

Please proceed.

Mr. KUHN. In preparing the statement, I went back—frankly, I was not familiar with the figures—and looked at DOD figures for formal advertising as a percentage of the total DOD acquisition budget.

I found that in fiscal year 1954, it constituted 14.2 percent. I have got it listed from then on through fiscal year 1969; it was down to 11 percent in fiscal year 1969.

In fiscal year 1981, it was done down to less than 6 percent. We are getting worse in this regard; we are not getting better.

I think that this particular committee could do a great deal if it were to mandate legislatively that the DOD must increase its amount of sealed bid-type competition—continuous alternative sourcing by sealed bid a few percentage points a year. Mandating a steady increase of a few points annually would permit a very significant improvement in cost control.

We need to get back up at least to the level we achieved in 1954, and I would suggest we must get considerably above that if we are to have a healthy market system in the defense industry.

The final point I would make is this: You can reduce all these matters to the question of setting priorities and effectively managing, to achieve those priorities. My own view is that, in fact, we are neither setting adequate priorities, nor managing our affairs effectively in light of those priorities we do set.

Everyone, every particular service—and each subsector of those services—has its own agenda. They are all competing furiously for the available funds. It seems that the top level management is unable either in the services or at the OSD level, to make the very hard decisions, based on budget or based on performance of weapon systems, to cut marginal or poor systems so the remaining priority systems are adequately funded.

They are not making those decisions. Everyone pays some lip service, it seems to me, to the need to do that, to prioritize and make these hard decisions. But I just don't see it happening.

They will come over and say they have cut, say, 120 programs, but if you look at the 120 program list, almost all of it is very, very small potatoes propositions.

Chairman ROTH. What kind of dollar amount are you talking about, do you know?

Mr. KUHN. I don't know precisely. I have seen one list, provided I think by the Navy on some programs they had cut. It was about, oh, 60 or 70 programs. If you look down the list, most of the programs ranged from a few million dollars to several tens of millions of dollars. But the sum total of cuts hardly dents the Navy's cost growth problems for its major systems, let alone for its entire procurement list.

Chairman ROTH. If I understand the thrust of your statement, you really sort of believe right now they are involved in getting what they can while the getting is good; is that right?

Mr. KUHN. I think that is right. It is a feeding frenzy.

Chairman ROTH. Let me ask you one further question.

One of the initiatives has been to delegate more responsibility to the services.