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Report	Report from Jack Valenti for the President (Gross- Ref: CO 62) <i>open 7/11/78</i>	4/30/65	C

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TO THE CONGRESS OF THE UNITED STATES:
MESSAGE ON SELECTIVE SERVICE

The Background

The knowledge that military service must sometimes be borne by -- and imposed on -- free men so their freedom may be preserved is woven deeply into the fabric of the American experience.

Americans have been obliged to take up arms in the cause of liberty since our earliest days on these shores. From the militiaman who shouldered his musket to protect his community in the wilderness, to the young recruit of today who serves the common defense and then returns to civilian life, we have known the price of freedom as well as its glory.

In 1940, the mounting threat of Axis aggression was poised against us. The 76th Congress responded by making compulsory military service a legal obligation in peacetime as well as war. Although this was the first peacetime draft in our history, it was an action consistent with our evolving traditions and responsibilities. As President Roosevelt said on that occasion:

"America has adopted selective service in time of peace, and, in doing so, has broadened and enriched our basic concepts of citizenship. Beside the clear democratic ideals of equal rights, equal privileges and equal opportunities, we have set forth the underlying other duties, obligations and responsibilities of equal service."

Americans ever since then have come to know well those "broadened concepts of citizenship" of which Franklin Roosevelt spoke. Little more than a year later, war began. The Selective Service System established by that foresighted 76th Congress mustered the greatest military force in the history of the world.

EXECUTIVE

SP2-3/1967/ND9-4 (9)
ND9-4
FG282
FG698
ND4-1
FG115
FG600/Jack force
FG11-1
ND13
FI4/FG115

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Delivered to Congress: 3/6/67

NOTE
TMA
3/7/67

EXECUTIVE

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ND 4-1

FG 11-6

THE WHITE HOUSE
WASHINGTON

*American Council
on Education*

5

February 1, 1966

Mr. Bundy:

The college manpower problem, along with the wider problem of domestic resources during limited hostilities, obviously need careful watching by someone close to the President.

Governor Ellington's office is the proper place but I do not know whether he sees himself in this coordinator's role -- one which will grow rapidly unless Hanoi caves.

John F. x
For the moment, Morse should be thanked for calling the problem to the attention of the Administration.

Dryden's reply to Morse is attached.

Since Morse wrote to you Hershey has taken a position on college student deferments.

BKS

BKS

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from the desk of . . .

Buford Ellington

1/27/66

To Miss Judy Gott

This is the correspondence we
discussed on the phone.
Wayne Althaus X-21351 was
the person working on it.

Mary Zajac

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D. C. 20504

OFFICE OF THE DIRECTOR

JAN 27 1966

Mr. John F. Morse
Director of the Commission
Commission on Federal Relations
American Council on Education
1785 Massachusetts Avenue
Washington, D. C. 20036

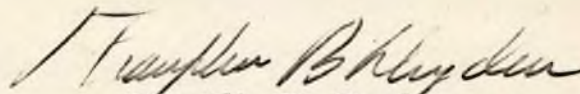
Dear Mr. Morse:

I understand that Mr. Keenan has discussed the suggestions made in your letter of January 18 with you on the telephone and that you have reached an understanding. I wanted to let you know we greatly appreciate your expression of interest and concern. In our continuing review of the manpower situation we will give full consideration to the problems outlined in your letter.

We are meeting with Selective Service System representatives and officials of the U. S. Department of Labor, with respect to the student deferment program and other emerging manpower problems that may become more acute in a stepped-up mobilization.

Mr. Keenan's office will be in touch with you further.

Sincerely,


Franklin B. Dryden
Acting Director

AMERICAN COUNCIL ON EDUCATION
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C. 20036

COMMISSION ON FEDERAL RELATIONS

January 19, 1966

✓
BKS
What do you think?
JD

The Honorable McGeorge Bundy
Special Assistant to the President
The White House
Washington, D.C. 20500

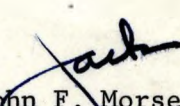
Dear Mac:

Arthur Flemming has suggested that I send you a copy of a letter I recently addressed to Mr. Ellington.

I have no way of knowing what mechanisms now exist nor how much thinking may be going on about short and long term manpower needs. I do know, however, that our colleges and universities are more and more confused, and I have a feeling that some 4,000 local boards are sailing pretty blind, each on its own course.

Please believe that if there is anything we at the Council can do to assist in the solution of the problems, you have only to call on us.

Sincerely yours,


John F. Morse
Director of the Commission

JFM:jc
Enclosure

January 18, 1965

Mr. Buford Ellington
Director
Office of Emergency Planning
Executive Office Building
Washington 25, D.C.

Dear Mr. Ellington:

I have been having a series of meetings and a considerable exchange of correspondence with General Hershey and the Selective Service people. My concern is the possibility that manpower requirements will be so stepped up that it may soon be necessary to induct a considerable number of college students. I am enclosing a copy of a recent newsletter which will give you a good summary of these discussions.

Over the past weekend I discussed my concern with our mutual friend Arthur Flemming. He suggested that I inquire of you as to the current status of the Interagency Committee on Manpower and of the Committee on Specialized Personnel. I judge that during the Korean period, these committees devoted attention at a high level to the nation's manpower needs and enabled us to meet in an orderly way the manpower needs of both the Armed Forces and the civilian economy.

My chief concern, of course, is with the status of students. Nevertheless, I realize that this problem can be judged only in the context of the nation's total needs. For this reason I am turning to you as one who must be responsible for the total puzzle as opposed to one jigsaw piece.

In my approach to Selective Service I have recognized that no one can predict what our situation will be three or four months from now. Nevertheless, I firmly believe that we are not now geared to a stepped-up demand for men for the Armed Forces and probably not geared to continuing the level of current demand.

For these reasons I should like to discuss with you the desirability of re-establishing a high level interagency committee that will concern itself with the nation's over-all manpower needs--including students.

Sincerely yours,

John F. Morse
Director of the Commission

JFM:jc

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

October 22, 1965

EXECUTIVE

JAC has seen
LE/SA2
LA2
SC
SC4
RD4-1

Joe:

"Scientific Manpower Utilization Act of 1965"

1. This is a bill sponsored by Senator Nelson (Wisc.) to apply systems analysis to the problems of society. *IT would:*

. Authorize the Secretary of Labor to enter into systems analysis contracts with space age firms to explore pollution, crime, delinquency etc.

. Authorize Labor to make grants to states to help finance the studies.

. Provide \$25 million a year for 5 years to finance the program.

2. In introducing the bill, Nelson applauded Pat Brown's efforts in this direction and put in Brown's press conference on the 4 California studies (crime, waste disposal, information, pollution).

3. Note that California industry stands largely to benefit because the big contractors (Lockheed, Douglas, Aerojet, etc.) are concentrated there.

LEL



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

Central
Files
EXECUTIVE
ND 4-1
FG 115

September 30, 1965

MEMORANDUM FOR Larry Levinson
The White House

Enclosed are four pamphlets which may be of some help to Kingman
x Brewster. These have been borrowed from the OSD Manpower library
and therefore would you please implore President Brewster to return
them as soon as he can. I would hope that the third largest library in
America would have copies of these items so that he can use theirs.

I am also enclosing an excerpt from the forthcoming draft study which
should be closely held by Mr. Brewster inasmuch as it is still just in
draft form.

As I mentioned to you on the telephone, Bill Gorham has twice told
me there was a remarkable dearth of really helpful material to someone
like Mr. Brewster who is considering "National service". Actually
he, Gorham, does not think the enclosed will be particularly helpful
to Brewster.


John M. Steadman

Enclosures
As Stated

Central
Files

September 30, 1965

Staff Analysis

Universal Service by American Youth

The following is an analysis and evaluation of the proposal to "get another million or so young men (and perhaps women) each year to serve the United States--either in 'limited military' service or in a range of public services." As we read the proposal, its specific objectives are (1) to train a large part of our youth in physical and job skills; (2) to take them off the domestic labor market for a period; (3) to provide them with discipline, challenge, and adventure; and (4) to use them in public service.

After providing some basic data on the target youth and existing programs, we discuss costs and the pros and cons of the proposal itself, and make our own recommendations.

Basic data

1. Target group. Currently about 1.8 million males are turning 18 each year, together with about an equal number of females; and these figures will remain largely constant over the next 5 years. About 800 thousand of the males turning 18 will be full-time students and about 110 thousand will be in the armed services (volunteers), the remaining number being slightly more than 800 thousand. As draft calls increase from about 125 thousand in 1965 to about 365 thousand this year, some 18-year-olds will be drafted for the first time in several years.

2. Existing programs. In evaluating the proposal, the availability of the following programs should be kept in mind, since these could well be used to accomplish the purposes of the proposal, either as they stand or with relatively minor modifications.

a. Neighborhood Youth Corps. This program offers work experience in public and non-profit institutions for poor youths, aged 16-21, both for out-of-school drop-outs and in-school students. Approximately 100 thousand in-school youths will receive assistance this year and about 120 thousand out-of-school youths.

b. Job Corps. This program provides more intensive counseling, education and training, away from the home environment, for youths aged 16-21. About 50 thousand youths will be enrolled in fiscal year 1966.

c. Manpower Development and Training Act. This is essentially a skill training program for the unemployed. Up to 25 percent of those

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receiving allowances may be youth. Approximately 310 thousand persons, young and old, will receive training under this program in 1966.

d. Peace Corps and VISTA. These programs represent opportunities for young people, as well as others, to provide public service, overseas and domestically, respectively. There will be about 16,000 Peace Corpsmen in 1966 and 4,000 VISTA Volunteers.

e. Adult employment programs. There is a public employment program operated by HEW under delegation from OED, intended primarily for unemployed parents receiving public assistance. In addition, the House and Senate conferees on the Economic Opportunity Act amendments have accepted Senator Nelson's proposal for public employment program as part of the Community Action Program.

The costs. To pay wages or allowances to 1 million youth in service or training programs would cost anywhere from about a \$1500 annual rate (MDTA experience) to about \$4500 (VISTA). Using a cost figure closer to MDTA, the proposal costs out at \$2 billion annually. Costs of administration, supervision, training, counseling, transportation, and work materials could increase this by 25-100 percent.

The advantages. There are numerous important potential advantages of the proposal. It could help provide much needed education, training, discipline and motivation to the many disadvantaged youth who constitute such a serious social and economic problem today. It could help foster the ethic of public and community service for these as well as more advantaged youth. It could serve as an important educational experience--in terms of social education--for many of our more socially insulated, advantaged youth. It could ease the present unemployment situation by taking large numbers of job-seekers off the job market, and at the same time provide additional funds to them thereby helping to generate additional economic activity.

Needed public and social services of a wide variety could be performed by the participants, in such areas as conservation, nurses' aids, teachers' aids, homemaker services for the ill, counselors and teachers for the disadvantaged and needy, etc. Finally, more universal service might remove some of the current feelings that the draft system is inequitable, because "not everybody serves."

The disadvantages. The element of compulsion runs counter to the strong American sentiment against compulsory service for other than military purposes. Depending on the size of the program, it could involve direct or indirect government control of manpower on a scale never undertaken in this country short of wartime. Moreover, it would be considered as a "dodge" by many to avoid military service, and would decrease the availability of suitable draftees for the armed forces.

Other disadvantages are that we would be choosing public services on the basis that they could utilize manpower, rather than because they are of the highest priority. The program would raise the cry of "Make-work." It might cause concern in the ranks of organized labor that the program participants would undertake work that otherwise would be available to labor members (this has been a problem to some extent in NYC and MDTA). If it included college-bound youth, the program would be slowing them down from undertaking activities which some might consider more important. With respect to disadvantaged youth, unless employment increases beyond present expectations, some of the disadvantaged youth whom we would be training will still find it difficult to obtain employment after their training is completed. Finally, the program would be costly.

Conclusion. The key issue is whether, as the proposal seems to suggest, we could or should compel all able-bodied individuals to devote one or more years to public service, military or non-military.

However, perhaps there are less compulsory ways to reaching the objective. For example, existing programs could be expanded and/or new programs created to provide expanded opportunities and inducements for youth (or older people) to volunteer for public service ~~or~~ to receive training, counseling, and assistance.

Or the area of compulsion could be narrowed by permitting volunteering for public service as an alternative to military service; potential draftees would have to choose one or the other. However, since many would choose non-military service, in order to meet military requirements more youth would have to be "drafted" (for military and non-military service) than in the absence of such a program.

On balance, we believe that any proposal which requires any kind of service, other than in the military service for national defense purposes, is not likely to be acceptable to the President, the Congress, or the public.

On the other hand, if the program is to be entirely voluntary, we doubt that new mechanisms are necessary to accomplish the objectives of the program proponents. The existing programs described above are or can be directed towards the objectives of the proposal. VISTA offers a particularly fruitful route. While the effectiveness of these programs vary, the need is not to create new programs but to (1) increase the effectiveness of existing programs, and (2) increase the resources devoted to them to the extent compatible with other Presidential objectives.

M. Mohr

a two-year inductee, has been estimated at only 17 months, after allowing for training, travel and leave time. A reduction in the tour of duty would disproportionately reduce the effective service of inductees, increase training and travel costs and reduce effectiveness of combat units. In addition, a reduction in the draft term might force the Services to reduce their voluntary enlistment terms, - as these might become comparatively less attractive, - in order to obtain the required number of recruits. To that extent, the costs and inefficiencies associated with a lower term for inductees would also have a "multiplier" effect.

In conclusion, relatively deep cuts would have to be made in the term of active service to achieve a significantly wider sharing of the military obligation and a significant reduction in the average age of involuntary induction. Such cuts would be accompanied by significantly increased military costs and decreased military effectiveness.

Alternative E. Universal Military Training

Universal Military Training is a system which, by definition, affords the widest possible sharing of the military obligation. In the early post-World War II period, it was presented largely as a method of building up the reserves and as an alternative to maintaining large active military forces in peacetime. During the Korean emergency

period, UMT proposals were again reserve-oriented, and they were very much concerned with the equity issue involved in the recall of large numbers of veteran-reservists of World War II. UMT proposals of that time emphasized the desirability of creating a reserve consisting largely of basically trained non-veterans.

The principal objection to UMT is that it is not related to military requirements, but to the number of available and qualified men. A second order of problems concerns how a UMT program is to be conducted at a time when there are fairly sizable active forces. If all qualified men were required to do 6-months active duty training at age 18 (plus 5-1/2 years in the reserve), as under a "pure" UMT system, there would be little incentive for persons to enter long-term enlistment programs or college-based officer procurement programs. In its December 1953 Report to the President, the National Security Training Commission addressed itself to these latter questions and developed generally credible answers. Because they provide a framework for assessing the additional training load of a UMT-type program, the principal features of the Commission's plan are worth noting, as follows:

- a. Military training (6 months, plus a period in the reserve) would be given not to all (qualified) persons, but only to those not needed for full service (2 years or more). When he registered with Selective

Service at age 18, a young man would draw lots to determine whether he would be liable for training or for service. He would be notified of the result immediately in order to enable him to plan for the future. The young man could enlist in the regular forces at any time prior to receiving an order to report for induction.

b. Deferment and exemption policies applicable to young men drawing training lots would be typical of UMT programs in their restrictiveness: student deferments limited to Class I-S (covering almost all high school students to graduation, and college students to end of academic year only); dependency deferments limited to cases of extreme hardship; divinity students; and sole surviving sons.

c. Deferment policies applicable to persons drawing service lots would be essentially on the present selective basis. These would include: II-S college deferments for full-time students doing satisfactory work/to generally completion of college, professional or graduate school; and I-D deferments for persons entering ROTC and other officer procurement programs.

d. The plan as a whole would constitute a truly universal military training and service program. All qualified young men not needed for full service would be inductible for training. Selective Service would conduct inductions for training concurrently with inductions for service. Subject to I-S student deferments, induction for training would generally

occur below age 19. Induction for service would be under the existing order of call, 19 to 26, oldest first. Finally, all existing volunteer programs for the active forces would be retained.

e. The Commission believed its plan could be accomplished by activation of the standby National Security Training provisions of the Universal Military Training and Service Act.

If a UMT plan of this kind were put into effect in the current period of military age classes of increased size, it is estimated that an additional 830,000 persons per year would have to be given 6-months training over and above the number needed to meet Ready Reserve requirements; such persons would presumably be put in the Standby Reserve. This estimate is based on the following order of magnitude figures:

	<u>No. Per Year</u>
Males attaining age 18: FY 1966-1974 average	2,000,000
Less: Unqualified: assumed at 25%	-500,000
Less: Conscientious objectors, sole surviving sons, ministers, divinity students, extreme hardship cases: total estimated at 2%	-40,000
Qualified available	1,460,000
Requirements for non-prior-service men:	
Estimated FY 1966-1974 average	
For active forces	500,000
For reserve forces	130,000
Additional number to be given 6-months training	830,000

There are several noteworthy points about the above estimates.

First, it is assumed that the maximum population rejection rate possible under a UMT-type system would be about 25%, as compared to the current 35%. The Commission thought that a 20% population rejection rate would be too high; the rate was estimated to be about 22% in 1953.

Second, dependency deferments are limited to cases of extreme hardship, and there are no automatic deferments for fathers or married persons without children. Third, there are no losses shown for students because students would return to the pool of availables when their deferments run out, except in the relatively small number of cases of extreme hardship.

Finally, the additional training load of 830,000 persons per year refers to the system in full operation. It does not include the backlog of persons in ages 19 through 25 who are available under current policies and the large numbers deferred as fathers, married persons without children or disqualified under current standards. If provision had to be made to train all or some of the backlog, the annual load would be higher during a transitional period.

In summary, as exemplified in the model outlined above, Universal Military Training would afford the widest sharing of the military obligation among all qualified persons, and it would maximize equities in that sense. The fact that some persons would be inducted for 6-months

training and some inducted for 2-years service illustrates the difficulty of achieving perfect equity under any system, and it is interesting that the Commission felt that use of a lottery would be the fairest way of making the determination. While maximizing equities, Universal Military Training would involve extremely large increases in military costs and little or no increases in military effectiveness under current mobilization concepts. At about \$3,300 per man^{1/}, the training of 830,000 men in excess of annual requirements would cost about \$2.7 billion per year.

Alternative F. Within-Service Recruiting

A within-service recruiting plan was proposed by the Selective Service System in connection with the present study. Its stated purpose is to provide for more orderly procurement.

Under the plan, the present order of call for induction of registrants in Class I-A (principally unmarried persons 19 to 26, oldest first) would be continued. Also, present deferment policies would be continued, including: II-S college student deferments; I-D deferments for ROTC and other officer programs; and dependency deferments for fathers and married persons without children. The principal change from the present

^{1/} The Office of the Comptroller of the Army, in late 1962, estimated that the total cost per man of providing 21 to 25 weeks of basic and advanced individual training for new Army enlisted personnel was \$3,269. This figure included all costs which were allocable to the training effort including pay, subsistence, clothing, travel and leave for the trainee; pay, subsistence, clothing, and allowances of trainers; central supply, medical and other operation and maintenance costs; installation support; and an appropriate portion of all departmental and intermediate overhead costs.

GENERAL

ND 4-1

September 23, 1965

Mr. Kingman Brewster, Jr.
President
Yale University
New Haven, Connecticut

Dear King:

This will confirm our telephone conversation today regarding your letter to the President of September 20. I believe we tentatively scheduled getting together at 9:00 a.m. on Friday, October 8.

I am trying to get copies of any materials that might be helpful to you or your colleagues in considering the question of a national manpower policy.

The President very much appreciated your letter and, as I mentioned, is most interested in having your ideas in depth.

Best regards and looking forward to seeing you.

Sincerely,

Joseph A. Califano, Jr.
Special Assistant to the President

Nothing else sent to
Central Files as of 10/20/65

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*Joe
Call on that
call him
Jim very
and very
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OFFICE OF THE PRESIDENT

September 20, 1965

The President
The White House
Washington, D. C.

Dear Mr. President:

Thank you very much for the honor and privilege of dining with you at the White House.

The quality of your team is most impressive. That I already knew. More of a revelation to me was the intensity and sincerity of their loyalty and devotion to you. This is a great tribute to you and absolutely essential to us all.

Of course the privilege of this letter tempts an almost limitless agenda of comment. However, if I may for the moment concentrate on one matter somewhat within my special purview it would be national manpower policy; or, rather, the apparent lack of a comprehensive national manpower policy.

A more inclusive sense of national service has arisen from the experience of the Peace Corps, the Job Corps, the Poverty Program, Operation Headstart and the rest. Coincidentally Selective Service and Reserve Training have had to be reappraised as defense needs have shifted. However, there is no dovetailing of these various forms of national service apparent to the outsider or the young recruit. More important, the rationale and administration of exemptions from military service seem somewhat arbitrary, often inexplicable, and encouraging to cynicism.

This is no place for panacea mongering; and any ideas of mine would be just that, because I do not begin to have even dim appreciation of all the facts and factors which would have to be taken into account. However, I do see this as a problem which impinges on the motivation and morale of the generations we are trying to educate at all levels.

THE WHITE HOUSE
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1965 SEP 21 PM 2 06

OFFICE OF THE PRESIDENT

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The White House
Washington, D. C.

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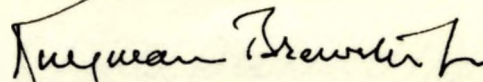
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even dim appreciation of all the facts and factors which would
have to be taken into account. However, I do see this as a
problem which impinges on the motivation and morale of the
generations we are trying to educate at all levels.

September 20, 1965

If you think it would be useful I would be delighted to follow this up with my former student, Joe Califano or your great new Cabinet colleague, John Gardner. If, on the other hand, this situation is well in hand I do not want to take up their valuable time and energy.

Again, sincere thanks for the privilege of the evening with you and so many other distinguished people at the White House.

Respectfully yours,

A handwritten signature in dark ink, appearing to read "Kingman Brewster, Jr.", written in a cursive style.

Kingman Brewster, Jr.
President

KB:jtb

EXECUTIVE

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THE SECRETARY OF DEFENSE
WASHINGTON

(7)
NR 9/17

SEP 16 1965

MEMORANDUM FOR THE PRESIDENT

On August 1 you directed me to review the functions now being performed by military personnel with a view to eliminating unnecessary functions, or where functions are necessary but do not have to be performed by military personnel, accomplishing them in other ways.

As a result of an initial review conducted by the Services, I am able to report that we are implementing the first step in a program to phase military personnel out of a large number of noncombatant support-type positions. I have today directed the Secretaries of the Military Departments to begin this program immediately. It will involve the substitution by next year of 60,500 civilians for 74,300 military personnel. It will permit an acceleration of our military build-up and enable us to reduce draft calls and curtail the number of involuntary extensions which had been planned.

Robert S. McNamara

SEP 16 1965

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SEP 16 1965
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EXECUTIVE

WASHINGTON
THE SECRETARY OF DEFENSE

SEP 1 8 1965

MEMORANDUM FOR THE PRESIDENT

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Robert S. McNamara

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CENTRAL FILES

JUL 27 1966

RECEIVED

The White House
Washington

THE WHITE HOUSE
WASHINGTONJL
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August 11, 1965

MEMORANDUM FOR THE PRESIDENT

FROM Joe Califano *JC*

Bob McNamara and I discussed the replacement of military personnel by civilians so that the maximum number of military men will be available for military functions. Bob's tentative and preliminary estimate is that he may be able to replace 120,000 military men with 90,000 civilians at substantial cost savings. He believes that in about two or three weeks he can have his estimates in good enough shape so that you can make some kind of a statement in connection with a quick visit to a military installation.

Orig. to Mrs. Harris

EF
MWD

①

EXECUTIVE

17382

August 1, 1965

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**MEMORANDUM FOR THE
HON. ROBERT S. McNAMARA
SECRETARY OF DEFENSE**

The need for deployment of additional military personnel to Viet Nam, for the general augmentation of our active duty military strength, and for the increased readiness of our Reserve forces makes it imperative that all military personnel are assigned to duties for which there is a direct military requirement. To this end, I ask that you once again review the functions now being performed by military personnel with a view to eliminating unnecessary functions, or where functions are necessary but do not have to be performed by military personnel, accomplishing them in other ways. At this time I want you to be absolutely certain that there is no waste or misapplication of America's manpower in the Department of Defense.

dy

RECEIVED

AUG 5 1965

GENERAL FILES

Sent - 8/4/65.

THE WHITE HOUSE
WASHINGTON

Mr. President:

Attached is a memo prepared by Secretary McNamara with a minor change by me to send to him on making certain there is no waste of military manpower in the Defense Department.

I talked to Bill and he thinks we should release this tomorrow for Monday's newspapers, if you sign it.

Joe Califano/yb
7/31/65
5:45p

THE WHITE HOUSE
WASHINGTON

But Joe Califano and I have drafted a memorandum to Secy. McNamara, which we have reviewed w/ him in the last few days following the appointment of our task forces of effecting economies. The substance of the memorandum is that I asked him to set up some special people to recognize the need for deployment of additional military personnel in Viet Nam, and to ask that they review the functions now being performed by all military personnel w/ the view to eliminating any unnecessary functions, or where functions are necessary but do not have to be performed by military personnel and can be accomplished in some other way.

I want him to be absolutely certain there is no waste or misapplication of American manpower in the Dept. of Defense effort. In other words, if we can save a few at this installation

and a few hundred at another, and a few thousand in another theater, we won't have such a serious drain on our manpower through the draft and other facilities.

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OCT 18 1965
CENTRAL FILES

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FROM THE PRESIDENT

TO: SECRETARY McNAMARA

The need for deployment of additional military personnel to VietNam, for the general augmentation of our active duty military strength, and for the increased readiness of our Reserve forces makes it imperative that all military personnel are assigned to duties for which there is a direct military requirement. To this end, I ask that you once again review the functions now being performed by military personnel with a view to eliminating unnecessary functions or, where functions are necessary but do not have to be performed by military personnel, accomplishing them in other ways. At this time I want you to be absolutely certain that there is no waste or misapplication of America's manpower in the Department of Defense.

approve ?

Yes *✓*

No

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JAN 17 1968
WHITE HOUSE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FROM THE PRESIDENT

TO: SECRETARY McNAMARA

The need for deployment of additional military personnel to Vietnam, for the general augmentation of our active duty military strength, and for the increased readiness of our Reserve forces makes it imperative that all military personnel are assigned to duties for which there is a direct military requirement. To this end, I ask that you once again review the functions now being performed by military personnel with a view to eliminating unnecessary functions or, where functions are necessary but do not have to be performed by military personnel, accomplishing them in other ways. At this time I want you to be absolutely certain that there is no waste or misapplication of America's manpower in the Department of Defense.

RECEIVED
OCT 18 1965
CENTRAL FILE

Approved
WJ
WJ

THE WHITE HOUSE
WASHINGTON

Mr. President:

Attached is a memo prepared by Secretary McNamara with a minor change by me to send to him on making certain there is no waste of military manpower in the Defense Department.

I talked to Bill and he thinks we should release this tomorrow for Monday's newspapers, if you sign it.

Joe Califano/yb
7/31/65
5:45p

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AUG 16 1965
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mjdr:

This memo was approved by the President and announced on Sunday -- 8-1-65 -- at the Ranch....Secy. McNamara was notified of it by Joe Califano...

but the President has not signed this form as of yet.

vm
8-3-65

aug 1

MEMORANDUM FOR THE HON. ROBERT S. MCNAMARA
SECRETARY OF DEFENSE

The need for deployment of additional military personnel to Vietnam, for the general augmentation of our active duty military strength, and for the increased readiness of our Reserve forces makes it imperative that all military personnel are assigned to duties for which there is a direct military requirement. To this end, I ask that you once again review the functions now being performed by military personnel with a view to eliminating unnecessary functions, or where functions are necessary but do not have to be performed by military personnel, accomplishing them in other ways. At this time I want you to be absolutely certain that there is no waste or misapplication of America's manpower in the Department of Defense.

az

BJ

personnel

For review
10/1/68
gov

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3:27 P.M. SATURDAY 31 July 1965

PP WTE10
DE WTE 72F

CRU557
PP RUEPWW
DE RUEKDA 011A 2122051
ZNR UUUUU
P 312035Z ZFF1
FM OSD WASHDC
TO JOSEPH A. CALIFANO, JR., SPECIAL ASSISTANT TO THE PRESIDENT, LBJ
RANCH
BT

UNCLAS DEF 7207 FROM OASD(MANPOWER)

EXCLUSIVE FOR CALIFANO FROM PAUL. THE FOLLOWING
IS DRAFT MEMO FOR THE SECDEF: "THE NEED FOR DEPLOYMENT OF
ADDITIONAL MILITARY PERSONNEL TO VIETNAM, FOR THE GENERAL AUG-
MENTATION OF OUR ACTIVE DUTY MILITARY STRENGTH, AND FOR THE
INCREASED READINESS OF OUR RESERVE FORCES MAKES IT IMPERATIVE
THAT ALL MILITARY PERSONNEL ARE ASSIGNED TO DUTIES FOR WHICH THERE
IS A DIRECT MILITARY REQUIREMENT. TO THIS END, I ASK THAT YOU
ONCE AGAIN REVIEW THE FUNCTIONS NOW BEING PERFORMED BY MILITARY
PERSONNEL WITH A VIEW TO ELIMINATING UNNECESSARY FUNCTIONS OR,

PAGE 2 RUEKDA 011A UNCLAS

WHERE FUNCTIONS ARE NECESSARY BUT DO NOT HAVE TO BE PERFORMED
BY MILITARY PERSONNEL, ACCOMPLISHING THEM IN OTHER WAYS. AT A TIME
WHEN OUR NATION IS BEING CALLED UPON TO MAKE STERN
SACRIFICES IN THE INTEREST OF OUR SECURITY, WE MUST SATISFY
OURSELVES THAT WASTE OR MISAPPLICATION OF OUR HUMAN
RESOURCES DO NOT OCCUR

BT

NNNN

in the Dept of Defense
I want you to be absolutely certain that there is no waste

EXECUTIVE

(2)

ND 19/CO 312
FG 11-9-1/Valenti, Jack
ND 4-1

Wednesday, September 1, 1965

7:30

MR. PRESIDENT:

Bill Moyers asked that I talk with Saul Pett, AP.

Subject: The President's personal involvement in Viet Nam military activities.

Answers:

1. The President doesn't involve himself in tactics or movement of troops, etc.
2. He is troubled and concerned when he has to order men into battle. He yearns for peace. But he is committed to defending the right to freedom and the preservation of justice.
3. He talks every morning to Secretary McNamara and reads all cables that come into the Situation Room.
4. He wakes in the night when a mission is on to call to get latest reports of what happened.
5. His principal concern with targets focuses on maintaining a measured, balanced response, with careful and serious thought given to what we do.

Generally, the conversation aimed at presenting the President as one who is concerned over the heavy responsibility of sending American men across the seas to fight.

There were no other topics discussed. He asked me about the legislative program, but I told him I knew nothing that was going on in that area.

Jack Valenti

EXECUTIVE

FI 4/FG 115

FG 115

ND 19/CO 312

ND 4-1

FI 4-1

August 3, 1965

MEMO FOR Bill Moyers
FROM Joe Califano

Here is a rundown on the President's request for \$1.7 billion in supplemental funds for the Defense Department:

1. The request is going to the Senate Appropriations Committee which is now considering the DoD appropriations. It will be considered by the House in conference with the Senate.
2. The \$1.7 billion will be placed in a special new "Emergency fund, Southeast Asia".
3. The appropriation language will provide authority to SecDef, with Presidential approval, to transfer the \$1.7 billion to any appropriation available to Defense for military functions, without obtaining prior authorization of procurement and construction (which is normally needed).
4. The funds would be used to procure aircraft, ships, missiles and ammunition and for urgently needed construction. There will be particular emphasis on helicopters, bombs, construction in South Vietnam and some fixed wing aircraft. None of the money will be used for personnel.
5. The \$700,000,000 supplemental requested earlier in the year was for FY 65. The current \$1.7 billion request is for FY 66.
6. Additional supplemental funds for FY 66 will be requested in January, when Defense can detail with precision its needs.
7. None of the money will be used for military assistance and, at present, there is no plan to ask for an increase in military assistance.
8. McNamara is also proposing an increase in active duty personnel of 235,000 in the Army, 30,000 in the Marine Corps, 35,000 in the Navy and 40,000 in the Air Force, a total of 340,000. Over the next few months

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Nothing else sent to
Central Files as of 10/1/65

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

April 30, 1965

EXECUTIVE (4)
C062
C055
FG11-2
C01-8
ND20-2
H116
ND4-1

REPORT FOR THE PRESIDENT

FROM: Jack Valenti

One fact is sure: If the Castro-types take over the Dominican Republic, it will be the worst domestic political disaster any Administration could suffer.

If we move, we must lay out a choice, a clear-cut choice backed up with facts, figures, names and addresses:

The choice is: ~~X~~ Castro in Dominican Republic
or
U.S. intervention

Here's how it might be done -- for in the doing of it, clean, understandable communications are needed:

1. Show indisputable evidence that Castro-types are in charge. This cannot be just a statement. Raborn must have pictures, names, a full dossier.

He must show the erosion of responsible leaders - and the surfacing of the Castroites.

We must leave NO DOUBT as to our evidence.

2. Call on Dominican citizens to rise up and defense of their freedom -- or else the Republic will sink into an abyss of total darkness.

(Here what is vitally needed is a group of Dominican Republic citizens who call on the U.S. and other Hemispheric nations for salvation. (Without some semblance of internal groupings, our intervention is weakened in the world public opinion arena.)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C.

EXECUTIVE

ND4-1

FG431/Small
Business

OFFICE OF THE ASSISTANT DIRECTOR

February 19, 1965

ITEMS FOR MR. WHITE RELATIVE TO DMP-4 --

1. Mr. ^{John E.} Cosgrove's Statement of August 13, 1964, before the Senate Small Business Subcommittee.
2. DMP-4 as currently in force.
3. Letter from the President to Governor Barron of West Virginia relative to DMP-4 and its revision.
4. Memorandum to Mr. Feldman of December 1, 1964, proposing an Executive Order, or alternatively, a Defense Mobilization Order to replace DMP-4.
5. Memorandum of August 7, 1964, to Mr. Feldman preparing for testimony before the Senate Subcommittee.
6. Memorandum of May 12, 1964, to Mr. Feldman discussing background problems and proposing Presidential letter to agencies urging action under DMP-4.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C.

File

OFFICE OF THE ASSISTANT DIRECTOR

February 19, 1965

MEMORANDUM TO MR. LEE WHITE

Subject: Government Procurement in Areas of Substantial and
Persistent Unemployment

Transmitted herewith are documents explaining the background of the old Defense Manpower Policy #4. This "DMP4" question has been under consideration for several months and was raised most recently in a memorandum of November 1, 1964, from here to Mike Feldman.

The thing sought is a decision on an Executive Order or, alternatively, a defense mobilization order, to update and strengthen this policy.

J.E.C.
John E. Cosgrove
Assistant Director

Attachments /

RECEIVED
FEB 24 1965
CENTRAL FILE

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C.

OFFICE OF THE ASSISTANT DIRECTOR

February 19, 1965

MEMORANDUM TO MR. THE WHITE

Subject: Government Procurement in Areas of Substantial and
Persistent Unemployment

Transmitted herewith are documents containing the background of
the old Defense Production Policy Act. This "DPPA" position has
been under consideration for several months and was raised most
recently in a memorandum of November 1, 1964, from here to
Mike Belmont.

The thing sought is a decision on an Executive Order or, alternatively, a statute modification order, to update and strengthen
this policy.

John E. Gossett
Assistant Director

Attachment

RECEIVED
OCT 4 1965
CENTRAL FILE

**STATEMENT OF JOHN E. COSGROVE
ASSISTANT DIRECTOR, OFFICE OF EMERGENCY PLANNING
BEFORE THE
SUBCOMMITTEE ON RETAILING, DISTRIBUTION AND MARKETING PRACTICES
SELECT COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE**

Thursday, August 13, 1964

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to discuss with you the question of defense spending in labor surplus areas and the present position of the Office of Emergency Planning in connection with the report of the Subcommittee entitled "Impact of Defense Spending on Labor Surplus Areas." We are aware of the Committee's particular interest in the implementation of Defense Manpower Policy 4 (DMP 4), as amended.

Defense Manpower Policy 4, as this Committee knows, was initially issued during the Korean conflict and it has had several revisions since that time. The authorities for implementing the Policy are the legislative provisions permitting certain exceptions to the advertised-bid procedures (Armed Services Procurement Act, Sec. 2(c) and the Federal Property and Administrative Services Act, Sec. 302(c)) otherwise required in procurement. Under these exceptions, a contract may be negotiated. As stated in this Committee's Report, dated August 19, 1963 (page 12), there are three relevant exceptions in the Armed Services Procurement Act. These are purchases: (1) under a declared national emergency; (5) from

educational institutions; and (16) for maintenance of the mobilization base.

There are similar authorities available to the civilian procurement agencies.

Defense Manpower Policy 4 establishes a policy of encouraging the placement of contracts and facilities in areas of substantial and also substantial and persistent unemployment. The actual procurement of sites for facilities or facilities themselves must be done by the Department of Defense or one of the civilian procurement agencies under their own authority. Defense Manpower Policy 4 does not provide any separate or independent procurement authority.

The circumstances which confront the Nation now are quite different from those which first required the issuance of Defense Manpower Policy 4. At that time, in addition to areas of substantial unemployment, there were also areas, classified by the Department of Labor, in which skilled manpower was in short supply. Defense Manpower Policy 1 accordingly established a policy of encouraging agencies to avoid the placement of procurement in areas where additional awards would create more acute labor shortage problems.

In addition, the rapid development of technology in the field of warfare has, of course, changed many aspects of defense preparedness. In an era when defense is so complex and difficult relatively greater reliance must be placed on widely scattered sources of economic strength and relatively less on concentrations which may be unavailable in an emergency to support a defense effort. In other words, economic strength as broadly based in skills and geography as possible is our best stance

for emergency preparedness. Thus, changed circumstances have not altered the need for the Policy, but do suggest the need for some changes.

Defense Manpower Policy 4 continues to have importance, since the preferences given by procurement agencies under this Policy aid in maintaining a broadly based economy, in maintaining skills in many areas and in encouraging the development of economies in communities which would otherwise be poorly equipped to render assistance in time of need.

A year ago this Committee completed its Report on this whole question. The Report, highly critical in many areas, was on the other hand encouraging in its recognition of the importance of the Policy and in its support for its stronger application.

Following your Report of last year we initiated a review, in cooperation with the various agencies concerned with the Policy, designed to determine what action could be taken to strengthen and improve its administration. We have at this stage substantially completed our evaluation of Defense Manpower Policy 4 and are currently in the process of coordinating the resultant recommendations throughout the Government. We expect to complete this coordination shortly.

I stated at the outset that Defense Manpower Policy 4 has undergone several revisions since its inception. One of the first major revisions came about as a result of Congressional interest in defense procurement. This is the revision which provided the requirement, now written into the law (Sec. 523, Defense Appropriations Act), and contained

in the present Policy (Para. 4(b)(1)). It provides that no differential in price may be paid for the purpose of placing contracts in areas of substantial or persistent unemployment. This legislative limitation which prevents setting aside entire procurements (that is 100% set-asides) for award within areas of substantial and persistent unemployment, precludes any substantive change in this aspect of the Policy. (Comptroller General's Decision B-145136, dated 3/3/61).

Several other changes have been suggested but have not been adopted as Administration policy at this time, including the following:

1. Low-income areas designated by the Department of Commerce as redevelopment areas could be extended the same preferences currently given to areas of substantial and persistent unemployment. In addition, central cities (that is, metropolitan areas minus suburbs) of 250,000 or more population which have substantial and persistent unemployment, and which have been designated as redevelopment areas by the Secretary of Commerce, could be included among the areas receiving preference.

2. The new policy would emphasize the importance of the placement of contracts and facilities for research and development, recognizing that it is around such facilities that strong economic growth has taken place in the recent past.

3. Prime contractors would be required to maintain records of awards sufficient to determine their performance under subcontracting provisions which require them to use their best efforts to award subcontracts to firms which will perform in areas of substantial and persistent unemployment.

4. The new Policy would, among other things, strengthen provisions relating to modifications, cutbacks and cancellations of contracts, to assure that account is taken of the unemployment effects of such actions and to assure that, where possible, certain designated areas will be given such advantages as are indicated. The "designated areas" include areas of substantial unemployment, areas of substantial and persistent unemployment, low income areas designated by the Department of Commerce as redevelopment areas and central cities of 250,000 or more population which have substantial and persistent unemployment.

5. A Committee would be established to advise and assist in the administration of the Policy. Consideration is being given to including representation from the Council of Economic Advisers, Bureau of the Budget, National Aeronautics and Space Administration, and the Atomic Energy Commission, as well as the other agencies presently represented on the Surplus Manpower Committee. These include the Department of Defense, Department of Commerce, Department of Labor, General Services Administration and the Small Business Administration.

6. Certain administrative arrangements would be specified, which should improve the application of the Policy. For example, the Policy would apply to all procurements for more than \$10,000, which is not specified in the present Policy. Each agency would be required to establish a procedure to assure adequate implementation of the Policy. Uniform reporting, under which a measure of the effectiveness of the Policy could be determined, also would be provided.

The detailed implementation of the Policy has been, and would continue to be, through the Armed Services Procurement Regulation and the Federal Procurement Regulations. I understand that representatives from certain of these agencies are scheduled to appear before you and can testify on various aspects of the Policy.

In the main the changes we are proposing are not drastic, but we believe they will result in substantially improved administration of the Policy.

OEP 55582

Title 32A—NATIONAL DEFENSE, APPENDIX

Chapter I—Office of Emergency Planning

**[Defense Manpower Policy 4, Revised,
Amdt. 1]**

DMP 4—PLACEMENT OF PROCURE- MENT AND FACILITIES IN AREAS OF PERSISTENT OR SUBSTANTIAL LA- BOR SURPLUS

Implementation

1. Defense Manpower Policy No. 4 (Revised) (25 F.R. 5283), effective July 6, 1960, is hereby amended by revising Section 4(b)(4) to read as follows:

(b) All procurement agencies shall:

(4) In the event of tie-bids or offers on any procurement, award the contract to the firm which will perform a substantial proportion of the contract in persistent or substantial labor surplus areas by incurring costs on account of production or manufacturing in such labor surplus areas (by itself or its first-tier subcontractors) that amount to a substantial proportion of the contract price, giving first preference, other things being equal, to the firm that will perform in persistent labor surplus areas.

2. *Effective date.* This amendment shall take effect 90 days after publication in the FEDERAL REGISTER.

**EDWARD A. McDERMOTT,
Director.**

**[F.R. Doc. 62-12830; Filed, Dec. 28, 1962;
8:45 a.m.]**

**Reprinted from the Federal Register
Saturday, Dec. 29, 1962 (27 F. R. 12935)**

Title 32A—NATIONAL DEFENSE, APPENDIX

Chapter I—Office of Civil and Defense Mobilization

[Defense Manpower Policy 4]

DMP 4—PLACEMENT OF PROCURE- MENT AND FACILITIES IN AREAS OF PERSISTENT OR SUBSTANTIAL LABOR SURPLUS

Revision

1. *Introduction.* Success of the defense program depends upon efficient use of all our resources, including manpower and facilities, which are preserved through practice of the skills of both management and workers.

A primary aim of Federal manpower policy is to encourage full utilization of existing production facilities and workers in preference to creating new plants or moving workers, thus assisting in the maintenance of economic balance and employment stability. When large numbers of workers move to already tight areas, heavy burdens are placed on community facilities—schools, hospitals, housing, transportation, utilities, etc. On the other hand, when unemployment develops in certain areas, unemployment compensation costs increase and plants, tools, and workers' skills remain idle and unable to contribute to our defense program.

2. *Purpose.* It is the purpose of this Defense Manpower Policy No. 4 to direct attention to the potentialities of areas of persistent or substantial labor surplus, hereafter referred to as labor surplus areas, for the placement of procurement contracts or the location of new plants or facilities, and to assign responsibilities to specified departments and agencies of the Government to carry out the policy stated below.

3. *Policy.* It is the policy of the Federal Government to encourage the placing of contracts and facilities in areas of persistent or substantial labor surplus, with first preference being given in areas of persistent labor surplus, and to assist such areas in making the best use of their available resources in order to achieve the following objectives:

(a) To preserve management and employee skills necessary to the fulfillment of Government contracts and purchases;
(b) To maintain productive facilities;
(c) To improve utilization of the Nation's total manpower potential by making use of the manpower resources of each area;

(d) To help assure timely delivery of required goods and services and to promote readiness for expanded effort by locating procurement where the needed manpower and facilities are fully available.

4. *Implementation.* By virtue of the authority vested in me by Executive Order 10480 and Executive Order 10773, as amended, and to carry out the purpose and policy objectives set forth above, the following assignments of responsibilities are made to the specified departments and agencies of the Government:

(a) The Department of Labor shall:
(1) Classify areas having a persistent or substantial surplus of labor, under standards to be established by the Secretary of Labor.

(2) In cooperation with the States and labor surplus areas, provide labor market data and related economic information in efforts to assist in the initiation of industrial expansion programs in these areas.

(3) Identify skills which are in surplus supply within such areas and make this information available to firms requiring such skills and interested in establishing new plants and facilities.

(4) Identify occupations and skills for which labor will be needed by new or expanding industries; and, in collaboration with other governmental agencies, make assistance available to area institutions and manpower users in developing on-the-job apprentice or other training programs for developing skills of the workforce.

(b) All procurement agencies shall:

(1) Use their best efforts to award negotiated procurement contracts to contractors who will perform a substantial proportion of the production on those contracts within labor surplus areas, giving first preference to contractors performing in persistent labor surplus areas, to the extent that procurement objectives will permit: *Provided*, That in no case will price differentials be paid for the purpose of carrying out this policy.

(2) Where deemed appropriate, set-aside portions of procurements for negotiation at prices no higher than those paid on the balance of these procurements exclusively with firms which will perform or cause to be performed a substantial proportion of the production on these contracts within labor surplus areas, giving first preference to firms in persistent labor surplus areas: *Provided further* that firms which will perform in areas not meeting the minimum size qualifications for classification by the U.S. Department of Labor shall be eligible for participation in set-asides, if these firms submit a certificate issued by the U.S. Department of Labor that a persistent or substantial labor surplus exists in the area in accordance with standards and procedures prescribed by the U.S. Department of Labor.

(3) Assume that firms in labor surplus areas which are on appropriate bidders' lists will be given the opportunity to submit bids or proposals on all procurements for which they are qualified. Whenever the number of firms on a bidders' list is excessive, there will be included a representative number of firms from labor surplus areas.

(4) In the event of tie bids or offers on any procurement, award the contract to the firm which will perform in a labor surplus area, other things being equal, giving first preference to firms in persistent labor surplus areas.

(5) Encourage prime contractors to award subcontracts to firms which will perform a substantial proportion of the production on those subcontracts in labor surplus areas, particularly in areas of persistent labor surplus.

(6) The preferential actions described in this policy shall be in addition to other such actions to which firms may be entitled because of performance in substantial labor surplus areas, such as additional preference under the "Buy American Act."

(7) Cooperate with the other agencies listed herein in achieving the objectives of this policy.

(c) The Department of Commerce shall:

(1) In cooperation with State development agencies, the Department of Defense, the General Services Administration, and the Small Business Administration, assist manufacturers in areas of persistent labor surplus in obtaining Government procurement business by (a) providing such firms with timely information on proposed Government procurements; (b) maintaining current information on the manufacturing capabilities of labor surplus area firms with respect to Government procurement and disseminating such information to Federal procurement agencies.

(2) Urge firms planning new production facilities (where Federal assistance or interests are involved) to consider the industrial location advantages of labor surplus areas.

(3) Provide technical advice and counsel to groups and organizations in labor surplus areas on planned industrial parks, industrial development organizations, expanding tourist business, and available Federal aids.

(d) The Small Business Administration shall make available to small business concerns in labor surplus areas all of its services, endeavor to insure opportunity for maximum participation by such concerns in Government procurement, and give consideration to the needs of these concerns in the making of joint small business set-asides with Government procurement agencies.

(e) There is hereby created within the Office of Civil and Defense Mobilization a Surplus Manpower Committee:

(1) This Committee shall be chaired by the Deputy Assistant Director for Manpower of the Office of Civil and Defense Mobilization and shall include representation from the Department of Defense (including the three military departments), Department of Commerce, Department of Labor, General Services Administration, and Small Business Administration.

(2) The Committee shall advise the Director of the Office of Civil and Defense Mobilization and its member agencies on policies, procedures, and activities in existence or needed to carry out the purpose of this policy.

(3) When an entire industry, which sells a significant proportion of its production to the Government, is generally depressed or has a significant proportion of its production units located in areas of persistent or substantial labor surplus, the Committee may make appropriate recommendations relative to that industry in lieu of recommendations relative to specific geographical areas. In such cases, after notice to and hearing of interested parties, the Director of the Office of Civil and Defense Mobilization will give consideration to appropriate measures applicable to the entire industry.

(f) The Regional Directors of OCDM shall, with the advice and assistance of the Regional Civil and Defense Mobilization Boards, recommend actions considered desirable to carry out the purposes of this policy to the Chairman of the Office of Civil and Defense Mobilization Surplus Manpower Committee.

(g) All Federal departments and agencies shall give consideration to labor surplus areas, particularly to persistent labor surplus areas, in the selection of sites for Government-financed facilities expansion, to the extent that such consideration is not inconsistent with essential economic and strategic factors that must also be taken into account.

(h) All agencies assigned responsibilities under this policy shall submit such reports on their activities as may be requested in connection therewith to the Office of Civil and Defense Mobilization, and shall submit such additional information as may be necessary.

(i) All existing notifications of labor surplus areas issued by the U.S. Department of Labor pursuant to Defense Manpower Policy No. 4, dated November 4, 1953, as amended July 29, 1955, continue in force. Notifications No. 38, 39, 53, 57, and 58, dealing with the placement of procurement with the textile, shoe, apparel, shipbuilding, and petroleum and petroleum products industries, are continued in effect to the extent that they are not inconsistent with this revised policy.

Effective date. This revised policy shall take effect on July 6, 1960.

LEO A. HOGUE,
Director.

[F.R. Doc. 60-5387; Filed, June 13, 1960;
8:50 a.m.]

EXECUTIVE (V)

ND 4-1

ST 48

FG 11-6

1/11/65

Dear Governor Barron:

Thank you very much for your letter of December tenth. I am very grateful for your kind words and offer of assistance for the future.

The so-called "test procedures" of the Department of Defense are presently under study. I appreciate your suggestions and they will be thoroughly considered in connection with any revision of Defense Manpower Order No. 4.

With best personal regards,

Sincerely,

LYNDON B. JOHNSON

Honorable William Wallace Barron
Governor of the State of West Virginia
Charleston 5, West Virginia

LBJ:HT:pam

RECEIVED
JAN 11 1965
CENTRAL FILES

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 2, 1965

Out me 9

FOR MR. TAYLOR

I think it would be a mistake to say that the Office of Emergency Planning has submitted proposals for the revision of Defense Manpower Policy No. 4 to the White House. This is highly controversial. There is much opposition.

I think we should simply acknowledge the letter from Governor Barron and say we will bear in mind the suggestions he has made in connection with any revision of Defense Manpower Order No. 4. Merely indicate that this order is under continuing study.

Thinks

Myer Feldman

Enclosure

*Copy of reply
sent to
Mr. Althaus
Off. of Emergency
Planning*

THE WHITE HOUSE
WASHINGTON

December 29, 1964

TO: Myer Feldman

FROM: Hobart Taylor, Jr. 

Will the letter to Governor Barron be
O.K. as drafted by the Office of Emergency
Planning?

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON 25, D.C. 20504

December 23, 1964

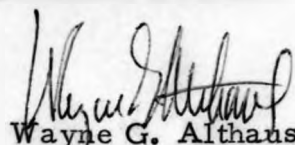
MEMORANDUM FOR HONORABLE HOBART TAYLOR, JR.

Re: Defense Manpower Policy 4

I am submitting a draft letter for your consideration in accordance with your note of December 22.

The Director, Office of Emergency Planning, submitted a draft Executive Order and a draft Defense Mobilization Order to Mr. Myer Feldman on November 30, 1964. The Governor of West Virginia has gotten word of this submittal.

I recommend that the proposed reply be cleared with Mr. Feldman's office and that he be given a copy of the Governor's letter.


Wayne G. Althaus

Enclosure

C O P Y

Honorable William Wallace Barron
Governor of West Virginia
Charleston, West Virginia

Dear Governor Barron:

Thank you for your letter of December 10 and your
kind words and offer of assistance for the future.

~~It is true that the Office of Emergency Planning has~~
~~submitted proposals for the revision of Defense Manpower~~
~~Policy 4 and that one possibility is that it could be an~~
~~executive order. We have these proposals, including the~~
so-called "test procedures" of the Department of Defense,
under study, although there is some question whether the
latter can be considered without some legislative action.

Thank you very much for your expression of interest
and for your suggestion.

Sincerely,

Lyndon B. Johnson

C O P Y

(v-2)
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✓ D of D
✓
08-23
12-10-31
- 201
0-07
9/6
MEMO #4

. D .
THE WHITE HOUSE
WASHINGTON

GENERAL

ND4-1

ST48

December 22, 1964

TO: Mr. Althaus
Chief, Manpower Division
Office of Emergency Planning

FROM: Hobart Taylor, Jr.
H.T.

Let. to the President 12-10-64 from Governor William Wallace Barron, State of West Virginia, Charleston, urging the inclusion of provisions authorizing use of the "test procedures" developed in the Department of Defense Labor Surplus Area Program in Defense Manpower Order No. 4. Letter previously directed to DOD by Route Slip 12-11-64, and returned for handling by OEP 12-21-64.



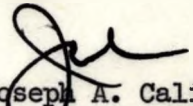
OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

DEC 21 1964

MEMORANDUM FOR: Mr. Hobart Taylor, Jr.
Associate Counsel to the President

Your Route Slip and the attached letter from Governor Barron is returned since the drafting of the Executive Order referred to in paragraph three of the Governor's letter is the responsibility of the Office of Emergency Planning. Mr. Althaus, Chief, Manpower Division of OEP, will accept the action.

Also, I am attaching for your information a copy of the Defense Manpower Order mentioned by Governor Barron.


Joseph A. Califano, Jr.
The Special Assistant

Enclosures

EMERGENCY PLANNING
OFFICE

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WASHINGTON, D.C.



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

DEC 31 1964

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OFFICE OF
EMERGENCY PLANNING

DEC 23 9 15 AM '64

WASHINGTON, D.C.
OFFICE OF EMERGENCY
PLANNING

DMP 4—PLACEMENT OF PROCUREMENT AND FACILITIES IN AREAS OF PERSISTENT OR SUBSTANTIAL LABOR SURPLUS [REVISED]

1. *Introduction.* Success of the defense program depends upon efficient use of all our resources, including manpower and facilities, which are preserved through practice of the skills of both management and workers.

A primary aim of Federal manpower policy is to encourage full utilization of existing production facilities and workers in preference to creating new plants or moving workers, thus assisting in the maintenance of economic balance and employment stability. When large numbers of workers move to already tight areas, heavy burdens are placed on community facilities—schools, hospitals, housing, transportation, utilities, etc. On the other hand, when unemployment develops in certain areas, unemployment compensation costs increase and plants, tools, and workers' skills remain idle and unable to contribute to our defense program.

2. *Purpose.* It is the purpose of this Defense Manpower Policy No. 4 to direct attention to the potentialities of areas of persistent or substantial labor surplus, hereafter referred to as labor surplus areas, for the placement of procurement contracts or the location of new plants or facilities, and to assign responsibilities to specified departments and agencies of the Government to carry out the policy stated below.

3. *Policy.* It is the policy of the Federal Government to encourage the placing of contracts and facilities in areas of persistent or substantial labor surplus, with first preference being given in areas of persistent labor surplus, and to assist such areas in making the best use of their available resources in order to achieve the following objectives:

(a) To preserve management and employee skills necessary to the fulfillment of Government contracts and purchases;

(b) To maintain productive facilities;

(c) To improve utilization of the Nation's total manpower potential by making use of the manpower resources of each area;

(d) To help assure timely delivery of required goods and services and to promote readiness for expanded effort by

locating procurement where the needed manpower and facilities are fully available.

4. *Implementation.* By virtue of the authority vested in me by Executive Order 10480 and Executive Order 10773, as amended, and to carry out the purpose and policy objectives set forth above, the following assignments of responsibilities are made to the specified departments and agencies of the Government:

(a) The Department of Labor shall:

(1) Classify areas having a persistent or substantial surplus of labor, under standards to be established by the Secretary of Labor.

(2) In cooperation with the States and labor surplus areas, provide labor market data and related economic information in efforts to assist in the initiation of industrial expansion programs in these areas.

(3) Identify skills which are in surplus supply within such areas and make this information available to firms requiring such skills and interested in establishing new plants and facilities.

(4) Identify occupations and skills for which labor will be needed by new or expanding industries; and, in collaboration with other governmental agencies, make assistance available to area institutions and manpower users in developing on-the-job apprentice or other training programs for developing skills of the workforce.

(b) All procurement agencies shall:

(1) Use their best efforts to award negotiated procurement contracts to contractors who will perform a substantial proportion of the production on those contracts within labor surplus areas, giving first preference to contractors performing in persistent labor surplus areas, to the extent that procurement objectives will permit: *Provided*, That in no case will price differentials be paid for the purpose of carrying out this policy.

(2) Where deemed appropriate, set-aside portions of procurements for negotiation at prices no higher than those paid on the balance of these procurements exclusively with firms which will perform or cause to be performed a substantial proportion of the production on these contracts within labor surplus areas, giving first preference to firms in

persistent labor surplus areas: *Provided further* that firms which will perform in areas not meeting the minimum size qualifications for classification by the U.S. Department of Labor shall be eligible for participation in set-asides, if these firms submit a certificate issued by the U.S. Department of Labor that a persistent or substantial labor surplus exists in the area in accordance with standards and procedures prescribed by the U.S. Department of Labor.

(3) Assure that firms in labor surplus areas which are on appropriate bidders' lists will be given the opportunity to submit bids or proposals on all procurements for which they are qualified. Whenever the number of firms on a bidders' list is excessive, there will be included a representative number of firms from labor surplus areas.

(4) In the event of tie-bids or offers on any procurement, award the contract to the firm which will perform a substantial proportion of the contract in persistent or substantial labor surplus areas by incurring costs on account of production or manufacturing in such labor surplus areas (by itself or its first-tier subcontractors) that amount to a substantial proportion of the contract price, giving first preference, other things being equal, to the firm that will perform in persistent labor surplus areas.

(5) Encourage prime contractors to award subcontracts to firms which will perform a substantial proportion of the production on those subcontracts in labor surplus areas, particularly in areas of persistent labor surplus.

(6) The preferential actions described in this policy shall be in addition to other such actions to which firms may be entitled because of performance in substantial labor surplus areas, such as additional preference under the "Buy American Act."

(7) Cooperate with the other agencies listed herein in achieving the objectives of this policy.

(c) The Department of Commerce shall:

(1) In cooperation with State development agencies, the Department of Defense, the General Services Administration, and the Small Business Administration, assist manufacturers in areas of persistent labor surplus in obtaining Government procurement business by

(a) providing such firms with timely information on proposed Government procurements; (b) maintaining current information on the manufacturing capabilities of labor surplus area firms with respect to Government procurement and disseminating such information to Federal procurement agencies.

(2) Urge firms planning new production facilities (where Federal assistance or interests are involved) to consider the industrial location advantages of labor surplus areas.

(3) Provide technical advice and counsel to groups and organizations in labor surplus areas on planned industrial parks, industrial development organizations, expanding tourist business, and available Federal aids.

(d) The Small Business Administration shall make available to small business concerns in labor surplus areas all of its services, endeavor to insure opportunity for maximum participation by such concerns in Government procurement, and give consideration to the needs of these concerns in the making of joint small business set-asides with Government procurement agencies.

(e) There is hereby created within the Office of Civil and Defense Mobilization a Surplus Manpower Committee:

(1) This Committee shall be chaired by the Deputy Assistant Director for Manpower of the Office of Civil and Defense Mobilization and shall include representation from the Department of Defense (including the three military departments), Department of Commerce, Department of Labor, General Services Administration, and Small Business Administration.

(2) The Committee shall advise the Director of the Office of Civil and Defense Mobilization and its member agencies on policies, procedures, and activities in existence or needed to carry out the purpose of this policy.

(3) When an entire industry, which sells a significant proportion of its production to the Government, is generally depressed or has a significant proportion of its production units located in areas of persistent or substantial labor surplus, the Committee may make appropriate recommendations relative to that industry in lieu of recommendations relative to specific geographical areas. In such cases, after notice to and hear-

ing of interested parties, the Director of the Office of Civil and Defense Mobilization will give consideration to appropriate measures applicable to the entire industry.

(f) The Regional Directors of OCDM shall, with the advice and assistance of the Regional Civil and Defense Mobilization Boards, recommend actions considered desirable to carry out the purposes of this policy to the Chairman of the Office of Civil and Defense Mobilization Surplus Manpower Committee.

(g) All Federal departments and agencies shall give consideration to labor surplus areas, particularly to persistent labor surplus areas, in the selection of sites for Government-financed facilities expansion, to the extent that such consideration is not inconsistent with essential economic and strategic factors that must also be taken into account.

(h) All agencies assigned responsibilities under this policy shall submit such reports on their activities as may be requested in connection therewith to the Office of Civil and Defense Mobilization, and shall submit such additional information as may be necessary.

(i) All existing notifications of labor surplus areas issued by the U.S. Department of Labor pursuant to Defense Manpower Policy No. 4, dated November 4, 1953, as amended July 29, 1955, continue in force. Notifications No. 38, 39, 53, 57, and 58, dealing with the placement of procurement with the textile, shoe, apparel, shipbuilding, and petroleum and petroleum products industries, are continued in effect to the extent that they are not inconsistent with this revised policy.

CODIFICATION: DMP-4 was revised at 25 F.R. 5283, June 14, 1960. Subsequently section 4(b) 4 was amended at 27 F.R. 12935, Dec. 29, 1962.

December 11, 1964

Dear Governor Barron:

This letter is to acknowledge receipt of your recent letter regarding your desire for the provision of the use of the "test procedures" developed in the Department of Defense Labor Surplus Area Program in Defense Manpower Order No. 4. You will be receiving a reply to your correspondence within a short time.

Sincerely yours,

**Robert Taylor, Jr.
Associate Counsel
to the President**

**Honorable William Wallace Barron
Governor of the State of West Virginia
Charleston 5, West Virginia**

**HT:pam
(Sent to the Dept. of Defense for draft reply.)**

THE WHITE HOUSE OFFICE

ROUTE SLIP

(To remain with correspondence)

Date: December 11, 1964

TO: Mr. Joseph A. Califano, Department of Defense

Prompt handling is essential. Correspondence should be answered or other necessary action taken within 48 hours after arrival at the department or agency. If any delay is encountered, please telephone office of the undersigned.

Please handle the attached correspondence as indicated below:

- A. Reply on behalf of the President
B. Draft for presidential signature XX
C. Draft for undersigned's signature
D. Other:
(1) For background briefing on which to base reply from this office
(2) For suitable acknowledgement or other appropriate handling
(3) For your information
(4) For comment

Furnish this office with a copy of your reply. Yes No

Return the original correspondence to this office. Yes XX No

REMARKS: Letter to the President - 12/10/64 - from Governor William Wallace Barron, Governor of West Virginia, urging him to include provisions authorizing the use of the "test procedures" developed in the Department of Defense Labor Surplus Area Program in Defense Manpower Order No.4.

GPO 16-76420-1

By direction of the President:

Hobart Taylor, Jr.
Associate Counsel
to the President



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 5

WILLIAM WALLACE BARRON
GOVERNOR

RECEIVED
DEC 11 11 30 AM '64
THE WHITE HOUSE

December 10, 1964

The President
The White House
Washington 25, D. C.

Dear Mr. President:

West Virginia has received substantial assistance from the application of the policies contained in Defense Manpower Order No. 4. We are pleased to learn that consideration is currently being made to revise its provisions so this valuable order will be stronger and more applicable to the needs of depressed areas.

One proposed change will encourage more purchasing from West Virginia firms, as it will permit greater flexibility in awards to firms which must purchase over 50 per cent of their material from outside a surplus labor area.

In drafting the final executive order, we urge you to include provisions authorizing the use of the "test procedures" developed in the Department of Defense Labor Surplus Area Program. Under these procedures, which have been successfully tested, many of our small firms will receive additional opportunities for subcontracts.

Our citizens are tremendously encouraged by your vision in developing the Great Society. We hope to do our share in helping make this improved social and economic environment a reality.

Sincerely,

WILLIAM WALLACE BARRON
Governor



THE WHITE HOUSE
Dec 11 11 49 AM '64
RECEIVED

STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 2

WILLIAM WELLES BARRON
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Washington 25, D. C.

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Our citizens are tremendously enthusiastic about the vision in developing the Great Society. We hope to do our share in helping make this improved social and economic environment a reality.

Sincerely,

WILLIAM WELLES BARRON
Governor

EXECUTIVE

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
Washington, D. C. 20504**

NDL-1

FFG

FG 431/Select
Committee
Small
Business

December 1, 1964

MEMORANDUM FOR HONORABLE MYER FELDMAN

Re: Defense Manpower Policy 4

I am forwarding a draft Executive Order and a draft Defense Mobilization Order, either of which would replace and strengthen the current policy on providing assistance to certain areas through the placement of Government contracts and facilities and the provision of Government services. Both of these approaches have had extensive review in the principal agencies affected, and we believe either approach will be acceptable to them. Both have the approval of our Surplus Manpower Committee.

The advantages of each approach have been discussed extensively. While some agencies would prefer the Defense Mobilization Order on the ground that it is more readily modified in case unforeseen problems should develop, on balance we would prefer the Executive Order. This is first, because the Executive Order would provide all the advantages of a direct and continuing expression of the President's support of this policy, and second, because a Defense Mobilization Order based on available authorities cannot cover the range of the Executive Order without some further direction from the President. For this reason the language of the Defense Mobilization Order differs from the Executive Order in several respects.

While the Policy has been strengthened in many details, the prohibition against payment of a price differential remains. I reported to you on this problem at some length in my memorandum of May 12, 1964, and in particular called attention to the Department of Defense experiment which gave preference to contractors who would agree to subcontract a percentage to firms in areas of substantial unemployment. The following clause, which had been in our discussion draft, was removed at the strong insistence

of the Department of Defense, joined by several other agencies, because they felt the stricture against price differentials for economically distressed areas contained in this appropriation language prohibited it:

"In awarding such negotiated contracts, preference shall be given in appropriate procurements to firms that agree that 25 percent or more of production under the contract shall be performed, either directly or by subcontracting arrangements, in designated areas."

Still other agencies, not procurement agencies, supported the proposal. Inclusion of such a formula would probably be more important in increasing the effectiveness of the Policy than all of the other changes we have worked out. However, additional authority along the lines of that introduced by Senator Humphrey last year to modify the Department of Defense appropriation language would probably be required. We recommend that an Administration position be determined on this matter.

A Committee on Economic Utilization is set up in each of the proposals, and all of the agencies named as members were consulted in the development of the paper. Certain other agencies will be affected, and we will take steps to consult with them now, although we feel that the major interests have been consulted, and we should not delay submittal of the proposal. Among the other agencies we would contact are the Office of Economic Opportunity, Department of Agriculture, Department of the Interior, the Post Office Department, Department of Health, Education, and Welfare, Housing and Home Finance Agency, Federal Aviation Agency, and the Veterans Administration. In some cases these might be added to the committee membership, although provision is already made for additional agencies to be represented as need arises. While the Bureau of the Budget has not taken a position, we have kept the Bureau fully advised and have had their advice and assistance throughout.

In each of the proposals the section on "Cancellation" would abolish Defense Manpower Policy 4. Under that Policy and under the new proposals, provision is made for modifying the application of the Policy to certain industries when found necessary. Four of these modifications have been made in "notifications" issued by this Office, and we have two of them under study for possible revision at the present time. As it is inadvisable to reveal the nature of the action which might be taken, we have left appropriate blanks in this paragraph which can be filled in at the proper time. These omissions should have no effect on agency clearance.

As mentioned in my May 12 memorandum, Congressman Joseph M. McDade of the House Banking and Currency Committee had requested through Chairman Patman that we provide the Committee with copies of any revision of Defense Manpower Policy 4 before final Executive Branch decision. I propose, if you have no objection, to let them have copies of the draft document reflecting your decision on the more desirable form. In addition, as reported to you, we testified before Senator Humphrey's Subcommittee of the Small Business Committee on August 13, 1964, and I would propose to provide that Subcommittee with the same information. A copy of the report of the hearings is attached for your information.

I recommend that the Executive Order be transmitted to the Bureau of the Budget to secure official Executive Branch reaction. If for any reason this is deemed undesirable, and the Defense Mobilization Order issuance is decided upon, two letters from the President would seem necessary, one to the Director of OEP directing him to broaden the scope of Defense Manpower Policy 4 to include assistance for low-income areas and policies for the location or curtailment of Government or Government-supported facilities, and the second to the Heads of the Departments and Agencies requesting their active participation in the programs reflected in the OEP order. We will be glad to prepare these letters should the Defense Mobilization Order approach be adopted.

We have considered still a third alternative which you may prefer and which we would be glad to develop if desired. This is a shorter Executive Order which would provide this Office with enough additional authority to issue a Defense Mobilization Order more nearly consistent with the proposed Executive Order.

/s/

Edward A. McDermott
Director

Enclosures

- #1-DMO 11/30/64
- #2-Executive Order 11/30/64
- #3-Hearings 8/13/64

Draft 11/30/64

EXECUTIVE ORDER

PLACEMENT AND USE OF GOVERNMENT PROCUREMENT, FACILITIES, AND INSTALLATIONS FOR MAXIMUM UTILIZATION AND PRESERVATION OF PRODUCTIVE FACILITIES AND OF THE SKILLS OF THE WORK FORCE

WHEREAS our national security and the success of our defense program depend upon efficient use of our resources, including manpower and facilities which are preserved through practice of the skills of both management and workers;

WHEREAS unemployment and underemployment cause plants, tools and workers' skills to remain idle and to fail to make their maximum contribution to our national security and our defense program, and cause unemployment compensation and welfare costs to increase and waste the resources of plants and manpower;

WHEREAS the Congress of the United States has established in the Employment Act of 1946 that the policy of the Federal Government is to promote maximum employment, production, and purchasing power and to move toward this goal, it is important to maintain the national economy at a high level and promote stability and economic growth;

WHEREAS the Congress has also provided in the Area Redevelopment Act of 1961 that "The maintenance of the national economy at a high level is vital to the best interests of the United States. . . ." and has

further stated that "Some of our communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families and detract from the national welfare by wasting vital human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their economic redevelopment."

WHEREAS the award of Government contracts, including research and development contracts, and the location of new plants, facilities, and installations financed in whole or in part by the Federal Government and other Government programs can be directed to better utilization of the potentialities of areas of substantial unemployment and underemployment; and

WHEREAS the effects of adjustments in Federal Government procurement programs or the closing of Federal Government installations may cause economic dislocations resulting in unemployment and underemployment in individual areas; and

WHEREAS the national security requires that Federal manpower policy be such as to maintain and expand the national productive capacity and supply and to assist in maintaining economic balance and employment stability;

NOW, THEREFORE, as President of the United States and Commander in Chief of the Armed Forces of the United States and by

virtue of the authority vested in me by the Constitution and statutes, including the Defense Production Act of 1950, as amended, and by Reorganization Plan No. 1 of 1950, as amended, and by Reorganization Plan No. 1 of 1958, as amended, it is hereby ordered as follows:

Section 1. Policy. It is the policy of the Federal Government in the awarding of contracts, including, but not limited to, those for research, development and procurement, in the locating or curtailment of Government or Government-supported facilities, and in the planning and allocation of other Federal programs, to achieve the following objectives within the limitations imposed by law, price or other applicable policy considerations:

- a. To improve utilization of the Nation's total manpower potential by making effective use of the manpower resources of each area;
- b. To help assure timely delivery of required goods and services and to promote readiness for expanded effort by locating procurement where the needed manpower and facilities are fully available;
- c. To preserve and develop management and worker skills necessary to the fulfillment of Government contracts and purchases;
- d. To maintain productive facilities; and
- e. To assure that the effects of adjustments in Government

programs resulting in economic dislocations and unemployment are mitigated to the fullest extent possible.

Section 2. Designation of Areas and Establishment of Preference

- a. The Secretary of Labor shall establish appropriate standards and designate areas, hereinafter called "designated areas," eligible for preference under this Order. He shall designate
 - (1) Areas of substantial unemployment, and areas of substantial and persistent unemployment.
 - (2) In consultation with the Department of Commerce, low-income areas designated by that Department as redevelopment areas.
 - (3) Cities of 250,000 or more population which have substantial and persistent unemployment and which have also been designated as redevelopment areas by the Secretary of Commerce in consultation with the Secretary of Labor.
- b. In the application of this Order first preference shall be given to areas of substantial and persistent unemployment, and second preference shall be given to areas of substantial unemployment. For the purposes of this Order central cities and low income areas designated by the Secretary of Commerce as redevelopment areas shall be considered in the same category as areas of substantial and persistent unemployment.

Section 3. Procurement of Goods and Services

a. All Departments and agencies of the Federal Government, consistent with their procurement objectives and applicable laws, shall:

- (1) Use their best efforts to award negotiated contracts to qualified contractors who will perform a substantial proportion of the contract within designated areas, provided that in no case will price differentials be paid for the purpose of carrying out this policy.
- (2) Set aside portions of procurements for negotiation at prices no higher than those paid on the balance of these procurements exclusively with firms which will perform or cause to be performed a substantial proportion of the production on these contracts within designated areas. Where either a partial labor surplus area set-aside or a partial small business set-aside can be appropriately made for any given procurement, the set-aside shall be made for surplus labor area concerns.
- (3) Require prime contractors to use their best efforts to award subcontracts to firms which will perform a substantial proportion of those subcontracts in designated areas and to maintain records of such awards.

Section 2. Procurement of Goods and Services

(4) Assure that in modifications of, cutbacks in, and

cancellations of contracts, consideration is given to the objectives of this Order and account is taken of the unemployment effects of such action.

(5) Assure that firms in designated areas are given the

opportunity to be included on appropriate bidders' lists and are given the opportunity to submit bids or proposals on all procurements for which they are qualified.

Whenever the number of firms on a bidder's list is excessive and individual invitations to bid are restricted to a portion of the list, there will be included a representative number of firms from designated areas among those solicited.

(6) In the event of tie bids or offers on any procurement,

award the contract to the firm which will perform a substantial proportion of the contract in designated areas by incurring costs on account of production or manufacturing in such areas.

b. A prime contractor shall be deemed to perform a substantial

proportion of a contract in designated areas if the costs that the firm will incur on account of manufacturing, production, or research and development performed in such areas (by itself or its first-tier subcontractors) amount to more than

40 percent of the contract price. When the purposes of the Policy may be better served, the Director of the Office of Emergency Planning may approve modifications of this formula upon recommendation by the Committee established in Section 5.

- c. The preferential actions prescribed in this Order shall be in addition to other such actions which may be available because of performance in designated areas, such as additional preference under the Buy American Act, or under the Small Business Act, as amended.

Section 4. Location, Expansion, Curtailment, or Discontinuance of Federal Facilities or Installations

- a. All Departments and agencies of the Federal Government, consistent with essential economic, national security, or operational mission requirements and applicable laws, shall give consideration to designated areas, and to the objectives of this Order:

- (1) In locating or expanding Federal facilities and installations;
- (2) In the contraction and discontinuance of Government facilities, installations, and programs; and

(3) In the planning and allocation of Federal construction, highway, urban renewal, community facilities, and similar programs.

b. The heads of all agencies owning, operating, or acquiring Federal facilities or installations having substantial economic impact on areas in which such facilities are located shall designate a high-level official who shall be responsible for causing a review of all substantial actions with respect to expansion or curtailment of activities at such installation; for assuring that the provisions of this Order are applied in the location of new facilities or the curtailment of existing ones and for providing such advance notice as is possible to the Departments of Labor and Commerce and other appropriate agencies which may render assistance in the event agency action may result in substantial adverse effects on local employment.

c. Any Department or agency taking action to cut back or cancel a contract or to cut back or close a facility or installation, which action will have substantial adverse effect upon employment in the community in which the contract

is being performed or the facility or installation is located, shall take steps to mitigate such adverse effect, including notification to other appropriate Federal agencies which might render assistance to the area. All such Federal agencies shall make maximum use of and cooperate with all appropriate State and local agencies, organizations and officials, public and private, in carrying out their responsibilities under this Order.

Section 5. Administration

a. The Department of Labor shall:

(1) Advise on request whether the contraction or discontinuance

of a Government facility, installation, or program will

have a substantial adverse effect upon employment in the area where it is located.

(2) In cooperation with the States and with any designated area, provide labor market data and related economic information in efforts to assist in the initiation of industrial expansion programs in these areas.

(3) Identify occupational skills which are available or may become available within such areas, and make this information available to firms requiring such skills, including those interested in establishing or in expanding plants and facilities within such areas, as well as to Federal, State, or local agencies or organizations appropriate for carrying out the purposes of this Order.

(4) Identify occupational skills for which labor will be needed by new or expanding industries or any designated area; and, in collaboration with other Government agencies, make assistance available to area institutions and manpower users in developing on-the-job, apprentice, or other training programs for developing skills of the work force.

b. The Department of Commerce shall:

(1) In cooperation with, and utilizing the existing facilities and services of, State development agencies, the Department of Labor, the Small Business Administration, and all procurement agencies assist manufacturers and research and development in designated areas in obtaining Government business by:

(a) providing such firms with timely information in proposed Government procurements;

(b) maintaining current information on the manufacturing and research and development capabilities of firms in such areas with respect to Government procurement, and disseminating such information to Federal procurement agencies and other interested parties.

(2) Urge firms planning new production facilities (where Federal assistance or interests are involved) to consider

the industrial location advantages of designated areas, including the availability of manpower.

- (3) Provide technical advice and counsel to groups and organizations in such matters as available industrial land, industrial location analysis, area and industrial development techniques including financing and new product development, expanded tourist or other business opportunities and other available Federal aids and programs.

c. The Small Business Administration shall:

- (1) Make available to small business concerns in designated areas all of its services and programs to ensure opportunity for maximum participation by such concerns in Government procurement.
- (2) Identify the technical and productive facilities, capabilities and skills of small business concerns which are available in designated areas and make this information available to Government procurement officials, to firms performing Government contracts or subcontracts thereunder or otherwise requiring such facilities, capabilities or skills, as well as to other Federal, State, or local agencies or organizations.

(3) Counsel small business concerns in designated areas and the communities in which they are located, concerning the possible availability of Government assistance programs, information services on market research and all other matters, including work or retraining, procedures for seeking orders from Federal procurement agencies.

(4) Make available information regarding the desirability of establishing new or expanding existing technical and productive facilities, capabilities and skills in redevelopment areas and other designated areas to Federal, State, or local agencies or organizations.

d. The Director of the Office of Emergency Planning hereinafter called the "Director," shall provide for the effective administration of this policy. To assist him there is hereby created a Committee on Economic Utilization which shall be chaired by the Director.

(1) The Committee shall include representation from the Council of Economic Advisers, Bureau of the Budget, Department of Defense, National Aeronautics and Space Administration, Atomic Energy Commission, Department of Commerce, Department of Labor, General Services Administration, and Small Business Administration. The Selective Service System and other interested agencies may provide observers and participate, as appropriate, in Committee activities.

(2) The Committee shall provide advice on policies, procedures, and activities in existence or needed to carry out the purpose of this Policy.

(3) The Committee shall maintain a continuing appraisal of the potential impact of major changes in defense and defense related programs on industries or areas which are now or may become economically distressed or areas of unusually rapid growth, and shall advise with respect to further measures which may be necessary to carry out the purposes of this Order. In performing this duty, the Committee shall utilize to the maximum possible extent information and analysis prepared by the Committee on the Economic Impact of Defense and Disarmament, the Department of Defense, the National Aeronautics and Space Administration, and other Government agencies.

e. The Secretary of Defense and the Administrator of General Services shall promulgate regulations for the implementation of this Order in the Armed Services Procurement Regulations and in the Federal Procurement Regulations. Consistent with such regulations as may apply, the Heads of all Departments and agencies shall designate officers and take such actions as may be appropriate to carry out the purposes of this Order.

- f. Each agency shall file with the Committee on Economic Utilization Policy, through the Department of Defense or the General Services Administration, as appropriate, periodic reports indicating dollar values of preference awards in designated areas compared to total awards in such areas. The Department of Defense and the General Services Administration shall jointly establish requirements for such reports.
- g. This Policy shall apply with respect to every proposed procurement for more than \$10,000.
- h. All agencies assigned responsibilities under this Policy shall submit such reports on their activities as may be requested in connection therewith to the Director and shall submit such additional information as may be necessary.

Section 6. When an entire industry, which sells a significant proportion of its production to the Government is generally economically depressed or has a significant proportion of its production units located in designated areas, or when application of the Policy would have no substantial effect, the Committee may make appropriate recommendations relative to that industry in lieu of recommendations relative to specific geographical areas. In such cases, after providing opportunity for interested parties to be heard, the Director of the Office of Emergency Planning may establish appropriate measures applicable to the entire industry.

Section 7. Cancellation. This Order supersedes Defense Manpower Policy 4, as amended (F. R. Doc. 60-5387), which is hereby revoked.

Notice is hereby given that Notification No. _____ under Defense
Manpower Policy 4 will be cancelled as of _____, 1965.

Interested parties may submit to the Director prior to _____ any
information in support of the position that such cancellation shall not be
final. Notifications No. _____ and No. _____ shall remain in effect
under this Order.

DEFENSE MOBILIZATION ORDER NO. _____

**PLACEMENT AND USE OF GOVERNMENT PROCUREMENT,
FACILITIES, AND INSTALLATIONS FOR MAXIMUM
UTILIZATION AND PRESERVATION OF PRODUCTIVE
FACILITIES AND THE SKILLS OF THE WORK FORCE**

1. Introduction and Purpose. Success of defense and defense related programs depends upon efficient use of our resources, including manpower and facilities, which are preserved through practice of the skills of both management and workers.

When unemployment or underemployment develops in certain areas, unemployment compensation and welfare costs increase, and facilities, tools, and workers' skills remain idle and unable to contribute to our defense program. In such instances an objective of Federal policy is to assist in the maintenance of economic balance and employment stability by encouraging continued utilization of active facilities and employees in preference to creating new facilities or moving employees.

The rapidly changing character of national commitments for defense and defense related purposes requires that the Government have flexibility in the award of contracts for facilities, goods and services, in making defense adjustments, and in the curtailment of operations when no longer necessary to the national good. Actions by the agencies of the U. S. Government to procure the facilities, goods and services needed have affected materially the character of local economies, in some cases developing

complexes of research and development and industrial activity which derive a substantial part of their revenue from the Government.

The policy of the Federal Government as set forth in the Employment Act of 1946, is to promote maximum employment, production, and purchasing power. To move toward this goal, it is important to maintain the national economy at a high level and promote stability and economic growth.

The Area Redevelopment Act of 1961 states that "The maintenance of the national economy at a high level is vital to the best interests of the United States....." The Congress in this legislation recognized that "Some of our communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families and detract from the national welfare by wasting vital human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their economic redevelopment.."

It is the purpose of this Order to provide for the better utilization of the potentialities of areas of substantial unemployment and underemployment, to assure that the effects of adjustments in Government programs resulting in economic dislocations and unemployment are mitigated to the fullest extent possible in the areas affected, and to carry out the policies stated in this Order.

2. Cancellation. This Order supersedes Defense Manpower Policy 4, as amended (F. R. Doc. 60-5387), which is hereby revoked. Notice is hereby given that Notification No. _____ under Defense Manpower Policy 4 will be cancelled as of _____, 1965. Interested parties may submit to the Director prior to _____ any information in support of the position that such cancellation shall not be final. Notifications No. _____ and No. _____ shall remain in effect under this Order.

3. Authority. This Order is issued by virtue of the authority vested in me by Executive Order 10480 and Executive Order 11051.

4. Policy. It is the policy of the Federal Government in the awarding of contracts, including, but not limited to, those for research, development and procurement, in the locating or curtailment of Government or Government-supported facilities and in the planning and allocation of other Federal programs, to achieve the following objectives within the limitations imposed by law, price, or other applicable policy considerations:

- a. To improve utilization of the Nation's total manpower potential by making effective use of the manpower resources of each area;
- b. To help assure timely delivery of required goods and services and to promote readiness for expanded effort by locating procurement where the needed manpower and facilities are fully available;
- c. To preserve and develop management and worker skills necessary to the fulfillment of Government contracts and purchases;
- d. To maintain productive facilities; and

- e. To assure that the effects of adjustments in Government programs resulting in economic dislocation and unemployment are mitigated to the fullest extent possible.

5. Designation of Areas and Establishment of Preference

- a. The Secretary of Labor shall establish appropriate standards and designate areas, hereinafter called "designated areas," eligible for preference under this Order. He shall designate:

(1) Areas of substantial unemployment and areas of substantial and persistent unemployment.

(2) In consultation with the Department of Commerce, low-income areas designated by that Department as redevelopment areas.

(3) Cities of 250,000 or more population which have substantial and persistent unemployment and which have also been designated as redevelopment areas by the Secretary of Commerce in consultation with the Secretary of Labor.

- b. In the application of this Order, first preference shall be given to areas of substantial and persistent unemployment and second preference shall be given to areas of substantial unemployment.

For the purposes of this Order central cities and low-income areas designated by the Secretary of Commerce as redevelopment areas shall be considered in the same category as areas of substantial and persistent unemployment.

6. Procurement of Goods and Services

- a. All Departments and agencies of the Federal Government, consistent with their procurement objectives and applicable laws, shall:

(1) Use their best efforts to award negotiated contracts to qualified contractors who will perform a substantial portion of the contract within designated areas, provided that in no case will price differentials be paid for the purpose of carrying out of this Policy.

(2) Set aside portions of procurements for negotiation at prices no higher than those paid on the balance of these procurements exclusively with firms which will perform or cause to be performed a substantial proportion of the production on these contracts within designated areas.

(3) Require prime contractors to use their best efforts to award subcontracts to firms which will perform a substantial portion of those subcontracts in designated areas and to maintain records of such awards.

(4) Assure that in modifications of, cutbacks in, and cancellations of contracts, consideration is given to the objectives of this Order, and account is taken of the unemployment effects of such action.

(5) Assure that firms in designated areas are given the opportunity to be included on appropriate bidders' lists and are given the opportunity to submit bids or proposals on all procurements for which they are qualified. Whenever the number of firms on a bidder's list is excessive, and invitations to bid are restricted to a portion of the

list, there will be included a representative number of firms from designated areas among those solicited.

- (6) In the event of tie bids or offers on any procurement, award the contract to the firm which will perform a substantial proportion of the contract in designated areas by incurring costs on account of production or manufacturing in such areas.

- b. A prime contractor shall be deemed to perform a substantial proportion of a contract in designated areas if the costs that the firm will incur on account of manufacturing, production, or research and development performed in such areas (by itself or its first-tier subcontractors) amount to more than 40 percent of the contract price. When the purposes of the Policy may be better served the Committee established in Section 8. d. may make recommendations to the Director for modification of this formula.
- c. The preferential actions prescribed in this Order shall be in addition to other such actions which may be available because of performance in designated areas, such as additional preference under the "Buy American Act," or under the Small Business Act, as amended.

7. Location, Expansion, Curtailment or Discontinuance of Federal Facilities or Installations

- a. All Departments and agencies of the Federal Government, to

the extent consistent with essential economic, national security, or operational mission requirements and applicable laws, shall give consideration to designated areas and to the objectives of this Order:

- (1) In locating or expanding Federal facilities and installations.
- (2) In the contraction and discontinuance of Government facilities, installations, and programs.
- (3) In the planning and allocation of Federal construction, highway, urban renewal, community facilities, and similar programs.

b. The heads of all agencies owning, operating, or acquiring Federal facilities or installations having substantial economic impact on areas in which such facilities are located shall designate a high level official who shall be responsible for causing a review of all substantial actions with respect to expansion or curtailment of activities at such installation; for assuring that the provisions of this Order are applied in the location of new facilities or the curtailment of existing ones and for providing such advance notice as is possible to the Departments of Labor and Commerce and other appropriate agencies which may render assistance in the event agency action may result in substantial adverse effects on local employment.

c. Any Department or agency taking action to cut back or cancel a contract or to cut back or close a facility or installation, which action will have substantial adverse effect upon employment in the community in which the contract is being performed or the facility or installation is located, shall take steps to mitigate such adverse effect, including notification to other appropriate Federal agencies which might render assistance to the area. All such Federal agencies shall make maximum use of and cooperate with all appropriate State and local agencies, organizations and officials, public and private, in carrying out their responsibilities under this Order.

8. Administration.

a. The Department of Labor shall:

(1) Advise on request whether the contraction or discontinuance of a Government facility, installation, or program will have a substantial adverse effect upon employment in the area where it is located.

(2) In cooperation with the States and with any designated area, provide labor market data and related economic information in efforts to assist in the initiation of industrial expansion programs in these areas.

(3) Identify occupational skills which are available or may become available within such areas, and make this information available to firms requiring such skills, including those

interested in establishing or in expanding plants and facilities within such areas, as well as to Federal, State, or local agencies or organizations appropriate for carrying out the purposes of this Order.

(4) Identify occupational skills for which labor will be

needed by new or expanding industries or any designated

area; and, in collaboration with other Governmental

agencies, make assistance available to area institutions

and manpower users in developing on-the-job, apprentice,

or other training programs for developing skills of the

work force.

b. The Department of Commerce shall:

(1) In cooperation with, and utilizing the existing facilities

and services of, State development agencies, the

Department of Labor, the Small Business Administration,

and all procurement agencies assist manufacturers and

research and development firms in designated areas

in obtaining Government business by

(i) providing such firms with timely information in

proposed Government procurements;

(ii) maintaining current information on the manufacturing

and research and development capabilities of firms

in such areas with respect to Government procurement,

and disseminating such information to Federal

procurement agencies and other interested parties.

- (2) Urge firms planning new production facilities (where Federal assistance or interests are involved) to consider the industrial location advantages of designated areas, including the availability of manpower.

- (3) Provide technical advice and counsel to groups and organizations in such matters as available industrial land, industrial location analysis, area and industrial development techniques including financing and new product development, expanded tourist or other business opportunities and other available Federal aids and programs.

c. The Small Business Administration shall:

- (1) Make available to small business concerns in designated areas all of its services and programs to ensure opportunity for maximum participation by such concerns in Government procurement.
- (2) Identify the technical and productive facilities, capabilities and skills of small business concerns which are available in designated areas and make this information available to Government procurement officials, to firms performing Government contracts or subcontracts thereunder or otherwise requiring such facilities, capabilities or skills, as well as to other Federal, State or local agencies or organizations.

(3) Counsel small business concerns in designated areas and the communities in which they are located, concerning the possible availability of Government assistance programs, information services on market research and all other matters, including work or retraining, procedures for seeking orders from Federal procurement agencies.

(4) Make available information regarding the desirability of establishing new or expanding existing technical and productive facilities, capabilities and skills in redevelopment areas and other designated areas to Federal, State, or local agencies or organizations.

d. There is hereby created within the Office of Emergency Planning a Committee on Economic Utilization.

(1) This Committee shall be chaired by the Office of Emergency Planning and shall include representation from the Council of Economic Advisers, Bureau of the Budget, Department of Defense, National Aeronautics and Space Administration, the Atomic Energy Commission, Department of Commerce, Department of Labor, General Services Administration, and Small Business Administration. The Selective Service System and other interested agencies may provide observers and participate, as appropriate, in Committee activities.

(2) The Committee shall provide advice on policies, procedures, and activities in existence or needed to carry out the purposes of this Policy.

(3) The Committee shall maintain a continuing appraisal of the potential impact of major changes in defense, and defense related, programs on industries or areas which are now or may become economically distressed or areas of unusually rapid growth, and shall advise with respect to further measures which may be necessary to carry out the purposes of this Order. In performing this duty, the Committee shall utilize to the maximum possible extent information and analysis prepared by the Committee on the Economic Impact of Defense and Disarmament, the Department of Defense, the National Aeronautics and Space Administration, and other Government agencies.

(4) When an entire industry, which sells a significant proportion of its production to the Government is generally economically depressed or has a significant proportion of its production units located in designated areas, or when application of the Policy would have no substantial effect, the Committee may make appropriate recommendations relative to that industry in lieu of recommendations relative to specific geographical areas. In such cases, after providing opportunity for interested parties to be heard, the Director of the Office of Emergency Planning will give consideration to appropriate measures applicable to the entire industry.

(5) The Committee shall make recommendation as to further actions to be taken to carry out the policies of this Order.

e. The Secretary of Defense and the Administrator of General Services shall promulgate regulations for the implementation of this Order in the Armed Services Procurement Regulations and in the Federal Procurement Regulations. Consistent with such regulations as may apply, the Heads of all Departments and agencies shall designate officers and take such actions as may be appropriate to carry out the purposes of this Order.

f. Each agency shall file with the Committee on Economic Utilization Policy, through the Department of Defense or the General Services Administration, as appropriate, periodic reports indicating dollar values of preference awards in designated areas compared to total awards in such areas. The Department of Defense and the General Services Administration shall jointly establish requirements for such reports.

g. This Policy shall apply with respect to every proposed procurement for more than \$10,000.

h. All agencies assigned responsibilities under this Policy shall

submit such reports on their activities as may be requested in connection therewith to the Committee and shall submit such additional information as may be necessary.

Director, Office of Emergency Planning

- of this Order in the Armed Services Procurement Regulations and in the Federal Procurement Regulations. Consistent with such regulations as may apply, the Heads of all Departments and agencies shall designate officers and take such actions as may be appropriate to carry out the purposes of this Order.
- f. Each agency shall file with the Committee on Economic Stabilization Policy, through the Department of Defense or the General Services Administration, as appropriate, periodic reports indicating dollar value of preference awards in designated areas compared to total awards in such areas. The Department of Defense and the General Services Administration shall jointly establish requirements for such reports.
- g. This Policy shall apply with respect to every proposed procurement for more than \$10,000.
- h. All agencies assigned responsibilities under this Policy shall

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1964

IMPACT OF DEFENSE SPENDING ON LABOR SURPLUS AREAS—1964

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HEARING BEFORE A SUBCOMMITTEE OF THE SELECT COMMITTEE ON SMALL BUSINESS UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

THE POSITIONS OF VARIOUS GOVERNMENT AGENCIES WITH
REGARD TO IMPLEMENTATION OF DEFENSE MANPOWER
POLICY NO. 4 AND OTHER POLICIES AND PROGRAMS FOR THE
PLACING OF DEFENSE CONTRACTS AND FACILITIES IN LABOR
SURPLUS AREAS

AUGUST 13, 1964

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Select Committee on Small Business



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(Created pursuant to S. Res. 58, 81st Cong.)

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IMPACT OF DEFENSE SPENDING ON LABOR SURPLUS AREAS—1964

THURSDAY, AUGUST 13, 1964

U.S. SENATE,
SUBCOMMITTEE ON RETAILING, DISTRIBUTION,
AND MARKETING PRACTICES OF THE
SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1202, New Senate Office Building, Senator Harrison A. Williams, Jr., presiding.

Present: Senators Williams and Randolph.

Also present: Neal D. Peterson, counsel; Raymond D. Watts, counsel; and Daniel T. Coughlin, minority counsel.

Senator WILLIAMS. We regret the delay, gentlemen. Problems beyond our control intervened. Senator Humphrey has to be on the Floor, so I will open this hearing and read the statement that Senator Humphrey was to deliver.

The question of the impact of defense spending in labor surplus areas is one which is only now beginning to receive the attention which it deserves as a major problem facing our economy. With defense spending an overwhelming portion of the Federal budget, and with one-tenth of the Nation's productive facilities engaged in the maintenance of national security, we can quickly recognize the influence that defense spending exercises over the economy of the Nation. Any shifts, therefore, in the manner of Government spending whether it be in a number of procurements given out, in the geographical distribution of such procurements, or in the size of the yearly defense budget will have its repercussions throughout the Nation. When an institution as large as that of the U.S. Government enters into the economic stream of the Nation, its effect must be tremendous. Our primary concern here is whether the various Government procurement agencies are truly making it their concern.

One of the effects of such a shifting pattern of defense spending may have been the creation of labor surplus areas. In many cases these are areas once heavily relied upon by the Government for construction or development, but whose facilities, with the advance of technology, have become nearly obsolete. These areas now find themselves with unused productive facilities and a surplus of labor as a certain portion of Government spending is shifted away from them. Production facilities lie idle, and the surplus labor force faces a depression situation. These workers are forced onto increased unemployment payments. Merchants, small businessmen, and distributors, in such distressed areas must sell to people with depressed incomes, thus following a downward circle in the local economy.

In the early years of the 1950's, when more and more Government spending was being placed in a new electronics and missile industry, a major shift was taking place in our economy. This was a shift which occurred without preparation. The creation of distressed areas through shifting patterns of defense spending and the resulting creation of overconcentrated areas of production and opposite areas of labor surplus could have foreseen. Shifts in the patterns of Government spending are inevitable, and we must plan for them. A future cutback in the total defense budget is such an inevitability. We have just recently witnessed such a cutback and certainly others will follow. We must recognize that finally our production of superweapons may reach a point of diminishing returns. We can recognize these shifts and cutbacks, and we must diligently plan and prepare for them to prevent future economic dislocations.

Major recognition of the need for Government planning to combat these shifts came far too late. The concept of Defense Manpower Policy No. 4, germinated in 1953, did not become active policy until its revision in July of 1960. President Kennedy gave impetus to this policy when he directed a letter to the different procurement agencies to find out their positions on this policy. At the same time, the position of Economic Utilization Director was created in the Department of Defense to oversee the implementation of this policy.

Hearings which Senator Humphrey held previous to these in August of 1962 indicated that, although it is our avowed national policy "to encourage the placing of contracts and facilities in areas of persistent or substantial labor surplus" to assure the maintenance of the Nation's productive capacity, the implementation of this policy was not being effectively carried out. There were a number of reasons given in these last hearings which indicate causes for lack of contracts directed to labor surplus areas.

As a result of the previous subcommittee hearings, a number of recommendations were drawn up to further assist the implementation of our national policy of using defense procurements as a tool in aiding and stimulating labor surplus areas. The purpose of this hearing is to determine the positions of the various Government procurement agencies in regard to the carrying out of this policy, how they stand in regard to our recommendations, and to what extent their officers are in sympathy with these concerns. Such policy is designed to help assure a balanced economic growth for the country by stimulating areas of economic depression which drain from the economy a large portion of its strength and vigor.

Mr. Thomas Morris, Assistant Secretary of Defense, is our first witness.

Mr. Morris, I know you are fully aware of the problems we are discussing here.

Mr. MORRIS. Yes, I am, Mr. Chairman.

Senator WILLIAMS. We have observed it across the country, and I know of it specifically in the State of New Jersey.

STATEMENT OF HON. THOMAS D. MORRIS, ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS), WASHINGTON, D.C., APPEARING FOR CYRUS R. VANCE, DEPUTY SECRETARY OF DEFENSE; ACCOMPANIED BY ALBERT C. LAZURE, DIRECTOR OF ECONOMIC UTILIZATION POLICY

Mr. MORRIS. Mr. Chairman, I am appearing this morning for Deputy Secretary Vance, who, due to urgent matters, was unable to be with us. This is his statement, however, personally approved by him, and fully represents the views of the Department of Defense.

Mr. Chairman and members of the committee, as you requested in your letter of July 16, 1964, we have prepared an up-to-date report on Department of Defense programs to assist labor surplus areas. Since it is a rather long statement covering our policies and actions, I propose to summarize it and submit the detailed report for the record.

The Office of Economic Utilization Policy, located in the Office of the Secretary of Defense, plans for and directs six DOD-wide labor surplus area programs, as follows:

1. Procurement source development and utilization.
2. Procurement preference procedures.
3. Subcontracting procedures.
4. Procurement clinics.
5. Counsel and assistance on labor surplus matters.
6. Special projects.

The OSD¹ Office of Economic Utilization Policy has a counterpart office in the Army, Navy, Air Force, and the Defense Supply Agency. These offices establish policies and procedures which are followed by 180 full-time and 420 part-time specialists in our field procurement offices. It is the job of this total organization to see that all interested, qualified labor surplus area (LSA) firms are given a full opportunity to compete for defense procurements.

This organization, which was established in its present form in 1961, is responsible for implementing the six programs of actions, each of which I would like to describe briefly:

Turning first to procurement source development and utilization: Under this program, there is constant review and screening of labor surplus area firms to add those who are qualified to our source lists so that they will be furnished invitations for bid and requests for proposal. In addition, special reviews are made at headquarters level of proposed procurements in excess of \$300,000 to make certain that labor surplus area sources are to be solicited. Our field offices maintain directories of labor surplus area sources for use in compiling bidders lists.

The economic utilization specialists in the field screen 1,000 to 1,500 labor surplus area sources each month to see whether they qualify to bid on defense procurements. They do this under guidance furnished by Defense Manpower Policy No. 4, as issued by the Office of Emergency Planning, and implemented by our Armed Services Procurement Regulation. The areas concerned are those identified in the Department of Labor "Area Labor Market Trends."

¹ Office of the Secretary of Defense.

In addition, the headquarters offices in Army, Navy, Air Force, and DSA screen and add to these source files. Last year, 2,672 labor surplus area sources were added by these offices, an increase of 60 percent over fiscal year 1963.

In fiscal year 1964, we placed \$4.1 billion of contracts with labor surplus area concerns, compared with \$3.8 billion in fiscal year 1963. This increase of \$300 million in awards occurred at the same time the average number of major labor surplus areas declined from 44 to 39. Hence, the improvement resulted largely from our progress in expanding and utilizing labor surplus area sources.

Our second program of action is procurement preference procedures: We have also successfully extended the use of the "partial set-aside" technique prescribed in Defense Manpower Policy No. 4.

Under this procedure, we select procurements which can be divided into two or more economic production runs, and reserve a portion of them for awards to labor surplus area firms. We obtain prices on the non-set-aside portion based on open competition, and then allow qualified labor surplus area concerns, whose bid is within 120 percent of the low bid, to match the low bid. There has been eight-fold increase in partial set-aside awards since fiscal year 1960:

Fiscal year:	Set-aside awards to labor surplus area firms (millions)
1960	\$22.3
1961	50.4
1962	104.4
1963	89.3
1964	172.9

During the past 3 years, the DOD has investigated the possibility of utilizing two other procurement preference techniques to assist labor surplus area firms who desire to compete for defense procurements. One of these was the 100 percent set-aside technique which is provided by law for small business firms. The second was a percentage preference procedure under which bidders were required to agree to perform a specified percentage of the contract in labor surplus areas or run the risk of being matched out of the award. Under this procedure, if the low bidder did not agree to perform the specified percentage of the contract in areas of labor surplus, other bidders submitting prices within 120 percent of the low bidder, who did agree to meet the specified percentage, were given an opportunity to match the low bid and win out over the original low bidder.

The Comptroller General ruled, in response to a request made by us, that the 100 percent set-aside would violate section 523 of the Defense Appropriations Act, since this technique might limit competition in such a way as to result in the payment of a price differential to relieve economic dislocation.

With respect to the percentage preference procedure, the Comptroller General reserved his opinion and tests were run over a 2-year period on about 100 cases, resulting in total awards of \$135 million. From 25 to 50 percent of this amount was required to be performed in labor surplus areas. The test was terminated in February of this year, following an evaluation by Secretary McNamara, Secretary Vance, and the Assistant Secretaries for Installations and Logistics. The decision to terminate the test was based on the conclusion that

the Government might be deprived of experienced and efficient producers and would run the risk of paying a price premium by:

1. Eliminating the lowest, responsive, responsible bidder through the matching procedure.

2. Discouraging bids from experienced producers unwilling to realine their established subcontract structures among a shifting mix of firms whose eligibility was based on labor surplus considerations rather than quality and efficiency.

It was further also noted during the test that extensive new demands were placed on the time of top procurement personnel responsible for overseeing these specialized procedures. Finally, it was found that the types of cases most susceptible to these procedures are those which qualify for formal advertising which, by law, we are required to use to the fullest extent practicable.

In the light of these conclusions, it was determined to concentrate our efforts on maximizing the use of the partial set-aside technique which is free of the problems described above. This will be our policy for the future.

Our third program is labor surplus area subcontracting: A number of steps have been taken to promote the use of labor surplus area firms by our prime contractors.

First, clauses are now inserted in contracts over \$500,000 under which the prime contractor is required to establish an affirmative program for developing and utilizing labor surplus area concerns.

Second, with the excellent cooperation of the Aerospace Industries Association (AIA), the Area Redevelopment Agency (ARA), and the Small Business Administration (SBA), we have developed a procedure by which new labor surplus area sources are referred to 26 member companies of the AIA. Following a trial period in 1963, AIA recommended that this referral procedure be made permanent and requested us to furnish labor surplus area sources on 18 types of subcontract work.

A third step initiated in fiscal year 1964 is the holding of prime contractor workshops to discuss activities and problems in utilizing labor surplus area sources. Two such workshops have already been held—one in Wilmington, Mass., covering the New England area; and one in South Bend, Ind., covering eight Midwestern States. Thirty of our largest defense contractors participated in the New England workshop, and 35 such contractors participated in the Midwest workshop.

While we have only rough estimates as to the amount of subcontracting done in labor surplus areas, informal reports indicate that from 15 to 25 percent of the subcontract dollars of our major primes are going into labor surplus areas. When added to the volume of prime contracts awarded to labor surplus area firms, this indicates that at least \$6.5 billion of DOD procurements were placed with labor surplus area concerns in fiscal year 1964.

Our fourth program is labor surplus area procurement clinics: These clinics are conducted jointly by the Department of Commerce and ourselves in cooperation with the local community. They run for 1 or 2 days, during which time Federal contract procedures are explained and actual procurements are discussed. NASA, GSA, SBA, ARA, and representatives of major prime contractors also partici-

pate in these clinics. Eleven clinics have been held to date and four more are now scheduled. We plan to hold one each month during fiscal year 1965.

During the clinics, labor surplus area firms discuss their production capabilities with Federal buyers and are counseled and assisted on the items being bought which they can make. At the same time, labor surplus area firms determine how they can use the programs of SBA and ARA to strengthen their competitive position generally.

Our fifth program is counsel and assistance: Our fifth action program consists of counsel and assistance on all types of labor surplus area problems. This assistance is furnished on a day-to-day basis by the Office of Economic Utilization Policy in OSD, by the Special Assistants for Economic Utilization in the services, and by the labor surplus specialists in field procurement agencies. Here we counsel and assist congressional, State, community, industry, labor, and other representatives on all aspects of the program, including: proposed and pending procurements; set-asides; interpretations of laws and regulations covering labor surplus and depressed areas; contract provisions to be utilized; statistical data on contract awards; referral of sources to the cognizant military service; studies of the capacity and abilities of plants; problems arising from contract terminations, stretchouts, and cutbacks; assistance in securing of facilities; financial matters, et cetera.

These inquiries, meetings, and letters require interagency relationships with ARA, SBA, Commerce, Labor, Office of Emergency Planning, and other governmental departments. During a typical week, approximately 75 to 100 such activities are handled in the OSD Office of Economic Utilization Policy.

Finally, we engage in special projects: The special projects in the past year have included participation on the President's Appalachian Commission and on the President's South Bend Committee; work on the procurement aspects of the Federal Commission covering the Alaskan disaster; the making of special regional economic studies in the upper Great Lakes region and northern Minnesota; and like matters.

I believe, Mr. Chairman, that through these six action programs DOD has developed effective tools to assist labor surplus area firms and communities. The programs are in consonance with the majority of the recommendations set forth in your report of August 19, 1963.

We will now be glad to answer any questions you might have on these activities.

Senator WILLIAMS. Whose definition of labor surplus area do you use, your own or the Department of Labor?

Mr. MORRIS. Sir, we use the Department of Labor definitions as provided for in Defense Manpower Policy No. 4.

Senator WILLIAMS. How many labor surplus areas are there at this time?

Mr. LAZURE. 715. This includes what we call major, small, and very small categories as they are listed in the Department of Labor Area Labor Market Trends. This is a booklet which comes out monthly, and is distributed to us for our activities under the Defense Manpower Policy No. 4. The major areas, of course, are the ones which have about 70 percent of our working population, and these are the areas where we concentrate our activities.

The other areas are smaller, and while they are important, and we give every consideration to them, they are mostly a rural type as distinguished from Government type of activity.

Senator WILLIAMS. The area is described as the labor market area?

Mr. LAZURE. The labor market areas are the way they distinguish the major areas. There are 150 of those in the country. They are distinguished by having a large city with a population in excess of 250,000 as their center.

Senator WILLIAMS. I have seen areas where city and suburb are combined in the labor market area. There can be extensive labor surplus within the city, but because the suburban area is included, it doesn't qualify and meet the definition of labor surplus area.

Mr. LAZURE. That is one of the things being discussed and taken up in the Surplus Manpower Committee meetings which we are now holding to revise our Defense Manpower Policy No. 4. And in this regard, the ARA, Area Redevelopment Agency, in Commerce, and the other agencies in Government involved in this, have recommended that the city groups, where unemployment is in excess of the national average, be set aside and be given a special listing, and the equivalent rating of a major labor surplus area.

We have already done this for three cities.

Senator WILLIAMS. Philadelphia? Is Philadelphia one?

Mr. LAZURE. No. Oakland, Calif., is one; Cleveland and Toledo, Ohio, are the others.

Philadelphia is already a labor surplus area, as a major city, in any event.

There are other cities under consideration, as I understand it—this is being taken up by the Department of Commerce.

We work with a book, Area Labor Market Trends, published by the Department of Labor, which is furnished us. It includes these major labor surplus areas. They have added three cities of the type you have mentioned in the last month, and those three cities were Oakland, Calif.; Toledo and Cleveland, Ohio.

Senator WILLIAMS. Who makes that determination?

Mr. LAZURE. That determination is made by the Department of Labor, with the assistance of the Department of Commerce, and is furnished to us in Defense for our activities.

Senator WILLIAMS. That is encouraging, because I know two cities where the surplus labor force was high, and yet they were not.

Mr. LAZURE. We recognize this problem, and were one of the groups who recommended this change to the Department of Commerce and to Labor in the meeting of this new criteria which has just been set up. It is in the June 1964 Area Labor Market Trends for the first time, June being the latest edition of that compilation of labor surplus areas.

It is encouraging, and we believe that it is necessary, because, as you point out, a city like Cleveland can be in bad shape, and by reason of the surrounding area, it is not classified as a labor surplus area.

Senator WILLIAMS. The initiative here is being taken by the Department of Commerce?

Mr. LAZURE. Yes. They had this responsibility. Mr. William Batt, the head of ARA, has assumed the responsibility, and I might say carried it out.

Mr. WATTS. Mr. Chairman, I would like to ask a question or two, if I may.

On page 2 of your summary statement you referred to special reviews that are made at headquarters level for procurements in excess of \$300,000 to make certain that labor surplus area sources are solicited. I was wondering whether you could tell us if these reviews were made in every single procurement, and what the nature of the review is, the mechanics of it.

Mr. MORRIS. I would like to ask Mr. Lazure to describe this.

Mr. LAZURE. This is a procedure where we get all the contract action over \$300,000 for a review purpose, about 10 to 15 days before the contract award action is to be commenced. In this regard, we check the listings and we do not, as you know, get all of the contracts.

On page 2 we said that we added 2,672 sources during our review of these. We reviewed 3,383 advance purchase requests last year in headquarters elements in the Army, Navy, Air Force, and Defense Supply Agency.

Mr. WATTS. In your detailed statement for the record—I am not sure you have covered this in your summary—there was a reference to your economic impact project, with which the Bureau of Census is assisting. I wonder if you could tell us, please, when the results of that study might be available.

Mr. MORRIS. Yes, sir. This is being made as part of the regular annual census. I expect that the results will not be available to us for a number of months as yet.

I might add that this is only one of about four or five major efforts under the direction of the Assistant Secretary (Comptroller) for Defense, Mr. Hitch, which are designed to better understand the whole structure of the Defense contract base, the Defense industrial base, both at prime and subcontract levels, so that we can trace the flow of our contract dollars more intelligently, and thus better anticipate in the future as shifts in given commodity fields, and the potential impacts of those shifts.

Mr. WATTS. Thank you.

On page 5 of your statement for the record, you refer to the membership of the President's Committee on the Economic Impact of Defense and Disarmament. I notice that SBA was not listed there. I believe that is an oversight, is it not?

Mr. MORRIS. I believe it is, sir.

Mr. WATTS. SBA is a member.

This next one, Mr. Secretary, Mr. Lazure, Mr. Chairman, is a rather more complicated question, but I think it goes to a policy matter that might be important to explore on this record briefly.

The Department's efforts to be helpful in labor surplus areas are primarily the concern of the Office of Economic Utilization Policy. That is the office to which you have made principal reference in your summary statement. In your more detailed statement, you also refer to the Office of Economic Assistance. That Office is concerned with assisting communities and firms that have lost Defense facilities or Defense contracts due to completions, and shifts, and curtailments; is that correct?

Mr. MORRIS. That is correct. We call this our Office of Economic Adjustment.

Mr. WATTS. On page 10 of your detailed statement, you list the five groups that are considered in the conduct of negotiated partial set-asides for labor surplus areas in the order of their priority.

Now, I found myself wondering whether you might not sometimes find yourself in a situation of conflict or contradiction of policy and activity between the Office of Economic Adjustment and the Office of Economic Utilization Policy.

If I could suggest a hypothetical case, you might tell me whether this describes a real or an imaginary situation. First, suppose there is a new procurement to be made, and it is of the type and in the size range that lends itself to a negotiated partial set-aside procedure. Now, suppose that the non-set-aside portion has been awarded, and you have for disposition the set-aside portion.

To simplify this as much as possible, let's say that in the open competitive bidding for the non-set-aside portion, the first and second low bids were both from highly qualified firms not located in current labor surplus areas. The low bidder, of course, would win the non-set-aside portion. But let us suppose now that the second low bidder happens to be in this situation: First, this company is now engaged in defense work, and the plants in which it is carrying out the defense work employ several thousand workers constituting a major fraction of the labor force in the area of the plant. This defense work is being performed under a contract which is almost completed. When the contract is completed, the contractor will have to lay off, say, 5,000 assorted technical and production workers unless it can get the contract for the new procurement I am talking about.

Finally, let's suppose it can be shown that the area of these plants, the plants of this hypothetical bidder, are not now a labor surplus area, but would become one if these 5,000 lay-offs occurred. Without priority considerations, the second low bidder would be qualified. With priority considerations from other bidders in labor surplus areas, it is not qualified.

I don't know whether I get across the policy problem or policy conflict that I am driving at, but it seems to me that it might be doubtful policy to give priority considerations only to firms in labor surplus areas without also considering the possibility of having your procurement program result in the creation of a new labor surplus area.

My question, in essence, then, is could you add to your priority groups a group to take into account the situation I have described, involving a potential labor surplus area?

It is a long, hard, question.

Mr. MORRIS. I think Mr. Lazure would want to comment on this. I think the answer must be that, under our present regulations, we cannot take into account prospective or speculative future situations.

I would like, however, to comment upon any assumed conflict between our Office of Economic Adjustment and our Office of Economic Utilization policy.

The Economic Adjustment Office was created in May 1961, at a time when it had been found necessary to announce the reduction or closure of a number of Defense installations, some 73, and that program has continued since. Mr. McNamara quickly recognized an obligation as a good employer to make certain that all possible steps were taken to help the employees affected by those phase-downs and closures, as

well as to help put into productive nondefense use the good facilities that were being vacated in many of these cases. This was the prime motivation, and it is still the principal purpose of our Office of Economic Adjustment. It has now worked rather successfully in about 29 different communities.

There is no direct conflict with the work that we are speaking of now in connection with labor surplus areas.

I would be glad to discuss this separately, if you care, at greater length.

Mr. WATTS. My suggestion was that perhaps the work of the Economic Utilization Office might make more work for the Office of Economic Adjustment.

Mr. MORRIS. Theoretically, I guess this could be possible. But we have not found any dearth of work in either of the organizations, sir.

I would like Mr. Lazure to answer your basic question, if I may.

Mr. LAZURE. I think Secretary Morris has answered the question. That is, under the guidance we get from the Department of Labor,

which is in the form of the "Area Labor Market Trends," which list the labor surplus areas, we give those labor areas the priorities, because they do have a surplus already. So, we do not attempt to get into what might happen by the closeout of one of our bigger contracts. It would just be an exercise in trying to outguess what would happen with that particular plant.

Our two Offices do work very closely—when there is a proposed termination or completion coming up, there is an analysis made to see what we can do in this particular area, but it does not lend itself to treatment as a labor surplus area.

Mr. WATTS. Thank you.

Mr. Chairman, I have no more questions.

Mr. PETERSON. Mr. Morris, Senator Humphrey would like to get the position of the Department of Defense on these points:

First, you notice, from the statement, that Senator Humphrey had the feeling that the Defense Department is really not behind the policy set forth in DMP-4. Various officials and experts in this field have indicated that this may be so. I would like to get on the record the Defense Department's position on its willingness really to back up the directives that are in this.

Mr. MORRIS. Mr. Peterson, we hope that our record of performance, particularly in the past year, speaks for itself. We think that we have shown affirmative progress in all six of these programs. It is our committed intention, that of Secretary Vance and, certainly, myself, to continue to progress and enhance it in the future.

Mr. PETERSON. It is your position, then, that the 174 million, which does represent progress, will continue to grow in the future?

Mr. MORRIS. This is certainly our expectation and hope.

Mr. PETERSON. Now, then, the Senator has been somewhat concerned that for many months there has not been an economic utilization adviser in the Navy. Does the Defense Department have any plans about filling that position?

Mr. MORRIS. Yes, we have. The incumbent has been selected for the position, and we hope that he will be aboard very shortly.

Mr. PETERSON. Now, with regard to your subcontracting program, it is true, is it not, that a great deal of Government procurement

actually is done by primes to subcontractors? You mentioned that plans must be set forth by the primes to the Defense Department. What are done with those plans after they are set forth?

Mr. MORRIS. Let me again ask Mr. Lazure to outline the content of a prime contractor's labor-surplus-area program.

Mr. LAZURE. Our prime contractors program consists of three things. One is a series of clauses which we have developed for utilization in our prime contracts. One is for all contracts from \$10,000 to \$500,000. The other is for all contracts in excess of \$500,000.

Under the first set of clauses, the contractor assumes an obligation to do what he can with labor surplus areas. Under the second clause, which is for the large prime contractors, and those contracts in excess of \$500,000, the prime contractor has to set up an affirmative program. He has to establish a liaison officer. He has to show us and keep records as to his activities in labor surplus areas. He must insert the same type of clause in his major subcontracts that he writes, and he must work with us in seeing and showing us that he has performed work and will do work in labor surplus areas.

We have some very interesting reports coming in on this activity. For example, Aerojet General last year wrote subcontracts in 26 of the 50 States of \$339 million worth of contracts they had from the Government—\$99 million went out in labor surplus subcontracts to these particular State areas.

And we have several reports, not in the same detail as we have obtained from Aerojet General, from a big number of our large prime contractors.

The second area we have worked with in our prime contractors is what we call our joint Department of Defense, Aerospace Industries Association, and Small Business Administration program.

Here we have worked with the big aerospace contractors, who, incidentally, have been joined by others lately. We now have some 29 of these big contractors who have given us a list of 18 categories in which they are short of sources. These 18 categories are as follows:

1. Electronic devices of a high reliability level.
2. Microwave components for R/F feed and radiometer systems.
3. Optics and optomechanical assemblies.
4. Optical glass.
5. Optical tracking systems.
6. Vidicon and camera systems (airborne).
7. Electromechanical components of high reliability.
8. Electromechanical actuators, both rotary and lineal.
9. Gyrostabilization platforms.
10. Noncommon hydraulic and pneumatic devices involving stringent performance characteristics.
11. Manufacturing capabilities for fabrication of inflatable and standard silicone seals.
12. Manufacturing capabilities in the field of exotic materials.
13. Ballistics (pyrotechnics), manufacturing capabilities for ignitors, squibs, explosive bolts, shaped charges, fusing, and warhead safing and arming devices.
14. Fabrication of precision sheet metal containers, cabinets, and shelters for electronic and photographic equipment support.
15. Manufacturing capabilities in nonmetallic structures such as plastic or fiberglass airframe components, stretched acrylic wind-

shields, canopies and related components, and filament winding of fiberglass structures.

16. Aircraft landing gear.

17. Airborne refrigeration equipment.

18. Sensors of all types, particularly for ASW and oceanographic work.

In these 18 categories, the AIA will furnish to the 29 participating companies the sources that we have developed, either in our own Army, Navy, Air Force, or Defense Supply Agency, or from the Small Business Administration. This firm's a program which we conducted last year, using five categories of items. These companies put out some 7,600 requests for proposals to these potential subcontract sources which we sent them. They made awards in 4,600 of these requests to the extent of some \$20 million.

This is a second program.

We have a third. We are meeting now with our prime contractors in what we call our prime contractor workshops. We have had two meetings, one in New England covering seven New England States. Thirty of the biggest defense contractors came and sat down with us and went all over their programs under their clause in the contract which requires them to set up a program. We covered the problem areas of how they do business; what assistance can they give labor surplus contractors; what type of recording of activities they maintain; what problems they have in terms of these labor surplus area sources, technical and financial and otherwise, and what can we in Defense and Army, Navy, and Air Force do in this regard.

We had a similar meeting for the eight Midwestern States recently in South Bend. At this same meeting, we went through the same type of agenda. We also discussed our entire range of labor surplus activities in the Department of Defense. Here we had 35 of the biggest prime contractors in the country that were located in the eight Midwestern States.

We attempt, as pointed out in the statement, to enlarge on this, and we are going to have similar meetings in the Philadelphia area, in the Los Angeles area, and in other areas of the country very shortly, to go over this same type of thing, and, in essence, develop a good working relationship and a better reporting structure for our activities in the subcontracting field.

Mr. PETERSON. It is true, though, is it not, that you do not have a firm requirement that prime contractors over a certain size must report all of their subcontracts so that you have statistics showing exactly where the subcontracts go?

Mr. LAZURE. We don't have a firmed-up requirement. And the reason is not that we would not like to have it. It is simply a matter of trying to work out a proper clause for this requirement.

Mr. PETERSON. Are you working on that now?

Mr. LAZURE. Yes. We have had meetings with the Aerospace Industries Association and at both of our prime contractor workshops; this was the subject of a good part of our discussion. We do have some reports, as I say, of a formal nature.

Let me mention some of the problems we have in this regard.

One would be the variance in the number of labor surplus areas that change each month. The second would be the classifications. The

third would be the recording, whether they were small, very small, and major. A fourth would be the mix that they have. Our contractors are also doing business with NASA, and with other Government agencies, and are doing private business. It would be quite a problem for them to record all that.

Mr. PETERSON. It is possible something could be worked out?

Mr. LAZURE. Yes. Something is being worked out. NASA, I understand, will tell you their approach to this—that they are using and trying on for size with 12 of their contractors.

Mr. PETERSON. I hope the next time you testify we will have something more definite on that.

Now, recommendations 19 and 21 indicated the Defense Department should make available federally owned production equipment for the use of firms in labor surplus areas, and lend-lease transfer or sell machine equipment to nonprofit institutions. Have you done anything on those recommendations?

Mr. MORRIS. We set specific goals for each department to increase the utilization of this equipment, including such things as the breaking up of packages of tools held in standby. I received a report just this week that some \$2.8 billion out of our machine tool inventory has been put into productive use in contractors' plants. I think we have an effective mechanism now in being to insure the use, wherever possible, of this equipment.

Mr. PETERSON. That is excellent.

The other point that I wanted to cover is: Can you tell us how many people you have assigned in your procurement depots as persons to expedite the partial set-aside program?

Mr. MORRIS. Sir, the statement indicated—we have about 180 full-time, 420 part-time personnel whose principal responsibilities are to oversee the labor surplus and small business programs. Looking for set-aside possibilities is one of their principal activities.

Mr. PETERSON. Are you carrying on a continuing program of discussing the problems of partial set-asides with these people, so that they are always informed of the program?

Mr. MORRIS. Yes. This is one of the responsibilities of the special assistants in each of the departments and the Defense Supply Agency.

Mr. PETERSON. Now, would you furnish this committee with a list of the names and addresses of these people, so that we might publish it in our next report? It would be of help to the small business people around the country—so they know right where to go to the nearest person who knows about this program.

Mr. MORRIS. I am certain we can give you the address of each office or location where such help can be had.

Mr. PETERSON. Fine.¹

Now, in your reports, are you actively planning on publishing a report annually or semiannually which shows the number of set-asides and the number of contracts that go to labor surplus areas, both substantial and persistent?

Mr. MORRIS. We do now have a very excellent quarterly report which Mr. Lazure's office develops. It is quite detailed. It covers all of these points. It gets wide distribution within the Department. We

¹ The information requested was subsequently received, and appears as app. II, p. 61.

would certainly hope this meets the objective which you have mentioned.

Mr. PETERSON. I have no further questions.

Mr. COUGHLIN. Just one question.

Mr. MORRIS, it is my understanding that within the Department of Defense you have an Office of Economic Adjustment; is that correct?

Mr. MORRIS. That is correct.

Mr. COUGHLIN. Am I correct in assuming that this Office serves the function of assisting areas where defense installations have been closed or moved to other areas?

Mr. MORRIS. That is correct.

Mr. COUGHLIN. How large is this Office, Mr. Morris?

Mr. MORRIS. This Office currently consists of a director and three professional personnel with clerical assistance. It is supported by personnel from each of the military departments, on a project or task force basis, as individual situations require work.

Mr. COUGHLIN. Does the Office of Economic Utilization Policy, consult with the Office of Economic Adjustment with respect to implementation of your procurement program?

Mr. MORRIS. Yes. They sit right across the hall from each other, and I would expect they are in daily contact.

Mr. COUGHLIN. Mr. Morris, do you have any statistics or any other information available that could be provided to the committee with respect to areas that have been assisted directly through the activity of the Office of Economic Adjustment?

Mr. MORRIS. We can furnish for the record a complete report of its efforts over the last 3 years.

Mr. COUGHLIN. I believe it would be of value if this were done.

With the chairman's permission, I would like to request that this be done.

(The information requested was subsequently received, and follows:)

ECONOMIC ADJUSTMENT PROGRAM

ASSIGNMENT AND METHODS

The Office of Economic Adjustment, under the Assistant Secretary of Defense (Installations and Logistics), was established in May 1961. It directs a continuing program designed to help mitigate the effects of Defense program changes on communities, industries, and individuals.

It undertakes to lend assistance when serious adverse impacts occur as a result of base closures, reorganizations of Defense operations which result in reductions in force, or changes in procurement programs.

Its role essentially is to provide advice, assistance, and guidance to aid a community, at its request, in its effort to develop alternative, non-Defense economic activities to overcome the loss or potential loss, of Defense contracts or installations. It confers with community leaders, to define the impacts; to assist in assessing the goals, the assets, and the opportunities for economic growth; and to stimulate the organization of a concerted community plan and action program. It is able to bring the successful experiences of other similarly affected communities to bear on the solution of local problems.

It is a small organization consisting of the Director, three professional staff assistants, and two secretaries. Two additional professional positions have been authorized. However, it operates by mobilizing the resources of the Department of Defense, other Federal agencies, State and local governments, and community organizations, to help the community to overcome obstacles to its recovery.

Early in 1961, a Select Advisory Committee to the Secretary of Defense under the chairmanship of the Secretary of Commerce was established to assist the

Department of Defense in softening economic impacts resulting from changes in Defense programs. This is an interagency committee which includes representation from the Departments of Commerce; Labor; Interior; Agriculture; Health, Education, and Welfare; the General Services Administration; the Small Business Administration; the Federal Aviation Agency; the Housing and Home Finance Agency; and others as required. It meets at the request of the Office of the Secretary of Defense, and when called by the Secretary of Commerce. Its members cooperate closely with the Office of Economic Adjustment, both individually and collectively. Many have accompanied the Director of Economic Adjustment on visits to impacted communities. All are constantly available for consultation with the Director of Economic Adjustment.

Examples of the ways in which the Office of Economic Adjustment operates are: (1) Organization of task forces of Federal and State experts to assist in the initial development and subsequent implementation of community plans; (2) organization of industrial seminars; (3) discussion of community problems with the Select Advisory Committee for Defense; (4) help in finding the right Federal programs and coordinating the efforts of responsible Federal, State, and local officials in making use of all applicable resources; and (5) help in obtaining surplus DOD real or personal property to further the community plan.

It develops and recommends changes in DOD policies and practices which will facilitate economic adjustment without hindering the DOD mission, and assists the OSD Comptroller in industry studies.

It makes analyses of the economic structure of communities where DOD procurement or operations have an important impact, and assesses the potential effects of impending program changes.

It uses every opportunity to educate communities and industries to the importance of diversification.

Basically, the Office acts as a catalytic agent; the success of any community recovery from a Defense impact depends on the ingenuity, effort, and determination of the community itself.

The Director serves with such committees as the President's Committee on the Economic Impact of Defense and Disarmament, Defense Industry Advisory Council, and the Interagency Policy Committee of the ARA.

ASSISTANCE TO INDIVIDUALS

The Office of Economic Adjustment pioneered the development and establishment of the Department of Defense placement program whose features are advance planning for reductions and closures and early notification of individuals, payment of moving expenses to jobs at other Department of Defense activities, priority referral and placement within the Department of Defense, retraining of surplus employees, and assistance in finding jobs outside the Department of Defense. Of each 100 employees requiring placement assistance, jobs are found for 75, 20 retire or find employment on their own, and only 5 are separated without a job offer. As a part of this program, major reductions are announced 2 or 3 years in advance whenever feasible.

It has initiated a study to find out what happens to contractor's employees laid off as a result of contract cancellations. It is hoped that the data acquired will point the way to improve assistance to such individuals.

ASSISTANCE TO COMMUNITIES

Since 1961, the Director of Economic Adjustment has assisted in 58 communities in 30 States, working actively in each situation until the objectives were met. Because of the long phaseout period for installations, many programs continue for 2 or 3 years; others are more limited, but all are tailored in accordance with the wishes of the community.

Sixteen programs were concerned solely with placement assistance to DOD civilians; these were successful to the degree noted above.

Thirteen programs have met their objectives to the satisfaction of the communities concerned.

Eleven miscellaneous actions involving limited objectives are inactive or closed.

Eighteen programs are still in progress; most of them having already obtained a measure of success.

In at least 14 communities, the degree of recovery has exceeded, or is expected to exceed, the loss which was suffered.

In most of the communities, the confidence inspired through organized efforts to reach common goals is resulting in continued progress.

(The supplemental information submitted by Mr. Morris follows:)

REVIEW OF DEPARTMENT OF DEFENSE PROGRAMS TO ASSIST FIRMS IN LABOR SURPLUS AREAS, FISCAL YEAR 1964

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Conclusion.

THE ECONOMIC IMPACT OF DEFENSE PROCUREMENT

Secretary McNamara, in his presentations to the Armed Services and Appropriations Committees in fiscal year 1964, discussed the impact of Defense procurement on the national economy. He stated:

"A program as large as Defense, commanding nearly 10 percent of our total national output in terms of overall budget (and 5 percent of our gross national product in terms of contracts for goods and services), is bound to have an important impact on the economy—internationally, nationally, and locally. And, indeed, at the local level, this impact is usually intensified by the uneven geographic distribution of defense-related industry and our own military activities, by the disproportionately large claims made by the defense program on some occupational categories and on certain sectors of industry, and by the rapidly changing composition of the defense program as technological innovations create the need for new weapons and facilities and make obsolete the old."

As this statement indicates, the Department of Defense is vitally concerned with the economic impact of the defense program—both on the Nation as a whole and on the individuals, communities, companies, and industries involved. We recognize our obligation to do everything we properly can to minimize the disruptive effects of changes in that program and to assist, insofar as we are able and the law permits, those who are adversely affected by these changes.

LIMITATIONS ON DOD ACTIONS

It is most important, however, that there be the widest possible awareness of the very real limitations on what we believe is the proper role of the DOD in this area. The Defense Department cannot and should not assume responsibility for creating a level of demand adequate to keep the economy healthy and growing. Nor should it, in developing its programs, depart from the strictest standards of military need and operating efficiency in order to aid an economically distressed company or community. The Congress has regularly (since 1954) underscored this limitation in the provisos contained in section 523 of the Department of Defense Appropriations Act, which reads as follows:

"that no funds herein appropriated shall be used for the payment of a price differential on contracts hereafter made for the purpose of relieving economic dislocations: *Provided further*, That none of the funds appropriated in this Act shall be used except that, so far as practicable, all contracts shall be awarded on a formally advertised competitive bid basis to the lowest responsible bidder * * *."

It will be noted that, in the same section, Congress has stressed the requirement, "so far as practicable" for the advertised competitive method of procurement with award at the lowest price.

In this regard, the Secretary of Defense has assured Congress that it is Defense Department policy "to buy what we need, when we need it, at the lowest cost to the Government, quality and delivery schedules considered."

AREAS OF DOD ACTIVITY IN MEETING SOCIOECONOMIC OBJECTIVES

The Secretary of Defense in these same statements has stressed that within these limitations there are a number of actions that the Department can usefully and properly take to assist companies, individuals, and communities adversely affected by changing Defense programs. These actions are:

(a) *Early warning*.—"We can try to forecast and to give advance warning to communities and industries liable to be affected by major changes in the Defense program and, drawing on our own experience in similar situations, offer such advice and assistance as we can in facilitating the necessary readjustments. To this end, there was established 2 years ago an Office of Economic Adjustment to serve as a focal point for mobilizing the capabilities of both our own Department and other Government agencies in giving such advice and assistance. This Office works directly with local community leaders whenever its advice or help is sought."

(b) *Impact studies*.—"We can try to learn more about the specific economic effects of the Defense program in order to be in a better position to anticipate the impact of possible changes. During the past year, we have taken a number of actions to improve our knowledge in this area. Chief among them is what we call the economic impact project, which is designed to provide the basic data and analytical framework needed to assess the impact of changes in the Defense program on the economy, by industry and geographic area. As a part of this project, the Bureau of the Census is undertaking a special survey of Defense and other Government work in the manufacturing industries as a supplement to its regular Annual Survey of Manufacturers. When these data are collated, we will be in a much better position to determine both the broad regional as well as the 'industry' impacts of Defense programs. Armed with this new information on the 'structure' of the 'Defense' industry, and the analytical framework which is now being developed, we hope in time to be able to project, at least in broad fashion, the economic impact of the 5-year defense program."

(c) *Encourage industry planning*.—"We can encourage our major Defense contractors to do the necessary long-range industrial planning which anticipates changes in military procurement and makes the needed corporate provisions for them. For example, we currently allow, as indirect costs chargeable to defense contracts, the reasonable costs of planning concerned with the future overall development of the contractor's business and which may take into account the eventual possibility of economic dislocations or fundamental alterations in those markets in which the contractor currently does business."

(d) *Participation in executive branch and congressional studies*.—"We can work with other interested agencies of the executive branch and the Congress in all aspects of the 'economic impact' problem. To this end, President Johnson on December 21, 1963, ordered the formation of the Committee on the Economic Impact of Defense and Disarmament, chaired by a member of the Council of Economic Advisers and having representation from Commerce, Labor, AEC, NASA, ACDA, OEP, BOB, and Defense. This Committee will be responsible for the coordination of all Federal activities in this field. President Johnson has expressed his personal interest in the Committee's work and has directed that the public, the Congress, and he be kept informed of its activities."

DOD ORGANIZATION TO MEET REQUIREMENTS OF DEFENSE MANPOWER POLICY NO. 4

Governmentwide policies governing assistance to areas of persistent or substantial labor surplus are stated in Defense Manpower Policy No. 4, as issued by the Office of Civil and Defense Mobilization in its last revision of July 6, 1960. To administer DOD activities concerned with this policy, there was established in 1961 the Directorate of Economic Utilization Policy in the Office of the Secretary of Defense, whose function it is to plan, establish, and direct a program to meet the objectives of DMP No. 4. A counterpart office exists in the Headquarters of the Army, Navy, Air Force, and Defense Supply Agency. There are approximately 250 full-time, and 350 part-time small business and labor surplus specialists in the DOD procurement offices who assist in this activity. A revised section 1-800 of the Armed Services Procurement Regulation implements DMP No. 4, and governs their activities.

In the conduct of its labor surplus activities, DOD works closely with the Office of Emergency (Surplus Manpower Committee) and the Area Redevelopment Agency, as well as with Commerce, Labor, and the Small Business Administration, who have specific responsibilities under DMP No. 4.

DOD PROGRAMS FOR ECONOMIC UTILIZATION OF LABOR SURPLUS AREAS

The DOD Economic Utilization Office plans and directs six action programs, as follows:

- (1) Procurement source development and utilization.
- (2) Procurement preference procedures.
- (3) Subcontracting procedures.
- (4) Procurement clinics.
- (5) Counsel and assistance on labor surplus matters.
- (6) Special projects.

A brief explanation of each of these follows:

PROCUREMENT SOURCE DEVELOPMENT AND UTILIZATION

This program includes source development and selection; preparation and revision of ASPR's and other material for guidance to procurement officials; and actions to assure that labor surplus area firms are invited to bid on prime contracts. In this connection, special reviews are made at headquarters levels of proposed contracts in excess of \$300,000 to insure that labor surplus areas are fully considered. Both headquarters and field level labor surplus area specialists use the monthly Department of Labor publication "Area Labor Market Trends" to verify the labor surplus areas involved. They develop sources by (1) discussions with potential contractors; (2) visits to the labor surplus area communities; (3) acting on inquiries received from chambers of commerce, community groups, State and local development agencies, and congressional leaders; (4) referrals from Government agencies such as the Small Business Administration, Department of Commerce, and others.

Procurement offices maintain directories of sources in the surrounding labor surplus areas for use in compiling bidders lists. For example, the directory prepared by the Boston Air Force Procurement District contains a list of approximately 1,500 labor surplus area sources in the New England area.

Once recorded in our source files, labor surplus area firms receive the following information on procurements in which they are interested: the procurement procedures to be utilized; the method of procurement; the procurement description (such as scope of work, specifications, schedules, facilities requirements) and other requirements to be included in the contract.

In addition, an explanation is provided as to Government-furnished facilities; engineering assistance on quality, reliability, and other standards required; the basis for progress payments and other forms of available Government financing. They are also advised of points of contact in the Small Business Administration and the Area Redevelopment Administration with respect to other assistance available such as loans and training.

During fiscal year 1964, the Special Assistants for Economic Utilization in the Headquarters of Army, Navy, Air Force, and DSA screened and added to our source files, 2,672 labor surplus area firms. This was an increase of 60 percent over the 1,572 such sources added in fiscal year 1963. In addition, field procurement offices screened over 12,000 prospective new bidders and added those who were qualified to their bidders lists.

Primarily as a result of this expansion in the names of new, qualified sources in labor surplus areas, procurement awards to LSA firms increased by \$700 million in fiscal year 1964, reaching a total of \$4.5 billion compared to \$3.8 billion in fiscal year 1963, although the volume of total awards remained about the same. This performance is particularly noteworthy when it is noted that the average number of labor surplus areas decreased from 44 in fiscal year 1963 to 39 in fiscal year 1964. Thus, with fewer major industrial labor surplus areas on which to draw, a larger volume of awards was made.

Compared to fiscal year 1960, the record of progress in fiscal year 1964 is even more impressive.

	Fiscal year 1960	Fiscal year 1964
Average number major labor surplus areas.....	35	39
U.S. awards over \$10,000 (billions).....	\$20.5	¹ \$25.0
Awards to LSA firms (billions).....	\$1.9	¹ \$4.5
Percent of awards to LSA firms.....	9.6	17.3

¹ While final year-end figures are not available, this is a conservative estimate.

PROCUREMENT PREFERENCE PROCEDURES

In accordance with Defense Manpower Policy No. 4, the ASPR provides that, in selected cases, preference in procurement awards shall be given to firms located in labor surplus areas, or to contractors not in labor surplus areas who agree to perform more than 50 percent of the contract in areas classified as labor surplus. This preference is known as the "partial set-aside procedure" and provides that a portion of a particular procurement shall be set aside for labor surplus area concerns if—

"(i) The procurement is severable into two or more economic production runs or reasonable lots; and

"(ii) One or more labor surplus area concerns are expected to have the technical competency and productive capacity to furnish a severable portion of the procurement at a reasonable price."

Partial set-aside procedure.—Where the contracting officer finds that a partial set-aside is feasible, the procurement is divided into a non-set-aside portion and a labor surplus area set-aside portion, each of which must be not less than an economic production run. ASPR further provides that delivery terms and other terms applicable to the set-aside portion of an item must be comparable to those applicable to the non-set-aside portion of the item.

After an award has been made on the non-set-aside portion, based on open competitive bids, negotiations are then conducted with the eligible labor surplus area bidders to determine which of them is to receive award of the set-aside portion. Such negotiations are conducted only with those responsible bidders who have submitted responsive bids on the non-set-aside portion at a price no greater than 120 percent of the highest award made on the non-set-aside portion.

Priorities in negotiation of partial set-asides.—The order of priority in the conduct of negotiations is as follows:

"Group 1. Persistent labor surplus area concerns which are also small business concerns.

"Group 2. Other persistent labor surplus area concerns.

"Group 3. Substantial labor surplus area concerns which are also small business concerns.

"Group 4. Other substantial labor surplus area concerns.

"Group 5. Small business concerns which are not labor surplus area concerns.

"Within each of the above groups, negotiations with such concerns will be in the order of their bids on the non-set-aside portions, beginning with the lowest responsible bid * * *."

Partial set-aside awards increased eightfold between fiscal year 1960 and fiscal year 1964, as shown in the following table:

Fiscal year:	Partial set-aside awards (millions)
1960.....	\$22.3
1961.....	50.4
1962.....	104.4
1963.....	89.3
1964.....	175.3

Investigation of other preference procedures.—During the past 3 years, the Department of Defense has investigated the possibility of utilizing two other procurement preference techniques to assist labor surplus area firms who desire to compete for defense procurements. One of these was the "100-percent set-aside technique" which is allowed by law for small business firms. The second was a "percentage incentive procedure" under which bidders were required to perform a specified percentage of the contract in labor surplus areas or run the risk of being matched out of the award. Under this procedure, if the low bidder did not agree to perform the specified percentage of the contract in areas of labor surplus, other bidders submitting prices within 120 percent of the low bidder, who did agree to meet the specified percentage, were given an opportunity to match the low bid and win out over the original low bidder.

The Comptroller General ruled, in response to a request made by us, that the 100-percent set-aside would violate section 523 of the Defense Appropriations Act since this technique might limit competition in such a way as to result in the payment of a price differential to relieve economic dislocation.

With respect to the percentage incentive procedure, the Comptroller General reserved his opinion and tests were run over a 2-year period on about 100 cases,

resulting in total awards of \$135 million.¹ The test was terminated in February of this year following an evaluation by the Secretary and Deputy Secretary of Defense and the Assistant Secretaries for Installations and Logistics. The decision to terminate the test was based on the conclusion that the Government might be deprived of experienced and efficient producers and would run the risk of paying a price premium by—

1. Eliminating the lowest, responsive, responsible bidder through the matching procedure; and

2. Discouraging bids from experienced producers unwilling to realine their established subcontract structures among a shifting mix of firms whose eligibility was based on labor surplus considerations rather than quality and efficiency.

It was also noted during the test that extensive new demands were placed on the time of top procurement personnel responsible for overseeing the specialized procedures. Finally, it was found that the types of cases most susceptible to these procedures were those which qualify for formal advertising which, by law, we are required to use to the fullest extent practicable.

In the light of these conclusions, it was determined to concentrate our efforts on maximizing the use of the partial set-aside technique which is free of the problems described above. This will be our policy for the future.

LABOR SURPLUS AREA SUBCONTRACTING PROCEDURES

DOD has found that one of the most important and effective ways of assisting labor surplus areas is through the placement by prime contractors, and major subcontractors, of contracts in labor surplus areas.

ASPR 1-805 sets forth policy, procedures, and required clauses for the conduct of this subcontracting program.

Most DOD contracts between \$5,000 and \$500,000 now contain a clause under which the prime contractor undertakes to (1) use his best efforts to place contracts in labor surplus areas; and (2) follow the preference priorities set forth in the clause in making awards.

Contracts in excess of \$500,000 contain an additional "labor surplus program" clause under which the prime contractor is required to—

Designate a labor surplus liaison office;

Consider labor surplus areas in his "make or buy" decisions;

Assure an equitable opportunity to labor surplus areas to compete;

Maintain records of compliance; and

Include a similar clause in subcontracts over \$500,000.

While no formal reports are required of contractors, the reports received from procurement agencies of Defense, and those voluntarily submitted by contractors, indicate widespread application of these clauses. Informal reports from such contractors as Lockheed, Aerojet General, Hercules Powder, Martin-Marietta, AVCO, Hughes Aircraft, RCA, and others, show that, under their labor surplus programs, 15 to 25 percent of their subcontract dollars are currently flowing to labor surplus areas. When added to the volume of prime contracts awarded to LSA firms, this indicates that at least \$6.5 billion of DOD procurements were placed with LSA concerns in fiscal year 1964.

Joint DOD-AIA-SBA source development program.—In the conduct of the DOD subcontracting program, AIA has participated in a source development program, jointly sponsored by DOD, ARA, and SBA. Under this program, begun on a trial basis during calendar year 1963, new sources were identified by DOD, ARA, and SBA in five critical categories (electronics, optics, electromechanism, hydraulic-pneumatic and exotic materials) and furnished the AIA task force. AIA then disseminated data on these sources to 20 participating companies. Through this effort, over 7,600 bid packages were sent to 300 labor surplus area firms, resulting in 4,600 awards valued at \$19.4 million.

At the completion of this trial program, the AIA committee recommended that the programs be continued and expanded to cover other commodities and a larger number of participants.

Under the expanded program, which has just been announced, the AIA committee has requested identification of potential sources capable of doing work in 18 fields. There are now 26 participating companies, representing the aerospace industry.

¹ From 25 to 50 percent of this amount was required to be performed in labor surplus areas.

Prime contractor workshops.—The Office of Economic Utilization Policy, in conjunction with the military services, is also conducting a series of workshops at which prime contractors discuss the conduct of their programs to utilize labor surplus area concerns. Two such workshops have been held to date: 1 in New England on March 6, 1964, where 30 of the largest contractors of this region met; and 1 for the Midwest contractors on June 17, 1964, at South Bend, Ind., in which 35 major contractors from 8 Midwestern States participated.

During the workshops, the following items are discussed by industry and Government representatives: (1) The DOD labor surplus area program; (2) the Department of Labor surplus area classification system; (3) the ARA and small business programs in labor surplus areas; (4) survey of labor surplus area industries; and (5) the prime contractor's approach to labor surplus areas. Similar workshop sessions are being programed for other areas of the country.

LABOR SURPLUS AREA PROCUREMENT CLINICS

Starting in May of 1963, the Office of Economic Utilization Policy and the Department of Commerce initiated a series of procurement clinics in labor surplus areas. Sponsorship for these clinics is by the State development commission, the local chambers of commerce, and like groups, assisted by their congressional representatives.

The program consists of discussions with organizations in the area of the Federal procurement process. Counseling booths are set up with representatives of the procurement agencies present, including Army, Navy, Air Force, DSA, NASA, GSA, AEC, Veterans' Administration, and the Tennessee Valley Authority. Groups from the Department of Commerce, ARA, and SBA also discuss their programs for labor surplus areas. At the recent Little Rock, Ark. clinic, 13 prime contractors discussed subcontracting opportunities.

At these clinics Government procurement agencies have on hand current invitations for bid and requests for proposal, to the extent of millions of dollars, as well as exhibits of items being procured. At the clinic held recently in South Bend, Ind., some 470 industry representatives of northern Indiana and Michigan communities were present. Approximately \$100 million worth of current bid packages were on hand for review. Exhibits of hardware were also available.

The interest and participation by industry is illustrated by the following tables showing actions resulting at the clinic held in Knoxville, Tenn.:

	Army	Navy	Air Force	DSA
Firms interviewed.....	126	39	45	66
Potential sources added.....	86	33	35	31
Interested in immediate requirements.....	78	15	15	11
Interested in future requirements.....	6	33	20	23
Interested in subcontracts only.....	2	0	10	3

The great interest in the Army's activities, indicated above, arose by reason of the fact that we used a new technique. There was made available for consideration of potential contractors approximately 100 small and relatively simple procurement packages (estimated at \$2,500 or less) on which awards would be made in 30 days or less.

Procurement clinics have been held in the following areas:

Towson, Md., May 3, 1963.

Wichita, Kans., July 8-9, 1963.

Providence, R.I., August 20, 1963.

Charleston, W. Va., October 31, 1963.

Duluth, Minn., December 11, 1963.

Springfield, Tenn., January 7, 1964.

Newark, N.J., January 15, 1964.

South Bend, Ind., March 3-4, 1964.

Geneva, N.Y., April 3, 1964.

Knoxville, Tenn., July 8-9, 1964.

Little Rock, Ark., July 30, 1964.

Procurement clinics are scheduled in the following areas:

Jersey City, N.J., September 24-25, 1964.

Scranton, Pa., September 30-October 1, 1964.

Louisville, Ky., October 21-22, 1964.

Oakland, Calif., November 1964.

COUNSEL AND ASSISTANCE ON LABOR SURPLUS MATTERS

Under this program, the Office of Economic Utilization Policy and the special assistants in the services and DSA counsel and assist congressional, State, community, industry, labor, and other representatives on questions which arise with respect to labor surplus areas and related activities. These questions and inquiries cover all aspects of the program: proposed and pending procurements; set-asides; interpretations of laws and regulations covering labor surplus and depressed areas; contract provisions to be utilized; statistical data on contract awards; referral of sources to the cognizant military service; studies of the capacity and abilities of plants; contract problems involved in terminations; stretchouts, and cutbacks; assistance in securing of facilities; financial matters; etc.

These inquiries, meetings, and letters require interagency relationships with ARA, SBA, Commerce, Labor, Office of Emergency Planning, and other governmental departments. During a typical week, approximately 75 to 100 such activities are handled in the Office of Economic Utilization Policy in OSD alone.

SPECIAL PROJECTS

The Office of Economic Utilization Policy participates in many special projects. Illustrative of these during the past fiscal year are: participation on the President's Appalachian Commission and on the President's South Bend Committee; work on the procurement aspects of the Federal Reconstruction and Development Planning Commission on the Alaskan Disaster; the making of economic studies, including studies on the upper Great Lakes area and northern Minnesota; participation in Department of Commerce and ARA workshops; studies with prime contractors on labor surplus area activities; preparation of labor surplus specialists handbook; participation in general industry briefings to present the economic utilization program; and like actions.

CONCLUSION

It is believed that an effective program of assistance to labor surplus areas—based on tested, sound procedures—has now been launched throughout the Department of Defense. The record of achievement in fiscal year 1964 shows substantial progress over prior years, and it is believed that comparable or better results can be anticipated in future years. The end objective is to assist in improving and sustaining the health of the national economy without any adverse effect on the procurement mission of the Defense Department—which is “to buy what we need, when we need it, at the lowest cost to the Government, quality and delivery schedules considered.”

Senator WILLIAMS. Thank you very much, gentlemen. You have been very helpful.

Mr. John E. Cosgrove, Assistant Director, Office of Emergency Planning, is our next witness.

STATEMENT OF JOHN E. COSGROVE, ASSISTANT DIRECTOR, OFFICE OF EMERGENCY PLANNING, WASHINGTON, D.C.; ACCOMPANIED BY EDWARD L. KEENAN, DIRECTOR, RESOURCE READINESS OFFICE; AND WAYNE G. ALTHAUS, CHIEF, MANPOWER RESOURCES, RESOURCE READINESS OFFICE

Mr. COSGROVE. Mr. Chairman, gentlemen of the committee, I am accompanied this morning by Mr. Edward Keenan, who is Director of our Resource Readiness Office, and Mr. Wayne Althaus, who is our manpower specialist in the Office of Emergency Planning.

I appreciate this opportunity to discuss with you the question of defense spending in labor surplus areas and the present position of the Office of Emergency Planning in connection with the report of the subcommittee entitled “Impact of Defense Spending on Labor Sur-

plus Areas.” We are aware of the committee's particular interest in the implementation of “Defense Manpower Policy 4” (DMP 4), as amended.

“Defense Manpower Policy 4,” as this committee knows, was initially issued during the Korean conflict, and it has had several revisions since that time. The authorities for implementing the policy are the legislative provisions permitting certain exceptions to the advertised-bid procedures, Armed Services Procurement Act, section 2(c), and the Federal Property and Administrative Services Act, section 302(c), otherwise required in procurement. Under these exceptions, a contract may be negotiated. As stated in this committee's report, dated August 19, 1963, page 12, there are three relevant exceptions in the Armed Services Procurement Act. These are purchases: 1, under a declared national emergency; 5, from educational institutions; and, 16, for maintenance of the mobilization base. There are similar authorities available to the civilian procurement agencies.

“Defense Manpower Policy 4” establishes a policy of encouraging the placement of contracts and facilities in areas of substantial and also substantial and persistent unemployment. The actual procurement of sites for facilities or facilities themselves must be done by the Department of Defense or one of the civilian procurement agencies under their own authority. “Defense Manpower Policy 4” does not provide any separate or independent procurement authority.

The circumstances which confront the Nation now are quite different from those which first required the issuance of “Defense Manpower Policy 4.” At that time, in addition to areas of substantial unemployment, there were also areas, classified by the Department of Labor, in which skilled manpower was in short supply. “Defense Manpower Policy 1” accordingly established a policy of encouraging agencies to avoid the placement of procurement in areas where additional awards would create more acute labor shortage problems.

In addition, the rapid development of technology in the field of warfare has, of course, changed many aspects of defense preparedness. In an era when defense is so complex and difficult, relatively greater reliance must be placed on widely scattered sources of economic strength and relatively less on concentrations which may be unavailable in an emergency to support a defense effort. In other words, economic strength as broadly based in skills and geography as possible is our best stance for emergency preparedness. Thus, changed circumstances have not altered the need for the policy, but do suggest the need for some changes.

Defense manpower policy 4 continues to have importance, since the preference given by procurement agencies under this policy aid in maintaining a broadly based economy, in maintaining skills in many areas, and in encouraging the development of economies in communities which would otherwise be poorly equipped to render assistance in time of need.

A year ago this committee completed its report on this whole question. The report, highly critical in many areas, was, on the other hand, encouraging in its recognition of the importance of the policy and in its support for its stronger application.

Following your report of last year we initiated a review, in cooperation with the various agencies concerned with the policy, designed to

determine what action could be taken to strengthen and improve its administration. We have at this stage substantially completed our evaluation of Defense manpower policy 4 and are currently in the process of coordinating the resultant recommendations throughout the Government. We expect to complete this coordination very shortly.

I stated at the outset that Defense Manpower Policy 4 has undergone several revisions since its inception. One of the first major revisions came about as a result of congressional interest in defense procurement. This is the revision which provided the requirement, now written into the law, section 523, Defense Appropriations Act, and contained in the present policy, paragraph 4(b)(1). It provides that no differential in price may be paid for the purpose of placing contracts in areas of substantial or persistent unemployment. This legislative limitation, which prevents setting aside entire procurements, that is, 100 percent set-asides, for award within areas of substantial and persistent unemployment, precludes any substantive change in this aspect of the policy. (Comptroller General's Decision B-145136, dated Mar. 3, 1961.)

Several other changes and new policies have been suggested but have not been adopted as administration policy at this time, including the following:

First. Low-income areas designated by the Department of Commerce as redevelopment areas could be extended the same preference currently given to areas of substantial and persistent unemployment. In addition, central cities; that is, metropolitan areas minus suburbs, of 250,000 or more population which have substantial and persistent unemployment, and which have been designated as redevelopment areas by the Secretary of Commerce, could be included among the areas receiving preference.

Second. The new policy would emphasize the importance of the placement of contracts and facilities for research and development, recognizing that it is around such facilities that strong economic growth has taken place in the recent past.

Third. Prime contractors would be required to maintain records of awards sufficient to determine their performance under subcontracting provisions which require them to use their best efforts to award subcontract to firms which will perform in areas of substantial and persistent unemployment.

Fourth. The new policy would, among other things, strengthen provisions relating to modifications, cutbacks, and cancellations of contracts, to assure that account is taken of the unemployment effects of such actions and to assure that, where possible, certain designated areas will be given such advantages as are indicated. The "designated areas" include areas of substantial unemployment, areas of substantial and persistent unemployment, low income areas designated by the Department of Commerce as redevelopment areas and central cities of 250,000 or more population which have substantial and persistent unemployment, and which are designated as redevelopment areas by the Department of Commerce.

Fifth. A committee would be established to advise and assist in the administration of the policy. Consideration is being given to including representation from the Council of Economic Advisers, Bureau of the Budget, National Aeronautics and Space Administration, and the Atomic Energy Commission, as well as the other agencies presently

represented on the Surplus Manpower Committee. These include the Department of Defense, Department of Commerce, Department of Labor, General Services Administration, and the Small Business Administration.

Six. Certain administrative arrangements would be specified, which should improve the application of the policy. For example, the policy would apply to all procurements for more than \$10,000, which is not specified in the present policy. Each agency would be required to establish a procedure to assure adequate implementation of the policy. Uniform reporting, under which a measure of the effectiveness of the policy could be determined, also would be provided.

The detailed implementation of the policy has been, and would continue to be, through the armed services procurement regulation and the Federal procurement regulations. I understand that representatives from certain of these agencies are scheduled to appear before you and can testify on various aspects of the policy.

Thank you.

Senator WILLIAMS. What do you anticipate in terms of time in the final development of these policy changes and their effective date?

Mr. COSGROVE. Mr. Chairman, I would think that, given the work that has gone into this and the stage at which we have those recommendations now, it should be possible within the next very few months—I would hope certainly by the end of this calendar year—to have these in a position for determination one way or another. We are conscious of the urgency of this.

Senator WILLIAMS. What various agencies or departments are involved in consultation on policy changes?

Mr. COSGROVE. The agencies on the Surplus Manpower Committee now, Mr. Chairman, in addition to ourselves, we chairing this, are the Departments of Defense, Army, Navy, Air Force, Defense Supply Agency, General Services Administration, the Department of Commerce (the ARA), the Small Business Administration, and the U.S. Department of Labor.

And, as I suggested, it is considered that it may be useful to add certain other additional agencies that do substantial procurement and, accordingly, have responsibilities.

Senator WILLIAMS. Post Office?

Mr. COSGROVE. This, I believe, has not been considered for inclusion.

Senator WILLIAMS. May I say they might well be part of this.

Mr. COSGROVE. We will certainly give that a very close review, sir.

Senator WILLIAMS. Mr. Peterson?

Mr. PETERSON. Mr. Cosgrove, how often does the Surplus Manpower Committee meet?

Mr. KEENAN. No set meeting dates. I am chairman, and call a meeting whenever an occasion arises to get the group together. We have had a subcommittee that has been working on the revisions of the policy, that have met 14 times, I believe, since the first of the year. The main committee itself has met, I think, four or five.

Mr. PETERSON. Does there seem to be a consensus of the Committee that the economic strength of our country is as vital to our defense as being strong in things such as the weapons system?

Mr. COSGROVE. Mr. Peterson, I would think that there is a consensus in the Committee, and no doubt in all related agencies on the objectives of the policy, and the objectives of the suggested revisions.

There are, as you are aware, many considerations to be cranked in, and that, of course, is what the Committee has been doing.

My estimate would be that it would be possible to arrive at a consensus for major strengthenings, major recommendations to strengthen this policy, as I indicated, in the fairly near future. There are, of course, relevant considerations that come in and which we have to attempt to dovetail.

Mr. PETERSON. Are you aware that procurement agencies from time to time have made public statements that they cannot be concerned with the effects on the economy of their procurements, because their chief mandate is to see to it that they be concerned only with the lowest possible price and the best product that they can buy?

Mr. COSGROVE. Mr. Peterson, our view would be that it is possible to serve the general policy of getting the most for the defense dollar, and, indeed, for the civilian procurement dollar on the one hand, and still meet the broad governmental policy of directing procurement in the best way to help relieve unemployment, and generally to strengthen the economy, on the other.

We don't think these are incompatible. Obviously, in a given instance or on a given facet of this, you would have to make a judgment. But our view is it should be possible to bring these into consonance, one with the other.

Mr. PETERSON. Are you familiar with the test procedures that were being experimented with on selected procurements in the Defense Department over the last 2 years?

Mr. KEENAN. Yes. They were discussed and reported to the Surplus Manpower Committee.

Mr. PETERSON. Are you considering any changes in the revision of Defense Manpower Policy No. 4 which take into consideration a method such as the test procedure?

Mr. KEENAN. We are asking the opinion of the different departments of Government and clearing it within the administration, to get their views on that at this time.

Mr. PETERSON. Mr. Cosgrove, what is your opinion on these test procedures? Do you believe that they would have a desirable effect if used in our economy?

Mr. COSGROVE. I would hesitate to comment on the specific tests that were run in the Department of Defense, because I don't have available to me all the background and all the considerations that they faced. But I would think that an experiment in the field of reporting, or in the field of keeping records on the part of the contractors, so that we would have at least a base for finding out what is really occurring, a better base for finding out what is occurring, would be desirable.

If it is the view of the procuring departments, any of the procuring agencies, that from this reporting, from this recordkeeping there could be a better flow of information back to the Government, the Office of Emergency Planning, would support this type of recommendation, because our view is that the information base on which we could better enforce and administer this policy, is a vital first step.

Mr. PETERSON. No. 5 of the recommendations that this subcommittee had in its last report says to abolish the Surplus Manpower Committee and create an economic utilization board, with representatives from interested departments. Has there been any consideration actually given to a renaming and reconstituting the Committee?

Mr. COSGROVE. Yes, this is under very active consideration. It would be my estimate that this may be favorably decided upon, the point being to broaden the committee.

Mr. PETERSON. I have no further questions, Mr. Chairman.

Senator WILLIAMS. Mr. Watts?

Mr. WATTS. Mr. Cosgrove, I don't know whether you heard the long and involved question that I propounded to Assistant Secretary Morris. This fourth point of proposed revision at the top of page 5 of your statement would indicate to me that you are groping in the same direction I was groping, sir; that is, to giving some consideration to the effect of a proposed cutback in making a new labor surplus area rather than relieving an existing one. Is that a fair interpretation of this point 4 at the top of page 5 of your statement?

Mr. COSGROVE. Sir, we think that, first, a strengthened Defense Manpower Policy No. 4, or Federal policy, in whatever form, such as this, a strengthened one, vigorously administered, can be helpful in an area of unemployment, or economic difficulty, without regard to the reason for it. That would be one point I would make.

Secondly, it is true that this policy, at least until now, has directed itself more to areas of existing difficulty, rather than potential or anticipated difficulty.

Mr. KEENAN. We have discussed this and thought about it. We are not suggesting a change at this time that would accommodate to the suggestion you made.

The administrative complications of doing it are quite great. We are exploring that. But we are hesitant, because of the administrative complications.

Mr. ALTHAUS. I think at one time an earlier edition of this policy did give consideration or direct the agencies to give consideration to, I think they called it, incipient areas of labor surplus, or areas of imminent labor surplus, if I recall.

And, as Mr. Keenan just said, the difficulty is in increasing the administrative problems of handling an additional classification of areas.

I think, also, the kind of a case that was described does not arise very often, and oftentimes, as I heard the case described, the case is best handled on the basis of the need for maintenance of a mobilization base. The procurement agencies have adequate discretion—if they find the procurement is best placed in a certain business or corporation in order to maintain that business as a mobilization base—they have adequate discretion to go ahead and do so, despite the policy. So that I don't think the case arises too often.

Mr. WATTS. Thank you very much.

Senator WILLIAMS. Gentlemen, we are most appreciative.

Dr. Robert C. Seamans, Associate Administrator of the National Aeronautics and Space Administration is the next witness.

You have an assistant administrator, and then an associate administrator, Dr. Seamans?

STATEMENT OF DR. ROBERT C. SEAMANS, JR., ASSOCIATE ADMINISTRATOR, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, WASHINGTON, D.C.; ACCOMPANIED BY GEORGE J. VECCHIETTI, DIRECTOR OF PROCUREMENT

Dr. SEAMANS. Mr. Chairman, Mr. Webb is the Administrator. Dr. Dryden is his Deputy. And I am the Associate Administrator, and the General Manager of the NASA.

Mr. Chairman and members of the committee, it is a privilege to appear before this committee to discuss the various aspects of the National Aeronautics and Space Administration's role in the national economy. As you realize, most of the agency's program of space exploration, advanced research, and aeronautics is carried out under contract. Over 90 percent of the \$5.1 billion appropriated last year is being spent "out-of-house," for goods and services provided by the industrial and educational community. Procurement in the national interest and within the framework of regulation is, then, a major element of our total agency responsibility.

The great majority of our work is at the forefront of today's technology. Most of it deals with one-of-a-kind items; spacecraft, aeronautical test vehicles, experiments. Only in a few areas do we build more than one or two of the same thing. Perhaps the closest we come to the conventional concept of production in our research and development program is in the fabrication of launch vehicle systems and in the purchase of standard components such as certain electronic parts. And even in these areas the requirements for reliability, precision, and quality are so high as to place these in a separate category still very close to R. & D.

The long-range values of the NASA procurement program lie, we believe, in the development of highly competent groups and teams that combine the unique qualities of universities, Government, and industry. These teams are a powerful continuing asset to the national economy and to the national security. A fundamental element here is the university relationships we are developing. We work with regional research institutes to assure the most immediate availability of new technology to the industrial community. We support the advanced training of scientists and engineers to meet the growing needs for superior technical capabilities throughout the national economy. A significant portion of our program in research and space flight experimentation is directly performed by universities across the country.

The development of the technological base for a modern industrial community can be fostered and advanced by a close working relationship between the community itself and the universities that serve it. Since the new technology now being made available is not necessarily limited in its applicability by geographic area or by other aspects of the existing industrial pattern, it provides an equal opportunity for each community to take what advantage thereof it desires. NASA feels that the technology and personnel of the space program are a major contribution to the long-term economic health of the Nation.

I might say, Mr. Chairman, we have established an office of technology utilization to work with our own centers and with industry and

with universities and with regional groups in order to make this new technology available to all who are interested.

Senator RANDOLPH. Dr. Seamans, at that point, I believe it would not burden the record if we would include those universities that are cooperating under the program that you have just mentioned. How many would there be, approximately?

Dr. SEAMANS. We have approximately 130 universities working with us one way or another in our program.

Senator RANDOLPH. Yes. I would like to have those documented, if we have not already placed them in the record.

Dr. SEAMANS. We would be happy to place that in the record.

Senator RANDOLPH. Thank you, sir.

(A list of the 130 universities referred to, follows:)¹

GRANTS AND RESEARCH CONTRACTS

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, WASHINGTON, D.C.

Alabama:

University of Alabama.
Auburn University.
Southern Research Institute.

Alaska: University of Alaska.

Arizona:

University of Arizona.
Arizona State University.
Lowell Observatory.
U.S. Air Force—Office of Aerospace Research.

Arkansas: University of Arkansas.

California:

American Mount Everest Expedition 1963.
Institute for Medical Research (Cedars of Lebanon Hospital).
California Institute of Technology.
University of California.
University of California (Berkeley).
University of California (Davis).
University of California (Los Angeles).
University of California (Riverside).
University of California (San Diego).
University of California (San Francisco).
University of California (Santa Barbara).
Medical Sciences Research Foundation.
Pasadena Foundation for Medical Research.
Rand Corp.
University of Southern California.
Stanford Research Institute.
Stanford University.

Colorado:

Colorado School of Mines.
Colorado State University.
University of Colorado.
University of Denver.
National Academy of Sciences.
U.S. National Bureau of Standards.
Research Institute for Biological Science.
University Corporation for Atmospheric Research.
Western State College of Colorado.

¹ For details of contracts, see "Grants and Research Contracts, Active Grants and Contracts, Jan. 1, 1964," published by the National Aeronautics and Space Administration, Washington, D.C.

Connecticut:

University of Bridgeport.
University of Connecticut.
U.S. Navy—Naval Medical Research Laboratory.
Wesleyan University.
Yale University.

Delaware: University of Delaware.

District of Columbia:

American Academy of Arts and Sciences.
American Institute of Biological Sciences.
American University.
Catholic University.
Environmental Research Institute.
George Washington University.
Georgetown University.
Green & Holley.
Howard University.
National Academy of Sciences.
National Science Foundation.
National Science Teachers' Association.
Science Service.
Smithsonian Institution.
Society of Photographic Engineers & Scientists.
U.S. Air Force—Office of Scientific Research.
U.S. Atomic Energy Commission.
U.S. Department of Health, Education, and Welfare.
U.S. Department of Interior (Geological Survey).
U.S. Library of Congress.
U.S. Navy—Bureau of Naval Weapons.
U.S. Navy—Bureau of Ships.
U.S. National Bureau of Standards.
U.S. Navy—Naval Research Laboratory.
U.S. Navy—Office of Naval Research.
U.S. Weather Bureau.

Florida:

Communication Research Institute of St. Thomas, V.I.
East Central Florida Regional Planning Council.
University of Florida.
Florida State University.
University of Miami.
University of South Florida.
U.S. Navy—School of Aviation Medicine.

Georgia:

Emory University.
University of Georgia.
Georgia Institute of Technology.
U.S. Department of Health, Education, and Welfare.

Hawaii:

University of Hawaii.
U.S. National Bureau of Standards.

Illinois:

University of Chicago.
IIT Research Institute.
Illinois Institute of Technology.
University of Illinois.
Materials Research Laboratory, Inc.
Northwestern University.
U.S. Navy, Office of Naval Research.

Indiana:

Amateur Rocketeers of America.
Evansville State Hospital.
Indiana University.
University of Notre Dame.
Purdue University.

Iowa:

Iowa State University.
State University of Iowa.

Kansas:

University of Kansas.
University of Kansas City.
Kansas State University.

Kentucky:

University of Kentucky.
Spindletop Research Center.

Louisiana:

Louisiana State University.
Tulane University.

Maine:

Aroostook State Teachers College.
Farmington State Teachers College.
Fort Kent State Teachers College.
Gorham State Teachers College.
Hebron Academy.
University of Maine.
Washington State Teachers College.

Maryland:

Hydronautics, Inc.
Johns Hopkins University.
University of Maryland.
National Institutes of Health.
U.S. Air Force Aerospace Medical Laboratory.
U.S. Army Ballistic Research Laboratory.
U.S. Army Chemical Corps Biological Laboratories.
U.S. Atomic Energy Commission.
U.S. Naval Medical Center.
U.S. Navy, Bureau of Medicine and Surgery.
U.S. Navy, Medical Research Center.
U.S. Navy, Naval Ordnance Laboratory.

Massachusetts:

American Meteorological Society.
Bolt, Beranek & Newman, Inc.
Boston College.
Boston University.
Brandeis University.
Clark University.
Harvard College Observatory.
Harvard University.
Massachusetts Institute of Technology.
National Research Corp.
Northeastern University.
Northwestern University.
Tufts University.
U.S. Air Force, Cambridge Research Center.
U.S. Air Force, Cambridge Research Laboratories.

Michigan:

University of Detroit.
Henry Ford Hospital.
University of Michigan.
Michigan State University.
Wayne State University.

Minnesota:

Mayo Association.
University of Minnesota.

Mississippi:

University of Mississippi.
Mississippi State University.

Missouri:

University of Missouri.
Missouri School of Mines & Metallurgy.
Midwest Research Institute.
St. Louis University.
Washington University (St. Louis).
U.S. Aeronautical Chart and Information Center.

Montana :

Montana State College.
Montana State University.

Nebraska :

Lincoln public schools.
University of Nebraska.

Nevada : University of Nevada.**New Hampshire :**

Dartmouth College.
University of New Hampshire.
New Hampshire University.

New Jersey :

General Electric Co.
Princeton University.
Seton Hall University.
Rutgers State University.
Stevens Institute of Technology.

New Mexico :

The Lovelace Foundation for Medical Education & Research.
New Mexico State University.
University of New Mexico.
U.S. Air Force, Holloman Air Force Base.

New York :

Adelphi College.
Adelphi University.
Alfred University.
American Institute of Aeronautics & Astronautics.
Polytechnic Institute of Brooklyn.
City University of New York.
City College of New York.
Clarkson College of Technology.
Columbia University.
Cornell Aeronautical Laboratory, Inc.
Cornell University.
Dudley Observatory.
Fordham University.
Institute of the Aerospace Sciences.
New York State University.
New York University.
Princeton University.
Rensselaer Polytechnic Institute.
Republic Aviation Corp.
University of Rochester.
St. John's University.
State University of New York.
Syracuse University.
Yeshiva University.

North Carolina :

Duke University.
University of North Carolina.
North Carolina Science & Technology Research Center.
North Carolina State College.
Research Triangle Institute.

North Dakota : North Dakota State University.**Ohio :**

Battelle Memorial Institute.
Case Institute of Technology.
University of Cincinnati.
Fels Research Institute.
Kent State University.
Ohio State University.
Ohio University.
University of Toledo.
U.S. Air Force, Aerospace Medical Laboratory.
U.S. Air Force, Aerospace Medical Division.
Western Reserve University.

Oklahoma :

Oklahoma City University.
Oklahoma State University.
University of Oklahoma.
Southeastern State College.

Oregon :

University of Oregon.
Oregon State University.

Pennsylvania :

American Institute for Research.
Carnegie Institute of Technology.
Combustion Institute.
Drexel Institute of Technology.
The Franklin Institute.
Haverford College.
Lehigh University.
Mellon Institute.
Pennsylvania State University.
University of Pennsylvania.
University of Pittsburgh.
Temple University.
U.S. Bureau of Weapons, Air Engineering Center.
U.S. Navy, Naval Air Engineering Center.

Rhode Island :

American Mathematical Society.
Brown University.
University of Rhode Island.
Rhode Island Department of Education.

South Carolina :

Clemson College.
University of South Carolina.
U.S. Atomic Energy Commission.

Tennessee :

University of Tennessee.
Vanderbilt University.

Texas :

Arlington State College.
Baylor University.
Graduate Research Center of the Southwest.
University of Houston.
Rice University.
Southern Methodist University.
Southwest Research Institute.
University of Texas.
Texas A. & M. University.
Texas Christian University.
University of Texas, Southwestern Medical School.
Texas Technological College.
Texas Woman's University.
U.S. Air Force, Aerospace Medical Laboratory.
U.S. Air Force, Aerospace Medical Division.

Utah :

Brigham Young University.
Utah State University.
University of Utah.

Vermont : University of Vermont**Virginia :**

Hollins College
Medical College of Virginia
Old Dominion College
Virginia Associated Research Center
Virginia Polytechnic Institute
University of Virginia
College of William and Mary

Washington :

Washington State University
University of Washington

West Virginia : West Virginia University

Wisconsin :

Astronautics Corp. of America

University of Wisconsin

Wyoming : University of Wyoming

Foreign :

University of Auckland

University of Berne

University of Canterbury

Dominion Observatory

Institute for Fotogrammetri

University of Iceland

University of Manchester

Manila Observatory

Max Planck Institute Fur Verhaltensphysiologie

McGill University

University of Munich

Stanford University

University of Toronto

U.S. National Bureau of Standards

Uppsala University

University of Western Ontario

Dr. SEAMANS. Turning more specifically to the question of labor surplus areas, let me outline those steps and procedures we are taking.

During the first half of fiscal year 1964, which is the latest period for which complete statistics are presently available, NASA placed \$110 million, or 8 percent, of its direct awards of \$25,000 or over in areas which, at the time of the awards, were designated by the Department of Labor as substantial labor surplus areas. These were located in 14 States. This does not include procurements made for NASA by the Department of Defense or other Government agencies.

NASA's contracts, in substantial dollar amounts, are almost wholly in the field of research and development; in this field the major prime contracts required for the current NASA program have now been awarded. NASA selection of R. & D. contractors is based on competition to secure the contractors which have the best potential to accomplish its development work successfully. Many of the items being procured have never been built before and practically none will lead to quantity production. Therefore, it is necessary that NASA conduct its procurement competitions for these unique developments among companies without respect to location, in order that the most qualified contractors will be selected.

NASA buys a limited quantity of supplies and also contracts for services for use at its own research centers. NASA also contracts for some of its own construction, although most major construction is conducted by the Corps of Engineers which is, therefore, responsible for this construction contracting. Because NASA purchases of supplies are in small quantities, it is not possible to divide the procurements economically and conduct partial set-asides for labor surplus areas.

Defense Mobilization Order No. 4, which is binding on NASA, provides in part that a price differential will not be paid to place contracts in labor surplus areas. A like provision has appeared in military appropriation acts since 1954 and the Comptroller General has expressed the opinion that this precludes the use of total set-asides. Therefore, NASA considers it is precluded from the use of total set-asides for labor surplus areas.

Defense Mobilization Order No. 4 has been under revision for several months by the Surplus Manpower Committee of the Office of Emergency Planning and it is expected it will be ready shortly for issuance. NASA has had active participation on the Committee.

NASA does have an active set-aside program for small business firms, many of which are located in labor surplus areas. These are complete and not partial set-asides. The Small Business Administration's April report on set-asides made for all Government agencies and department from July 1963 through March 1964 showed that NASA had agreed to 2,276 set-asides during this period in 1964 as compared with 560 in 1963, and awards had already been made on 1,548 in 1964 as compared with 360 in 1963.

Senator RANDOLPH. Doctor, what is NASA doing about placing facilities of one type or another in distressed areas of the country?

Dr. SEAMANS. NASA has a wide variety of requirements for facilities. Some of these relate to facilities for fabrication and test of equipment; some involve static testing; some involve research facilities; and some involve launch facilities. These facilities are cited in response to the need for the work that is to be undertaken. For example, a launch facility must be located at Cape Kennedy; the test facilities either at our Mississippi facility or at the contractor's plant. University facilities for research obviously are located close to the campus. So, we do not really have the flexibility here for placing our facilities anywhere in the country solely on the basis of labor surplus areas.

Senator RANDOLPH. Dr. Seamans, at this point I would like to indicate that, although West Virginia feels that we haven't been able to participate in this NASA program to the degree that we would have desired, we are in nowise critical of the practices which are carried forward. We are attempting to be more intelligent in bringing these problems to the attention of NASA insofar as the State of West Virginia, a labor surplus area, is concerned.

I would want the record to reflect that I recall that on the basis, not of a set-aside or any special arrangement, we were able to have the East Coast Flying Service, based at Martinsburg, W. Va.—at the airport there—win an award under competitive conditions for transportation of NASA personnel. This might be a very small item, but to us it is an important item. There are, perhaps, 30 or 40 members of the east coast flying personnel based in West Virginia.

I wish the record to indicate that, in this instance, we were able to compete for that award.

Dr. SEAMANS. Let me say, Mr. Chairman, from time to time the Administrator of NASA arranges meetings with representatives from a particular region or State. We had a most successful meeting, from our standpoint, with representatives from West Virginia several weeks ago, including a representative of the Congress here, and businessmen, bankers, and political leaders in the State.

Senator RANDOLPH. Yes. Representative Ken Hechler of West Virginia deserves particular commendation, because it was he who organized this meeting, with the cooperation of others in the congressional delegation. I thought it brought a measure of enlightenment to all of us, and that there was an area of mutual understanding which perhaps had been lacking. I think it was a meeting of clarification

and information. And we will try to use it in West Virginia for that purpose.

Dr. SEAMANS. Continuing with my statement—NASA's percentage of increase, therefore, has exceeded that of any other agency or department.

One of the most effective means of assisting business in labor surplus areas is in the field of subcontracting. Many smaller concerns which are unable to compete successfully for a major prime contract can secure subcontracts, and the dollars obtained from subcontract work are as valuable as those from prime contracts. NASA prime contractors spend about 50 percent of the dollars of their contracts with subcontractors.

In 1962 NASA, with the approval of the Bureau of the Budget, instituted a simple subcontract report system by which prime contractors reported their subcontracts of \$10,000 or more on a postal card which listed the name of the subcontractor, the place of performance, the amount of the subcontract, et cetera. Their first-tier subcontractors reported the same on the second-tier subcontracts. The report was limited to 12 prime contract companies.

This report from January 1, 1962, through March 1964 showed that \$1,208 million had been placed in subcontract. The 12 prime contractors located in 9 States had placed business with 3,159 different subcontractors located in 46 States. Sixty-seven percent of the subcontractors were small business companies. Sixty-six percent of the subcontract dollars crossed State lines. Eleven percent of the dollars, or \$131 million, went to labor surplus areas. We believe that, if complete statistics were available on all tiers and all amounts of subcontracts, a much larger amount of dollars would be found going to labor surplus areas.

NASA contracts contain a clause entitled, "Utilization of Concerns in Labor Surplus Areas," under which the contractor agrees to use his best efforts to place subcontracts with companies which will perform the work substantially in labor surplus areas. In order to assist companies which are looking for subcontract business, NASA publicizes in the Department of Commerce Business Daily a synopsis of its pending research and development contracts of over \$100,000. In addition to the information usually published in such synopses, we list the names and addresses of the companies to which requests for proposals for the prime contract are being sent. This gives an opportunity for any company in a labor surplus area, or elsewhere, to contact the prospective prime contract proposer and line up potential subcontract business. It has been found that, if a subcontractor does not get to the prospective prime contractor before the award of the prime contract is made, it is frequently too late for him to sell his product as the prime often lines up its subcontractors during the period it is preparing its proposal. This procedure has worked out well particularly for smaller companies. While subcontracting is important, it is well to remember that 23 of the 100 companies which received the largest dollars of NASA contracts during the first half of fiscal year 1964 were small business concerns.

Another assistance NASA renders to labor surplus area concerns is to secure advanced notice at the earliest possible date, not less than 10 days, of procurements in excess of \$250,000, and see that it is dis-

seminated for their benefit. Reports are sent to NASA headquarters of such pending procurements, including the names and addresses of the companies to be solicited. These reports are sent to the Area Redevelopment Administration and the Small Business Administration. If additional companies in labor surplus areas are considered qualified for the prime contracts, their names are added to the source list.

Each one of NASA's purchasing officers has a small business specialist and industry assistance officer who is available to counsel with any company which is interested in doing business with NASA. This headquarters also has a staff small business specialist and an industry assistance officer who work closely with the Department of Commerce personnel involved in the area redevelopment program and the Small Business Administration in promoting business for companies in labor surplus areas and small business concerns. A list of pending NASA procurements with copies of invitations to bid and requests for proposals is available to any interested companies who visit NASA headquarters, our purchasing offices, and the NASA office in Santa Monica or Boston.

NASA is represented on the Advisory Committee to the Secretary of Defense which is under the Department of Commerce and mainly concerned with alleviating hardship in areas where Government installations are closed or contracts terminated and which are quite apt to turn into labor surplus areas.

The so-called test procedure of procurement has not been undertaken by NASA. It is understood that the Department of Defense which originally instituted the procedure discontinued its use after a trial period. NASA would have a very limited number of procurements which would fit this procedure.

The so-called breakout procurement procedure is much more applicable to production-type contracts than for research and development. When an item is under development, technical changes are frequent and, until the item is finally developed and can be standardized, the responsibility for its successful function must be placed on the development contractor. To attempt to purchase components separately before development is completed might impair reliability. Since NASA is almost completely in the research and development field, it has not had detailed plans and specifications which would permit it to break out parts and components on a program basis. Nevertheless, it has purchased certain subsystems and items, and this type of separate purchase will grow as some items become standardized.

NASA is well aware that effective communication with industry is essential if the national resources for conduct of space exploration are to be utilized fully. Among other measures taken to enhance such communications, NASA personnel attend many industry assistance meetings in all parts of the country to explain the NASA program requirements and the procurement process. Such meetings offer considerable aid to small companies and companies in labor surplus areas by providing knowledge on how to approach Government contract and subcontract problems.

It is apparent, in summary, that expenditures of the substantial appropriations approved by the Congress for the NASA program are a significant element in the national economy. The inherent character

of the requirements for successful space exploration and the identity and location of resources capable of meeting those requirements determine to a large degree the economic effect of the program. NASA is responsible for meeting certain of the national space objectives and must, therefore, place primary emphasis on adequate discharge of that responsibility. The Agency must also conduct its operations within the terms of applicable laws and policies. Within this context NASA policy is to carry out those measures within its capability which can contribute to the alleviation of the problem of labor surplus areas.

Senator RANDOLPH. Dr. Seamans, I believe it will do no inconvenience to you, and it would be pleasing to the chairman, if I were to ask Dr. Conley Dillon at this point, with you still in the witness chair, to come and sit beside you as we discuss the Defense Manpower Order No. 4.

I would like to relate it to West Virginia, and also to the general picture.

Dr. Conley Dillon is assistant to the Governor of West Virginia. We have been going into this matter somewhat. And I ask you to turn, Dr. Seamans, to page 5 of your testimony.

Dr. Dillon, your statement is relatively short. You might skip through it. We will consider it as read. And that might be best, even before I ask some questions. I think, back and forth here, we can develop a point.

Would you do that, Doctor?

Dr. DILLON. Would you like me just to mention the parts related to NASA at this point?

Senator RANDOLPH. I will leave it to your judgment. We are going to have it made a part of the record. But you are discussing this Defense Manpower Policy No. 4, and I want to question Dr. Seamans in relationship to that.

STATEMENT OF DR. CONLEY H. DILLON, CONSULTANT TO THE GOVERNOR OF WEST VIRGINIA, WASHINGTON, D.C.

Dr. DILLON. Senator Randolph, without reading my statement, I will comment on the principal points in my statement which are concerned with a brief review of measures taken to implement DMP 4, with an emphasis on how valuable and how solid a basis has been established under the present administration for carrying on DMP 4, particularly in the Department of Defense, through the Office of Economic Policy Utilization.

In West Virginia, of course, we have been tremendously interested in this because our firms, most of them small, have a need for extra opportunities to compete. And in the statement I have indicated that this need has been met to a certain extent by policies that have been developed under DMP 4.

However, we have been also disappointed by some hopeful signs that have not materialized. The principal new device, the labor surplus area test procedure, as it has been developed by the Department of Defense's Office of Economic Utilization, was, we feel, unfortunately discontinued as a result of, not lack of success, but as a result of a decision to discontinue it. We were very disappointed by this action.

We have, too, a feeling that in recent months there has been some slackening of interest in implementing DMP 4, and as you recall President Kennedy felt it necessary, and did issue, a special directive to officials in policymaking sectors in all the principal Federal procurement agencies to ask these officials to make an extraordinary effort to see that the surplus labor policy under DMP 4 was carried out.

We have felt—and this feeling is shared by others—that it would be extremely useful if President Johnson would, at this stage, also issue a directive which would affirm his strong interest in seeing that this policy is vigorously implemented. It is my understanding that a statement which does affirm the President's interest has been prepared. We are extremely interested in seeing this statement issued.

Senator RANDOLPH. Dr. Dillon, at this point, I would like the record to reflect a telegram which I sent to President Johnson on July 20. I said:

Respectfully urge issuance of a statement to Defense Department personnel affirming your strong interest in more effective administration of Defense Manpower Order No. 4, surplus labor policy preference. Order urgently needed to improve employment in depressed areas.

On July 25, over the signature of Lawrence F. O'Brien, Special Assistant to the President, I read these words, in reply:

The President wants to assure you that he is keenly aware of the need to give all appropriate assistance to depressed areas. He expects the departments and agencies of the executive branch to carry out the administration's policies in this regard.

I will place the text of the telegram and the complete reply from the White House, which I shall not read, at this time, in the record.

(The documents referred to are as follows:)

JULY 20, 1964.

PRESIDENT LYNDON B. JOHNSON,
The White House,
Washington, D.C.

Respectfully urge issuance of a statement to Defense Department personnel affirming your strong interest in more effective administration of Defense Manpower Order No. 4, surplus labor policy preference. Order urgently needed to improve employment in depressed areas.

JENNINGS RANDOLPH,
U.S. Senator.

THE WHITE HOUSE,
Washington, July 25, 1964.

HON. JENNINGS RANDOLPH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: The President has asked me to acknowledge your telegram of July 20 urging more effective implementation of Defense Manpower Order No. 4, which deals with Federal procurement preferences for surplus labor areas.

The President wants to assure you that he is keenly aware of the need to give all appropriate assistance to depressed areas. He expects the departments and agencies of the executive branch to carry out the administration's policies in this regard. He has asked that you be advised that the volume of contracts being channeled into the labor surplus areas of West Virginia has been increased rather substantially—from \$3.1 million in fiscal year 1961 to \$73.4 million in 1962 and further to \$125.4 million in 1963. The data for the final quarter of 1964 are not available but for the first 9 months ending in March 1964 the volume was \$75.8 million.

Work has been underway for some time on an evaluation of Defense Manpower Order No. 4. It is our understanding that the results of this work will be laid before him very soon. If it appears that revisions in the order or other measures are called for, you may be sure that the necessary actions will be taken.

Sincerely yours,

LAWRENCE F. O'BRIEN,
Special Assistant to the President.

Senator RANDOLPH. Now, I read that, Dr. Dillon, because you indicated you felt there was a slackening of attention to this policy, and you hoped that the President would give it the strength of White House emphasis. Is that correct?

Dr. DILLON. Yes, sir; that is correct. I have made the statement, not on the basis of my opinion, but rather on the basis of certain statistics which have been issued by the Department of Defense. These statistics are not reflected in Mr. O'Brien's letter—he doesn't give details. They are contained in an issuance by the Department termed "Prime Contract Awards by State, March 1964." And a comparable period for fiscal 1963 comparable with fiscal 1964, for West Virginia, reflects the cause of my alarm. That is, fiscal 1963, July to March, our total figures were \$123,200,000. This was seven-tenths of 1 percent of all prime contracts.

For fiscal 1964, the figure the Defense reports is \$68,849,000, or four-tenths of 1 percent. This is a difference of approximately \$53,351,000. This difference is a decline in fiscal 1964.

Also, we have experienced some greater difficulty on occasion—this is on specific contracts—in obtaining partial set-asides, than we previously did experience. I am referring here, of course, to the Department of Defense, because the Department of Defense is virtually the only major purchasing unit that makes partial set-asides in large numbers.

To continue with one or two other points—in looking at the non-military, or civilian purchasing agencies, we are, of course, interested in them—we are going to become more interested, because as the defense dollar may decline the proportion of spending of the non-defense agencies in a comparative sense may increase.

As was stated in the testimony, we have been very encouraged by NASA's interest in helping inform our sellers of their program. We would be interested, however, in seeing NASA explore in greater depth the question of making total set-asides where this is feasible under their program. We have taken this matter up with them, and we hope they will give to this question greater attention in the future than they have in the past.

We would also be very much interested in seeing GSA take a more active interest in utilizing any special techniques suitable for their programing and procurement which would give us additional opportunities to bid.

I suggested, consequently, several brief recommendations, which I believe would be worth considering, and I will read these.

They are as follows:

1. The prompt issuance by the President of the statement affirming his strong desire for more effective implementation of surplus labor policy.
2. Issuance, through the Office of Emergency Planning, of the proposed amendments to Defense Manpower Order No. 4 which provide for (a) the "labor surplus test procedure" recently vetoed by the

Secretary of Defense; and (b) the inclusion of pockets of surplus labor in central cities and also areas of underemployment in the classification eligible for surplus labor preference.

3. The adoption and implementation of the policy of making "total set-asides," by NASA, GSA, TVA, and other nondefense agencies.

4. The establishment of an Office of Economic Utilization (similar to the unit in the Department of Defense) in NASA and GSA.

5. More effective cooperative arrangements between the Small Business Administration and both the defense and nondefense agencies for utilizing the computerized "facilities inventory list." This can probably be accomplished by making appropriate arrangements with contracting offices. Furnishing a "print out" of surplus labor firms (by SBA to all purchasing units) might offer a practical method of insuring that they will be given an opportunity to bid on appropriate items.

Effective administration of surplus labor policy, plus the new Office of Economic Opportunity (antipoverty) and Appalachian regional programs, will provide the basis for a successful battle to end the persistent and continuous unemployment of thousands of Americans. To accomplish this requires sincere, cooperative activity by all officials charged with the responsibility of implementing policy.

Thank you, sir.

(Dr. Dillon's prepared statement is as follows:)

STATEMENT BY DR. CONLEY H. DILLON, CONSULTANT TO THE GOVERNOR OF WEST VIRGINIA

The Select Committee on Small Business, U.S. Senate, and this subcommittee are due the thanks of all Americans for their continuous efforts in alerting the people, the Congress, and the executive branch to the need of extraordinary measures to place more contracts in depressed areas.

Only by strong Presidential action were policies developed which have laid a solid framework for a more effective surplus labor policy. Governor Barron speaks for West Virginians and Americans everywhere in acknowledging the strong leadership of former President Kennedy in developing this policy. I will not review the history of Defense Manpower Order No. 4, as that record has been detailed in other hearings. However, I would like to sharply call attention to the great forward step made in the creation of the Department of Economic Policy Utilization in the Department of Defense.

First, under the able leadership of Mr. Ron Linton and currently under the strong direction of Mr. Al Lazure, this small dedicated staff has performed admirably in spite of many obstacles. They are to be highly complimented and strongly supported.

These hearings are, and I believe should be, directed to the future. To obtain perspective, an assessment of the current situation is also in order.

We are very sensitive in West Virginia to change in surplus labor policy. In recent months, we have felt a slackening of interest by Federal purchasing units in using DMP 4 to give our firms better opportunities to compete. When a West Virginia firm fails to get a contract, this is a bread-and-butter matter. Men are laid off with no chance of other employment. Recently, we have found it necessary to fight for partial set-asides, which were formerly made as a matter of routine. This situation concerns us greatly. We also were alarmed when Secretary of Defense McNamara turned thumbs down on the "Labor Surplus Area Test Procedure," which had successfully proved its merit as a useful device in placing subcontracts. Numerous West Virginia firms are too small to bid on large weapons system contracts; this new vehicle would have brought millions of dollars of business to our State. The key Defense Department staff liked it; manufacturers regarded it as feasible; the Comptroller General approved it in test cases; but the Secretary of Defense said "No."

We have also been disappointed in recent weeks that the President has not issued a strong directive to Federal officials responsible for purchasing. I have

been informed that an order affirming strong Presidential interest in a more vigorous implementation of surplus labor policy was prepared for issuance several months ago but still awaits the President's signature. This Executive statement is badly needed.

In the past, greater attention has been given to defense purchasing under DMP 4 than to other procurement activities. As a result, specific improvement in carrying out surplus labor policy in nondefense agencies has been disappointing. The record of the nonpurchasing agencies with responsibilities in this area has not been encouraging. The Area Redevelopment Administration has almost completely abdicated its responsibilities by delegating the function of compiling a special list of qualified firms in distressed areas for use by Federal purchasing departments to the Small Business Administration. The SBA has not completely developed techniques for realizing the advantages of a computerized listing of firms for rapid transmittal of essential information to Federal contracting officers. In addition to this delay, the SBA has understandably been more zealous in working for the excellent small business set-aside program than it has in cooperating to make surplus labor policy successful.

A look at the nonmilitary purchasing agencies reveals few steps forward in assisting surplus labor areas. The National Aeronautics and Space Administration Agency has not participated in the partial set-aside program, as it does not suit their program pattern. So far, NASA has not decided to make total set-asides although this device has not been declared outside the scope of agency policymaking. The General Services Administration has also failed to utilize special techniques for implementing surplus labor policy.

How can this drifting away from the solid development of a dynamic surplus labor policy be halted? In my opinion, several steps can be taken immediately which will change the climate and environment for effective administration of this policy. They are as follows:

1. The prompt issuance by the President of the statement affirming his strong desire for more effective implementation of surplus labor policy.

2. Issuance through the Office of Emergency Planning of the proposed amendments to Defense Manpower Order No. 4 which provide for (a) the "Labor Surplus Test Procedure" recently vetoed by the Secretary of Defense; and (b) the inclusion of pockets of surplus labor in central cities and also areas of underemployment in the classification eligible for surplus labor preference.

3. The adoption and implementation of the policy of making total set-asides by NASA, GSA, TVA, and other nondefense agencies.

4. The establishment of an Office of Economic Utilization (similar to the unit in the Department of Defense) in NASA and GSA.

5. More effective cooperative arrangements between the Small Business Administration and both defense and nondefense agencies for utilizing the computerized "Facilities Inventory List." This can probably be accomplished by making appropriate arrangements with contracting offices. Furnishing a "print out" of surplus labor firms might offer a practical method of insuring that they will be given an opportunity to bid on appropriate items.

Effective administration of surplus labor policy plus the new Office of Economic Opportunity (antipoverty) and Appalachian regional programs will provide the basis for a successful battle to end the persistent and continuous unemployment of thousands of Americans. To accomplish this requires sincere cooperative activity by all officials charged with the responsibility of implementing policy.

Senator RANDOLPH. Dr. Seamans, you have listened to Dr. Dillon as he has said that there is a value in the Defense Manpower Policy 4: Mobilization Order and, we believe that, if this order is vigorously applied, it will stimulate employment, productivity, in a labor surplus area.

I wonder if you would comment on the particular recommendation of Dr. Dillon; that is, that there be established an Office of Economic Utilization, similar to the one we now have in the Department of Defense, in NASA and, as Dr. Dillon said, also in GSA, and we can ask GSA to comment on this in just a minute, through Mr. Griffin's testimony. What would be your feeling?

STATEMENT OF DR. ROBERT C. SEAMANS, JR.—Resumed

Dr. SEAMANS. We recognize the importance of properly implementing the policy of DMP 4, and it is our intention to do so. We do have within our procurement office an industry assistance officer—who would be here today with me if he had not recently had an operation—and he reports directly to Mr. Vecchietti, the Director of Procurement, who is here with me today. We also have, Mr. Chairman, in each one of our Centers throughout the country an industry assistance officer within the procurement office. This gives us a focal point at each of our installations where people can go and obtain information, and where we can also review procurements to see that we are properly living up to the intent of the policy.

Senator RANDOLPH. Dr. Seamans, Mr. Peterson has a few questions.

Mr. PETERSON. Dr. Seamans, on your subcontracting reports that you have experimented with, are you considering making a full program out of this, and requiring your primes to make these reports so that we will have some better statistics across the board, as to where contracts are being placed out of the Space Agency?

Dr. SEAMANS. As I have indicated, it is experimental. It is working out, we believe, extremely well. I would like to ask Mr. Vecchietti for his views on whether it should be broadened or not. This is a matter we have to work out with the Bureau of the Budget.

Mr. VECCHIETTI. We just recently obtained Bureau of the Budget approval to extend this to all our major contracts, and it is now underway on that basis; that is, first- and second-tier subcontract reporting. Returns are just beginning to come in.

Mr. PETERSON. Would NASA consider assigning responsibility for carrying out DMP 4 to some one person in each one of its procurement agencies the way the Defense Department has?

Dr. SEAMANS. Well, under the procedure that I attempted to describe, we do have at each one of our Centers an individual who has this responsibility.

Mr. PETERSON. Would you furnish this committee with the directives that went forward to those people assigning that responsibility, and the list of them, so that we can publish it along with the list of the Defense Department? This will be for the benefit of business throughout the country that utilizes this report, and they will know where to get in touch with the nearest individual.¹

Dr. SEAMANS. Yes, I would be happy to submit that.

I actually have in front of me the NASA procurement regulation that pertains to this.

Mr. PETERSON. We can put that in the record separately. I will appreciate it very much.

Dr. SEAMANS. All right.

(The regulation referred to follows:)

SUBPART 8—LABOR SURPLUS AREA CONCERNS

1.850 SCREENING OF PROCUREMENTS WITH RESPECT TO LABOR SURPLUS AREA CONCERNS

(a) *Forwarding of information.*—Procurement offices shall forward to the Office of Procurement, industry assistance officer (Code: KD-2), the following information with respect to all proposed unclassified procurements in excess of

¹ The list requested was subsequently received, and appears as app. III, p. 87.

\$250,000, including sole-source procurements, at the earliest possible date, and, in any event, not less than 10 days prior to issuance of the invitation for bids or request for proposals:

- (i) A detailed description of the item or work and the quantity involved (a copy of the purchase request may be forward in lieu of the detailed description);
- (ii) Estimated value of the procurement;
- (iii) Names and locations of firms to be solicited;
- (iv) Estimated date of issuance of invitation for bids or request for proposals;

(v) Whether a small business or labor surplus set-aside will be made; and

(vi) Any special requirements or unusual aspects to be included in the solicitation, e.g., those which will require special capabilities or facilities for development, manufacture, or test purposes.

(b) *Action of Office of Procurement.*—The industry assistance officer shall:

- (i) Review such proposed procurements to determine if adequate consideration has been given to qualified firms in labor surplus areas;
- (ii) Suggest additions of qualified firms, when considered feasible, to the proposed source list of firms in labor surplus areas; and
- (iii) Serve as a central point of contact for representatives of the Area Redevelopment Administration, the Small Business Administration, and for special State representatives on proposed NASA procurements, and afford such representatives opportunities to suggest additions of qualified firms to the proposed source list.

The industry assistance officer shall promptly inform the procurement office concerned of any suggested additional sources, for appropriate consideration.

Mr. PETERSON. I have no further questions, Mr. Chairman.

Senator RANDOLPH. Thank you very much, Dr. Seamans.

Only one point. We speak of partial set-asides by NASA. Dr. Dillon has indicated a need to have total set-asides. Would you comment just briefly between the two, Mr. Vecchietti?

Mr. VECCHIETTI. Yes, sir. As a description? A comparison of the two procedures?

Senator RANDOLPH. That is right.

Mr. VECCHIETTI. In a total set-aside, as we do it extensively in NASA for small business, the total procurement is reserved for competition among small business concerns. In any other respect it is as a normal competitive procurement. The low bidder would receive the award.

In a partial set-aside, on the other hand, as its name indicates, a portion of the total procurement is reserved for participation among either small business concerns or, in the case of a labor surplus partial set-aside, for firms located or who will produce in labor surplus areas.

Now, in order to effectively conduct a partial set-aside, you must be procuring quantities that are susceptible to severable production runs. In the small business area, for example, we recently had a set-aside for liquid oxygen. That was a small business set-aside in which 50 percent was reserved for participation by the small business concern.

The way it actually works is that the initial unreserved portion is competed nationwide, and award of that portion is made to the low bidder. The small business firms—or labor surplus area firms—that are eligible for the reserved portion are then given the opportunity to match the successful bid on which the award was made on the unreserved portion. First opportunity is given to the firm, eligible for set-aside, which bid lowest on the unreserved portion.

Senator RANDOLPH. Mr. Vecchietti, do you feel that within NASA—let's stay within your agency—there is a place for both the partial and the total set-aside effort?

Mr. VECCHIETTI. In the small business area we have had a few partial set-asides. We have had quite a few total. We found that in the small quantities that we buy, or for services, which, of course, are not severable, the 100-percent set-aside is more effective. We are precluded from the 100-percent set-aside for labor surplus areas by the Comptroller General decision which has indicated that this would run contrary to the policy of not paying a price differential for alleviation of economic distress. We find that is a roadblock for a hundred percent set-aside in labor surplus areas.

Senator RANDOLPH. Dr. Dillon, do you have further comment?

And then we will close this portion of the morning.

Dr. DILLON. Yes. In the NASA prepared statement about total set-asides, it mentions that a provision prohibiting the price differential is contained in the Defense Appropriation Act. I believe, sir, that the ruling by the Comptroller General was on specific defense contracts, not on nondefense contracts, in reference to total set-asides.

Dr. SEAMANS. While our regulations are essentially identical to those used by the Department of Defense, that is, the Armed Services Procurement Regulation, we are part of the Federal procurement regulation system.

Mr. VECCHIETTI. However, DMP No. 4, itself, as I recall it, prohibits payment of a price differential.

Dr. DILLON. Of course, there is a difference of opinion as to whether a total set-aside constitutes a price differential.

Mr. VECCHIETTI. Yes, sir.

Dr. DILLON. And the specific and direct prohibition on which the Comptroller General's decision was based was concerned with defense procurements, not nondefense procurements. Their rulings were on specific cases, and these were, as I recall—none of them were non-defense.

And I submit that this might be still a moot question.

Mr. VECCHIETTI. I think that Dr. Seamans would agree—we would certainly be willing to pursue this with the Comptroller General to get a more specific delineation of his decision's applicability to NASA, if the committee so desires. We would do it in conjunction with other civilian agencies.

Senator RANDOLPH. I think it is helpful that we do pursue it, since this discussion indicates a need at least for clarification, if it is not an actual difference of opinion.

Dr. Dillon, we are grateful for your testimony.

We appreciate, Dr. Seamans, and you, Mr. Vecchietti, allowing Dr. Dillon to come in, as it were, and explore this specific subject matter.

Thank you, gentlemen.

Robert Griffin, would you come forward with your associates, please?

STATEMENT OF ROBERT T. GRIFFIN, ASSISTANT ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION; ACCOMPANIED BY CHARLES W. GASQUE, DEPUTY GENERAL COUNSEL; LLOYD L. DUNKLE, ASSISTANT COMMISSIONER, OFFICE OF PROCUREMENT, FEDERAL SUPPLY SERVICE; AND HENRY A. LEVY, DIRECTOR, BUSINESS SERVICES AND SMALL BUSINESS

Mr. GRIFFIN. Mr. Chairman, I am Robert T. Griffin, Assistant Administrator of General Services. I have with me, Mr. Charles W. Gasque, Deputy General Counsel of GSA; Lloyd L. Dunkle, Assistant Commissioner, Office of Procurement of our Federal Supply Service; and Henry A. Levy, Director, Business Services and Small Business, of my office.

I regret that Administrator Boutin was not able to be with us. He is out of the city. He has asked us to represent him, and give your subcommittee any information you may desire.

I would like to summarize, Mr. Chairman, the actions which have been taken by GSA in fulfillment of the wishes of the administration and particularly as they relate to the implementation of DMP 4.

A governmentwide regulation was issued in the Federal Procurement Regulations on July 21, 1961, implementing the provisions of Defense Manpower Policy No. 4 with respect to placing contracts with firms who would perform a substantial portion thereof in labor surplus areas. This regulation provides, among other things, that:

(a) Best efforts shall be used to award negotiated contracts to labor surplus area firms.

(b) A portion of each procurement exceeding \$10,000 shall be set aside for labor surplus area firms if the procurement is severable into two or more economic production runs or reasonable lots and one or more labor surplus area firms, having the technical competency and productive capacity to furnish a severable portion of the procurement at a reasonable price, is expected to submit bids or offers.

(c) Preference shall be given partial labor surplus area set-asides over partial small business set-asides.

(d) Dissemination to procurement personnel of all available information identifying labor surplus areas and production capabilities.

(e) Labor surplus area firms on bidders' lists will be given every opportunity to bid.

(f) Subcontracting by prime contractors with firms in labor surplus areas is encouraged and a labor surplus area subcontracting program is prescribed.

(g) In the event of equal low bids, preference is given to labor surplus area firms.

(h) Intended procurements, both advertised and negotiated, are required to be published in advance in the "Commerce Business Daily."

GSA's 11 Business Service Centers give top priority to furthering the labor surplus area assistance program through identifying firms in labor surplus areas having contractual possibilities—

Senator RANDOLPH. Mr. Griffin, would you place the locations of those in the record?¹

¹ The information requested was subsequently received, and appears as app. IV, p. 87.

Mr. GRIFFIN. These Business Centers endeavor to provide one-stop service for business firms in these areas, attempting to identify them, seek them out, counsel them, provide them with all financial advice, business opportunity information, and expedite their being placed on mailing lists which will provide them with assurance of being notified of every bidding opportunity.

In answer to one of the recommendations in the subcommittee report, the GSA institute has formally trained approximately 540 Government contracting officers and other procurement officials. They have been instructed in connection with providing assistance to labor surplus area firms through the contracting process. This is one of the courses among the many procurement courses which we provide them.

It is one of the highlights of this formal training and teaching course.

GSA agrees with the need for broadening and strengthening the provisions of DMP 4, and has been actively assisting the Surplus Manpower Committee in the drafting of a new order to replace DMP 4.

GSA has closely followed DOD's experiment under which contractors, not otherwise the low bidder, but who would perform all or part of the contract in a labor surplus area, were given the right to match the price of the low bidder. Upon evaluation of the results of this test, and after consultation with DOD officials, it is GSA's considered judgment that such procedure should not be adopted for governmentwide use because it is incompatible with the basic procurement mission of buying at lowest available prices, would impair efficient procurement by depriving the Government of its ability of doing business with firms best qualified to supply its needs, and the procedure would tend to force prime contractors to reconstruct their supply sources, thereby causing a loss in certain good sources as well as a reduction in good quality control.

GSA has under development a proposed expanded reporting system which, among other things, will require all civilian agencies to report awards of contracts and subcontracts awarded to labor surplus area firms.

Machine tools in the National Industrial Equipment Reserve are loaned by GSA to nonprofit educational institutions or training schools whenever DOD determines that the program proposed by any such institution will contribute materially to the national defense.

This, of course, is in furtherance of another of your subcommittee's recommendations, and I should like to report that, with regard to the actual status of this program in GSA, we now have under loan to schools 2,700 machine tools. It is estimated that next year we will have loaned 3,300 tools. And this will come very close to exhausting the total number of machine tools which are suitable for the purpose of loaning them to nonprofit educational institutions.

I highlight this because it reveals that this has been a very active program, and furthers the recommendations of this subcommittee.

GSA believes that an energetic and efficient program to assure a high degree of participation in Government contracting by qualified small business firms is essential to the national economy. A top priority has been assigned to the small business assistance program in GSA. During fiscal year 1964, GSA increased its share of prime

contracts to small business to 53.2 percent, or \$451.4 million, an increase of 12.7 percent over fiscal year 1963.

GSA believes that the national policy expressed in DMP 4 has been completely implemented through governmentwide regulations in the Federal Procurement Regulations. Nevertheless, GSA will continue to give special consideration to improving these procedures wherever appropriate.

GSA believes that the partial set-aside procedure is an effective method of furthering assistance to labor surplus area firms and that this procedure should be continued to be used by all procurement agencies.

This is a summary of my lengthy statement, Mr. Chairman.

My associates and I will be pleased to answer any questions or provide any information which your subcommittee may desire.

(Mr. Griffin's prepared statement, together with an outline of the testimony, follows:)

OUTLINE OF MR. GRIFFIN'S TESTIMONY

A Government-wide regulation was issued in the Federal Procurement Regulations on July 21, 1961, implementing the provisions of Defense Manpower Policy No. 4 with respect to placing contracts with firms who would perform a substantial portion thereof in labor surplus areas. This regulation provides, among other things, that:

(a) Best efforts will be used to award negotiated contracts to labor surplus area firms.

(b) A portion of each procurement exceeding \$10,000 shall be set aside for labor surplus area firms if the procurement is severable into two or more economic production runs or reasonable lots and one or more labor surplus area firms having the technical competency and productive capacity to furnish a severable portion of the procurement at a reasonable price is expected to submit bids or offers.

(c) Preference shall be given partial labor surplus area set-asides over partial small business set-asides.

(d) Dissemination to procurement personnel of all available information identifying labor surplus areas and production capabilities.

(e) Labor surplus area firms on bidders' lists will be given every opportunity to bid.

(f) Subcontracting by prime contractors with firms in labor surplus areas is encouraged and a labor surplus area subcontracting program is prescribed.

(g) In the event of equal low bids, preference is given to labor surplus area firms.

(h) Intended procurements, both advertised and negotiated, are required to be published in advance in the "Commerce Business Daily."

GSA's business service centers give top priority to furthering the labor surplus area assistance program through identifying firms in labor surplus areas having contractual possibilities, providing them with needed information, counseling, and assistance concerning Government procurement, and participating in business opportunity meetings held throughout the country. In addition, top GSA officials have spoken at conferences sponsored by State and local governments, such as the Pennsylvania Industrial Development Clinic, the West Virginia Development Conference, and conferences of State, mayor, and public officials.

Through the GSA institute, over 540 Government contracting officers and other procurement officials have been instructed in connection with providing assistance to labor surplus area firms through the contracting process.

GSA agrees with the need for broadening and strengthening the provisions of Defense Manpower Policy No. 4 and has been actively assisting the Surplus Manpower Committee in the drafting of a new order to replace Defense Manpower Policy No. 4.

GSA has closely followed DOD's experiment under which contractors, not otherwise the low bidder, but who would perform all or part of the contract in a labor surplus area, were given the right to match the price of the low bidder. Upon evaluation of the results of this test, and after consultation with DOD

officials, it is GSA's considered judgment that such procedure should not be adopted for Government-wide use because it is incompatible with the basic procurement mission of buying at lowest available prices, would impair efficient procurement by depriving the Government of its ability of doing business with firms best qualified to supply its needs, and the procedure would tend to force prime contractors to reconstruct their supply sources, thereby causing a loss in certain good sources as well as a reduction in good quality control.

GSA has under development a proposed expanded reporting system which, among other things, will require all civilian agencies to report awards of contracts and subcontracts awarded to labor surplus area firms.

GSA would not be in favor of the adoption of a policy that all procurement must be made on an f.o.b.-origin basis. Transportation costs must be included in determining net price to the Government. Procurement on an f.o.b.-origin basis only would unduly increase procurement costs, deprive the Government of needed flexibility in meeting schedules and utilization of contractor facilities, and would create administrative burdens and expense through an increase in the amount of claims brought for lost and damaged goods against carriers.

Machine tools in the national industrial equipment reserve are loaned by GSA to nonprofit educational institutions or training schools whenever DOD determines that the program proposed by such institution will contribute materially to the national defense.

GSA believes that an energetic and efficient program to assure a high degree of participation in Government contracting by qualified small business firms is essential to the national economy. A top priority has been assigned to the small business assistance program in GSA. During fiscal year 1964, GSA increased its share of contracts to small business to 53.2 percent or \$451.4 million, an increase of 12.7 percent over fiscal year 1963.

GSA believes that the national policy expressed in Defense Manpower Policy 4 has been completely implemented through Government-wide regulations in the FPR. Nevertheless, GSA will continue to give special consideration to improving these procedures wherever appropriate.

GSA believes that the partial set-aside procedure is an effective method of furthering assistance to labor surplus area firms and that this procedure should be continued to be used by all procurement agencies.

STATEMENT OF ROBERT T. GRIFFIN, ASSISTANT ADMINISTRATOR OF GENERAL SERVICES

Mr. Chairman and members of the subcommittee, I am Robert T. Griffin, Assistant Administrator of General Services, and I have with me Messrs. Charles W. Gasque, Deputy General Counsel of GSA; Lloyd L. Dunkle, Assistant Commissioner, Office of Procurement of our Federal Supply Service; and Henry A. Levy, Director, Business Services and Small Business, of my office.

As you know, Mr. Chairman, by letter dated July 16 you advised that your subcommittee planned to resume its hearings on the subject of defense spending in labor surplus areas and invited the Administrator of General Services, Mr. Bernard L. Boutin, to testify in connection therewith on August 13.

Since it is not possible for the Administrator to attend the hearing today, as he is out of the city, he asked me to represent him and discuss with you and the members of your subcommittee in his behalf the programs of the General Services Administration which have been designed and are being conducted for the purpose of assisting labor surplus areas. This can best be done, I think, by my commenting on those items mentioned in your letter of July 16 regarding the hearings and subject matters involved.

First, you requested that you be advised of the position of the General Services Administration in connection with the report of your subcommittee dated August 19, 1963, entitled "Impact of Defense Spending on Labor Surplus Areas." We have carefully reviewed the 32 recommendations contained in this report and respectfully make the following statements regarding those recommendations which relate to the responsibilities and operations of GSA.

Recommendation No. 1: Direct more forcibly Government agencies to carry out the Nation's avowed policy of encouraging the placement of contracts in labor-surplus areas.

As you know, the President, in his message to the Congress of February 2, 1961, on the subject of economic recovery and growth, stated, among other things, that he had directed the Secretary of Defense, the Secretary of Labor, and the Administrator of General Services to take prompt steps to improve the

machinery by which Federal contracts could be channeled to firms located in labor surplus areas. Pursuant to this directive, GSA on February 16, 1961, addressed a letter to the head of each major civilian procuring agency calling attention to the President's message and advising that a governmentwide regulation on set-asides for labor-surplus area firms was in the process of being prepared for early issuance in the Federal Procurement Regulations. Pending issuance of this new FPR it was suggested that agencies be guided by the internal labor-surplus area set-aside procedures of GSA and a copy of such procedures was furnished to each agency. Further, each agency was reminded that the authority on which set-aside contracts with labor-surplus area firms might be negotiated was contained in a general delegation of contracting authority issued by the Administrator of General Services to the heads of executive agencies under date of March 10, 1959, and that specific instructions concerning the use of such authority were contained in the Federal Procurement Regulations.

Following the issuance of this communication an intensive campaign of immediate and direct contact by personal visitation of GSA officials was undertaken with major agencies at the procurement level, the purpose being to call attention to the need for immediate action by such agencies to implement the President's directive within the framework of existing law and delegated authority.

Internally, all regional buying activities of GSA were directed on February 14, 1961, to take immediate steps to reexamine their implementation of Defense Manpower Policy No. 4 and to exert every effort possible consistent with existing regulations to channel procurement into labor-surplus areas, such as affording maximum publicity to procurement opportunities and giving full consideration to utilization of labor-surplus area set-aside procedures. Prime contractors were to be encouraged to place subcontracts with firms which would perform a substantial proportion of the production under the contract in labor-surplus areas.

All GSA regional Business Service Centers were alerted to give top priority to furthering the labor-surplus area assistance program through identifying firms in labor-surplus areas having the potential for doing business with the Government and providing them with needed information, counseling, and assistance concerning Government procurement.

On July 12, 1961, the Federal Procurement Regulations regarding the requirement for publicizing proposed procurement actions in the "Commerce Business Daily" were amended to broaden the requirements for publication, thus providing expanded information on bidding possibilities to labor-surplus area firms.

On July 21, 1961, a governmentwide regulation was issued in the Federal Procurement Regulations implementing DMP 4. This regulation reaffirmed the national policy to aid labor-surplus areas by placing contracts with labor-surplus area firms to the extent consistent with procurement objectives and where such contracts can be awarded at prices no higher than those obtainable from other firms. Further, it encourages prime contractors to place subcontracts with firms which will perform a substantial proportion of the production in labor-surplus areas. Specifically, the regulation requires that:

(a) Best efforts shall be used to award negotiated (other than set-aside) contracts to labor-surplus area firms;

(b) A portion of each procurement estimated to exceed \$10,000 shall be set aside for labor-surplus area firms if the procurement is severable into two or more economic production runs or reasonable lots and one or more labor-surplus area firms, having the technical competency and productive capacity to furnish a severable portion of the procurement at a reasonable price, is expected to submit bids or offers. If deemed practicable by the contracting officer, procurements between \$2,500 and \$10,000 may be partially set aside for labor-surplus area firms;

(c) Where either a partial labor-surplus-area set-aside or a partial small business set-aside can be appropriately made for any given procurement, the set-aside shall be made for labor-surplus-area firms. However, in order to accommodate both labor-surplus-area and small business policies, labor-surplus-area set-aside awards are made in accordance with an order of priority in which small business labor-surplus-area firms are preferred over large business labor-surplus-area firms;

(d) Procurement agencies shall disseminate promptly to appropriate procurement personnel available publications and other information identifying labor-surplus areas and production capabilities therein;

(e) The classification and certification of labor-surplus areas by the Department of Labor shall be considered conclusive with respect to the particular procurement concerned;

(f) Labor-surplus-area firms listed on appropriate bidder's list shall be given the opportunity to submit bids or proposals on all procurements for which they are qualified, except where the procurement has been set aside in its entirety for a specific class of firms, such as small business. Where less than a complete bidder's list is to be used, all prospective contractors in labor-surplus areas shall be solicited, except that only a pro rata number of prospective surplus-labor-area firms need be solicited when the bidder's list is composed predominantly of labor-surplus-area firms and the estimated award is not expected to be more than \$25,000;

(g) Subcontracting with firms in labor-surplus areas is encouraged and a labor-surplus-area subcontracting program is prescribed; and

(h) In the event of equal low bids, preference shall be given to labor-surplus-area firms and small business labor-surplus firms are preferred over large business labor-surplus firms.

During the past few years, GSA has participated in a number of area conferences sponsored by State and local government, private institutions, etc., such as the Pennsylvania Industrial Development Clinic at Harrisburg, the West Virginia Development Conference at Beckley, the Conference of Michigan Mayors, a conference of Indiana public officials, and the Wisconsin Conference of Community Officials held in Washington, D.C.

Furthermore, during fiscal year 1964 our regional Business Service Centers participated in 77 business opportunity meetings held in various communities throughout the country, at which 3,307 businessmen were counseled on doing business with the Government by GSA personnel. Most of these meetings were held in officially designated labor-surplus areas, and the total number of businessmen counseled represented an increase of 71.9 percent over the number counseled at similar meetings during fiscal year 1963.

Commencing in December 1962, GSA introduced as one of its Government-wide procurement training activities, a 1-week "Course on Procurement Contracting and Policy," in which one entire session is devoted to a discussion of providing assistance to labor-surplus-area firms, including a study of the procedures governing partial set-asides. During the past 19 months, over 540 Government contracting officers and other officials concerned with Government procurement have been instructed in connection with providing assistance to labor-surplus-area firms through the contracting process.

Recommendation No. 3: Revise Defense Manpower Policy No. 4 so that it will reflect new laws and recently created agencies.

The General Services Administration agrees that Defense Manpower Policy No. 4 should be revised as recommended by your subcommittee for the purpose of updating the policy as well as broadening and strengthening its provisions. As a matter of fact, GSA, as a member of the Surplus Manpower Committee, has been active over the years in suggesting from time to time changes in this policy to provide greater impetus to the labor surplus preference program, such as changes in the provision of a DMP 4 relating to tie bids. In addition, for the past 6 months we have worked actively on a subcommittee of the Surplus Manpower Committee in the drafting of a proposed revision of DMP 4 designed to accomplish the recommended objectives. Insofar as the Surplus Manpower Committee itself is concerned, GSA some time ago recommended to the chairman that additional agencies, such as NASA, AEC, SBA, and BOB be added to the Committee. This subsequently was done.

Recommendation No. 5: Abolish the Surplus Manpower Committee and create an Economic Utilization Board with representatives from interested departments.

As I have just indicated the matter of revising DMP 4 is under active and careful consideration. The present draft of the proposed revised order provides for a Committee on Economic Utilization, under the chairmanship of the Office of Emergency Planning, composed of the representatives of the major agencies and departments of the executive branch.

Recommendations No. 6: Create an office of Economic Utilization Policy with responsibility to improve agency performance in all appropriate agencies; 7: Place the directors of offices of Economic Utilization Policy at the level of Assistant Secretary. Such offices must be staffed adequately so that they are able to make appropriate studies, work with potential bidders, State governments and local units; and 8: Offices of economic utilization policy should continuously encourage prime contractors to establish new facilities in distressed areas.

GSA agrees in principle with these recommendations. However, because of the variance in size of executive agencies and the scope and dollar volume of their respective procurement programs, we believe that each such agency should have sufficient latitude to decide upon the type of internal organization best geared to its needs to carry out the national policy of providing assistance in labor surplus areas.

Recommendation No. 10: Adopt the program now being experimented with which requires 25 percent of selected contracts to be produced in distressed areas and devise a more liberal and exact interpretation of labor surplus area set-aside policy. Contracting officers from all agencies, on procurements over a certain size, should report on why a set-aside under DMP No. 4 was not utilized.

As you know, the Department of Defense has experimented with the procedure under which contractors, not otherwise the low bidder, but who would perform all or part of the contract in a labor-surplus area, were given the right to match the price of the low bidder. However, after careful evaluation of the results of the experiment DOD determined that this procedure should not be adopted by the Department as a permanent procurement method.

In connection with our procurement responsibilities, we have closely followed DOD's experiments in this area and have reviewed and discussed with officials of that department the results achieved. On the basis of our evaluation of these tests it is our considered judgment that such procedure should not be adopted for the following reasons:

(1) Incompatibility with basic procurement mission of buying at lowest available prices;

(2) Impairment of efficient procurement by depriving the Government of the ability of always doing business with firms best qualified to supply its needs; and

(3) Would tend to force prime contractors to reconstruct their supplier and subcontractor relationships thereby causing a loss in certain good supply sources as well as a reduction in good quality control.

Recommendation No. 11: Adopt new programs under which more subcontractors are awarded in labor-surplus areas.

In connection with subcontracting, GSA has prescribed in the FPR a subcontracting program for labor-surplus area firms which is comparable to the small business subcontracting program also prescribed in the FPR pursuant to the Small Business Act Amendments of 1961. Under this program Government prime contractors are required to assume an affirmative obligation with respect to subcontracting with labor surplus area firms. In contracts which range from \$5,000 to \$500,000 the contractor undertakes the obligation of using his best efforts to place his subcontracts with firms which will perform such subcontracts substantially in areas of labor surplus, where this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. In contracts which may exceed \$500,000 the contractor is required to undertake a number of specific responsibilities designed to assure achievement of these objectives and to impose similar responsibilities on major contractors.

Recommendation No. 12: Institute a reporting system by which prime contractors with awards above \$100,000 must report subcontracts.

GSA has under development a proposed expanded reporting system which, among other things, would require all civilian executive agencies to report awards of contracts to both labor-surplus area firms and small business firms made pursuant to a preference or otherwise. In this connection, consideration is being given to the inclusion of a requirement with respect to subcontracts awarded to labor-surplus area firms.

Recommendation No. 13: Government procurement contracts should provide for purchase at point of origin so that firms located in distressed areas will be competitive with firms that are located near points of delivery.

It would appear from this recommendation that transportation costs would be eliminated from consideration as a price factor in determining the lowest price of a commodity offered for sale to the Government. As you know, basic procurement statutes require Government contracts to be awarded to that responsible bidder whose overall price is the lowest to the Government. In determining the lowest price consideration must be given to transportation costs as a factor. Accordingly, whether a procurement is made on the basis of f.o.b. origin or f.o.b. delivery point, transportation costs are computed in arriving at the lowest net price to the Government. Therefore, if this recommendation is

intended to exclude consideration of transportation costs, we would be opposed to such recommendation for the reason that it would unduly increase the cost of procurement to the Government as well as deprive the Government of needed flexibility from the standpoint of delivery schedules, contractor facilities, etc., in determining with respect to each case the most appropriate delivery point of the intended procurement.

Recommendation No. 16: Allow modifications of contracts under authority of Public Law 85-804 and Executive Order 10789 in cases where such action would maintain productive facilities for national defense.

To the extent that the national defense will be facilitated under the extraordinary emergency authority granted by Public Law 85-804, GSA agrees with the subcommittee's recommendation that this contracting authority may be used to further the interests of the labor-surplus preference program.

Recommendation No. 17: Place new Government facilities wherever possible in labor-surplus areas by requiring clearance for the placement of such facilities outside of labor-surplus areas.

This recommendation appears to apply primarily to industrial production, research and similar facilities which would generate private employment in labor-surplus areas. As you know, GSA's responsibilities are limited to providing general purpose office and storage space for the Government by acquisition, construction or lease. The final decision as to the actual geographical location of such new facilities, as distinguished from the selection of a suitable site therefor within any given geographical area, is the responsibility of the agency which will use the space or facility.

Recommendation No. 21: Lend, lease, transfer, or sell machine equipment to nonprofit institutions who will use it in programs which will materially contribute to national defense.

With respect to this recommendation, we are happy to advise your subcommittee that, during the past year, GSA conducted an active campaign for the purpose of acquainting educational institutions with the Government's "tools-for-schools program." As you know, under this program machine tools in the national industrial equipment reserve are loaned to nonprofit educational institutions or training schools when DOD determines that the program proposed by such institutions or schools will contribute materially to the national defense. Interest has been developed in this program as a result of our campaign to the extent that requests from educational institutions for tools may well exceed the quantity of the tools suitable for such purposes which are now in the national industrial equipment reserve. You will be interested in knowing that more than 2,700 tools were on loan to such institutions as of June 30, 1964, compared with 1,900 on loan as of June 30, 1963.

Recommendation No. 22: Render technical assistance directly to contractors and subcontractors in labor surplus areas and indirectly to subcontractors through prime contractors.

As previously indicated, GSA's business service centers provide technical assistance directly to contractors and subcontractors in labor surplus areas. Such assistance includes the providing of information with respect to forthcoming Government procurements, counseling interested firms on the methods and procedures to be followed in obtaining Government contracts, furnishing advice relative to available financial assistance, and any other information which may facilitate the obtaining of a Government contract and the successful performance of such contract.

Recommendation No. 24: Make requirements of proposed procurements more readily available.

The objective of this recommendation has been substantially accomplished through the publication in the FPR of a requirement that, with some stated exceptions, intended procurements of all Government agencies be publicized, in the Commerce Business Daily. Additionally, as an aid to those firms desiring to do business with GSA, we have developed a revised bidders mailing list system under which such firms may now be placed on our nationwide bidders' mailing list by simply making application to any of GSA's business service centers located in each of our 10 regional offices.

Recommendation No. 26: Increase the efforts to educate potential bidders as to bidding procedures and criteria used in bid evaluation.

Continued efforts to educate potential bidders as to bidding procedures and criteria used in bid evaluation are being extensively exerted by GSA's business service centers through participation in local public, professional, and educational meetings and through the participation of other officials of GSA in similar meetings conducted throughout the Nation.

Recommendation No. 27: Indoctrinate procurement officers as to the President's national policy and its implications of assisting distressed areas through Government contracts.

Again, as has already been indicated, an intensive program of indoctrinating procurement officers of the Government as to the President's national policy and its implications of assisting distressed areas through Government contracts has been and is being conducted by GSA through its Government-wide procurement training program and through interagency development and coordination of the Federal Procurement Regulations.

Recommendation No. 30: Issue complete reports on agencies' implementation of DMP No. 4.

Under present reporting procedures GSA obtains on a quarterly basis from civilian executive agencies a report of the dollar volume of contracts placed on a preference basis with firms in labor surplus areas. The revised reporting system, which is under development by GSA will expand the requirements of such reports so as to include not only contracts placed with labor surplus area firms by preference action but also contracts which have been awarded to labor surplus area firms by other than preference action.

Recommendation No. 32: Continue active and increasing effective implementation of governmental policy regarding small business participation in Government procurement.

In this respect, Mr. Chairman, GSA wholeheartedly shares the interest of the President and the Congress of the United States in furthering the role of small business in Government procurement. We believe that an energetic and efficient program to assure a high degree of participation in Government contracting by qualified small business firms is essential to the national economy. To this end, we have assigned a top priority to the matter of implementing the policy of assuring that a fair proportion of the total purchases and contracts for property and services of the Federal Government be placed with small business concerns. GSA has been and is aggressively supporting a small business program in connection with its own procurement of personal property and nonpersonal services. In this respect, GSA in fiscal year 1963 placed 40.5 percent of the dollar volume of its total prime contracts, or \$328.9 million, with small business firms. Further, we are pleased to report that, during fiscal year 1964, we succeeded in increasing to 53.2 percent or \$451.4 million, the share of contracts for property and services placed with small business. You will note that this is an increase of 12.7 percent over fiscal year 1963.

Turning now from these recommendations of your subcommittee, I wish to discuss the second item mentioned in your letter of July 16 which item concerns the implementation of Defense Manpower Policy 4. GSA believes that the national policy expressed in DMP 4 relating to the providing of assistance to labor surplus area firms through Government procurement has been extensively implemented on a Government-wide basis through the policies and procedures enunciated in the Federal Procurement Regulations and internally within GSA through its own buying practices and procedures, including the rendering of assistance to contractors through its business service centers. Nevertheless, we are continuing to give special consideration to improving these procedures wherever appropriate, both by changes in the Federal Procurement Regulations and by our participation in the work of the Surplus Manpower Committee under the chairmanship of the Office of Emergency Planning.

In the third place, Mr. Chairman, you will recall that you requested up-to-date statistics on the labor surplus area partial set-aside program, and information with respect to the so-called test procedures, and the breakout programs. As previously indicated, the so-called test procedures have been completed and evaluated by the Department of Defense and we understand that the results of such tests have been reported to your subcommittee. The breakout programs apply to large defense-type procurements, such as the weapons system procurement, and, consequently, have no appropriate application to the procurement programs of GSA.

With respect to the partial set-aside program for labor surplus area firms, there is submitted herewith a table indicating the dollar volume of procurements placed by civilian executive agencies with labor surplus area firms pursuant to partial set-asides for fiscal year 1963 and the first three quarters of fiscal year 1964. These figures have been compiled from reports furnished to GSA by the civilian agencies listed therein. In addition, we believe that your subcommittee will be interested in knowing that during fiscal year 1964, GSA's Federal Supply Service alone awarded to labor surplus area firms, both by preference action and otherwise, 1,865 contracts, each of which exceeded \$5,000, for a total expenditure of \$167,957,000. This represents 21 percent of the total number of FSS contracts awarded by GSA during fiscal year 1964 which were over \$5,000 and 17 percent of the dollar volume of such contracts.

Finally, Mr. Chairman, you requested an expression of our present feeling concerning the use of Government procurements in aiding distressed areas. It is our firm conviction that such procurements afford a sound and helpful basis for aiding distressed areas and that the use of partial set-aside procedures should be continued. Moreover, we believe that the proposed revision of Defense Manpower Policy No. 4, presently under consideration, will immeasurably strengthen the effectiveness of this worthwhile program.

This concludes my prepared statement. However, if you or members of your subcommittee have any questions you may wish to ask, we shall be happy to answer them at this time or furnish the desired information for the record.

(Following is table attached to Mr. Griffin's prepared statement:)

Civilian executive agency report on preference procurement in labor surplus areas

[In thousands]
FISCAL YEAR 1963

	Total	Agriculture	AEC	Commerce	FAA	GSA	HEW	Interior	Justice	Treasury	TVA	VA
1st quarter.....	\$1,047.3	\$3.4	\$170.9	-----	\$87.4	\$827.0	\$10.2	\$114.2	-----	\$5.3	\$12.4	\$36.5
2d quarter.....	389.8	13.5	11.3	-----	15.3	215.7	14.3	12.9	-----	72.1	2.8	12.1
3d quarter.....	741.3	29.6	76.9	-----	-----	281.6	26.5	285.7	-----	-----	13.0	109.7
4th quarter.....	3,055.6	9.1	24.3	-----	16.5	1,199.3	16.8	1,678.6	-----	-----	1.3	-----
Total, fiscal year 1963.....	5,284.0	55.6	283.4	15.9	99.2	2,323.6	67.8	2,091.4	31.9	77.4	29.5	158.3

1ST 9 MONTHS, FISCAL YEAR 1964

	Total	Agriculture	AEC	Commerce	FAA	GSA	HEW	Interior	Justice	Treasury	TVA	VA
1st quarter.....	\$504.5	-----	\$8.7	-----	-----	\$137.3	-----	-----	-----	-----	-----	-----
2d quarter.....	2,479.8	-----	75.1	-----	-----	328.3	-----	108.0	40.2	\$1,806.9	73.0	\$101.4
3d quarter.....	317.8	-----	52.6	-----	-----	138.3	-----	62.6	-----	59.6	4.8	46.0
Total, fiscal year 1964, 9 months.....	3,302.1	2.3	136.4	-----	94.8	603.9	-----	232.3	48.6	1,866.5	159.0	157.3

NOTE.—The figures for other departments and agencies are those reported to GSA for the periods indicated. Not all departments and agencies submit negative reports.

Senator WILLIAMS. I came in during your testimony, Mr. Griffin, and didn't have a chance to hear all you said. That last statistic—53 percent of your total procurement is to small business?

Mr. GRIFFIN. Yes, sir. That covers buildings, personal properties, all of our total procurement. And this is an increase of 12.7 percent more than the previous year. Frankly, this is, we think, an excellent record on the part of our contracting people.

Senator WILLIAMS. That must go into the subcontracting level.

Mr. GRIFFIN. No; this includes prime contracts only, Mr. Chairman.

Senator WILLIAMS. I would think that if you were building a \$17 million building that goes to a large contractor, he, in turn, will subcontract to small business for the electrical or plumbing or whatever it is.

Mr. GRIFFIN. That would be in addition to this.

I would like to point out one further statistic which I shall read, which is in my prepared statement, Mr. Chairman. That is, that GSA's Federal supply system awarded to labor surplus area firms, both by preference action and otherwise, 1,865 contracts during the past fiscal year, each of which exceeded \$5,000, for a total expenditure of \$167 million, and this represented 21 percent of the total number of FSS contracts awarded by GSA during fiscal year 1964, which were over \$5,000. This amounts to 17 percent of the dollar volume of such contracts.

Senator WILLIAMS. Do you have the figure as to how many labor surplus set-asides you have made?

Mr. GRIFFIN. I don't have the total number of contracts. The dollar volume in 1963 was \$2,323,000, and for the first 9 months of 1964 it is \$603,000. I should point out that last year we had a very large last quarter in fiscal 1963, which is bound to increase here.

We made a study of the reason for this drop, and it is closely related to the shifts of areas in and out of the categories designated by the Department of Labor as persistent and substantial labor surplus areas. I am told by Mr. Dunkle, our Assistant Commissioner of Federal Supply, that the shift in and out of Detroit, Mich., as an example, would be one of these factors.

But this is a subject which we are not thoroughly informed on, and, as a result, the Administrator recently ordered the establishment of an economic assistance unit in our Federal Supply Service, which is in the process of being staffed, for the direct purpose of making an evaluation of the effect of our programs. This will have particular reference to our personal property procurement programs, on the labor surplus areas, and also the making of recommendations, not only for strengthening such issuances as DMP 4, but supplying field instructions and policy information, with a view to procurement action.

I think, frankly, GSA's type of procurement lends itself less to labor surplus area-type set-asides, because we buy end products rather than contract for items which involve manufacture, and most of our procurement is provided to us through the normal production runs of our contractors. Therefore, we would not have the potential, for instance, that the Department of Defense would have, even on a percentage basis.

Mr. PETERSON. I would like to make a point in that regard. I think that some of the Senators who are interested in this program, partic-

ularly Senator Humphrey, felt that GSA would be one area where we would have most fertile use of DMP 4. For example, the Defense Supply Agency, which does somewhat nearly the same procurement that GSA does, has one of the best records in the Defense Department for set-asides, using, mind you, the partial set-aside.

I think the reason for this is that when you deal with common-use items—some of them may already be in production amongst the various manufacturers—it is much easier to achieve a partial set-aside than it is on some of the most sophisticated weapons systems. And for this reason I am very heartened to hear of the creation of the Economic Assistance Division. I think that if someone has the responsibility actually to go to work on this and screen the procurements like they are being screened in the Defense Department, GSA could do a good job on this.

Mr. GRIFFIN. You understand we are screening every procurement, so that there are no procurements which are not being screened.

Mr. PETERSON. Are they screened for a determination of whether they can come within the partial set-aside program?

Mr. GRIFFIN. Absolutely.

Mr. PETERSON. Is it possible that GSA, like the Defense Department, would assign a man in each one of the your procurement depots who has the responsibility of implementing this program at the lowest levels?

Mr. GRIFFIN. Well, this is being done at present by the individual contract officers.

The Administrator has already started the effort of assigning greater responsibilities to an individual who will work as an offspring and direct byproduct of the economic assistance staff, which I previously mentioned.

But the reason we have such a large percentage in small business is that every procurement is being screened, without exception, for set-aside to small business and, at the same time, severability into more than one production run, and whether there is a potentiality or capability of labor surplus firms for performing. This is being done now.

And this requires an evaluation of the procurement experience on the part of these contracting officers, as to whether or not firms who are currently on the mailing list, or who have expressed a desire, who may have even sought out to add their name to the mailing list, are capable of performing GSA contracts. This is all being done now.

This does not mean it is being done perfectly, or that it cannot be done better. We are in complete support of the idea of reissuing DMP 4 in one form or another, highlighting its importance, strengthening some of its provisions, broadening the Committee in accordance with the subcommittee's recommendation to include all of the agencies who have a part in this.

We will make every effort possible to do just as much as we can, because the Administrator of General Services considers this a very important program in GSA.

Mr. PETERSON. I might suggest that when we have the assistant director appointed, that he do as has been done in the Defense Department; that is, call in all of the people who have been assigned this responsibility at procurement depots and orient them to this program.

It is much more effective if you do bring them in and explain it thoroughly to them.

Mr. GRIFFIN. We will do that.

And I would like to point out that we do have the GSA institute which is a formal program, in which we invite not only our own people, but all agencies of Government, to participate in these teaching programs. Probably one of the biggest and most successful courses has been that on procurement, which, as I say, already has instructed over 540 Government procurement officials—and all of our own key procurement and contracting officers have been exposed to this. We will continue to highlight that and work through this Committee to strengthen that.

Mr. PETERSON. One more point: I might ask your opinion on the possibility of GSA issuing a quarterly report with statistics in it on this program, the way the Defense Department does, so we will know, quarterly, how many contracts have actually been set aside, both for substantial labor surplus areas, and for substantial and persistent labor surplus areas.

Mr. GRIFFIN. When you say "issue a report," Mr. Peterson, you mean to the Committee?

Mr. PETERSON. The Defense Department—it is just a regular public report which they issue for the use of anyone.

Mr. GRIFFIN. Well, one further point on that, Mr. Peterson: I mentioned in my résumé that both on small business, such as the subcontracting aspect of our construction program, such as the chairman touched on a moment ago and on labor surplus area subcontracting, we are not satisfied that we are getting complete information. We, therefore, feel we are not getting complete credit for all the small business and labor surplus area activities which we actually accomplish.

We are now perfecting a new report which has been circulated, for comments, to other agencies. The comments are now back and are being evaluated.

One thing we want to make sure we do in issuing that report, is to get as much information as we can which is essential to our purposes as well as the purposes of the Congress. But also we want to make it as unencumbersome to industry as we can. And this is the stage where we are.

The NASA post card report came as news to me, when I read their statement. I don't know that that type of reporting would suffice for GS-9 because NASA only tested 12 contracts. Of course we deal in thousands.

Mr. PETERSON. I have no further questions, Mr. Chairman.

Senator WILLIAMS. Mr. Watts?

Mr. WATTS. No questions, Mr. Chairman.

Senator WILLIAMS. Thank you very much, sir. You have been very helpful to our subcommittee.

We will stand in recess, subject to the call of the Chair.

(Whereupon, at 12:30 p.m., the subcommittee recessed, subject to the call of the Chair.)

APPENDIXES

APPENDIX I

(Letter to Senator Humphrey from W. L. Batt, Jr., Administrator, Area Redevelopment Administration, with information relative to the subject of the hearing.)

U.S. DEPARTMENT OF COMMERCE,
AREA REDEVELOPMENT ADMINISTRATION,
Washington, D.C.

HON. HUBERT H. HUMPHREY,
Chairman, Subcommittee on Retailing, Distribution, and Marketing Practices,
Select Committee on Small Business, U.S. Senate, Washington, D.C.

DEAR SENATOR HUMPHREY: The Department of Commerce is represented on the Surplus Manpower Committee of the Office of Emergency Planning by the Area Redevelopment Administration. In this capacity we have been working actively with the Committee and its component groups to update and strengthen the policy of preferences in procurements and placement of Government facilities in areas experiencing serious unemployment.

A broadening of the coverage of existing Defense Manpower Policy 4 to include low income areas designated as redevelopment areas by the Secretary of Commerce through the Area Redevelopment Administrator is, in our opinion, desirable and has been proposed to the Surplus Manpower Committee. Similarly, central cities of 250,000-or-more population which have substantial and persistent employment, and which have been designated as redevelopment areas, should be included among the areas receiving preference.

These and other changes to the presently existing policy have been suggested, but, we understand, have not been adopted as administration policy as of this date.

Sincerely,

W. L. BATT, JR., Administrator.

APPENDIX II

DEPARTMENT OF DEFENSE SMALL BUSINESS-LABOR SURPLUS SPECIALISTS¹

DESIGNATED TO ASSIST THE BUSINESSMAN

OFFICE OF ASSISTANT SECRETARY OF DEFENSE, INSTALLATIONS AND LOGISTICS,
WASHINGTON, D.C.

FOREWORD

It is a paramount objective of the Department of Defense to acquire weapons and material which fully meet qualitative, quantitative, and delivery requirements at the lowest overall cost. To achieve this objective, maximum emphasis is placed on full and free competition, with equal opportunity to all interested qualified suppliers to compete for defense contracts.

Department of Defense procurement offices are located in many major cities in the United States. Small business specialists at each of these offices are available to assist businessmen in obtaining information and guidance on: Defense procurement procedures, how to be placed on the bidder's mailing list, and identification of both prime and subcontract opportunities.

¹ Referred to at p. 13.

The location of Army, Navy, Air Force, and Defense Supply Agency procurement offices and the names of the small business specialists are listed in this pamphlet by State, alphabetically.

Some of the procurement offices listed in this pamphlet purchase only those supplies and services that are required to meet local needs. Others have the broader assignment of central procurement responsibility for particular commodity requirements of one or more of the military departments on a national or global basis.

SELLING TO THE MILITARY

The major military procurement offices and the products and services they purchase are set forth in the pamphlet "Selling to the Military." This pamphlet may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. Price 25 cents. Also, types of products or services each procurement office may purchase in the future are indicated by their listings of requirements in the Commerce Business Daily.

COMMERCE BUSINESS DAILY

The Commerce Business Daily is a valuable source of information to businessmen in identifying products and services which individual military procurement offices currently plan to buy. The publication also lists proposed procurements of other Federal agencies; subcontract opportunities offered by defense prime contractors; recent contract awards, which, in turn, provide "leads" to additional subcontract opportunities; surplus sales information; and, other pertinent information on Federal procurement activities.

The Commerce Business Daily is published Monday through Friday and may be purchased on annual subscription for \$20 or \$62 for an airmail edition. Checks or money orders should be made payable to the U.S. Department of Commerce and mailed to U.S. Department of Commerce, Administrative Services Office, Room 1300, New Post Office Building, 433 West Van Buren Street, Chicago 7, Ill.

BIDDERS MAILING LISTS

A business firm seeking to participate in Defense procurement should inform military procurement offices of products or services it has to offer and request that the firm be placed on appropriate bidders' mailing lists. Copies of Standard Form 129, Bidder's Mailing List Application, are available at most Federal agency procurement offices.

Each procurement office maintains lists of firms that are capable of supplying products or services purchased by the office. Firms on the bidder's list are supplied Invitations for Bid or Requests for Proposals on new procurements.

Normally, the submission of Standard Form 129 Bidder's Mailing List Application, with complete and exact information about the products or services on which a firm wishes to bid, is sufficient to secure placement on a procurement office bidder's list. However, in some cases, procurement offices may require that additional information be supplied.

Submission of Standard Form 129 results only in the prospective bidder being placed on the bidder's mailing list of the procurement office to which the form is submitted.

ADDITIONAL SOURCES OF INFORMATION

The Small Business Administration, General Services Administration, and the Department of Commerce also have field offices in many cities which are equipped to assist business firms in locating opportunities to participate in military procurement.

Local Defense activities listed in this pamphlet and field offices of other Federal agencies should be the initial contact for assistance and guidance on how business firms can participate in Defense work.

Individuals visiting the Washington, D.C., area who seek assistance in Federal procurement procedures may contact the offices listed below. These offices do not let contracts but are available only for the purpose of providing information and guidance.

Army Small Business Office, Assistant Secretary of the Army (I. & L.), Department of the Army, Washington, D.C. Room 2E591, Pentagon, Tel: OXford 7-8113.

Army Materiel Command, Small Business and Labor Surplus Office, Department of the Army, Washington 25, D.C. Room 1607, Tempo 7, Tel: OXford 7-5978.

Navy Small Business Advisor, ONM, Department of the Navy, Washington 25, D.C. Room 2203A, Main Navy, Tel: OXford 6-6053.

Air Force Small Business Advisor, Office of the Deputy Chief of Staff, Materiel, Department of the Air Force, Washington 25, D.C. Room 4E276, Pentagon, Tel: OXford 7-4126.

DSA Small Business Advisor, Hdqs. Defense Supply Agency, Cameron Station, Alexandria, Va. Room 1053, Tempo A, Tel: OXford 5-4758.

Central Military Procurement Information Office, Office of the Assistant Secretary of Defense, (Installations and Logistics). Room 3E821, Pentagon, Tel: OXford 7-1481.

Director of Business Services, General Services Administration, Region #3, 7th and D Streets, SW., Washington 25, D.C. Room 7604, 7th & D Sts. SW., Tel. WOrth 3-4147.

Chief, Procurement and Contract Services Div., Small Business Administration, 811 Vermont Avenue, NW., Washington, D.C. Room 471, SBA, Tel: DUDley 2-4981.

Business Service Center, Department of Commerce, 14th and Constitution Ave., NW., Washington, D.C. Main Lobby, Dept. of Commerce, Tel: WOrth 7-5201.

DEPARTMENT OF DEFENSE, SMALL BUSINESS SPECIALISTS, BY STATES, FEBRUARY 1963

Letters in parentheses () indicate military organizations: Numerals in parentheses () indicate postal zones.

- (A) Army
- (N) Navy
- (AF) Air Force
- (USMC) Marine Corps
- (DSA) Defense Supply Agency

ALABAMA

Anniston:

Anniston Army Depot (A)----- Mr. Robert W. Prather, ADams 7-661 x1155.

Fort McClellan (A)----- 1st. Lt. T. S. Epperson, ADams 6-4411 x4803.

Birmingham:

Birmingham Procurement District (A), 2120 Seventh Avenue, North. Mr. Wilson B. Mathews, FAirfax 3-8011 x384.

IV U.S. Army Corps (A), 3620 Eighth Avenue South (5). Mrs. Pauline G. Dean, FAirfax 3-8011 x78.

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Brookley Air Force Base. Mr. Howard W. McNamee (Asst.)—MOPE.

Mr. Wm. H. Freeman (Asst.)—MOPE, HEmlock 8-6011 x3227.

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Hqs. Alaskan Air Command (AF) Elmendorf Air Force Base. Lt. Col. P. C. Palmer, DCS/MP, SKYline 3-4217.

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 trict (A), P.O. Box 867.
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GEORGIA

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Atlanta: U.S. Army Engineer Div. South Atlantic (A), Title Bldg., 30 Pryor Street. Mr. Dorris A. Barnes, 522-4121.

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Procurement Support Office (DSA), Atlanta Army Depot. 761-5461.

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Hinesville: Fort Stewart (A)----- Capt. A. S. Hensley,

Macon: U.S. Naval Ordnance Plant (N). Mr. Nolan E. Purcell, TRinity 6-3571, x864.

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HAWAII

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G-4 Office, Hq. U.S. Army, Hawaii Mr. Henry W. Dodd, Walker 6-5640.

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Purchasing and Contracting Center, G-4 Office, Hq. U.S. Army Mr. Dell O. McCuaig, Honolulu 8-1011.

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 Second U.S. Army (A)-----
 Fort George G. Meade (A)-----
 Frederick: U.S. Army Chl. C. Biological Laboratories (A), Fort Detrick.
 Indian Head: U.S. Naval Propellant Plant (N).
 *Inactive.

Mr. Albert M. Ellis, CRestwood 2-4000 x33285.
 Mr. Rex Bull, 268-7711 x739.
 Mr. Albert V. Dougherty, HOpins 7-2700.
 Mr. Arnold T. Grahn, PL 2-8460 x611.
 Miss Adrienne I. White, Highfield 360 x47195.
 Mr. F. De P. Whitehurst, MEDford 3-900 x3220.
 Mr. Forest M. Griffin, EDgewood 1000 x6153.
 Mr. John J. Kaufman, EDgewood 1000 x22241.
 Mr. George J. Sugyik, EDgewood 1000 x22109.
 Mr. James E. Casey.
 Mr. R. L. Garner, ORchard 4-3311 x7560.
 Mrs. Mildred K. Denny, ORchard 4-7141 x6401.
 Mr. Patrick D. Brennan, ORchard 4-7141 x3717.
 Mr. Ernest W. Taverner, MONument 3-4111 x4107.
 Mr. J. E. Anderson, RI 3-2111 x495.

MARYLAND—continued

Patuxent: U.S. Naval Air Station (N) - Miss Grace Moore, VO 3-3111 x201.
 Silver Spring: U.S. Naval Ordnance Mr. Ward Bull, 495-5711.
 Laboratory (N), White Oak.
 Suitland: U.S. Navy Oceanographic Mr. James R. Newberry, 153 RE 6-2700
 Office. x505.

MASSACHUSETTS

Bedford: Electronic Systems Division Mr. John Condon
 (AF), Air Force Systems Command, Mr. Norman Mullen, CRestview 4-6100
 Directorate of Procurement and Pro- x2244.
 duction, L. G. Hanscom Field.
 Boston:
 Boston Procurement District (A), Mr. William A. Thorpe, Liberty 2-6000
 Boston Army Base (10). x434.
 Procurement Support Office Liberty 2-6000.
 (DSA), Boston Army Base.
 Boston Army Base (A)----- Mr. Harold A. Curtis, Liberty 2-6000
 x376.
 Boston Naval Shipyard (N)----- Mr. A. J. Dolan, CH 2-1400 x2206.
 District Public Works Office (N), Mr. S. C. Roberts, LI 2-5100 x236.
 1st Naval District.
 Boston Air Force Contract Man- Mr. E. J. Fitzgerald.
 agement, District (AF), Boston Mr. John McManus, Liberty 2-6000
 Army Terminal. x887 x886.
 INSMAT (N), 495 Summer Street. Mr. J. F. Good, LI 2-5100 x553.
 Fort Devens: Fort Devens (A)----- Mr. John J. O'Loughlin, PYramid
 6-2418 x2430.
 Natick: QM Research and Engineering Mr. T. J. Howell, OLYmpic 3-1000
 Command (A). x328.
 Springfield:
 Springfield Armory (A) (1)----- Pending, REpublic 9-6911 x4239.
 Springfield Regional Office of Bos- Mr. Harvey L. Rogers, REpublic
 ton Ordnance District (A). 9-6911 x2229.
 Springfield Armory (1).
 Waltham: U.S. Army Engineer Divi- Mr. John F. Murphy, TWInbrook
 sion, New England (A), 424 Trapelo 4-2400.
 Road.
 Watertown: U.S. Army Materiels Re- Mr. Harold F. Bacall, Watertown
 search Agency, Watertown Arsenal 4-8540 x645.
 (A) (72).

MICHIGAN

Battle Creek:
 VI U.S. Army Corps (A)----- Mr. James Daily, 962-6511 x6135, Area
 Fifth U.S. Army, Battle Creek Code 616.
 Federal Center, 74 No. Washing-
 ton Avenue.
 Fort Custer (A)----- Miss Doris M. Clipston, WOODward
 Fifth U.S. Army. 2-3611 x524, Area Code 616.
 Center Line:
 Detroit Arsenal (A)----- Mr. Byron C. Biggs, JEFFerson 6-5000
 x3-1256.
 U.S. Army Mobility Command 536-1380.
 (A), 28251 Van Dyke Avenue.
 Detroit:
 U.S. Army Engineer District (A), Mr. Donald B. Leahy.
 1101 Washington Blvd. (26).
 Detroit Procurement District (A), Mr. C. M. Kaltwasser, Walnut 3-0100
 1580 East Grand Blvd. (11). x307.
 Army Tank Automotive Command VINewood 3-9600 x2579.
 (A), 1501 Beard (9).
 Fort Wayne, Fifth U.S. Army (A), Mr. Karl E. Johnson, VINewood 3-6600
 6301 West Jefferson Ave. (17). x314.
 Detroit Air Force Contract Man- Mr. Hugh E. McGowan, Walnut 1-4721
 agement District (AF), 6233 x143.
 Concord Avenue.
 Defense Automotive Supply Center Mr. E. A. Lulis, VINewood 3-9600
 (DSA), 1501 Beard Street. x2128, Area Code 313.

MICHIGAN—continued

Grand Rapids:
 Grand Rapids Air Force Contract Mr. John A. Barney, GLendale 9-8251
 Management Office (AF), 21 Ot- x3.
 tawa Ave.
 INSMAT (N), 6233 Concord Ave- Mr. A. L. Knudsen, 925-9750.
 nue.

MINNESOTA

Minneapolis:
 *Twin Cities Ordnance Plant (A), Mr. F. D. Johnston, MEIrose 3-2301
 Box 689 (40). x748.
 XIV U.S. Army Corps, Fifth U.S. Mr. Robert E. Lynch, 334-2754.
 Army (A), 1006 West Lake
 Street (8).
 Minneapolis Air Force Contract Mr. R. T. Schumacher, 334-2935 or 36.
 Mgmt. Off. (AF), 2908 Colfax
 Avenue, South (8).
 INSMAT (N), U.S. Court House, Cdr. T. A. Smithy, 334-2201.
 Third and Marquette Avenue.
 St. Paul: U.S. Army Engineer District Miss Bernadette V. Murphy, CAPItol
 (A), 180 E. Kellogg Blvd. (1). 2-8011.

MISSISSIPPI

Vicksburg:
 U.S. Army Engineer Division, Mr. Sylvester H. Nolte, 636-1311.
 Lower Mississippi Valley (A).
 U.S. Army Engineer District (A), Mr. Edward F. Livingston, 636-1311.
 U.S. P.O. and Courthouse Bldg.
 U.S. Army Engineers Waterways Mr. Earl H. Teeter, 636-3111.
 Experiment Station (A), Halls
 Ferry Road.

MISSOURI

Fort Leonard Wood: Fort Leonard Maj. Daniel Jakovich, Jr., 368-6817,
 Wood (A), Fifth U.S. Army. Area Code 314.
 Independence: Lake City Ordnance Mr. Joseph F. Callahan, SYcamore 6-
 Plant (A). 3900 x8.
 Kansas City:
 U.S. Army Engineer District (A), Mr. Norman C. Reusser, BALtimore 1-
 911 Walnut Street (6). 7000.
 Kansas City Air Force Contract Mr. F. Howard Whiteley, CHestnut 1-
 Management Office (AF), 601 7900 x277, x279.
 Hardesty Street.
 St. Louis:
 U.S. Army Engineer District (A), Mr. William P. Dorsey, MAIn 1-8100.
 420 Locust Street.
 *St. Louis Ordnance Plant (A), Mr. Herman J. Hartmann, EVergreen
 4300 Goodfellow Blvd. (20). 2-8200 x2315.
 St. Louis Procurement District Mr. George Lindsay, 631-1157.
 (A), 4300 Goodfellow Blvd. (20).
 Transportation Materiel Command Mr. Leonard H. Richman.
 (A), 12th and Spruce Streets Mrs. Francis C. Brada, MAIn 1-6426
 (66). x2688.
 U.S. Army Support Center (A), Mr. Francis C. Brada, MAIn 1-6426
 12th and Spruce Streets (2), x3371.
 Fifth U.S. Army.
 St. Louis Air Force Contract Man- Mr. Kenneth E. Kichline, MAIn 1-8100
 agement District (AF), 9th Floor, 2330.
 114 Market Street.
 INSMAT (N), 4300 Goodfellow Mr. H. W. Short, JE 3-1401 x3.
 Blvd.

*Inactive.

NEBRASKA

Grand Island: *Cornhusker Ordnance Plant (A). Mr. Clifford K. Larson, DUpon 2-4420 x421.

Omaha:

- U.S. Army Engineer Division, Missouri River (A), 215 North 17th Street (2). Mr. Arthur F. Etter, 342-7900.
- U.S. Army Engineer District (A), 215 North 17th Street (2). Mr. Manville T. Montgomery, 342-7900.
- XVI U.S. Army Corps (A) Fifth U.S. Army, 21st Street and Woolworth Ave. Mr. Floyd E. Elmgren, Code 402; 342-7900.
- Hqs. Strategic Air Command (AF), Offutt Air Force Base. Mr. William T. Haneline, 291-2100 x26232/24145.
- Sidney: Sioux Army Depot (A)----- Mr. Ira C. Johnson, 256-7261 x107.

*Inactive.

NEW HAMPSHIRE

Portsmouth: Portsmouth Naval Shipyard (N), Building 153. Mr. W. M. Varrell, Kittery, MAIn ID 9-1000 x424.

NEW JERSEY

Dover:

- U.S. Army Munitions Command (A), Picatinny Arsenal. Mr. Gale W. Farris, HAZel 3-5511 x2210.
- Picatinny Arsenal (A)----- Mr. Harry Stevenson, Jr., FOxcroft 1-2100 x4106.
- U.S. Army Ordnance Special Weapons—Ammo Command (A). Mr. Gale W. Farris, FOxcroft 1-2100.
- Fort Dix: Fort Dix (A)----- Mr. Frank Campagna, RAYmond 4-2000 x4252.
- Fort Monmouth:

 - U.S. Army Electronics Command (A). Mr. Charles J. Hoyt, 231-1530 x51729.
 - U.S. Army Electronics Materiel Agency (A). Mrs. Jean H. Nuttall, 231-1530 x51371.

- Metuchen: Raritan Arsenal (A)----- Mr. James A. McKay, LIBerty 8-3340 x607.
- Newark:

 - Newark Air Force Contract Management District (AF), 218 Market Street. Mr. Vincent J. Farrell.
 - Mr. Joseph L. Lewis, MITchell 3-3434 x125 x147.
 - INSMAT (N), 1130 Route 22----- Mr. L. H. Hearne, AD 2-5100 x112.

NEW MEXICO

Alamogordo: Air Force Missile Development Center (AF), Air Force Systems Command, Holoman Air Force Base. Mr. D. P. Hatcock, GRANite 3-6511 x46861.

Albuquerque:

- U.S. Army Engineer District (A), 517 Gold Avenue, SW. Mr. Max C. Apodaca, 247-0311.
- Air Force Special Weapons Center (AF), Air Force Systems Command, Kirtland Air Force Base. Mr. M. H. Nicherson, CHApel 7-1711 x2153.
- Hq. Field Command, Defense Atomic Supply Agency, Sandia Base, P.O. Box 5100. Mr. W. H. Copeland, 256-4411 x35222.
- Gallup: Fort Wingate Army Depot (A). Mr. Herbert C. Stacher, UNION 3-6891 x89.
- White Sands Missile Range: White Sands Missile Range (A). Mr. Valda N. Cordell, 831-1480 x5147.

NEW YORK

Brooklyn:

- Transportation Terminal Command, Atlantic (A), First Ave., and 58th Street (50). Mr. Leo Shein.
- Fort Hamilton (9) (A)----- Mr. Joseph Prestipino, GEDney 9-5400 x2503.
- Military Sea Transportation Service, Atlantic Area (N). Mr. Frank Ozello, Shore Road 5-7900 x22243.
- Naval Ships Store Office (N), 3rd Ave. and 29th Street. Mr. J. J. Burke, Jr., GE 9-5400 x5161.
- U.S. Navy Purchasing Office (N), 3rd Ave. and 29th Street. Mr. J. O. Combes, ST 8-5000 x352.
- Defense Medical Supply Center (DSA), Building 2. Mr. Joseph Riener, ST 8-5000 x804.
- Mr. Peter Babich.
- Mr. Meyer Goldstein, ST 8-5000 x818, Area Code 212.

Buffalo:

- U.S. Army Engineer District (A), Foot of Bridge Street (7). Mr. Franklin Mussehl, TR 6-5454.
- INSMAT (N), 1021 Main Street-- Mr. K. Soulske, TT 6-1400 x 43.

Long Island City:

- Army Pictorial Center Procurement Office (A), 3511 35th Avenue (1). Mr. Irving L. Fischman, AStoria 4-3100.

New Rochelle: Fort Slocum (A)-----

- Mr. C. W. Spencer, PI 1-8000 x306.
- Mr. George Conacci, New Rochelle 6-0900 x60.

New York:

- U.S. Army Cml Procurement District (A), 346 Broadway (7). Mr. Gene S. Sarli, BARclay 7-0800 x251.
- U.S. Army Engineer Division, North Atlantic (A), 90 Church Street (7). Mr. William J. Leto, REctor 2-9100.

- U.S. Army Engineer District, Eastern Ocean (A), 346 Broadway. Mr. Rocco A. Macchia, REctor 2-8000.

- U.S. Army Engineer District, New York (A), 111 East 16th Street (3). Mr. Carmine J. Forino.

- Mr. John F. Pratt, SPRing 7-4200.

- New York Procurement District (A), 770 Broadway (3). Mr. Theodore M. Everett OREGon 7-3030 x494.

- Headquarters, First U.S. Army (A), Governors Island, N.Y. (4). Mr. David S. Levison, WHITEhall 4-7700 x3284.

- Fort Jay (A), Governors Island (4). Helen Seastrom, WHITEhall 4-7700 x3781.

- Fort Totten (A), Flushing (59)--- Mr. Thomas L. Cooney, BAYSide 9-900 x2211.

- Fort Wadsworth (A), Staten Island (5). Mr. Fred Mishket, GIBraltar 7-5100 x318.

- First U.S. Army Recruiting District (A), 39 Whitehall Street (4). Miss Louise Petrocelli, WHITEhall 4-7700 x221.

- Area Public Works Office (N), 90 Church Street. Mr. Theodore Savath, RE 2-9100 x8397.

- New York Air Force Contract Management District (AF), 111 East 16th Street. Mr. Wilbur V. Gould, Jr.

- INSMAT (N), 207 West 24th Street. Mr. Harry Stegeland (R. & D.), SPRing 7-4200 x690.

- Mr. H. P. Gaffney, Jr., WA 4-5000 x730.

- Port Washington: U.S. Naval Training Device Center (N). Mr. H. A. Treat, Port Washington 7-9100 x433.

- Rochester:

- Rochester Regional Office of New York Procurement District (A), 25 North Street (4). Mr. Harry F. Rapp, BAKER 5-1250 x89.

- Rochester Air Force Contract Management Office (AF), 20 Symington Place. Mr. Harry B. Huntington, FAirview 8-7670 x60.

NEW YORK—continued

Rome:
 Rome Air Development Center (AF), Hqs. Air Force Systems Command, Griffiss Air Force Base. Mr. John Vella, FF 6-3200 x5220 x74166.
 Rome Air Materiel Area (AF), Griffiss Air Force Base. Mr. Harley G. Grace, FF 6-3200 x74205.
 Romulus: Seneca Army Depot (A)--- Mr. Walter S. Barry, Geneva, N.Y. Justice 5-4481 x204.
 Schenectady: Schenectady General Depot (A). Mr. J. T. Tunney, ELgin 5-7000 x492.
 Syracuse: INSMAT (N), 428 South Warren Street. Mr. R. W. Brooks, GR 4-6861 x23.
 Watertown: Camp Drum (A)----- Mr. Dewey Cocuzzoli, SU 2-6900 x131.
 Watervliet: Watervliet Arsenal (A)--- Pending, ARsenal 3-4610 x3104.
 West Point: United States Military Academy (A), Contracting Office. Mr. Louis J. Disceenza.
 Youngstown: Fort Niagara (A)----- Mr. John S. Davis, WP 8-2711 x3502.
 Mr. Sidney MacKean, SHadyside 5-3381 x218.

NORTH CAROLINA

Camp Lejeune: U.S. Marine Corps Base (USMC). Mr. E. D. Cleaton, JA 346-2111 x73546.
 Cherry Point: U.S. Marine Corps Air Station (USMC). Mr. J. G. Gordon, GI 7-2111 x22141.
 Fort Bragg: Fort Bragg (A)----- Mr. Charles B. Moore, Fayetteville, N.C., 306-4111 x81149.
 Greensboro: Greensboro Regional Office of Birmingham Ordnance District (A). Mr. Ade F. Thompson, BRoadway 5-5331 x42.
 Southport: Sunny Point Army Terminal (A). Mr. Wilmer G. Kemper, GLadstone 7-2211 x54.
 Wilmington: U.S. Army Engineer District (A), 308 Custom House. Mr. Andrew J. Hurst, 763-6271.

OHIO

Cincinnati:
 Cincinnati Procurement District (A) 230 East 9th Street (2). Mr. George H. Wilson, DUnbar 1-2200 x1108.
 U.S. Army Engineer Division, Ohio River (A), 315 Main Street. Mr. Mitchell Stein, DUnbar 1-2200.
 Cincinnati Air Force Contract Management Office (AF), Swift Building, 230 East 9th Street. Mr. Chester R. Methena, DUnbar 1-2200 x1241.
 INSMAT (N), 230 East 9th Street. Mr. G. B. Fitzpatrick, Jr., 381-2200 x1268.
 Cleveland:
 Cleveland Procurement District (A), 1367 East Sixth Street (14). Mr. Clifford A. Newell, TOWer 1-4960 x196.
 Cleveland Air Force Contract Management District (AF) 113 St. Clair Avenue. Mr. R. W. Livingston, CHerry 1-7900 x228.
 INSMAT (N), 1783 East 11th Street. Mr. R. E. Altman, 241-7900 x472.
 Columbus:
 Columbus General Depot (A)----- Mr. B. F. Kaylor, BELmont 1-8111 x5217.
 XX U.S. Army Corps, Fort Hayes (A) Columbus (3). Mr. Vernon Pfeiffer, CAPitol 1-5861 x381.
 *Defense Construction Supply Center (DSA) Columbus General Depot (A) *(Mail: P.O. Box 2059 (16)). Mr. Ralph Sager, BELmont 1-1811 x7250, Area Code 61.

*Inactive.

OHIO—continued

Dayton:
 Aeronautical Systems Division (AF) Air Force Systems Command, Wright-Patterson Air Force Base. Mr. George Rattenbury.
 Central Contract Management Region (AF) Wright-Patterson Air Force Base. Mr. Larry Grier.
 Dayton Air Force Contract Management, Building 70, Area C., Wright-Patterson Air Force Base. Mr. Paul Knost, CLearwater 3-7111 x23222.
 Hqs. Air Force Logistics Command (AF) Wright-Patterson Air Force Base. Mr. Joseph H. Lammert, CLearwater 3-7111 x53231.
 Defense Electronics Supply Center (DSA) Gentile Air Force Depot (20). Mr. Paul E. Birkhold, CLearwater 3-7111 x70240.
 Port Clinton: Erie Army Depot (A)--- Mr. Maurice L. Johnson, CLearwater 2-2051 x209.
 Ravenna: *Ravenna Ordnance Plant (A). Mr. Owen R. Gallagher, Wayland, Ohio, FLOrence 8-7111 x347.
 Toledo: Rossford Army Depot (A) Toledo (1). Mr. Lewis J. Bierbaum, OXford 1-3531 x410 or 414.
 Warren: Lordstown Military Reservation (A). Mrs. Ann Bevan, EXpress 2-2571 x154.

OKLAHOMA

Fort Sill: Fort Sill (A)----- Mrs. Lydia L. Troop, ELgin 1-3404.
 McAlester: U.S. Naval Ammunition Depot (N). Mr. Dale H. Adams, GA 3-6300 x275.
 Oklahoma City: Oklahoma City Air Materiel Area (AF) Tinker Air Force Base. Mr. John B. Colwell.
 Tulsa: U.S. Army Engineer District (A) 616 South Boston Avenue. Mr. John Thompson, PErshing 2-7321 x2601.
 Mr. W. T. Cockrell, LUTher 4-7161.

OREGON

Hermiston: Umatilla Army Depot (A) Mr. Gustave Fisher JORDan 7-6421 x209.
 Portland:
 U.S. Army Engineer Division, North Pacific (A) 210 Customs House, (9). Mr. Norman W. Justen, CAPitol 7-7681.
 U.S. Army Engineer District (A) 628 Pittock Block, S. S. (5). Mr. Charles A. Leach, CAPitol 7-7681.

PENNSYLVANIA

Annville: XXI U.S. Army, Indiantown Gap Military Reservation (A). Mr. James Cowhey, CRestview 3-2601 x214.
 Carlisle Barracks: Carlisle Barracks (A). Maj. Alexander Leary, CHapel 3-4141 x610.
 Chambersburg: Letterkenny Army Depot (A). Mr. Donald R. Gayman, COLony 4-5111 x4286.
 Johnsville: U.S. Naval Air Development Center (N). Mr. J. W. Miller, OS 5-7000 x571.
 Mechanicsburg:
 Ordnance Supply Office (N)----- Mr. L. A. Yeager, PO 6-8511 x669.
 Ships Parts Control Center (N) Naval Supply Depot. Mr. L. A. Yeager, PO 6-8511 x527.
 Middletown:
 Eastern Contract Management Region (AF), Olmstead Air Force Base. Mr. R. A. MacMillan, WHITney 4-5521 x76188.
 Middletown Air Materiel Area (AF), Olmstead Air Force Base. Mr. William Lines, WHITney 4-5521 x72233.

*Inactive.

PENNSYLVANIA—continued

New Cumberland: New Cumberland General Depot (A).
Philadelphia:
U.S. Army Engineer District (A) 2nd and Chestnut Streets.
Philadelphia Procurement District (A) 128 North Broad Street (2).
Frankford Arsenal (A), Bridge-Tacony Streets (37).
U.S. Army Electronics Materiel Agency (A), 225 South 18th Street (3).
Aviation Supply Office (N), 700 Robins Avenue (11).
District Public Works Office (N), 4th Naval District.
Marine Corps Supply Activity (USMC), 1100 South Broad Street.
Naval Air Materiel Center (N)----
Philadelphia Naval Shipyard (N), Naval Base.
Philadelphia Air Force Contract Management District (AF), 1411 Walnut Street.
Defense Clothing and Textile Supply Center (DSA), 2800 South 20th Street (1).
Defense Industrial Supply Center (DSA), 700 Robbins Avenue (11).
Phoenixville: Valley Forge General Hospital (A).
Pittsburgh:
Pittsburgh Regional Office of Philadelphia Procurement District (A), 200 Fourth Avenue (22).
U.S. Army Engineer District (A), 564 Forbes Ave., Manor Bldg.
INSMAT (N), 401 Old Post Office Building.
Reading: INSMAT (N), 10 North 8th Street.
Tobyhanna: Tobyhanna Signal Depot (A).
Upper Darby: INSMAT (N), 17 Brief Avenue.
York: U.S. Naval Ordnance Plant (N).

Mr. J. M. Dinger, Cedar 4-4961 x2138.
Mr. Eli Malen, Market 7-6000.
Mr. Albert B. Feldman, LOcust 8-0400 x508.
Mr. William Travis, Jr., Jefferson 5-2900 x7220.
Mr. Edward J. O'Neill, 231-1410 x749 x767.
Mr. James M. Beane, 231-1410 x267.
Mr. Albert Gerhardt, 231-1410 x267.
Mr. W. F. O'Connell, RA 8-1212 x468.
Mr. R. L. Downey, HO 5-1000 x3967.
Mr. John Bruneau, KI 6-2000 x8638.
Miss Mildred G. Miller, HO 5-1020 x2695.
Vacant, HO 5-1000 x2418.
Mr. John A. Walter, LOcust 7-3886 x257.
Mr. David Hoffman.
Mr. M. E. Kryston, HOWard 5-200 x608 x623, Area Code 215.
Mr. Sidney Charles, RANDolph 8-1212 x749 (also Tie Line).
Mrs. Virginia Showers, WELLington 3-5863 x244.
Mr. George H. Kuhn, GRant 1-4300 x325.
Mr. Frank A. Boucher, GRant 1-0800.
Mr. R. D. Wilcox, 391 1-2560 x156.
Mr. E. L. Buller, 374-5194.
Mr. John T. Orrson, Twin Oaks 4-8301 x575.
Mr. M. L. Tiffany, JA 8-5840 x207.
Mr. E. J. Yergo, YO 3-881 x245.

RHODE ISLAND

Newport: U.S. Naval Supply Depot (N).
Miss Lillian L. Whitty, VI 1-3266.

SOUTH CAROLINA

Charleston:
U.S. Army Engineer District (A), Municipal Marina.
Charleston Naval Shipyard (N)---
Director, SE Div. Bureau of Yards and Docks, Naval Base, P.O. Box 365 (N).
Mr. Carlton R. Commander, RAYmond 3-5341.
Mr. W. H. Heissenbittel, SH 7-4171 x2107.
Mr. T. E. Page, SH 7-4171 x2487.

SOUTH CAROLINA—continued

Fort Jackson: Fort Jackson (A)----
North Charleston: Charleston Transportation Depot (A).
Parris Island: Marine Corps Recruit Depot (USMC).
Mr. Charles H. Graves, Columbia, South Carolina, ALpine 5-0161 x4126.
Mr. John F. McKewn, SHERwood 4-6241 x357.
Mrs. Erma Zehler, 524 4-2111 x4273.

SOUTH DAKOTA

Igloo: Black Hills Army Depot (A)---
Mr. Ralph Z. Simons, IGloo 123 x20.

TENNESSEE

Chattanooga: *Volunteer Ordnance Works (A), P. O. Box 1748.
Kingsport: Holston Ordnance Works (A).
Memphis:
U.S. Army Engineer District (A), West Memphis, Arkansas (1).
Memphis General Depot (A), Procurement Support Office (DSA) Memphis Army Depot.
U.S. Naval Air Station (N)-----
2709th Air Force Vehicle Control Group (AF).
Milan: Milan Ordnance Plant (A)----
Nashville: U.S. Army Engineer District (A), 7th Ave. & Broadway.
Tulahoma: Arnold Engineering Development Center (AF), Air Force Systems Command, Arnold Air Force Station.
Mr. Martin T. Fry, MADison 9-1471 x2235.
Mr. Henry L. Greasman, CIRCLE 5-6131.
Mr. James W. Aylor, JACKson 5-4671.
Mr. P. S. Mott, GLEndale 8-4431 x394 x395.
GLEndale 8-4431.
Mr. Wendell H. Watson, 872-1711 x221.
Mr. John P. Broderick, GLEndale 8-4411 x434.
Mr. E. W. Nelson, MURray 6-1531 x2178.
Mr. V. L. Hardy, CHapel 2-9651.
Mr. Joseph F. Moriarity, GL 5-2611 x509.

TEXAS

Amarillo: Pantex Ordnance Plant (A), P.O. Box 1887.
Austin: VIII U.S. Army Corps (A)---
Camp Wolters: Camp Wolters (A)---
Corpus Christi: U.S. Naval Air Station (N).
Dallas:
U.S. Army Engineer Division, Southwestern (A), 1114 Commerce Street (2).
Dallas Air Force Contract Management District (AF), 500 South Ervay.
INSMAT (N), 708 Jackson Street...
El Paso: William Beaumont General Hospital (A).
Fort Bliss: Fort Bliss (A)-----
Fort Hood: Fort Hood (A)-----
Fort Sam Houston:
Brooke Army Medical Center (A).
Fort Sam Houston (A)-----
Fourth U.S. Army (A)-----
Mr. Robert C. Brewer, DIAMond 9-1581 x271.
Mr. George G. Lockard, GREEenwood 6-6411 x444.
Mr. Harry E. Cohen, FAIRfax 5-2581 x89.
Mr. H. F. Hale, TE 5-8211.
Mr. Ralph S. May, RIVERside 8-5611.
Mr. George R. Phillips, RIVERside 8-5611 x2388.
Mr. W. H. White, Jr., RI 8-5611 x311.
Capt. Louis J. Molli, LOGan 5-4611 x202.
Mr. H. R. McMahan, El Paso, Texas, LOGan 5-4611 x34266.
Mr. Carl V. Pearson, OVERland 5-4411.
Major Allan J. Synder, San Antonio, Texas, CAPITAL 2-8411 x2107.
Mr. D. Hansborough, San Antonio, Texas, CAPITAL 2-8411 x4630.
Mr. James T. Hickey, San Antonio, Texas, CAPITAL 2-8411 x4440.

*Inactive.

TEXAS—continued

Fort Worth:

U.S. Army Engineer District (A),
100 West Vickery Blvd.
Fort Worth General Depot (A)-----
Galveston: U.S. Army Engineer District (A), 606 Santa Fe Building.
Marshall: Longhorn Ordnance Works (A).

San Antonio:

Aerospace Medical Division (AF)
Air Force Systems Command
Brooks Air Force Base.
San Antonio Air Materiel Area (AF), Kelly Air Force Base.
Hqs. Air Training Command (AF), Randolph Air Force Base.
Hqs. United States Air Force Security Service (AF).

Texarkana:

Lone Star Ordnance Plant (A)-----
Red River Army Depot (A)-----

UTAH

Ogden:

Utah General Depot (A)-----
Ogden Air Force Contract Management District (AF), Hill Air Force Base.
Ogden Air Materiel Area (AF), Hill Air Force Base.

Salt Lake City:

Dugway Purchasing Office (A),
1750 S. Redwood Rd.
U.S. Army Ordnance Small Business Office and Bid Room.
Fort Douglas (A)-----

Tooele: Tooele Army Depot (A)-----

VIRGINIA

Alexandria: Cameron Station (A),
5010 Duke Street.
Arlington:
Fort Meyer (A) (11)-----
Hq. U.S. Army Security Agency,
Arlington Hall Station (A) (12).
U.S. Army Garrison (A), Arlington Hall Station (12).
Blackstone: Camp Pickett (A)-----
Dahlgren: U.S. Naval Weapons Laboratory (N).
Fort Belvoir: U.S. Army Engineer Center and Fort Belvoir (A).

VIRGINIA—continued

Fort Eustis:

U.S. Army Transportation Center and Fort Eustis.
Transportation Research Command (A).
Fort Lee: U.S. Army Quartermaster Center and Fort Lee.
Fort Monroe:
Fort Monroe (A)-----
U.S. Continental Army Command (A).
Hampton: Hqs. Tactical Air Command (AF), Langley Air Force Base.
Norfolk:
U.S. Army Engineer District, Norfolk (A), foot of Front Street.
Hampton Roads Army Terminal (5) (A).
U.S. Navy Supply Center (N)-----

Fort Monroe:

Director, Bureau of Yards and Docks, Naval Base.
Portsmouth: Norfolk Naval Shipyard (N).
Quantico: Marine Corps Schools (USMC).
Radford: Radford Ordnance Plant (A).
Richmond: Defense General Supply Center (DSA) (U.S. Rte. #1, 8 Miles South of Richmond) (12).

Mr. Sam Rotenberg, EDison 5-5342.
Mr. M. Olmstead, Walnut 4-2261 x232.
Mr. John A. Brigance, Southfield 2-8621.
Mr. Earl L. Malcolm, Webster 5-5211 x146.
T/Sgt. Frank Vouri, LE 2-8811 3145.
Mr. J. E. Neri.
Mr. Williard D. Barr, Walnut 3-5411 x64192.
Mr. Glenn P. Ramsey, Olive 8-3511, x5109.
Mr. Cecil H. Mynier, WA 3-5411, x6226.
Mr. Lonnie S. Cannaday, Texarkana 32-3741, x3373.
Mr. Johnny B. Brown, Texarkana 32-7122, x2327.
Mr. R. F. Livsey, Export 9-3474, x3147.
Mr. Ralph Wilson, Taylor 5-5215, x3981, x5225.
Mr. F. K. Jarrard, Taylor 5-5215, x5225, x3918.
Mr. Guy Neilson, Hunter 4-8661, x94.
Mr. Harley A. Porter, Hunter 4-8661, x86.
Mr. Basil A. Beveridge, EL 5-6611, x2140.
Mr. Harley A. Porter, 882-2550.
Mr. Frank Gluchowski.
Mr. S. B. Beacham, Oxford 8-1592.
Mrs. Thelma A. Price, Jackson 2-3000, x2218.
Lt. Col. Robert T. Alger, Jackson 5-5800, x398.
Mr. T. A. Dunnington, Jackson 5-5800, x2195.
Mr. Frank Frounfelker, Blackstone 500, x3122.
Lt. (jg.) R. N. Beeman, SC, NO 3-2511, x991.
Lt. Col. Preston F. Jones, SO 5-7700, x20240.
Lt. Col. Owen J. Walsh.
Mr. Emmitt J. Short, Trinity 7-1311, x23787.
Mr. Faulke O. Knudson, Trinity 7-1311 x23698.
CNO Augustus J. Downey.
Mr. William C. Gilbert, Petersburg, Virginia, Petersburg 734 x4393.
Mr. Amato Narvaez, 727-2630.
Mr. Raymond A. Dubriske, 727-3515.
Maj. Harry G. Walker, Park 2-7911 x5146 x6217.
Mr. John S. Harlow, Madison 5-8201.
Mr. Samuel W. Peters, Madison 5-3211 x14.
Miss Esther M. Roberts, MA 2-8211 x3051.
Mr. C. A. Goodwyn, MA 2-8211 x2926.
Mr. L. C. Shaughnessy, EX 7-6541 x2046.
Capt. V. P. McGlone, USMC, QU 1000 x22164.
Mr. Charles E. Flynn, Neptune 9-2411 x289.
Mr. George C. Tolton.
Mr. Ward Randolph, BE 2-3421 x3617 x3287.

WASHINGTON

Bremerton: Puget Sound Naval Shipyard (N).
Keyport: U.S. Naval Torpedo Station (N).
Seattle:
U.S. Army Engineer District (A),
1519 S. Alaskan Way (4).
Seattle Regional Office of San Francisco Procurement District (A), and 2460 Forth Avenue, South.
USA Alaska Communications Systems (A), 550 Federal Office Building (4).
Fort Lawton (A)-----
Director, Northwest Division, Bureau of Yards and Docks, 1638 W. Lawton Way.
Seattle Air Force Contract Management Office (AF), GSA Building, 2460 4th Avenue, South.
INSMAT (N), 2300 Eleventh Avenue, SW.
Tacoma:
Madigan General Hospital (A)-----
Mt. Rainier Army Depot (A)-----
Fort Lewis (A)-----
Walla Walla: U.S. Army Engineer District (A), Building 602, City-County Airport.
Mr. R. I. Schennenberger, ES 3-5011 x07-355.
Mr. W. M. Bennett, ES 3-5011 x08-372.
Mr. William S. Wagner, Mutual 2-2700.
Mr. Vernon D. Allen, Sr., Main 2-4575.
Mr. Karl W. Gunther, Main 4-8664.
Mr. John E. Nyere, AT 2-0100 x3190.
Mr. G. L. Moulton, AT 3-5200 x337.
Mr. Arthur W. Perry, Main 4-0360.
Mr. Leslie T. Lamb, AT 3-5200 x426.
Capt. Charles C. Jones, Juniper 8-3611.
Mr. Herschell F. Godfrey, Juniper 8-3611 x64295.
Mr. Carl J. Sigafos, Juniper 8-3611 x21548.
Mr. Orville F. Murray, Jackson 5-5500.

WEST VIRGINIA

Huntington: U.S. Army Engineer District (A), 502 Eighth Street (18). Mr. William F. Leep, Jackson 9-2311.

WISCONSIN

Baraboo: *Badger Ordnance Works (A). Mr. John M. Troyer, Sauk City, Wis., 500 x63.
Camp McCoy: Camp McCoy (A), Mr. Stanley F. Hofman, TOMah 5000 Fifth, U.S. Army. x241.
Milwaukee: Mr. Russell H. Leitch, BRoadway Milwaukee Air Procurement District (AF), 770 North Plankinton Ave. 2-4093 x30.
INSMAT (N), 2266 N. Prospect Avenue. Mr. James A. Shanahan, BRoadway 3-5900 x4.

GENERAL SERVICES ADMINISTRATION REGIONAL OFFICES AND BUSINESS SERVICE CENTERS

Boston 9, Mass., U.S. Courthouse. Denver 25, Colo., Building 41, Federal Center.
New York 7, N.Y., 30 Church Street. San Francisco 3, Calif., 49 Fourth Street.
Washington 25, D.C., GSA Regional Office Building, Seventh and D Streets, SW. Los Angeles 12, Calif., 417 South Hill Street.
Atlanta 9, Ga., 1776 Peachtree Street, NW. Auburn, Wash., Administration Building, Auburn Depot Site.
Chicago 4, Ill., U.S. Courthouse, 219 South Clark Street. Portland, Oreg., New U.S. Courthouse.
Kansas City 31, Mo., 2306 East Banister Road. Seattle 4, Wash., 909 First Avenue.
Dallas 2, Tex., 114 Commerce Street.
Fort Worth 2, Tex., Federal Center, 300 West Vickery.

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Boston, Mass., 470 Atlantic Avenue.
New York, N.Y., 42 Broadway.
Philadelphia, Pa., 1015 Chestnut Street.
Richmond, Va., 1904 Byrd Avenue.
Atlanta, Ga., 90 Fairlie Street, NW.
Cleveland, Ohio, 1370 Ontario Street.
Chicago, Ill., 105 West Adams Street.
Minneapolis, Minn., 603 Second Avenue South.
Kansas City, Mo., 1006 Grand Avenue.
Dallas, Tex., 1000 Main Street.
Denver, Colo., 909 17th Street.
San Francisco, Calif., 525 Market Street.
Seattle, Wash., 506 Second Avenue.
Los Angeles, Calif., 312 West Fifth Street.
Detroit, Mich., 232 West Grand River Avenue.

ADDITIONAL SPECIALISTS

ABBREVIATIONS

BWR—Bureau of Naval Weapons Representative.
BWBR—Bureau of Naval Weapons Branch Representative.
BWRR—Bureau of Naval Weapons Resident Representative.
INSMAT—Inspector of Naval Materiel.
RINSMAT—Resident Inspector of Naval Materiel.
INDMAN—Industrial Manager.
AINDMAN—Assistant Industrial Manager.
SUPSHIP—Supervisor of Shipbuilding.
MSTS—Military Sea Transportation Service.
SUPINSMAT—Supervising Inspector of Naval Materiel.

U • Inactive.

CALIFORNIA

Azusa: BWR, Aerojet General Corporation, 6352 North Irwindale Avenue. Mr. F. D. Powelson, ED 4-6211, Ext. 7851.
Burbank: BWR, Factory A-1, Lockheed Aircraft Corporation. Mr. L. V. Tietzel, TR 7-2711, Ext. 4578.
Long Beach: BWR, Douglas Aircraft Company. Mr. W. J. Barnhart, HA 9-2441, Ext. 221.
SUPSHIP, Long Beach Naval Shipyard. TE 2-3311, Ext. 442.
Los Angeles: INSMAT, 929 South Broadway. Mr. L. L. Tjaden, RI 9-4711, Ext. 1477.
BWR, Inglewood, North American Aviation, Inc. Mr. W. E. Coleman, 722-8111, Ext. 2026.
North Hollywood: BWBR, Bendix Pacific Division, Bendix Corporation. Mr. J. M. Ryan, EM 7-0111, Ext. 2247.
Palo Alto: BWR, Hiller Aircraft Corporation, 1350 Willow Road. Mr. J. F. Murdock, 325-3241, Ext. 360.
Pomona: BWR, 1675 W. 5th Street, P.O. Box 1011. Mr. Leon Angle, NA 9-5111, Ext. 7254.
San Diego: AINDMAN, U. S. Naval Station. Mr. H. C. Weir, 232-6911, Ext. 1002.
BWR, Convair Division, General Dynamics Corporation. Mr. W. R. Branson, 296-6611, Ext. 1051.
Sacramento: BWRR (Special Projects Office), Aerojet General Corporation, P.O. Box 1947. 355-3256.
San Francisco: District Public Works Office, 14th Naval District. Cdr. K. P. Sears, Pearl Harbor 4711, Ext. 28194.
INDMAN, 12th Naval District, San Francisco Naval Shipyard. Mr. J. J. Raully, VA 4-1900, Ext. 3004.
INSMAT, Building 178, Treasure Island. Mr. R. V. Madsen, EX 2-3931, Ext. 2724.
SUPINSMAT. Mr. W. H. McMickle, EX 2-2921, Ext. 3036.
Sunnyvale: BWR (Special Projects Office), Lockheed Aircraft Corporation, Lockheed Missile and Space Company, P.O. Box 504. Mr. S. F. Smith, RE 9-4321.
Torrance: INSMAT, Building 171, 90th and Normandie, P.O. Box 2962. Mr. L. J. Corcoran, 320-5770, Ext. 2105.
Woodland Hills: DINSMAT, 5500 Canoga Avenue, P.O. Box 605. Mr. D. J. Flaherty, 346-4040, Ext. 2013.

CONNECTICUT

Bloomfield: BWR, Kaman Aircraft Corporation. Mr. E. F. Markham, 242-4481, Ext. 1670.
Bridgeport: INSMAT, 181 Middle Street. Mr. H. H. Bryson, 368-6581, Ext. 40.
Groton: SUPSHIP, General Dynamics Corporation, Electronic Boat Division. Mr. A. E. Greenlaw, Jr., New London, Hilltop 5-4321, Ext. 1356.
East Hartford: BWR, Pratt & Whitney Aircraft Division, United Aircraft Corporation. Mr. C. L. Griffiths, 528-4811, Ext. 6442.
New London: Navy Underwater Sound Lab, Fort Trumbull. Mr. H. G. Lang, 443-8361, Ext. 514.
Stratford: BWR, Sikorsky Aircraft Corporation. Mr. J. H. Froehler, 378-6361, Ext. 435 or 1570.
Windsor Locks: BWR, Hamilton Standard Division, United Aircraft Corporation. Mr. Lloyd C. Stoddard, NA 3-1621, Ext. 8174.

THE DISTRICT OF COLUMBIA

Department of Defense:
 Director, Economic Utilization Policy. Mr. Albert C. Lazure, OX 7-9383.
 Staff Assistant Office, Economic Utilization Policy. Mr. Robert L. Treanor, OX 7-9383.
 Special Assistant for Economic Utilization Office, Assistant Secy of the Army (I & L). Mr. Philip Shea, OX 7-6644.
 Special Assistant for Economic Utilization Office, Assistant Secy of the Navy (I & L). Mr. Morris Questal, OX 6-3325.
 Special Assistant for Economic Utilization Office, Assistant Secy of the Air Force (I & L). Mr. Thomas H. Casey, OX 5-9286.
 Special Assistant for Economic Utilization Office, Director of the Defense Supply Agency. Mr. C. F. Cinquegrana, OX 8-1405.

GEORGIA

Atlanta: INSMAT, 50 Seventh St., NE-- Cdr. E. B. Young, TR 6-3311, Ext. 5595.

HAWAII

Honolulu: BWRR, Lockheed Aircraft Service, Inc., P.O. Box 2299. Mr. L. W. Risburg, Pearl Harbor, Ext. 44170.
 Pearl Harbor: Navy Supply Center, Bldg. 475, Naval Supply Center (Mail Address—Navy 128, FPO), San Francisco, California. Mr. T. H. Sumn, Pearl Harbor 4711, Ext. 54156.

ILLINOIS

Chicago: INSMAT, 536 South Clark Street. Mr. H. K. Watterson, HA 7-7523, Ext. 545.
 Great Lakes: INDMAN, 9th Naval District, Bldg. 3209. Mr. C. E. Warnecke, DE 6-3500, Ext. 2501.

INDIANA

Mishawaka: BWR, 400 South Beiger Street. Mr. R. T. McGrath, BL 5-2111, Ext. 285.

LOUISIANA

New Orleans:
 INDMAN, 8th Naval District----- Mr. J. M. Rigney, 366-2311, Ext. 573.
 MSTs, Gulf Subarea, 4400 Dauphine Street. Mr. W. H. Zigler, WH 7-5571, Ext. 5539.
 Headquarters Support Activity----- Mrs. A. B. Hurst, 366-2311, Ext. 483.
 Westwego: SUPSHIP, 2500 River Road. University 6-3364.

MAINE

Bath: SUPSHIP, Bath Iron Works Corporation. HI 3-3311.

MARYLAND

Baltimore: BWR, Westinghouse Electric Corp., Friendship Airport. Mr. Skinner, SO 1-1000, Ext. 3058.
 Silver Spring: BWR, Applied Physics Laboratory, Johns Hopkins University, 8621 Georgia Avenue. Mr. W. H. Russell, 589-7700, Ext. 328.

MASSACHUSETTS

Boston:

INDMAN, 1st Naval District, Boston Naval Shipyard. Mr. J. J. O'Neil, OH 2-1400, Ext. 313.
 INSMAT, 495 Summer Street----- Mr. S. B. Hutton, LI 2-5100, Ext. 553.
 Pittsfield: RINSMAT----- Mr. R. D. Foss, HI 3-3561, Ext. 3309.
 Quincy: SUPSHIP, 118 East Howard Street. Mr. J. E. Canavan, GR 2-3200, Ext. 119.
 Waltham: BWR, Raytheon Manufacturing Company. LCDR J. G. Leighton, TW 9-8400, Ext. 3301.

MICHIGAN

Ann Arbor: BWR, Bendix Systems Division, Bendix Aviation Corporation. CDR K. L. Melin, USN, ST 3-8734.
 Detroit: INSMAT, 6233 Concord Avenue. Mr. H. Z. Radzillowski, WA 5-9750, Ext. 21.

MINNESOTA

Minneapolis:
 BWR, Northern Pump Company-- Mr. E. G. Lickteig, SU 8-8601, Ext. 208.
 INSMAT, 110 S. Fourth Street--- 334-2201.

MISSISSIPPI

Pascagoula: SUPSHIP, Ingalls Shipbuilding Corp. Mr. H. L. Holifield, SO 2-2752.

MISSOURI

St. Louis:
 BWR, McDonnell Aircraft Corp., P.O. Box 516. Mr. R. F. Hesley, PE 1-2121, Ext. 2317.
 INSMAT, Bldg. 101, 4300 Goodfellow Blvd. Mr. C. E. Worley, EV 2-8200, Ext. 420.

NEW JERSEY

Camden: SUPSHIP, New York Shipbuilding Corp. Lt. J. P. Quartana, WO 3-6700, Ext. 723.
 Denville: BWBR, Thiokol Chemical Corporation, Reaction Motors Division. Mr. J. S. Schoening, OA 7-7000, Ext. 324.
 Teterboro: BWR, The Bendix Corporation, Eclipse-Pioneer Division. Mr. J. Pellicano, AT 8-2000, Ext. 2012.

NEW YORK

Bethpage (L.I.): BWR, Grumman Aircraft Eng. Corp. Mr. M. R. Siclari, LR 5-1557.
 Brooklyn:
 BWR, Cornell Aeronautical Laboratory, Post Office Box 235. NF 2-7500, Ext. 316.
 District Public Works Office, 3rd Naval District, 90 Church Street. Mr. H. F. Shearer, RE 2-9100, Ext. 329 or 509.
 INDMAN, 3rd Naval District, New York Naval Shipyard. Mr. Nathan Louis, MA 5-4500, Ext. 2327.
 MSTs, Atlantic Area, 48th Street and 1st Avenue. Mr. Dudley Clapp, GE 9-5400, Ext. 5182.
 New York:
 SUPINSMAT, 207 West 24th Street. Mr. J. J. Cincotta, WA 4-5000, Ext. 445.
 SUPSHIP, 252 7th Avenue----- Mr. G. Director, WA 4-5000, Ext. 478.
 Utica: RINSMAT, c/o General Electric Co., French Road. Mr. J. M. Jozowski, SW 7-1000, Ext. 7535.

NORTH CAROLINA

Winston-Salem: RINSMAT, c/o Western Electric Company. Mr. T. M. Everett.

OHIO

Akron: BWR, Goodyear Aircraft Corporation. Mr. G. L. Thomas, 794-4855.
Columbus: BWR, North American Aviation, Inc., 4300 E. Fifth Avenue. Mr. E. W. Foster, BE 1-1851, Ext. 1754.

PENNSYLVANIA

Mechanicsburg: Ordnance Supply Office. Mr. F. E. Moeslein, 766-8511, Ext. 2411.
Morton: BWR, Vertol Division, Boeing Aircraft Corporation. Mr. G. J. McCarthy, 522-2634.
Philadelphia: Philadelphia Naval Shipyard, Naval Base. Mr. H. T. Davenport, 755-3611.
INDMAN, 4th Naval District, Philadelphia Naval Shipyard. Mr. D. C. Iaconianni, HO 5-1000, Ext. 2932.
Pittsburgh: INSMAT, 401 Old Post Office Bldg. Mr. E. D. Mosko, EX 1-2560, Ext. 155.
Reading: INSMAT, Mumma Building. Mr. M. E. Tigner, 374-5194, Ext. 17.
York: U.S. Naval/Ordnance Plant. Mr. H. R. Spangler, YO 3-8881, Ext. 217.

PUERTO RICO

San Juan: Area Public Works Office, Caribbean, Navy No. 116, FPO, New York, New York. Mr. Frank Andino, San Juan, 722-0080, Ext. 644.
Naval Station. Mr. Mariana Dones, San Juan, 722-0080, Ext. 471.

RHODE ISLAND

Newport: U.S. Naval Supply Depot. Eileen Keavey, 841-2686.

SOUTH CAROLINA

Charleston Heights: INDMAN, 6th Naval District, P. O. Box 7287. Mr. V. F. Lighthart, 744-5371.

TENNESSEE

Bristol: BWBR, Raytheon Manufacturing Company. Mr. F. R. Mahaun, SO 4-1122, Ext. 241.

TEXAS

Dallas: BWR, Naval Weapons Industrial Reserve Plant, P.O. Box 5907. Mr. M. C. Stump, AN 2-3211, Ext. 793.
Fort Worth: BWR, Bell Helicopter Company, P.O. Box 482. Mr. R. L. McWilliams, BU 2-3434, Ext. 343.

VIRGINIA

Newport News: SUPSHIP, Newport News Shipbuilding & Drydock Company. Mr. W. E. Foster, CH 4-4931, Ext. 221.

WASHINGTON

Seattle: Naval Supply Depot. LTJG F. S. Iaquina, SC, USN, AT 3-5200, Ext. 421.
AINDMAN, 2400 11th Avenue, SW. Mr. J. D. Winston, MA 2-1472, Ext. 345.
INSMAT, U.S. Naval Supply Depot, Building 13. Mr. S. A. Swanson, AT 3-4200, Ext. 426.
SUPSHIP, 2400 11th Avenue, SW. Mr. J. D. Winston, MA 2-1472, Ext. 345.

WISCONSIN

Milwaukee: INSMAT, 2266 N. Prospect Avenue. Miss E. M. Matuschka, BR 3-5900, Ext. 4.
Sturgeon Bay: SUPSHIP, P.O. Box 596. PI 3-4454.

APPENDIX III

NASA PERSONNEL DESIGNATED RESPONSIBILITY FOR MATTERS CONCERNING SMALL BUSINESS, LABOR SURPLUS AREAS, AND ECONOMIC UTILIZATION

NASA Headquarters, Washington, D.C.:

John K. Koepf, industry assistance adviser.

Jacob M. Roey, small business adviser.

Headquarters Contracts Division, Washington, D.C.: Ralph T. Scroggs.

Ames Research Center, Moffett Field, Calif.: John C. Delaney.

Goddard Space Flight Center, Greenbelt, Md.: Harry T. O'Toole.

Flight Research Center, Edwards AFB, Calif.: Stephen C. Kucharik.

John F. Kennedy Space Center, Cocoa Beach, Fla.: Thomas M. Davis.

Jet Propulsion Laboratory, Pasadena, Calif.: Forest S. Gibson.

Langley Research Center, Hampton, Va.: Joseph F. Braig.

Lewis Research Center, Cleveland, Ohio: Norman C. Praht.

Manned Spacecraft Center, Houston, Tex.: H. T. Christman.

Marshall Space Flight Center, Huntsville, Ala.: Emil J. Havrilla.

North Eastern Office, Cambridge, Mass.: Edward U. O'Donnell.

Space Nuclear Propulsion Office (refer to Lewis Research Center); None.

Wallops Station, Wallops Island, Va.: Elton R. Scott.

Western Operations Office, Santa Monica, Calif.: Alex Mirosav.

APPENDIX IV

GENERAL SERVICES ADMINISTRATION BUSINESS SERVICE CENTER DIRECTORY, SEPTEMBER 1964

Address and telephone number	Service area
Frank J. O'Connor, Regional Director of Business Affairs, General Services Administration, U.S. Post Office and Courthouse, Boston, Mass. 02109. Tel: 223-2868. Area code 617.	Region 1: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
John F. Clark, Regional Director of Business Affairs, General Services Administration, 30 Church Street, New York, N.Y. 10007. Tel: Digby 9-0400, ext. 333. Area code 212.	Region 2: Delaware, New Jersey, New York, Pennsylvania, Puerto Rico, and Virgin Islands.
William F. Donlin, Jr., Regional Director of Business Affairs, General Services Administration, Seventh and D Streets, SW., Washington, D.C. 20407. Tel: WORTH 3-4147. Area code 202.	Region 3: District of Columbia, Maryland, Virginia, and West Virginia.
William W. Barron, Regional Director of Business Affairs, General Services Administration, 1776 Peachtree Street, NW., Atlanta, Ga. 30309. Tel: TRINITY 6-3311, ext. 5661. Area code 404.	Region 4: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee.
John F. Daley, Regional Director of Business Affairs, General Services Administration, 219 South Dearborn Street, Chicago, Ill. 60604. Tel: 828-5383. Area code 312.	Region 5: Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin.

Thomas W. Lacy, Regional Director of Business Affairs, General Services Administration, 1500 East Bannister Road, Kansas City, Mo. 64131. Tel: EMerson 1-0860, ext. 7200. Area code 816.

Randolph M. Jackson, Regional Director of Business Affairs, General Services Administration, 1114 Commerce Street, Dallas, Tex. 75202. Tel: RIVERSIDE 9-3355. Area code 214.

Price J. George, Regional Director of Business Affairs, General Services Administration, Denver Federal Center, Building 41, Denver, Colo. 80225. Tel: 233-3611, ext. 6689. Area code 303.

Robert J. Ireland, Regional Director of Business Affairs, General Services Administration, 49 Fourth Street, San Francisco, Calif. 94103. Tel: 556-2114. Area code 415.

Mrs. Margaret Bayless, manager, Business Service Center (Branch), General Services Administration, 417 South Hill Street, Los Angeles, Calif. 90013. Tel: 688-3210. Area code 213.

John J. Murphy, Regional Director of Business Affairs, General Services Administration, Federal Office Building, 909 First Avenue, Seattle, Wash. 98104. Tel: MUTual 2-3300, ext. 302. Area code 206.

Region 6: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

Region 7: Arkansas, Louisiana, Oklahoma, and Texas.

Region 8: Arizona, Colorado, New Mexico, Utah, and Wyoming.

Region 9: California, Hawaii, and Nevada.

Region 9: Los Angeles and southern California.

Region 10: Alaska, Idaho, Montana, Oregon, and Washington.

August 7, 1964

MEMORANDUM FOR HONORABLE MYER FELDMAN**Re: Defense Manpower Policy 4**

This is in further reference to my memorandum of May 12, 1964, on Defense Manpower Policy 4, and to subsequent conversations you have had with my staff.

We have completed a draft Defense Mobilization Order, as well as a draft Executive Order, either of which would replace Defense Manpower Policy 4. We have submitted these drafts to all agencies and departments represented on the Surplus Manpower Committee, requesting agency comments and recommendations. Meanwhile, we thought you would like to see the direction we are taking.

As you may know, Senator Humphrey has requested us to appear August 13 before his Subcommittee and to give testimony in regard to Defense Manpower Policy 4 and the general problem of area classification and preference under this Policy. I am sure that he will inquire as to the Executive Department position on the legislation which he introduced last year which would permit 100% set-asides for surplus labor areas. Also, they will be interested in the Department of Defense experiment with subcontracting, which was dropped in part because of possible legal questions. You will recall that Senator Humphrey's bill, which did not pass, was designed to remove these possible legal objections.

I am proposing to the Bureau of the Budget that our agency should favor the Humphrey bill approach. As yet an Administration position has not been reached. Please let me know if you have any objection to our taking this position.

2

The Surplus Manpower Committee and this Office favor the Executive Order approach to this Policy, particularly in light of the fact that our recommendations include several new elements that considerably broaden the Policy. The Policy as proposed is intended to make it as useful as possible to all areas that need assistance whether the reason be substantial and persistent unemployment, low income or designation as a redevelopment area by the Secretary of Commerce.

In the event that the Executive Order route is not followed a Defense Mobilization Order is the alternative. If this is done, we believe there should be a new direction from the President to announce and coordinate it, not only on the basis of our current defense assignments but with an additional statement amounting to a public interest finding by the President. Without such backing questions might be raised about issuing such a broadened policy as a Defense Mobilization Order.

We have indicated our willingness that the administration of the Policy be transferred to Mr. Shriver's office if that seems more appropriate. The agencies' representatives on the Surplus Manpower Committee have considered this alternative and they recommend that the administration of the Policy remain with the Office of Emergency Planning on the ground that fundamentally the basis for the Policy continues to be defense. It is this approach which is reflected in the present draft Executive Order.

Edward A. McDermott
Director

Enclosures

RR/WGAlthaus/ELKeenan/MMMerker/eew/21351/415EOBA/8/6/64

cc: Central Files - 2
WGAlthaus/RR - 2
ELKeenan/RR - 2
Director - 2
Mr. Cosgrove - 1
Mr. Belsley/EA - 1
MMMerker/GC - 1
George Mullin/BuBudget - 1
Charles Coffin/PE - 1
JHRoddy/RR - 1

May 12, 1964

MEMORANDUM FOR HONORABLE MYER FELDMAN

Re: Defense Manpower Policy 4

You will recall your memorandum of January 7 on Defense Manpower Policy 4 in which you suggested that we proceed to review the Policy in an effort to make it more effective and that any specific changes be shown to you before action is taken. We are nearing completion of this work and will shortly have a revised Policy to propose.

There is one action I wish to recommend now, the Presidential letter proposed in the first point below. The three subsequent points outline related problems on which I'd like your advice.

1. Proposed Letter to Certain Agencies on Preference Programs

There is attached a draft letter which would be from the President to the principal agencies with whom we have been dealing. These agencies include those concerned not only with Defense Manpower Policy 4, but also programs under the Area Redevelopment Administration and the Small Business Administration. The letter relates these programs to the anti-poverty program and directs that my Office work in cooperation with Mr. Shriver's office in developing a means to improve coordination among the agencies concerned.

The letter would be consistent with and reinforce President Kennedy's letters of February 2, 1961, and February 27, 1962. A Presidential expression is highly important in encouraging vigorous administration of these programs.

2. Statutory Limitations on the Department of Defense in Regard to 100% Set-asides for Surplus Labor Areas

The Department of Defense appropriation language prohibits the payment of a price differential for the purpose of assistance to

economically distressed areas, and the Comptroller General's decisions indicate that limitation of bidding to firms in labor surplus areas is subject to challenge on the ground that they may not result in the lowest price obtainable on a bid procedure. The appropriation language and the Comptroller General's decision has also led the Secretary of Defense to discontinue a recent experimental program under which successful bidders were required to agree to a contractual obligation to put a certain percentage, usually 25%, of their subcontracting in labor surplus areas.

Legally the Comptroller General's position seems sound and the action of the Secretary of Defense was certainly in consonance with the legislation and applicable decisions. On the other hand, some experience seems to indicate that prices resulting from this arrangement were not higher, and in fact, additional firms were drawn into the bidding with the possibility that prices may actually have been lower in some cases. Staff believed the employment situation in these areas was improved by the program. Moreover, we understand that certain suppliers were considering placing new plant facilities in surplus labor areas.

The amount of procurement placed as a result of preference has never been high, as you know, but in the past year the Department of Defense raised the percentage from about 2% to around 5% and the impact of this subcontracting program was only beginning to be felt. Consequently, we feel there is an important issue which should be faced up to in this connection.

100% set-asides may not be the answer, but we think the absolute requirement for the "lowest price obtainable" does not always work to the advantage of the Government. A compromise position might be language which would at least legalize the Department of Defense program requiring a percent of subcontracting in labor surplus areas.

The Department of Defense as a procurement agency can hardly be expected to sponsor this approach, and sponsorship should come from the Administration in general, if at all. Therefore, I would like your advice on whether we should proceed to explore and develop an Administration position on the question of 100% set-asides for labor surplus areas or other proposals which would soften the present rigid restriction contained in the Department of Defense appropriation acts.

In this connection you are aware, I am sure, of Senator Humphrey's proposal of last year. We would, of course, wish to check with his office on whether a proposal is likely to originate from that office and the nature of such proposal.

3. Congressional Interest in a Revised Defense Manpower Policy 4

Recently in hearings before the House Banking and Currency Committee on the extension and amendment of the Defense Production Act, Congressman Joseph M. McDade asked a series of questions relating to DMP 4 and its provisions. He was told that DMP 4 was under study, and later he called to advise that since the hearing he and other members of the Committee have considered the advisability of holding hearings to take testimony on proposed revisions. He has also discussed the matter with Chairman Patman and reported that at the instruction of the Chairman it was requested that we submit to members of the Committee the approved revision of DMP 4 prior to final Executive Branch decision concerning it.

He was advised that the studies were nearing completion, but that the procedure he requested might possibly offer problems in regard to Executive Branch policy. He was advised that if there was objection to this procedure he would be so informed before DMP 4 was revised and finally issued. In this event, of course, his Committee would undoubtedly schedule hearings.

We are inclined to comply with the request to discuss the draft Policy with the Committee before issuance, and unless you see some objection we will proceed on that basis.

4. Defense Manpower Policy Versus Executive Order

There continues to be considerable sentiment in favor of an Executive Order rather than a policy or order issued by this Office because of the greater effect that an Executive Order would have.

We would support whatever approach offered the greatest promise for assistance to labor surplus areas and redevelopment areas. Since we began the review of DMP 4 the anti-poverty program has been announced, and this and other statements of the President

4

suggest that the climate may have changed and an Executive Order might be appropriate at this time. We are prepared to develop our proposed policy in the form either of an Executive Order or a policy for issuance by this Office, or both. We would, however, like your judgment as to which would be the preferred approach at this time.

If an Executive Order were issued it would be our recommendation that administrative responsibility be fixed on some agency within the Executive Office of the President, and if the program were broadened to have a general economic basis rather than a defense basis I would think it would be more appropriate if it were lodged with the anti-poverty program. We would, of course, explore this approach with Mr. Shriver if you recommend this course of action.

Edward A. McDermott

Enclosure
Draft Letter

RR/WGAlthaus/eew/X21351/415EOBA/5/7/64

cc: Central Files - 2
Director - 2
Deputy Director - 1
ELKeenan/RR - 2
WGAlthaus/RR - 2
MMMerker, Legal Adviser - 1
LBelsley, EA - 1

(Draft proposed letter from the President to the following:)

Secretary of Defense
Secretary of Commerce
Secretary of Labor
Administrator, NASA
Chairman, Atomic Energy Commission
Administrator, Small Business Administration
Administrator of General Services
Director, Peace Corps
Director, Office of Emergency Planning

Dear _____:

As you know, there are a number of governmental programs designed to provide assistance in those areas of the country which are bearing an undue share of the problems of unemployment and underemployment, or which are receiving a far too limited share of the income of this nation proportionate to their population. Much has been done through the Area Redevelopment Administration, the Small Business Administration, and through the application by procurement agencies of Defense Manpower Policy 4 of the Office of Emergency Planning, to provide assistance in these areas.

I would like these programs to be prosecuted with all the energy and ingenuity at your disposal. The impact of these programs will have an important long-range effect on our Anti-Poverty Program and can have an immediate effect on the employment situation in the areas which most need assistance.

Accordingly, I request that you as Heads of Departments and Agencies most concerned with this subject review current policies and procedures and take appropriate action to insure the awarding of contracts and subcontracts and the placement of facilities in areas of labor surplus and in area redevelopment areas to the greatest extent possible consistent with efficiency and the performance of your assigned missions.

I am asking the Director, Office of Emergency Planning, in cooperation with my Special Assistant for the Anti-Peverty Program, to develop for me recommendations on a means to improve coordination among the agencies concerned, including the principal procurement agencies, to assure the widest possible use of the measures available to us.

Sincerely,

Lyndon B. Johnson

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ZEN/SEC OF THE NAVY
ZEN/SEC OF THE AIR FORCE
ZEN/DIR OF DEFENSE R&E
ZEN/CHAIRMAN JCS
ZEN/ASSISTANT SEC OF DEFENSE
ZEN/GENERAL COUNSEL OSD
RUKDAG/CINCAL
RUCKHC/CINCLANT
RUWGALB/CINCONAD
RUFLC/USCINCEUR
RUHLHQ/CINCPAC
RUCSC/CINCSAC
RULPAL/USCINCSO
RUCJHK/CINCSRIKE
ZEN/ASSISTANTS TO THE SECRETARY OF DEFENSE
RUGWC/DEFREPNAME PARIS
INFO RUEPWW/PRESS SECRETARY OF THE PRESIDENT
RUMSMA/COMUSMACV
RUEPWW/WHITE HOUSE
RUEHCR/STATE DEPT
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UNCLAS DEF 005167 TOREPNAME 193 FROM OASD(PA) SGD SYLVESTER.

PUBLIC AFFAIRS GUIDANCE.

IN VIEW OF CURRENT VIET-NAM SITUATION, ATTENTION IS DIRECTED TO
PUBLIC AFFAIRS GUIDANCE CONTAINED IN DEF 577101 DATED 11 OCT 1961:
SUBJECT: PUBLIC STATEMENTS ON MOVEMENTS OF U.S. FORCES TO OVER-
SEAS AREAS. (U).

AS REPORTED IN ASD(PA) POLICY CABLE DEF 5072 DTG 112358Z FEB
DOD SPOKESMAN WAS QUERIED CONCERNING ALERT STATUS OF TAC. HIS
REPLY WAS "WE DO NOT COMMENT ON OUR ALERT STATUS."

FOR SAC AND PACOM ONLY - PUBLIC AFFAIRS GUIDANCE CONTAINED
IN DEF 002019 DATED 18 NOV 1964 SUBJECT: PUBLIC AFFAIRS GUIDANCE -
CONTINGENCY PLANS. (U) IS CANCELLED

BT

RECEIVED
FEB 16 1965
CENTRAL FILES

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BROUGHT FORWARD

EXECUTIVE

ND 4-1

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1/11/65

Date

NAME Sgt William W. Barron

ORGANIZATION _____

EXECUTIVE

James

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2/19/65

Date

FINAL ACTION DEP memo to
see white

BROUGHT FORWARD

EXECUTIVE

ND4-1

Previously Filed

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Date

NAME D E P memo to Rep. Feldman

ORGANIZATION _____

EXECUTIVE

Am

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2/19/65

Date

FINAL ACTION D E P memo to
. Mr White

BROUGHT FORWARD

EXECUTIVE

ND-4-1

Previously Filed

8/7/64

Date

NAME O & P memo to Meyer Alderman

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EXECUTIVE

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7/19/65

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FINAL ACTION O & P memo to
Mr White

EXECUTIVE

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Killian Report

FG 726

FG 660

FG 11-9

ED

July 7, 1964

Dear Dr. Killian: *James R.*

In completing such a broad analysis of problems concerned with the utilization of scientific and technical talent and making recommendations for their solution, your Committee has rendered a significant public service.

Your report deals with issues which are important in carrying out this Nation's commitment to deploy science and technology boldly and effectively in the interest of the Nation's welfare. Your counsel is especially timely because of the intensified interest this Administration is taking in providing rewarding employment opportunities and education to all our citizens, and because of the need to strengthen the relationships between Government, industry, and colleges and universities.

The higher salaries at the upper levels of Government service which your Committee supports would help redress the persistent imbalance between Governmental and private salaries that penalize the Government in meeting competition for talent. The Administration's bill is a major step toward that end.

The Federal Government has a special responsibility to conduct its affairs with an enlightened concern for the critical part it now plays in the utilization of the Nation's manpower. I am thus asking that Dr. Donald F. Hornig, my Science Advisor, and Secretary of Labor Willard Wirtz, as Chairman of my Committee on Manpower, report to me on further steps that the Government should take in light of your Committee's recommendations.

RECEIVED

JUL 16 1964

CENTRAL FILES

Please extend to all of those who have given generously of their time in the conduct of this study my sincere appreciation for their contributions.

Sincerely,


LYNDON B. JOHNSON

Dr. James A. Killian, Jr.
Chairman of the Corporation
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

LBJ;EW;DFH;eac

cc:

President's files

WH Central files (2)

Dr. Hennig (return to room 200, eeb)

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

The President today released a report calling for steps by the Federal Government, private industry, colleges and universities to improve the utilization of scientific and engineering manpower. Entitled "Toward Better Utilization of Scientific and Engineering Talent," this report is one requested by President Kennedy in 1962 through his Science Advisor because of increasing concern as to whether the technical manpower base was adequate to meet the Nation's complex needs. These questions arose particularly from three related considerations--manpower requirements for a rapidly growing Federal research and development enterprise, especially for the space effort; the Soviet Union's production of B.S. and Ph.D. level engineers at a rate several times greater than the U. S.; and the decline in U. S. enrollments in engineering schools.

The President's Science Advisory Committee and the Federal Council for Science and Technology were asked to study requirements for the development of new scientists and engineers during the remainder of this decade, and at the same time President Kennedy requested that a study be undertaken by the National Academy of Sciences on the utilization of the existing supply of technical manpower.

The National Academy of Sciences appointed a distinguished Committee of leading citizens under the Chairmanship of Dr. James R. Killian, Jr., Chairman of the Corporation of the Massachusetts Institute of Technology. Other members include: Richard H. Bolt, Bernard R. Berelson, Paul W. Cherington, Karl A. Folkers, Walter H. Gale, Louis C. Goad, Crawford H. Greenwalt, Frederick H. Harbison, Clark Kerr, Augustus B. Kinzel, Douglas M. Knight, Herbert E. Longenecker, John W. Macy, Haakon I. Romnes, Merriam H. Trytten, and Dean E. Wooldridge.

The Committee has now presented its report to the President. Its recommendations call for action by and cooperation among the three major employer groups--Government, industry and the universities-- to

--strengthen the management of research in all sectors, through improved contracting procedures and efforts to identify and train more project managers and engineers who combine understanding of a complex, changing technology with mastery of the art of leadership;

--achieve a balance in the allocation of scarce scientific and engineering talent between "big science" and large development projects on the one hand, and the individual investigator (or scholar-teacher) and the manpower requirements of the civilian economy on the other; and

--greatly expand the opportunities open to individual scientists and engineers to renew, update, and extend their skills throughout their professional careers.

Key recommendations explicitly call for the development of statistical information on scientific and technical manpower resources to permit the Government to assess the impact of major new technological ventures on employment and manpower utilization before reaching a decision to proceed. The report also stresses that steps be taken within the Executive Office of the President for a coordinated, continuing assessment of the total impact of Government policies and practices of all of its departments and agencies on the deployment and utilization of manpower.

In receiving the report, the President noted that the study is especially timely and important because of the intensified interest of his Administration in employment opportunities and education of all our citizens, and the need to strengthen relationships between major institutions of industry, the academic community and government that contribute to and draw on these resources. He also stated that the Federal Government has a special responsibility to conduct its affairs with an enlightened concern for the critical part it now plays in deployment and utilization of the Nation's manpower.

Dr. Donald F. Hornig, the President's Science Advisor, and Secretary of Labor Willard Wirtz as Chairman of the recently appointed Cabinet Committee on Manpower have been asked to report to the President on steps which the Government should take in light of the Committee's recommendations.

##

The following is the text of an exchange of letters between the President and Dr. James R. Killian, Jr., Chairman, Committee on Utilization of Scientific and Engineering Manpower:

July 7, 1964

Dear Dr. Killian:

In completing such a broad analysis of problems concerned with the utilization of scientific and technical talent and making recommendations for their solution, your Committee has rendered a significant public service.

Your report deals with issues which are important in carrying out this Nation's commitment to deploy science and technology boldly and effectively in the interest of the Nation's welfare. Your counsel is especially timely because of the intensified interest this Administration is taking in providing regarding employment opportunities and education to all our citizens, and because of the need to strengthen the relationships between Government, industry, and colleges and universities.

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Please extend to all of those who have given generously of their time in the conduct of this study my sincere appreciation for their contributions.

Sincerely,

LYNDON B. JOHNSON

Dr. James R. Killian, Jr.
Chairman of the Corporation
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

- - - - -

June 22, 1964

The President
The White House

My dear Mr. President:

In 1961, President Kennedy, at the recommendation of Jerome Wiesner, his Special Assistant for Science and Technology, asked the National Academy of Sciences to undertake a study of the utilization of scientific and engineering manpower in the United States. The study was planned as part of an over-all review of national manpower requirements in science and engineering, which had been initiated earlier by the President's Science Advisory Committee and the Federal Council for Science and Technology.

The Academy organized a committee to make such a study and secured private funds to support its work. The Committee has prepared a report, and in response to your request of April 18, 1964, we present it herewith.

This report, Toward Better Utilization of Scientific and Engineering Talent, constitutes a program for action by the Federal Government, private industry, and colleges and universities. The Committee places greatest emphasis on the pressing national need to develop information on scientific and engineering manpower resources so that the Government, before undertaking a major technological venture, will be able to assess its impact on the deployment and utilization of scientists and engineers.

The report urges that coordination be provided within the Executive Office of the President for a continuing assessment of the total impact of government policies and practices on the deployment and utilization of manpower in the United States.

In the Committee's view, improvement in the utilization of scientists and -- engineers, and thus in the quality of our achievements in science and technology, can best be attained by close cooperation among the Federal Government, private industry, and colleges and universities. We see a need to strengthen the management of research in all sectors and to achieve a balance in the allocation of scarce scientific and engineering talent among numerous national needs and objectives. We must greatly expand the opportunities open to individual scientists and engineers to renew, update, and extend their skills throughout their careers.

The Committee has sought to view the need for more effective utilization in its broadest context, involving humanistic goals as well as economic, and the freedom and worth of man as well as his utility. The utilization of scientists and engineers is only one aspect of the broad requirement of our society to make good use of all its human resources. We are encouraged by actions which you have already taken in recognition of this national need.

We are grateful to you for your own interest in the report and for the opportunity to present it to you.

Respectfully yours,

s/ James R. Killian, Jr.

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THE WHITE HOUSE
WASHINGTON

Mr. President,

GER would like to get this out next Tuesday with the exchange of letters in order for it to be in Sunday, July 12 papers.

This will give Dr. Hornig a chance to give background briefings.

If you approve, the letter will need to be up-dated (from June 24 to July 7) and in doing this, the last sentence in the third paragraph of the letter (marked with paper clip) may need changing to read:

The Administration's bill is a major step toward that end.

Do you approve

☒ yes
☐ no

Wayne Hawkes/mjdr
July 2, 1964

*Call Hornig office
24 1 5 -*

NATIONAL ACADEMY OF SCIENCES

NATIONAL RESEARCH COUNCIL

2101 CONSTITUTION AVENUE, WASHINGTON 25, D. C.

OFFICE OF INFORMATION

June 30, 1964

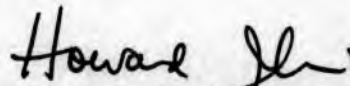
Mr. Wayne Hawks
The White House
Washington, D.C.

Dear Mr. Hawks:

Here is the timetable we prepared for our own staff on the Killian report. Please note that it calls for 1500 copies of your press release and letters.

Although you and I talked about 1000 on the telephone yesterday morning, it turns out that this office can use the full 1500 without any trouble. If this presents any problems, please let me know.

Sincerely,



Howard J. Lewis, Director
Office of Information

HJL/11a
Enclosure

TIMETABLE FOR DISTRIBUTION OF USEM REPORT

Wednesday, July 1—Check with George Reedy's office to confirm time of arrival of 1500 copies each of (a) White House release, (b) Killian letter to President Johnson, (c) Johnson letter to Dr. Killian to be included in Office of Information mailing on July 6.

Also, confirm Reedy's intention to announce availability of report at Dr. Wenk's office at regular White House press briefing on Tuesday, July 7.

Monday, July 6—Deliver to Dr. Wenk's office, Rm. 203, Executive Office Building, 200 copies of report from Office of Information stock, with Academy release inserted inside front cover.

Mail the following from Office of Information:

1—Press packet to lists 1, 2, 3, 6, 7, 8, 9, 10, 13, 14, and 16

Envelopes are addressed and marked in Aebischer's office. Each to include (in this order) (a) White House release, (b) Johnson and Killian letters, (c) Academy release. NOTE: Those envelopes, selected by Howard Lewis, marked in this pile (principally from lists 1, 2, and 11) will receive as a fourth item the prepared excerpts from the report. (300)

2—Copies of report (approximately 120) in first-class envelopes provided plus full press packet above (but not including excerpts). Include Killian's card with copies to: Hechinger, Reston, Finney, Sullivan (NY Times), Menzies, Leland (Boston Globe), Lannon (Boston Herald), Cowen (Christian Science Monitor).

3—Review copies of report (approximately 70) in printed matter envelopes provided with White House release only—omit rest of press packet.

4—VIP copies of report, with Killian letter (approximately 8)

5—VIP copies of report, with Killian card and Office of Information half sheet prepared by DC indicating date of public release of report (approximately 16).

Friday, July 10—Signal from HJL to Pat Armstrong to proceed with distribution of 7,000 complimentary copies.

NOTE: The Office of Information supply of the report will be 450 copies. 200 go to Ed Wenk. Nearly 200 are required for press and review-copy mailings. 50 additional copies will serve for VIP mailing, additional press requests.

THE WHITE HOUSE
WASHINGTON

June 24, 1964

MEMORANDUM FOR
THE PRESIDENT

*Not sent to
file*
Attached is a copy of the report, "Toward Better Utilization of Scientific and Engineering Talent: A Program for Action," together with a covering letter from Dr. James R. Killian, Chairman of the committee of distinguished citizens who prepared the report as a result of a request from President Kennedy.

You will remember that Dr. Killian has already presented the principal recommendations to you orally.

A suggested letter of acknowledgement from you to Dr. Killian is enclosed.

I suggest that the report be made public through a White House press release, a draft of which is enclosed. The exchange of letters between you and Dr. Killian might also be released.

The only matters in the release which require your approval are:

- 1) The assignment of the report to me (as Special Assistant for Science and Technology) and Secretary Wirtz (as Chairman of the Committee on Manpower) to consider ways in which the report might be implemented.
- 2) The reference to the executive pay bill, which is relevant because a major recommendation of the report (#10) supports your position.


Donald F. Hornig

Attachments: 4

THE WHITE HOUSE

WASHINGTON

June 24, 1964

Dear Dr. Killian:

In completing such a broad analysis of problems concerned with the utilization of scientific and technical talent and making recommendations for their solution, your Committee has rendered a significant public service.

Your report deals with issues which are important in carrying out this Nation's commitment to deploy science and technology boldly and effectively in the interest of the Nation's welfare. Your counsel is especially timely because of the intensified interest this Administration is taking in providing rewarding employment opportunities and education to all our citizens, and because of the need to strengthen the relationships between Government, industry, and colleges and universities.

The higher salaries at the upper levels of Government service which your Committee supports would help redress the persistent imbalance between Governmental and private salaries that penalize the Government in meeting competition for talent. The Administration's bill now pending before the Congress is a major step toward that end, and I again urge its passage.

The Federal Government has a special responsibility to conduct its affairs with an enlightened concern for the critical part it now plays in the utilization of the Nation's manpower. I am thus asking that Dr. Donald F. Hornig, my Science Advisor, and Secretary of Labor Willard Wirtz, as Chairman of my Committee on Manpower, report to me on further steps that the Government should take in light of your Committee's recommendations.

FOR RELEASE TO SUNDAY PAPERS
JULY 12, 1964

~~FOR RELEASE~~
~~June 22, 1964~~

Office of the White House Press Secretary

The President today released a report calling for steps by the Federal Government, private industry, colleges and universities to improve the utilization of scientific and engineering manpower. Entitled "Toward Better Utilization of Scientific and Engineering Talent," this report is one requested by President Kennedy in 1962 through his Science Advisor because of increasing concern as to whether the technical manpower base was adequate to meet the Nation's complex needs. These questions arose particularly from three related considerations--manpower requirements for a rapidly growing Federal research and development enterprise, especially for the space effort; the Soviet Union's production of B.S. and Ph.D. level engineers at a rate several times greater than the U.S.; and the decline in U.S. enrollments in engineering schools.

The President's Science Advisory Committee and the Federal Council for Science and Technology were asked to study requirements for the development of new scientists and engineers during the remainder of this decade, and at the same time President Kennedy requested that a study be undertaken by the National Academy of Sciences on the utilization of the existing supply of technical manpower.

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The Committee has now presented its report to the President. Its recommendations call for action by and cooperation among the three major employer groups--Government, industry and the universities--to

--strengthen the management of research in all sectors, through improved contracting procedures and efforts to identify and train more project managers and engineers who combine understanding of a complex, changing technology with mastery of the art of leadership;

--achieve a balance in the allocation of scarce scientific and engineering talent between "big science" and large development projects on the one hand, and the individual investigator (or scholar-teacher) and the manpower requirements of the civilian economy on the other; and

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Key recommendations explicitly call for the development of statistical information on scientific and technical manpower resources to permit the Government to assess the impact of major new technological ventures on employment and manpower utilization before reaching a decision to proceed. The report also stresses that steps be taken within the Executive Office of the President for a coordinated, continuing assessment of the total impact of Government policies and practices of all of its departments and agencies on the deployment and utilization of manpower.

In receiving the report, the President noted that the study is especially timely and important because of the intensified interest of his Administration in employment opportunities and education of all our citizens, and the need to strengthen relationships between major institutions of industry, the academic community and government that contribute to and draw on these resources. He also stated that the Federal Government has a special responsibility to conduct its affairs with an enlightened concern for the critical part it now plays in deployment and utilization of the Nation's manpower.

~~In nothing that this Committee supported higher salaries at the upper levels of Government service, the President took this occasion to urge passage of the Administration's salary bill now before the Congress.~~

Dr. Donald F. Hornig, the President's Science Advisor, and Secretary of Labor Willard Wirtz as Chairman of the recently appointed Cabinet

Committee on Manpower have been asked to report to the President on steps which the Government should take in light of the Committee's recommendations.

~~More detailed excerpts accompany the report.~~

~~Additional copies of the report can be obtained from the National Academy of Sciences, 2101 Constitution Avenue, N. W., Washington, D. C., 20418.~~

NATIONAL ACADEMY OF SCIENCES

2101 CONSTITUTION AVENUE

WASHINGTON, D. C. 20418

COMMITTEE ON UTILIZATION OF SCIENTIFIC AND ENGINEERING MANPOWER

EXECUTIVE 3-8100
EXTENSION 571

June 22, 1964

The President
The White House

My dear Mr. President:

In 1961, President Kennedy, at the recommendation of Jerome Wiesner, his Special Assistant for Science and Technology, asked the National Academy of Sciences to undertake a study of the utilization of scientific and engineering manpower in the United States. The study was planned as part of an over-all review of national manpower requirements in science and engineering, which had been initiated earlier by the President's Science Advisory Committee and the Federal Council for Science and Technology.

The Academy organized a committee to make such a study and secured private funds to support its work. The Committee has prepared a report, and in response to your request of April 18, 1964, we present it herewith.

This report, Toward Better Utilization of Scientific and Engineering Talent, constitutes a program for action by the Federal Government, private industry, and colleges and universities. The Committee places greatest emphasis on the pressing national need to develop information on scientific and engineering manpower resources so that the government, before undertaking a major technological venture, will be able to assess its impact on the deployment and utilization of scientists and engineers.

The report urges that coordination be provided within the Executive Office of the President for a continuing assessment of the total impact of government policies and practices on the deployment and utilization of manpower in the United States.

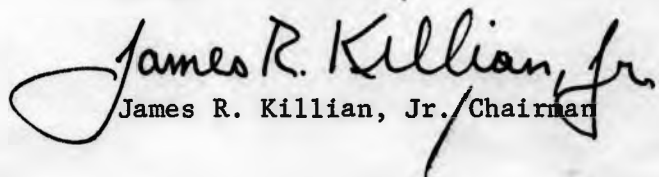
In the Committee's view, improvement in the utilization of scientists and engineers, and thus in the quality of our achievements in science and technology, can best be attained by close cooperation among the Federal Government, private industry, and colleges and universities. We see a need to strengthen the management of research

in all sectors and to achieve a balance in the allocation of scarce scientific and engineering talent among numerous national needs and objectives. We must greatly expand the opportunities open to individual scientists and engineers to renew, update, and extend their skills throughout their careers.

The Committee has sought to view the need for more effective utilization in its broadest context, involving humanistic goals as well as economic, and the freedom and worth of man as well as his utility. The utilization of scientists and engineers is only one aspect of the broad requirement of our society to make good use of all its human resources. We are encouraged by actions which you have already taken in recognition of this national need.

We are grateful to you for your own interest in the report and for the opportunity to present it to you.

Respectfully yours,


James R. Killian, Jr. Chairman

C-O-P-Y

NATIONAL ACADEMY OF SCIENCES

2101 CONSTITUTION AVENUE

WASHINGTON, D. C. 20418

COMMITTEE ON UTILIZATION OF SCIENTIFIC AND ENGINEERING MANPOWER

EXECUTIVE 3-8100
EXTENSION 571

June 22, 1964

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RECEIVED
JUL 28 1964
CENTRAL FILES

The President

-2-

June 22, 1964

in all sectors and to achieve a balance in the allocation of scarce scientific and engineering talent among numerous national needs and objectives. We must greatly expand the opportunities open to individual scientists and engineers to renew, update, and extend their skills throughout their careers.

The Committee has sought to view the need for more effective utilization in its broadest context, involving humanistic goals as well as economic, and the freedom and worth of man as well as his utility. The utilization of scientists and engineers is only one aspect of the broad requirement of our society to make good use of all its human resources. We are encouraged by actions which you have already taken in recognition of this national need.

We are grateful to you for your own interest in the report and for the opportunity to present it to you.

Respectfully yours,

/s/ James R. Killian

James R. Killian, Jr., Chairman

THE WHITE HOUSE
WASHINGTON

March 16, 1964

MEMORANDUM FOR

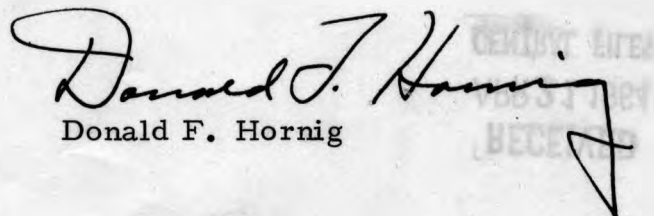
THE PRESIDENT

An analysis of Soviet education and professional employment, published in December 1961, revealed that the USSR was educating scientists and engineers at a rate over twice that of the U.S. Since the 1961 supply was about the same in the two countries, this raised very serious questions regarding the relative future position of the U.S. versus the USSR.

After reviewing the implications of these statistics, President Kennedy requested that his Science Advisory Committee and the National Academy of Sciences undertake concurrent studies to examine this Nation's specialized manpower resources. The PSAC study led to initial recommendations which have been incorporated in FY 1964 and 1965 programs.

The National Academy persuaded Dr. James R. Killian, Jr., to organize a committee of distinguished citizens to study problems in manpower utilization. After a year of hard work they are completing a report, "Toward Better Utilization of Scientific and Engineering Talent - A Program for Action," which is being readied for transmittal to you. Since he had undertaken this assignment at the request of the President, Dr. Killian is very anxious to convey the principal findings to you personally. His summary and interpretation may be of special interest in terms both of the concerns that prompted the assignment, and of the manner in which specialized manpower significantly influence employment, education and utilization of the Nation's entire manpower resources.

If you concur, I should be glad to arrange for an early meeting with Dr. Killian.


Donald F. Hornig

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THE WHITE HOUSE
WASHINGTON

March 16, 1964

MEMORANDUM FOR

THE PRESIDENT

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After reviewing the implications of these statistics, President Kennedy requested that the Science Advisory Committee and the National Academy of Sciences undertake a concerted study to examine this Nation's specialized manpower resources. The PAC study led to initial recommendations which have been incorporated in FY 1964 and 1965 programs.

The National Academy has named Dr. James R. Killian, Jr., to organize a committee of distinguished citizens to study problems in manpower utilization. After a year or more they are completing a report, "Toward Better Utilization of Scientific and Engineering Talent - A Program for Action," which is being readied for transmittal to you. Since he had undertaken this assignment at the request of the President, Dr. Killian is very anxious to convey the principal findings to you personally. His summary and suggestions may be of special interest in terms both of the concerns that prompted the assignment, and of the manner in which specialized manpower significantly influence employment, education and utilization of the Nation's entire manpower resources.

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Donald F. Hornig

BROUGHT FORWARD

EXECUTIVE

ND 4-1

Previously Filed

5/12/64

Date

ORP

NAME

Memo to Roger Feldman

ORGANIZATION _____

EXECUTIVE

Sam

New File Symbol

7/19/65

Date

FINAL ACTION

ORP memo to
Mr White

THE WHITE HOUSE
WASHINGTON

May 9, 1964

MEMORANDUM FOR
16691

16692 The Secretary of Labor
16693 The Secretary of Defense
The Secretary of Health, Education, and Welfare
The Director of the Selective Service System

16694

On January 5, 1964, I received and approved the recommendations of the Task Force on Manpower Conservation. Each member of the Task Force was instructed to adopt the recommendations dealing with his agency.

The principal finding of that Task Force indicated that one-third of the youth of the Nation are unqualified for military service at the present time. This is a condition which must not be permitted to continue. Most of this deficiency is a direct result of poverty. The finding, therefore, takes on added significance in view of the commitment of this Administration to a total and unrelenting war on poverty.

The examination of all new Selective Service registrants will identify those who fail to meet minimum health and educational achievement standards. Once they are identified, we should then bring to bear the full resources of federal, state and local programs and services.

The Task Force should therefore be continued. It should immediately designate an Operations Planning Group -- chaired by the Department of Labor -- and including observers from the Task Force on the War Against Poverty and from the Bureau of the Budget -- to plan, coordinate and develop this effort. The participation of other federal agencies should also be welcomed when such participation will contribute to the program.

*Per request of Mr. Kalberg -
Copy to Dir. of the Peace Corps
for Mr. H. Kalberg, Budget - 5/12/64.
cc to Budget - 5/12/64.
Sent 5/12/64.*

[Signature]

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MAY 13 1964
CENTRAL FILES

EXECUTIVE

ND 9-4 ①

FG 160

FG 115

FG 165

FG 182

FG 11-1

ND 4-1

DONOVAN, JOHN

OPERATIONS PLANNING
GROUP

WH

7

EXECUTIVE

FG 722

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ND 4-1

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April 17, 1964

Dear Mr. Administrator:

The President on April fifteenth
11152
signed an Executive Order entitled "Establishing
the President's Committee on Manpower," a copy
of which is enclosed.

Sincerely,

WILLIAM J. HOPKINS
Executive Clerk

Honorable James E. Webb
Administrator
National Aeronautics and
Space Administration
Washington, D. C.

Enclosure

Appropriate FG# x referenced for each agency

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APR 17 1964
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*To Archives 4/15/64
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940
April 8, 1964

MEMORANDUM FOR:

Lieutenant General Lewis B. Hershey
Director, Selective Service System
Mr. Kermit Gordon
Director, Bureau of the Budget
Mr. James P. Ringley
Chairman, National Selective Service Appeal Board
Mr. Norman S. Paul
Assistant Secretary of Defense (Manpower)

You will recall that last September President Kennedy took a most active interest in reviewing the Selective Service Act and the possibility of making some changes and improvements in our administration of the law. This included investigation of possible new legislation. The office of the Assistant Secretary of Defense (Manpower) and General Hershey's office deferred initiation of detailed studies of manpower requirements pending availability of the report of the President's Task Force on Manpower Conservation. The President established the latter group on September 30, 1963, and the report was rendered, dated January 1, 1964. Some implementing actions on its recommendations have been taken, and others are under consideration.

Further, certain legislation has been introduced in either the House or the Senate which bears on the subject of the Selective Service System.

All of these matters are interrelated -- the legislation now pending, the Department of Defense-Selective Service joint recommendations for changes in the system (which were being considered last fall), the recommendations of the Task Force on Manpower Conservation, and even the organization of the Selective Service System itself including the situation of the Selective Service Appeal Board. Therefore, the President has asked the Director of the Bureau of the Budget to coordinate the staff action on all of these matters for the White House so that three purposes are accomplished: (a) Recommendations of the Task Force on Manpower

EXECUTIVE
ND 9-4
~~LE/FG 282-1~~ ⑥
FG 282-1
FG 282
FG 11-1
ND 4-1
~~ND 9-4~~
GWIAZDA, HENRY J.
FG 115
LE/FG 282-1

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CENTRAL FILES

THE WHITE HOUSE
WASHINGTON

March 16, 1964

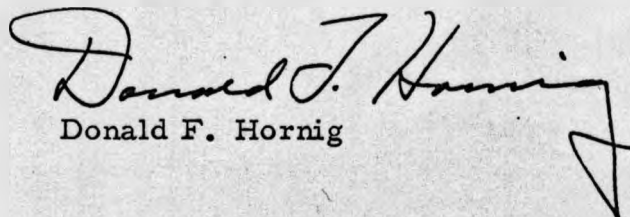
MEMORANDUM FOR
THE PRESIDENT

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Donald F. Hornig

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JOHN SPARKMAN, ALA., CHAIRMAN
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LEWIS G. ODOM, JR., STAFF DIRECTOR
AND GENERAL COUNSEL
BLAKE O'CONNOR, ASSISTANT STAFF DIRECTOR

United States Senate

* SELECT COMMITTEE ON SMALL BUSINESS
(CREATED PURSUANT TO S. RES. 18, 81ST CONGRESS)

January 15, 1964

EXECUTIVE 7

FG 115

FG 431/S*

ND 4-1

LA ✓

PQ ✓

Hartung, Ed.

MEMORANDUM

TO: George E. Reedy, Special Assistant to the President

FROM: Neal Peterson
X

This is a memorandum of our conversation Monday evening, January 13.

At that time I pointed out that President Kennedy had created an Economic Utilization Policy Director in the Department of Defense.

It should further be pointed out that since 1953 under Defense Manpower Policy No. 4, it has been the announced policy of the United States Government to help labor surplus areas, both substantial and persistent, through Government procurement. For one reason or another, this policy has been completely frustrated by the Department of Defense.

The Department of Defense officials often state that it does not want to run a social program. They won't recognize that the total cost to U. S. taxpayers may be greater because of unemployment in these areas.

The first Economic Utilization Director was Ron Linton, and at that time he was required to report directly to Dick Maguire and Ken O'Donnell. These people were all tight-knit Kennedy people. When Ron Linton left to become Director of Senator McNamara's Public Works Committee a man by the name of Al Lazure was appointed to take his place. Mr. Lazure is a Democrat and has had experience in politics although he has not been active for many years. His stature and experience in the General Accounting Office and the Department of Defense is considerable. He further has many articles to his credit on the subject of procurement.

At the same time Al Lazure was appointed the Administration placed another man on the White House staff by the name of John Kelly. It was Kelly's function to act as liaison between the White House and the Economic Utilization people. As I understood it, his authority was needed because the Defense Department resists any action which interferes with the most expedient way to achieve their immediate objectives. They just do not want

Nothing else sent to
Central Files as of 1/18/65

gm

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

EXECUTIVE
ND 9-4 ③
FG 160
ND 4-1
FG 282
December 23, 1963

MEMORANDUM FOR THE HONORABLE THEODORE C. SORENSEN

Here is the second draft of the Report of the
Task Force on Manpower Conservation. Also, a draft
of a statement the President might issue at the time
of releasing such a report.

W. Willard Whit
Secretary of Labor

Attachment

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JAN 6 1964
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