterprise program has been through section 8(a) contracting, NASA strongly encourages the placement of subcontracts with minority firms. This is a long-term effort to insure the meaningful and proportional participation of the minority small businessman in the

Nation's space program. NASA's minority business enterprise subcontracting program is covered by NASA Procurement Regulation 1.332.

7. The Small Business Act authorizes the Small Business Administration (SBA) to issue a certificate of competency (COC) with respect to the capacity and credit of a small business when the firm has been so challenged by a Government procurement officer. Attachment 5 is a summary report of NASA's COC activity for the period. A total of 22 COC situations were referred to the SBA by NASA contracting officers in compliance with NASA PR 1.705–4. Six (6) COC's were issued by SBA; in eight cases the prospective contractor declined to request a COC; and in eight cases the SBA would not issue the COC.

There were no nonresponsibility determinations by NASA involving small business firms for lack of tenacity, perseverance, or integrity.

8. A detailed Agency-wide inventory of NASA commercial and industrial activity is nearing completion. A separate response to item 8 is being prepared and will be forwarded immediately upon completion of the inventory review, estimated to be in about 2 weeks.

9. NASA contract awards to education and nonprofit institutions are primarily for the conduct of research. As reported in attachment 6, the larger share of such awards has historically been let to educational institutions. However, with the establishment of the Stark Draper Laboratory, as a nonprofit, out of the Massachusetts Institute of Technology, the proportionate share between educational and nonprofits changed significantly, from a 73/27 percent ratio in FY 73 to a 54/46 percent ratio in FY 74.

Attachment 7 lists the universities and nonprofit institutions which received the major share of NASA contract awards during the FY 72 through FY 74 period. Attachment 8 identifies the project work involved. It should be noted that many of the contracts are for on-board flight experiments which were devised by the contractors, or for ground-based research of particular interest to NASA.

NASA's published policy in NPD 8320.1A (attachment 9) provides that the research supported at universities must also strengthen and enhance the universities' traditional teaching and research mission. In furtherance of this objective, NASA avoids, to the extent practicable, contracting with universities for subprofessional or job-shop types of work.

It is NASA policy to avoid wherever practicable, the initiation of procurement actions which would create or encourage direct competition between educational institutions and industry. As a result, the bulk of the research supported by NASA at educational and nonprofit institutions is based upon unsolicited proposals. While the majority of unsolicited proposals reflect a unique combination of expertise and interest which only the proposer can provide, and which is found predominantly in the academic community, it may be reasonable to assume, in some cases at least, that small business concerns might be well qualified to perform such research.

However, a number of factors tend to discourage small business from submitting unsolicited proposals to the same extent as educational and nonprofit institutions.

a. Only a relatively small percentage of unsolicited proposals (regardless of their source) can be accepted. Thus, the expense of preparation, in most cases, must be written off by an unsuccessful offerer. Unless there exists a clear potential for commercial application of the research in the foreseeable future, such expense is usually not warranted in the case of the average business concern, whether large or small. On the other hand, conduct of research is an integral part of the educational process of an university, and it generally represents the basic mission of nonprofit institutions organized for the conduct of scientific research. The cost of preparation of unsolicited proposals, therefore, is a less significant factor for such institutions.

b. Basic and applied research performed under a grant or contract awarded as the result of an unsolicited proposal is in the main, subject by statute, to cost-sharing. This requirement, orginating in the Independent Agencies Appropriation Act, 1970 (sec. 408, P.L. 91–126), has been continued in all subsequent Independent Agencies Appropriation Acts to the present time. While the cost-sharing requirement has not significantly affected the inflow of unsolicited proposals from universities and nonprofit organizations, the number of such proposals received from industry sources has fallen off.

Language included in the Senate Report (91–949) accompanying the 1971 Appropriation Act has clarified the intent of Congress in such a manner as to enable procuring agencies to make the cost-sharing requirements more equitable and less onerous, particularly to small concerns which do not have product lines, service or other activities on which to use the results of research (and therefore to

recover the cost sharing). NASA Management Instruction 8310.2A, "Cost Sharing on Research Grants and Contracts", incorporates the principles set forth in the Senate Report. Although these principles make the unsolicited proposal process somewhat more acceptable to industry, it is nevertheless reasonable to assume that the aforementioned decrease in unsolicited proposals received from such sources is primarily the result of statutory cost sharing.

c. In order to provide the degree of flexibility which is essential to the effective performance of basic research, most Government agencies, NASA included, use the grant as the preferred instrument for such projects. In NASA's case, authorized recipients of such grants are limited by statute (P.L. 85–934) to nonprofit institutions of higher education and nonprofit organizations whose primary purpose is the conduct of scientific research.

10. The statistics in attachment 10 are provided as a means for analyzing small business participation in NASA's procurement program. Though not shown in the attachment, NASA records indicate small firms have been solicited to an increasing degree. In FY 74, with respect to awards of $10,000 and over, 35 percent of NASA's total business awards were offered to small business. This is an all-time high for the Agency. NASA records further indicate that when small business has responded to a solicitation they have been increasingly successful. In FY 74 small business firms received 44 percent of the procurement awards on which they had responded.

With specific reference to the inquiry, item 2 of the table reports NASA procurement awards not offered to small business, with reasons as stated. Item 2c, "other reasons", includes for the most part, followon contract awards related to earlier large business awards. This item 2 shows a percentage increase in the category "no known small business source" with a corresponding decrease for "other reasons".

With respect to those awards which were offered but not awarded to small business, item 3 of the table statistically reports reasons for nonaward. The category "other reasons" (3d), includes "nonresponsibility" determinations, but more predominantly, those awards made primarily on the basis of technical evaluations in negotiated procurements. A percentage increase is noted in this category.

Item 4 of the table summarizes all awards to small business in the several categories shown. Significant increases are noted in both the set-aside and section 8(a) categories (4a and b), with a corresponding reduction in small business awards in unrestricted competitive procurements (4d).

Attachment 11 illustrates the statistical data for fiscal year 1974.

11. The technology utilization program has placed special emphasis in the dissemination and offering of technological assistance to the small business community to expand the transfer of NASA-generated technology to the special needs of this segment of the economy. The vast majority of manufacturing firms in the country have no formal R. & D. capability. Of the more than 300,000 manufacturers in the United States, approximately 0.1 percent of the total account for 90 percent of the total R. & D. expenditures. The specialized services of the technology utilization program continue to be valuable to this remaining segment of industry, and in particular to those small business firms which rely on technology derived from aeronautics and space research and development to reduce costs, improve productions, and/or develop new products.

One of the technology dissemination techniques of particular importance in reaching the small business community is the NASA Tech Brief, announcements of aerospace oriented technical innovations useful for nonaerospace applicants. The Small Business Administration (SBA) has, in the past, relied heavily on the results of NASA's technology utilization program to reach its user population. For example, during fiscal year 1973, through the cooperative effort of the SBA and NASA's technology utilization office, over 50,000 requests for technical support packages (TSP), (in-depth technical descriptions to supplement Tech Briefs) were initiated after individuals learned about NASA technology through the SBA's announcement media. The following examples show how a few small businesses have benefited from these combined efforts:

Through the SBA/NASA announcements, a small job shop in Kansas, engaged in a wide range of metal working operations, learned of the availability of a manual developed for NASA's Marshall Space Flight Center concerned with the proper selection and use of stones to be used in cutting and dressing grinding wheels. As a direct result of using this manual, the company's production processes have been improved, and several hundred dollars have been saved.

A small electronics firm in Massachusetts obtained a TSP describing a tecnnique, developed by NASA, for temporary holding of a material to be bonded to a flat surface when the use of bolts is undesirable. Although the company found it unsuitable for its production of microwave equipment, they did discover serious limitations in their own standard adhesive while testing with the NASA-developed technology, though this type of information may seem minor, it can be vital to the small manufacturing company that does not have the resources to conduct extensive product testing.

A NASA-developed handbook on common construction materials and properties of fluids frequently encountered in designing cryogenic systems was used by a small manufacturing company of air dehydration and purification equipment in California. The data from the handbook was important in the design of high pressure systems and in the design of an automatic shut-off valve for use in filling automobile tanks with liquid propane or liquid nitrogen. As a result, the company was in a position to negotiate its first, large contract for a liquid propane gas distribution system, using the automatic shut-off valve.

Although SBA is not emphasizing this announcement mechanism at the present time, the earlier efforts helped to promote an awareness of the advantages of the technology utilization program among small business entrepreneurs. The NASA technology utilization office continues to interact with representatives of the SBA with the objective of extending technology transfer opportunities to the small business community.

A major element of the technology utilization program's efforts to reach the industrial sectors is the NASA-sponsored Regional Dissemination Centers. The six centers provide available technology, in response to specifically stated technical problems and information needs of users ranging from small business to the largest companies of our Nation's economy. During calendar year 1973, approximately 1,500 small business firms turned to the technical information resources of these Centers to find help in improving existing products or in developing new technology. These 1,500 small firms represented well over 50 percent of all the organizations served by the Regional Dissemination Centers that year.

Other techniques used by the NASA to disseminate new technology include the sponsorship and participation in conferences and seminars, often in conjunction with other agencies such as the SBA, and the Department of Commerce. In June and September 1972, NASA, together with the Department of Commerce, National Science Foundation, and the SBA, sponsored two major conferences on the "Survival and Growth of the Small R. & D. Firm." The conferences were held in Washington, D.C. and Los Angeles, to consider the special problems of the small businessman in research and development. The American Association of Small Research Companies was an outgrowth of these conferences.

NASA is presently sponsoring a series of Patent Licensing Conferences to encourage businessmen to take commercial use of NASA-owned patents and to acquaint them with the types of assistance which can be provided through the technology utilization program. Thus far, conferences have been held in Boston, Chicago, Jacksonville, and Los Angeles, with approximately 75 percent of the attendees representing the small business community.

NASA and the Office of Minority Business Enterprise (OMBE) are pursuing a cooperative program with NASA contractors and others to stimulate the transfer of space-related technology through minority firms for commercial application. Under the terms of a recent NASA-OMBE Agreement, a series of seven minority business seminars are to be held in various locations this fiscal year to facilitate minority business participation in the technology utilization program. A successful pilot seminar was held in the Washington, D.C. area in June.

12. The substance of NASA's small business subcontracting program is set forth in part 1, subpart 7, of the NASA Procurement Regulation. Though no major program changes have been made, the responsibilities and procedures with regard to small business subcontracting program reviews have been strengthened in NASA Procurement Regulation 1.707–4 to insure better program visibility and evaluation. As mentioned in item 4 herein, NASA avails itself of the resources, and expertise which resides in the DOD in monitoring the related performance of its major prime contractors and subcontractors. Corrective action, when necessary, is closely coordinated between the reviewing activity, the SBA and the NASA contracting installation. Additionally, NASA is placing increased pressure on its major primes and large subcontractors to ensure the equitable participation of small business and minority business in the space shuttle program.

41–212—74——9

Attachment 12 reports the subcontracting performance of participating contractors for the 3 fiscal year 1972–1974. This indicates that the small business percent of the subcontract dollars has remained at about the 25 percent level for the past several years.

Attachment 13 reports the subcontracting performance of the Jet Propulsion Laboratory (JPL), a Government-owned facility, operated under NASA contract by the California Institute of Technology. The increasing trend in JPL's voluntary set-aside program, which includes a class set-aside for construction, is of particular note.

13. Progress payments to small business concerns are provided for in appendix E of the NASA Procurement Regulation. On request, NASA will pay up to 85 percent of the costs incurred by a small business contractor. In particular cases, the standard reimbursement may be increased on approval of the Assistant Administrator for Procurement. Also, pursuant to P.L. 85–800, NASA solicitations may advise that progress payments will be available to small business firms only. NASA field activities report liberal implementation of the progress payments policy, with no reported instances in which a small business request was denied.

Advance payments are made to business firms only in very unusual circumstances, and when no other means of adequate financing is available. In each case a determination and finding must be made by the Assistant Administrator for Procurement that the payments are in the public interest. Interest is also charged the contractor for advance payments at rates established by the Secretary of the Treasury. There were no small business requests for advance payments during the period FY 72–FY 74.

14. We have received indications from some NASA field installations that small business firms have experienced difficulty in acquiring supplies and materials from vendors. Some small business contractors are reluctant to accept fixed-price contracts, which require furnishing materials in short supply. Because of rapidly increasing labor and materials costs and extended lead-time, some firms find it necessary to quote on the basis of "prices in effect at time of shipment", rather than making a firm commitment in advance. The causative factors are adversely impacting the total economy, involving large and small business alike. We are seriously concerned, and with others, seeking ways to resolve or mitigate the particular problems as they arise.

The NASA Procurement Regulation provides for the use of price escalation clauses to compensate contractors in the case of significant economic fluctuations, such as in the cost of labor and materials. These clauses impose a 10 percent ceiling on any upward price adjustment. We are in the process of amending our regulation to provide for price adjustments in excess of 10 percent in appropriate cases when approved by the NASA field procurement officer. This change should assist small business contractors in the current inflationary period.

NASA is continuing to study problems associated with the current economic and market conditions and the resulting impact on the private sector in responding to our procurement solicitations. However, we recognize that any action in initiating new policies in this highly complex procurement area must be coordinated on a Governmentwide basis. To this end, NASA is coordinating this matter with the General Services Administration and is participating in interagency meetings, chaired by the Department of Defense, where problems related to price increases in Government procurements are reviewed.

15. In summation, we wish to express our appreciation to the subcommittee for the opportunity of attesting to our more recent efforts in behalf of small business. We believe that the report itself reflects the concentration that has been directed towards achieving program objectives by all elements of the Agency. Both the percentage figures and the actual value of awards to small business have increased; the trends across the board are generally positive. These results confirm the management attention and acceptance of program responsibilities by NASA personnel. In substance, we see a viable small business program in NASA, with all indications for continuing success.

ATTACHMENT 1

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION SMALL BUSINESS PROGRAM—PRIME CONTRACT AWARDS TO SMALL BUSINESS

[Dollar amounts in thousands]

Appropriation category	Total	R & D[1]	R. & P.M.[2]	C. of F.[3]
Fiscal year 1974:				
Total NASA business	$2,118,627	$1,933,980	$ 109,925	$72,862
Small business	181,247	117,384	35,359	28,490
Percent of total business	8.6	6.1	32.2	39.1
Set-asides	61,475	28,428	13,638	19,409
Percent of total business	2.9	1.5	12.4	26.6
Percent of small business	33.9	24.2	38.6	68.1
Fiscal year 1973:				
Total NASA business	2,070,958	1,923,915	96,815	50,228
Small business	162,495	111,702	27,465	23,328
Percent of total business	7.8	5.8	28.4	46.4
Set-asides	47,316	20,676	11,933	14,707
Percent of total business	2.3	1.1	12.3	29.3
Percent of small business	29.1	18.5	43.4	63.0
Fiscal year 1972:				
Total NASA business	2,146,537	2,003,786	111,898	30,853
Small business	164,107	113,978	28,163	21,966
Percent of total business	7.6	5.7	25.2	71.2
Set-asides	45,088	20,214	13,407	11,467
Percent of total business	2.1	1.0	12.0	38.2
Percent of small business	27.5	17.7	47.6	52.2

[1] Research and development.
[2] Research and program management.
[3] Construction of facilities.

Note: Fiscal year 1974 data includes $1,860,000 of foreign government funds awarded by NASA to U.S. business firms, $14,000 of which was awarded to small business. All data includes awards made under section 8(a) authority of the Small Business Act.

Attachment 2

National Aeronautics and Space Administration

SMALL BUSINESS-INDUSTRY ASSISTANCE PERSONNEL AND POSITION GRADE, NASA HEADQUARTERS, WASHINGTON, D.C. 20546

Small Business-Industry Assistance, Minority Business Officer, Headquarters Contracts Division, K. J. Kier, GS–15; E. D. Rosen, GS–15; J. T. Davis, GS–14.
Ames Research Center, Moffett Field, CA 94035, R. H. Wilson, GS–12.
Flight Research Center, Edwards, CA 93523, W. Mills, GS–12.
Goddard Space Flight Center, Greenbelt, MD 20771, R. C. Smaldore, GS–13; D. A. Martin,[1] GS–11.
Kennedy Space Center, Kennedy Space Center, FL 32899, B. J. Dryer, GS–12.
Langley Research Center, Hampton, VA 23365, J. F. Braig, GS–12.
Lewis Research Center, Cleveland, OH 44135, L. P. Kelley, GS–13.
Johnson Space Center, Houston, TX 44135, H. T. Christman, GS–14; J. R. Perez,[1] GS–13.
Marshall Space Flight Center, Huntsville, AL 35812, G. D. Ridgeway, GS–13; C. Walker,[1] GS–13.
Wallops Flight Center, Wallops Island, VA 23337, E. R. Scott, GS–11.
NASA Pasadena Office, Pasadena, CA 91103, D. E. Biggs, GS–13.
Jet Propulsion Laboratory, Pasadena, CA 91103, W. H. Anderson, N/A.

[1] Minority Business Specialist: Unless specifically indicated, the Minority Business function is performed by the Small Business Specalist, Industry Assistance Officer at each location.

ATTACHMENT 3

NASA AWARDS TO LABOR SURPLUS AREAS, FISCAL YEARS 1972–74 [1]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Number of cities	Amount (thousands)	Number of cities	Amount (thousands)	Number of cities	Amount (thousands)
Total awards to labor surplus areas	281	$1,099,778	232	$981,121	272	$899,714
Small business share	137	37,842	107	38,424	149	43,916
Percent to small business		3		4		5

[1] For fiscal years 1972 and 1973, data include awards on R. & D. contracts and awards to educational and nonprofit institutions of $10,000 and over and on all other contracts of $25,000 and over. For fiscal year 1974, data include awards on all grants, all contracts with educational institutions and all other procurements of $10,000 and over. None of these awards resulted from labor surplus area set-asides.

Attachment 4

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
July 18, 1974.

To: NASA Center Directors.
From: AD/Deputy Administrator.
Subject: Minority business enterprise program council.

The rapid growth of the minority business enterprise program in both Government and industry has created a need within NASA for a more effective way of meeting its increasing requirements. Program involvement now clearly extends well beyond the procurement function and requires the coordinated participation of management, administration, technical offices, and other functional activities, at the field level.

Accordingly, I ask that each Center Director establish a Minority Business Enterprise Program Council in basic conformance with the enclosure. The Council will function principally as a planning and advisory body for the Center, and is not intended as a replacement for minority business program assignments responsible for program implementation.

The urgent need for the Council has been brought to our attention as the result of congressional inquiries, letters of complaint, and serious discussions with representatives of minority firms and business associations. It is most evident that NASA must be more responsive to the recognized needs of the minority business community.

The Assistant Administrator for Procurement has principal responsibility for NASA's minority business enterprise program. He will provide NASA-wide coordination of program activities and will keep the Administrator and Deputy Administrator informed on related matters. Please provide his office with a copy of your Council membership.

Any comments and recommendations you may wish to make would be appreciated.

GEORGE M. LOW.

Enclosure.

MINORITY BUSINESS ENTERPRISE PROGRAM COUNCIL

PURPOSE

A Minority Business Enterprise Program Council is to be established at each NASA Center and the Headquarters, to provide an advisory-planning activity to insure a fully effective minority business enterprise program, in compliance with Executive Order 11625.

COMPOSITION

The Minority Business Enterprise Program Council shall be officially established by the Center Director. The Council membership is to include the Deputy Center Director as Chairman, the Directors of each principal Directorate and Program Office, the Procurement Officer, the Chief Counsel, the Equal Opportunity Officer, the Public Affairs Officer, the Small Business Specialist, the Minority Business Specialist, when so designated, and such other officials as the Center Director may assign. This latter category of membership may include those

officials skilled in education and training matters. Additionally, an Executive Secretary will be designated and appropriate administrative support provided. The Council will meet on call of the Center Director, or its Chairman, and at least once each quarter.

FUNCTIONS

The Council will provide a central planning and reviewing authority to assist the Center Director in accomplishing a fully effective minority business enterprise program. The Council will participate in the development of related Center policy, establish meaningful program objectives and ensure that proper emphasis and support is provided by all elements of the installation, on a continuing basis. To this end, the Council will concern itself with the full range of program activities to include procurement, technical and management assistance, on-site minority business community relations, and external program coordination. Specifically, the Council will be charged by the Center Director with the responsibility of developing, annually, a comprehensive minority business enterprise program plan, maintaining its currency and evaluating progress towards its objectives on a quarterly basis.

ACTIVITIES

The minority business enterprise program plan will provide for the Centers involvement in each facet of the program, with requisite specificity. Essentially, the plan and its associated efforts will include the following:

Minority Business Procurement Plan

A detailed procurement plan to identify and develop specific procurement opportunities for minority firms. This will involve NASA prime contracting, subcontracting, and those procurements to be made under authority of section 8(a) of the Small Business Act. The plan will further identify any particular efforts or arrangements which may be made to stimulate and facilitate minority business participation in direct NASA procurement opportunities and through the various subcontracting levels. Particular emphasis will be placed upon the section 8(a) program, as the most feasible means for ensuring minority participation in NASA's procurement opportunities. Similar emphasis will be directed toward ensuring that all NASA prime contractors and major subcontractors are active participants in NASA's minority business enterprise subcontracting program. Implementation of the procurement plan will be closely monitored by the Council to ensure conformance with program objectives and established goals.

Technical and Management Assistance

The Council will address itself to Center policy and its ability to provide particular assistance to minority firms in both the precontract and contract situation. This assistance may be provided by or coordinated with other Agencies, or may be provided solely by NASA. The Council will keep itself advised of the various minority business enterprise assistance programs which are available, to ensure their effective utilization through NASA, for and by its minority contractors.

Minority Business Concessions

This aspect of the program concerns the location and development of onsite business concessions for minority entrepreneurs. The Council will develop and monitor the Center's plan for implementation of the minority concessions program in conformance with published guidance and objectives. This activity will necessitate close coordination with the regional offices of other Government Agencies, including the Small Business Administration and the Office of Minority Business Enterprise, Department of Commerce. Additional instructions will be issued by NASA Headquarters as the concessions program is developed.

Education and Training

The Council will provide for a program to ensure the education and training of NASA personnel in all aspects of the minority business enterprise program. Its principal purpose is to create an awareness and sensitivity to the requirements of the minority business program. In a broader sense, the Council will also consider the Center's potential for involvement in more formal education and training opportunities for minority businessmen and students in business related education programs. This may include direct or indirect involvement with educational institutions, government agencies or government contractors.

Minority Business Community Relations

The Council will ensure that careful consideration is given to the development and maintenance of viable, harmonious relations with the minority business com-

munity. This aspect of the Council's activities will ensure that effective procedures are followed in interfacing with minority business representatives to enhance their potential for participation in NASA's work. The minority business enterprise program plan, and related Center directives, will be specific as to individual and organizational responsibilities, as well as the procedural aspects of the situation. Careful consideration shall be given to the qualifications and attitudes of individuals involved.

External Program Coordination

The Council will give full consideration to the need for developing effective coordination with local and regional agencies supporting the objectives of the minority business program. This will include the Center's active participation on the Minority Business Opportunity Committee (MBOC) of the Federal Executive Board, where available.

MINORITY BUSINESS ENTERPRISE PROGRAM PLAN

The Council will submit its plan to the Center Director for approval before July 31 each fiscal year. The plan will support agency-wide program objectives and will be adjusted to accommodate specific program goals as may be additionally allocated by the NASA Headquarters. Copies of approved plans will be forwarded to the Deputy Administrator, the Associate Administrator, the Associate Administrator for Center Operations, the Assistant Administrator for equal opportunity programs, and to the Assistant Administrator for Procurement, who has overall responsibility for NASA's minority business enterprise program.

REPORTS

The Council will keep the Center Director continuously informed of its principal activities. Additionally, the Council will submit to him, a summary progress report within the month following each 6-month period of the fiscal year. Copies of each semiannual report will be provided the Headquarters in the same manner as the program plan.

ATTACHMENT 5

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
SMALL BUSINESS PROGRAM—CERTIFICATE OF COMPETENCY (COC) SUMMARY

Action	Fiscal year— 1972	1973	1974	Total
COC's to SBA	8	4	10	22
COC's issued by SBA	2	2	2	6
Vendors decline to request COC	3	2	3	8
No COC issued by SBA	3	0	5	8
COC request withdrawn by NASA	0	0	0	0

Notes: (1) The above data shows the number of events for each of the possible Certificate of Competency actions. (2) There were no nonresponsibility determinations involving small business firms for lack of tenacity, perseverance, or integrity.

ATTACHMENT 6

NASA AWARDS TO EDUCATIONAL AND OTHER NONPROFIT INSTITUTIONS, FISCAL YEARS 1972-74

[Dollar amount in thousands]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Total awards to educational and nonprofit	$146,703	100	$138,109	100	$137,086	100
Contracts	91,396	62	81,460	59	74,669	54
Grants	55,307	38	56,649	41	62,417	46
Contracts	91,396	100	81,460	100	74,669	100
Educational	67,637	74	59,521	73	40,676	54
Nonprofit	23,759	26	21,939	27	33,993	46
Grants	55,307	100	56,649	100	62,417	100
Educational	51,100	92	52,207	92	57,063	91
Nonprofit	4,207	8	4,442	8	5,354	9

Attachment 7

TABLE 1.—*Major contract recipients, fiscal year 1972*

[In millions]

	Total obligations
Educational institutions	
Massachusetts Institute of Technology	17. 4
University of Michigan, Ann Arbor	4. 4
Harvard University	3. 6
University of California, San Diego	3. 2
Johns Hopkins University	2. 3
Columbia University	2. 1
University of California, Berkeley	1. 7
Princeton University	1. 6
University of Colorado, Boulder	1. 5
University of Minnesota, Minneapolis-St. Paul	1. 5
Nonprofit organizations	
National Academy of Sciences	5. 0
Aerospace Corp	3. 3
Battelle Memorial Institute	2. 8
University Corp. for Atmospheric Research	1. 8
IIT Research Institute	1. 5

TABLE 2.—*Major contract recipients, fiscal year 1973*

[In millions]

Educational institutions	*Total obligations*
Massachusetts Institute of Technology	11. 3
Harvard University	4. 0
University of Iowa	3. 0
University of Illinois, Urbana	3. 0
University of Wisconsin, Madison	2. 0
New Mexico State University, Las Cruces	1. 7
University of California, San Diego	1. 6
University of Colorado, Boulder	1. 6
Columbia University	1. 3
University of Michigan, Ann Arbor	1. 3
Nonprofit organizations	
National Academy of Sciences	3. 5
Aerospace Corp	2. 8
Environmental Research Institute of Michigan	2. 4
Battelle Memorial Institute	2. 1
University Corp. for Atmospheric Research	1. 7

TABLE 3.—*Major contract recipients, fiscal year 1974*

[In millions]

Educational institutions [1]	*Total obligations*
Harvard University	4. 0
Massachusetts Institute of Technology	3. 2
University of California, Berkeley	1. 9
University of Iowa	1. 4
University of Wisconsin, Madison	1. 3
University of Colorado, Boulder	1. 2
University of Hawaii	1. 2
New Mexico State University, Las Cruces	1. 0
University of California, San Diego	0. 9
Columbia University	0. 9
Nonprofit organizations	
Charles Stark Draper Laboratory, Inc	7. 2
National Academy of Sciences	6. 4
Smithsonian Institution	3. 1
Environmental Research Institute of Michigan	2. 4
Aerospace Corp	2. 1

[1] NOTE: Data on Educational Institutions in for the first 11 months of fiscal year 1974.

Attachment 8

Major NASA Contract Awards to Educational and Other Nonprofit Institutions, Fiscal Years 1972–74

A. EDUCATIONAL INSTITUTIONS

Massachusetts Institute of Technology

IMP spaceprobe plasma experiment.
X-ray astronomy spacecraft experiment.
Research on the interplanetary medicine and in gamma-ray astronomy.
Research in space science.
Remote compositional mapping of the lunar surface.

Harvard University

Experimental studies with a high resolution ultraviolet telescope and spectrometer system.

University of California at Berkeley

Search for extreme ultraviolet radiation from celestial observations on the Apollo-Soyuz spacecraft.
Measurement of intensity of interplanetary helium glow from Apollo-Soyuz spacecraft.
Integrated study of earth resources in the State of California using remote sensing techniques.

University of California—San Diego

Cosmic X-ray experiment on OSO–H.
Gamma ray telescope experiment.

University of Colorado—Boulder

OSO–I pointed section experiment.
Theoretical and experimental research program in physics of planetary atmospheres.

Columbia University

OSO–I wheel experiment.
Multidisciplinary research in the space sciences.

University of Hawaii

Advanced forms of computer communications networks.
Research in solarultraviolet spectroscopy.

University of Illinois—Urbana

ILLIAC IV computer.
Rocket studies of the lower ionosphere.

University of Iowa

INJUN F spacecraft.
Theorectical and experimental studies related to particles and fields associated with major bodies of the solar system and with interplanetary.

Johns Hopkins University

Apollo far UV spectrometer.
Rocket and laboratory experiments and analysis on ultraviolet spectra of upper atmosphere.

University of Michigan—Ann Arbor

Atmospheric explorer experiment.
Atmospheric explorer visual airglow photometer.
Theoretical investigation of space charge waves in ionosphere and space plasma sheaths.

University of Minnesota—Minneapolis—St. Paul

HELIOS electric fields flight experiment.
Open source neutral mass spectrometer studies for atmospheric electron spacecraft.

New Mexico State—Las Cruces

Sounding rocket telemetry investigations.

Princeton University

Orbiting astronomic observatory experiment.
Formation and stability of magnetogas dynamic front in a pitch discharge.

University of Wisconsin—Madison

Investigations and studies of ultraviolet stellar spectra.
Investigation of cosmic soft X-ray background radiation.

B. OTHER NONPROFIT INSTITUTIONS

National Academy of Sciences

Facilities and personnel for administration of NASA's resident research associateship program.

Smithsonian Institution

Design phase for Apollo-Soyuz test project experiment MA089 doppler tracking.

Gravitational redshift spaceprobe experiment preliminary design support for sounding rockets program.

Aerospace Corporation

Advanced space program studies.
Advanced space shuttle program analysis and planning.
Short haul air transportation systems study.

Charles Stark Draper Laboratory, Inc.

Technical support of orbitor avionics software development and Apollo-Soyuz test project software development.

Design of the guidance and navigation system for the Lunar Module of the Apollo Spacecraft. (Fiscal years 1972 and 1973 this award was under Massachusetts Institute of Technology.)

University Corporation for Atmospheric Research

White light coronagraph for Advanced Orbiting Solar Observatories.

IIT Research Institute

Identification, evaluation and dissemination of information about potentially useful innovations derived from space related and nuclear related research.

Long range planning studies for solar system exploration.

Development of space stable thermal control coatings for use in large space vehicles.

Environmental Research Institute of Michigan

Investigation related to multispectral imaging system.

Evaluation of multispectral scanner and related maintenance and data collection.

Battelle Memorial Institute

Planning research in the area of launch vehicles and propulsion programs.
Lunar sample analysis.
Vehicle systems and payload requirements evaluation.

Attachment 9

NPD 8320.1A.
Effective date: June 7, 1974.

POLICY DIRECTIVE

Subject: Basic policy for NASA university relationships.

1. *Purpose.*—This Directive is reissued without change to emphasize the basic policy and guidance that has governed NASA's relationships with universities.

2. *Applicability.*—This Directive is applicable to NASA Headquarters and field installations.

3. *Definition.*—In this Directive, "university" is used as a generic term covering all nonprofit institutions of higher education, and "educational nonprofit" organizations that are operationally affiliated or integrated with such institutions.

4. *Background.*—Universities are considered as partners with Government and industry in the Nation's aerospace program. NASA's objective is to have them bring their scientific, engineering, and social research competence to bear on aerospace problems and on the broader social, economic and international implications of NASA's technical and scientific programs. It is expected that, in so doing, universities will strengthen both their research and their educational capabilities to contribute more effectively to the national well-being. NASA is expected to encourage and provide stable financial support for this university role. All of NASA's affairs with universities should be conducted in a way that strengthens the universities' educational capabilities and assures maximum benefit to NASA and the universities.

5. *Policy.*

a. Universities throughout the country, both large and small, shall be encouraged to participate in the Nation's space and aeronautics program to the maximum extent practicable.

b. University activities supported by NASA shall be relevant to NASA's mission and compatible with the interests, activities, and capabilities of the university. These activities shall be defined and conducted cooperatively. They shall provide, to the maximum extent practicable, for participation by younger faculty members and graduate students as well as senior investigators in ways that strengthen and enhance the universities' traditional teaching and research mission.

c. NASA shall encourage and respect a university's ability to plan and manage its research and other activities toward the objectives, and within the constraints, mutually agreed upon by NASA and the university.

d. NASA shall avoid, to the extent practicable, contracting with universities to perform sub-professional or job-shop types of work which do not directly and significantly contribute to both education and research.

e. NASA will encourage universities to become acquainted with and to utilize NASA laboratory facilities and staff, to the maximum extent practicable, under appropriate cooperative agreements.

f. Informal discussion with university scientists, engineers, and administrators is encouraged as an effective means of exchanging information on activities, interests and policy or operational constraints.

g. University research activities of a continuing nature shall be supported by suitable long-term funding arrangements (e.g., step funding) whenever funds and circumstances permit.

6. *Guidelines.*—To insure that NASA's university relationships are conducted consistently in the spirit and context of the stated policy, the following guidelines are established:

a. Before award of a grant or contract or establishment of any other cooperative relationship with a university, communications and reviews by NASA officials and university representatives should be extensive enough to:

(1) Identify areas and problems of mutual interest;

(2) Evaluate the university's capabilities for planning and conducting useful activities in those areas;

(3) Identify the student and faculty participation and the relationship of the activity to instructional activities;

(4) Establish mutual agreement as to objectives and general methods of approach (but not lay out detailed specifications as to how the research or other activity will be performed).

b. The full professional capabilities of the responsible university investigator or manager shall be utilized in both the planning and performance of a university's participation in NASA's program.

7. *Cancellation.*—NPD 8320.1 dated October 4, 1968.

JAMES C. FLETCHER,
Administrator.

ATTACHMENT 10

ANALYSIS OF SMALL BUSINESS EXCLUSION AND PARTICIPATION IN NASA AWARDS TO BUSINESS FIRMS, FISCAL YEARS 1972–74

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974	
	Amount (thousands)	Percent of total	Amount (thousands)	Percent of total	Amount (thousands)	Percent of total
Total awards to business	$2,146,537	100	$2,070,958	100	$2,118,627	100
(a) Awards to large business	1,982,430	92	1,908,463	92	1,937,380	91
(b) Awards to small business	164,107	8	162,495	8	181,247	9
Not offered to small business ($10,000 and over)	1,400,500	100	1,329,532	100	1,325,397	100
(a) No known small business source	726,889	52	795,664	60	848,312	64
(b) Unsolicited proposals	20,826	1	8,920	1	8,338	1
(c) Other reasons	652,785	47	524,948	39	468,747	35
Offered but not awarded to small business ($10,000 and over)	537,710	100	533,160	100	566,585	100
(a) Small business did not respond	359,020	67	363,079	68	386,339	68
(b) Small business bid not low	83,568	15	77,358	14	64,369	12
(c) Small business bid not responsive	25,113	5	19,931	4	18,844	3
(d) Other reasons	70,009	13	72,792	14	97,033	17
Awards to small business (Total including awards under $10,000)	164,107	100	162,495	100	181,247	100
(a) Set-asides	45,088	28	47,316	29	61,475	34
(b) 8(a) awards	3,222	2	7,161	4	12,896	7
(c) Noncompetitive	52,923	32	52,554	33	50,608	28
(d) Unrestrictive competition	62,874	38	55,464	34	56,268	31

ATTACHMENT 11

ANALYSIS OF SMALL BUSINESS EXCLUSION AND PARTICIPATION
IN NASA AWARDS TO BUSINESS FIRMS
FISCAL YEAR 1974

TYPE OF ACTION	NET VALUE OF AWARDS		PERCENT OF TOTAL
	THOUSANDS	% OF TOTAL	10 20 30 40 50 60 70 80 90
1. TOTAL AWARDS TO BUSINESS	$2,118,627	100	
a. Awards To Large Business	1,937,380	91	
b. Awards To Small Business	181,247	9	
2. NOT OFFERED TO SMALL BUSINESS ($10K & Over)	1,325,397	100	
a. No Known Small Business Source	848,312	64	
b. Unsolicited Proposals	8,338	1	
c. Other Reasons	468,747	35	
3. OFFERED BUT NOT AWARDED TO SMALL BUSINESS ($10K and OVER)	566,585	100	
a. Small Business Did Not Bid	386,339	68	
b. Small Business Bid Not Low	64,369	12	
c. Small Business Bid Not Responsive	18,844	3	
d. Other Reasons	97,033	17	
4. AWARDED TO SMALL BUSINESS (TOTAL INCLUDING AWARDS UNDER $10K)	181,247	100	
a. Set-Asides	61,475	34	
b. 8(a) Awards	12,896	7	
c. Noncompetitive	50,608	28	
d. Unrestricted Competition	56,268	31	

ATTACHMENT 12

NASA SMALL BUSINESS SUBCONTRACTING PROGRAM—SUMMARY OF REPORTS OF PARTICIPATING LARGE BUSINESS FIRMS, FISCAL YEARS 1972-74

[Dollar amounts in thousands]

Fiscal years	Awards to participating companies		Subcontracted by participating companies				
	Numbers of companies	Amount	Total amount	To small business		To large business	
				Amount	Percent	Amount	Percent
1974	77	$1,714,821	$484,484	$119,939	25	$364,545	75
1973	82	1,699,778	375,930	98,568	26	277,362	74
1972	84	1,785,641	486,257	124,667	26	361,590	74

ATTACHMENT 13

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—SMALL BUSINESS SUBCONTRACTING PROGRAM
JET PROPULSION LABORATORY

[In thousands of dollars]

Fiscal year	Total subcontract awards	Awards to small business		Set-asides to small business	
		Value	Percent of subcontract awards	Value	Percent to small business awards
1974	$118,260	$36,831	31.1	$6,832	18.5
1973	123,699	30,461	24.6	5,824	19.1
1972	127,800	29,543	23.1	4,195	14.2

CIVILIAN EXECUTIVE AGENCIES

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., October 4, 1974.

Hon. JOE L. EVINS,
Chairman,
Select Committee on Small Business,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a report on Procurement by Civilian Executive Agencies for the period beginning July 1, 1973, through June 30, 1974.

Total procurements reported during the period amounted to $14.16 billion of which $3.25 billion or 23 percent was channeled to small business. The small business percentage for the previous year was 22 percent.

The General Services Administration procurements for the same period approximated $1.56 billion of which $603.5 million or 38.6 percent was from small business. This reflected a 3.1 percent increase over our small business performance in the previous year.

We trust this information will be useful to you.

Sincerely,

ARTHUR F. SAMPSON,
Administrator.

Enclosure.

○

PROCUREMENT BY CIVILIAN EXECUTIVE AGENCIES, PERIOD JULY 1, 1973 - JUNE 30, 1974
(IN THOUSANDS)

PART I - TOTAL PRIME PROCUREMENT

PROCURING AGENCY	TOTAL PROCUREMENT			PROCUREMENTS AWARDED BY REPORTING AGENCY										
		From Small Business		Formally Advertised			Negotiated			Fed. Sup. Sched. & Other GSA Contracts			Other Agency Contracts		
	Total Amount	Amount	Percent	Total Amount	From Small Business		Total Amount	From Small Business		Total Amount	From Small Business		Total Amount	From Small Business	
					Amount	Percent		Amount	Percent		Amount	Percent		Amount	Percent
TOTAL	$14,157,391	$3,252,288	23.0	$2,649,262	$1,033,241	39.0	$10,028,622	$1,958,311	19.5	$993,741	$179,966	18.1	$485,766	$80,770	16.6
Executive Office of the President															
Office of Management and Budget	425	53	12.5				23	23	100.0	402	30	07.5			
Office of Economic Opportunity	2,345	431	18.4	59	58	98.3	1,607	287	17.9	646	68	10.5	33	18	54.5
Office of Telecommunications Policy	277	94	33.9				264	85	32.2	13	9	69.2			
Departments															
Department of Agriculture	270,587	193,770	71.6	65,135	47,246	72.5	159,710	134,043	83.9	39,160	11,232	28.7	6,582	1,249	19.0
Department of Commerce	239,810	75,967	31.7	16,180	11,155	68.9	179,686	52,214	29.1	31,816	7,203	22.6	12,128	5,395	44.5
Department of Health, Education & Walfare	1,208,002	245,468	20.3	42,928	28,147	65.5	1,042,136	188,731	18.1	111,232	22,821	20.5	11,703	5,769	49.3
Department of Housing & Urban Development	285,629	209,045	73.2	74,583	72,534	97.3	181,171	134,586	74.3	5,378	1,890	35.1	24,497	35	00.1
Department of the Interior	843,301	394,413	46.8	413,963	150,464	36.3	370,645	220,612	59.5	49,775	19,374	38.9	8,918	3,963	44.4
Department of Justice	135,485	59,447	43.9	24,255	15,540	64.1	78,154	34,376	44.0	24,974	6,196	24.8	8,102	3,335	41.2
Department of Labor	184,864	47,594	25.7	4,187	2,155	51.5	172,083	44,082	25.6	8,116	1,314	16.2	478	43	09.0
Department of State	31,318	12,984	41.5	2,728	2,484	91.1	18,895	9,262	49.0	9,232	1,136	12.3	463	102	22.0
Department of Transportation	626,359	224,277	35.8	161,624	92,462	57.2	395,301	112,738	28.5	44,343	13,126	29.6	25,091	5,951	23.7
Department of Treasury	320,121	42,435	13.3	72,441	13,029	18.0	50,002	15,879	31.8	62,609	12,873	20.6	135,069	654	00.5
Independent Establishments															
Administrations															
Farm Credit Administration	218	159	72.9				150	133	88.7	68	26	38.2			
General Services Administration	1,561,775	603,509	38.6	636,081	216,380	34.0	518,039	312,220	60.3	353,815	36,471	10.3	53,840	38,438	71.4
National Aeronautics & Space Administration	2,442,649	181,247	07.4	41,588	14,068	33.8	2,327,807	157,663	06.8	73,254	9,516	13.0			
National Credit Union Administration	661	155	23.4				196	93	47.4	375	62	16.5	90		
Small Business Administration	13,110	5,971	45.5				11,346	5,643	49.7	1,764	328	18.6			
Veterans Administration	912,337	472,034	51.7	218,378	131,471	60.2	549,234	302,369	55.1	126,837	25,619	20.2	17,888	12,575	70.3
Agencies															
Action	29,849	9,495	31.8	1,898	1,319	69.5	25,972	7,266	28.0	1,217	150	12.3	762	760	99.7
Agency for International Development	210,346	6,432	03.1	1,203	741	61.6	207,799	5,574	02.7	1,344	117	08.7			
Enviromental Protection Agency	154,513	44,600	28.9	634	476	75.1	137,444	40,656	29.6	15,694	3,265	20.8	741	203	27.4
United States Information Agency	25,070	11,470	45.8	3,611	1,204	33.3	18,414	9,684	52.6	2,772	522	18.8	273	60	22.0
U. S. Arms Control & Disarmament Agency	1,296	125	09.6				1,296	125	09.6						
Boards															
Civil Aeronautics Board	1,250	371	29.7	175	175	100.0	196	46	23.5	730	150	20.5	149		
Federal Home Loan Bank Board	3,027	611	20.2				1,373	293	21.3	1,654	318	19.2			
National Labor Relations Board	2,952	2,349	79.6				228	137	60.1	694	211	30.4	2,030	2,001	98.6
National Mediation Board	17	16	94.1	16	16	100.0				1					
U. S. Railroad Retirement Board	1,871	451	24.1	6	6	100.0	524	412	78.6	1,341	33	02.5			
Commissions															
Amercian Battle Monuments Commission	48	44	91.7				16	16	100.0	1	1	100.0	31	27	87.1
Atomic Energy Commission 1/	3,390,797	48,493	01.4	33,538	14,838	44.2	3,178,364	33,348	01.0	2,706	307	11.3	176,189		
Federal Communications Commission	5,484	3,686	67.2	1,580	1,569	99.3	3,327	1,915	57.6	490	202	41.2	87		
Federal Power Commission	2,724	466	17.1	19	19	100.0	2,092	236	11.3	603	207	34.3	10	4	40.0
Federal Trade Commission	1,911	564	29.5	109	15	13.8	266	115	43.2	1,536	434	28.3			
Indian Claims Commission	40	40	100.0				27	27	100.0	13	13	100.0			
International Boundary & Water Commission	9,969	5,530	55.5	8,818	4,644	52.7	968	864	89.3	139	12	08.6	44	10	22.7
Interstate Commerce Commission	2,498	1,449	58.0	880	859	97.6	846	527	62.3	731	60	08.2	41	3	07.3
National Capital Planning Commission	136	50	36.8	6	6	100.0	85	27	31.8	45	17	37.8			
Securities and Exchange Commission	2,644	1,314	49.7	1,097	1,097	100.0	264	108	40.9	1,283	109	08.5			
United States Civil Service Commission	6,242	3,316	53.1	525	372	70.9	2,990	2,031	67.9	2,722	912	33.5	5	1	20.0
United States Tariff Commission	270	72	26.7	10	10	100.0	76	54	71.1	184	8	04.3			
Other Independent Establishments															
Export - Import Bank of Washington	748	203	27.1				219	160	73.1	529	43	08.1			
Federal Mediation & Conciliation Service	228	55	24.1				96			132	55	41.7			
National Science Foundation	110,156	5,782	05.2				109,079	5,100	04.7	987	592	60.0	90	90	100.0
Panama Canal Company	53,456	28,920	54.1	11,374	6,153	54.1	38,567	20,865	54.1	3,395	1,837	54.1	120	65	54.2
Selective Service System	117	65	55.6				40	35	87.5	63	22	34.9	14	8	57.1
Smithsonian Institution	15,932	12,690	79.7	5,108	5,071	99.3	8,314	7,306	87.9	2,233	302	13.5	277	11	04.0
United States Tax Court	1,055	158	15.0				437	137	31.4	618	21	03.4			
Tennessee Valley Authority	1,043,183	294,277	28.2	804,481	197,446	24.5	232,711	96,100	41.3	5,991	731	12.2			
National Gallery of Art	289	141	48.8	44	12	27.3	143	108	75.5	84	21	25.0	18		

1/ Cost reimbursed agreements for operation and construction of large facilities account for a large portion of AEC procurement.

PREPARED BY: GENERAL SERVICES ADMINISTRATION
OFFICE OF FINANCE

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PROCUREMENT BY CIVILIAN EXECUTIVE AGENCIES, PERIOD JULY 1, 1973 - JUNE 30, 1974

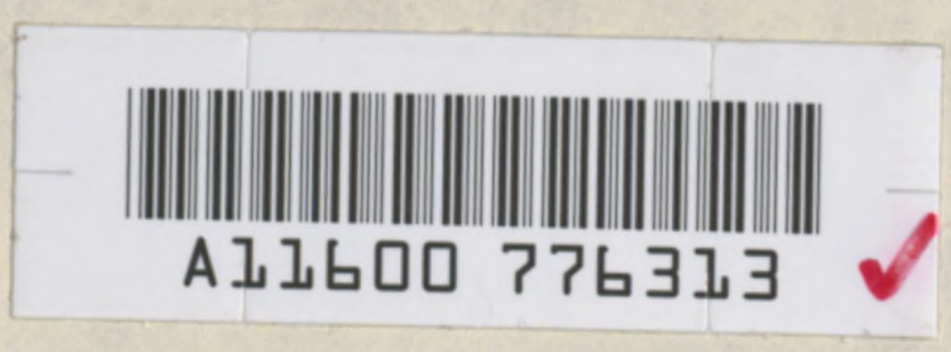
(IN THOUSANDS)

PART II - STATISTICS ON SELECTED TYPES OF PROCUREMENT (BREAKOUT OF PROCUREMENTS REPORTED IN PART I)

PART III - SMALL BUSINESS SUBCONTRACTING PROGRAM

PROCURING AGENCY	SMALL BUSINESS SET ASIDES		PROCUREMENT IN LABOR SURPLUS AREAS						Procurement of Construction		From Educational Institutions and Non-Profit Organizations	Amount of Subcontract & Purchase Commitments Under Small Business Subcontracting Program		
			Under Preference Procedures				Under Non Preference Procedures							
			Eligible Concerns		Other Concerns									
	Construction	Other	Total Amount	From Small Business Amount	Total Amount	From Small Business Amount	Total Amount	From Small Business Amount	Total Amount	From Small Business Amount	Total Amount	Total Amount	From Small Business Amount	Other
TOTAL	$446,855	$291,727	$94,973	$27,141	$8,163	$3,528	$3,563,238	$531,661	$1,141,108	$634,309	$2,153,447	$1,587,152	$593,728	$1,003,424
Executive Office of the President														
Office of Management and Budget											510			
Office of Economic Opportunity			42		9		39	34						
Office of Telecommunications Policy											95			
Departments														
Department of Agriculture	58,647	40,398	99	99	767	491	35,521	31,892	76,080	70,195	7,684	498	498	
Department of Commerce	5,012	24,893			17	3	10,602	5,459	5,184	5,045	49,706	3,262	3,262	
Department of Health Education & Welfare	23,048	397	1,539	1,056	415	201	99,890	25,783	35,094	27,790	657,015			
Department of Housing & Urban Development							43,333	43,330	74,091	73,935	40,072			
Department of the Interior	95,224	12,195	24,813	23,686	642	435	70,248	35,659	290,596	157,717	48,531	17,498	10,039	7,459
Department of Justice	1,387	5,550					15,465	5,352	10,321	9,702	3,631			
Department of Labor		4,360					28,556	6,653			14,648	2,100	1,100	1,000
Department of State											343			
Department of Transportation	46,736	16,333					168,619	41,838	73,959	64,312	50,231	11	7	4
Department of the Treasury	85	210	222	124	163	116	9,402	1,070	812	289	306			
Independent Establishments														
Administrations														
Farm Credit Administration											21			
General Services Administration	81,504	100,293	61,747	1,392	4,015	2,123	462,356	180,361	229,087	105,345	363	64,347	40,574	23,773
National Aeronautics & Space Administration	19,409	42,066					899,714	43,916	79,316	28,490	289,911	484,484	119,939	364,545
National Credit Union Administration														
Small Business Administration		3,360												
Veterans Administration	91,594	22,959	768	768	13	4	203	167	79,774	43,349	13,169	15,850	15,850	
Agencies														
Action		8												
Agency for International Development		933					156	60			18,418	332	332	
Environmental Protection Agency	1,046	1,602	151	16	1,247	155	37,842	8,433	1,728	1,527	144,060			
United States Information Agency	76	21									29,844	630	485	145
U. S. Arms Control & Disarmament Agency							138				413			
Boards											270			
Civil Aeronautics Board														
Federal Home Loan Bank Board														
National Labor Relations Board														
National Mediation Board														
U. S. Railroad Retirement Board														
Commissions														
American Battle Monuments Commission														
Atomic Energy Commission 1/	16,410	1,491												
Federal Communications Commission	1,666						1,441,881	15,136	151,700	30,904	780,471	998,140	391,642	606,498
Federal Power Commission							1,700	986	1,045	1,043	101			
Federal Trade Commission											35			
Indian Claims Commission														
International Boundary & Water Commission														
Interstate Commerce Commission							8,639	4,499	8,521	4,423				
National Capital Planning Commission														
Securities and Exchange Commission														
United States Civil Service Commission														
United States Tariff Commission											42			
Other Independent Establishments														
Export - Import Bank of Washington														
Federal Mediation & Conciliation Service														
National Science Foundation														
Panama Canal Company							106,045	5,093			93			
Selective Service System							31,806	17,207						
Smithsonian Institution	5,011	5,344												
United States Tax Court									5,238	5,011	3,456			
Tennessee Valley Authority			5,592		875									
National Gallery of Art							91,083	58,733	18,562	5,231	8			

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