

5513



REPORT BY THE

# Comptroller General

OF THE UNITED STATES

RELEASED

3/2/78

## Special Procurement Procedures Helped Prevent Wage Busting Under Federal Service Contracts In The Cape Canaveral Area

All employees working on Federal service contracts are protected from wage busting, except bona fide executive, administrative, and professional employees under the Service Contract Act of 1965. "Wage busting" is the practice of lowering employee wages and fringe benefits by incumbent or successor contractors, to be low bidders or offerors on Government service contracts, when the employees continue to perform the same jobs. Legislation introduced in the 95th Congress would include professional employees under the act.

Special procurement procedures used by NASA and the Air Force helped prevent wage busting of employees not covered by the act during the recompetition of several major service contracts in the Cape Canaveral, Florida, area in 1977. These procedures demonstrate that a procurement policy directed toward discouraging wage busting in service contracts is a viable and pertinent alternative to the proposed legislation.





COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

S-151261

The Honorable Lawton Chiles  
Chairman, Subcommittee on Federal Spending  
Practices and Open Government  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

By letters dated June 24 and October 27, 1977, you asked us to review the effectiveness of special procurement procedures used by the Department of the Air Force and the National Aeronautics and Space Administration to stop wage busting of professional employees working on service contracts in the Cape Canaveral, Florida, area. Allegations of wage busting had been made by employees of service contractors as a result of recompetition for Federal contracts at Cape Canaveral.

On November 1, 1977, and January 23, 1978, we gave you reports on our preliminary findings. This is our final report.

As you requested, we did not submit this report to the Air Force, the National Aeronautics and Space Administration, or the Office of Federal Procurement Policy for written comment. However, we discussed its contents with officials of these agencies and considered their views in the report.

As your office agreed, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after it is issued. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Loren B. Atack".

Comptroller General  
of the United States

REPORT BY THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES

SPECIAL PROCUREMENT PROCEDURES  
HELPED PREVENT WAGE BUSTING UNDER  
FEDERAL SERVICE CONTRACTS IN THE  
CAPE CANAVERAL AREA

D I G E S T

The Federal Government frequently contracts for many continuing support services. The Service Contract Act of 1965 protects all employees of service contractors from wage busting, except bona fide executive, administrative, and professional employees.

"Wage busting" is the lowering of employee wages and fringe benefits by either incumbent or successor contractors, in an effort to become low bidders or offerors on Government service contracts, when the employees continue to perform the same jobs. (See pp. 1 to 3.)

When the National Aeronautics and Space Administration (NASA) and the Air Force put service contracts in the area of Cape Canaveral, Florida, up for recompetition during 1977, various labor and professional groups believed that professional employees would be wage busted. To discourage wage busting these agencies designed special procurement procedures. (See p. 4.)

These encouraged contractors to

- propose a suitable compensation structure and realistic payment plan for professional employees,
- maintain a stable work force, and
- employ professionals from the local labor market area.

The procedures included criteria for the agencies to evaluate the offerors' total plan for compensation and to reject any offer they believed nonresponsive because of low wages proposed. (See pp. 7 and 17.)

GAO reviewed the effectiveness of the special procedures to determine whether wage busting had occurred in competing for contracts in the Cape Canaveral area. (See p. 5.)

Three major service contracts were awarded at NASA's Kennedy Space Center and the Air Force's Patrick Air Force Base between January 1 and October 1, 1977, and special procurement procedures were used to prevent wage busting.

Two were NASA contracts--an \$87.9 million ground support operations contract awarded to Boeing Services International, Inc., effective July 1, 1977, and a \$41 million communications and instrumentation support services contract awarded to the Computer Sciences Corporation, effective June 1, 1977. The Air Force awarded the third contract for \$70.2 million, for operation and maintenance of the Eastern Test Range, to Pan American World Airways, Inc., effective October 1, 1977. (See p. 7.)

#### WAGE BUSTING VIRTUALLY ELIMINATED

Reviewing the wages and fringe benefits of 881 of 1,034 employees not covered by the Service Contract Act, GAO found no cases of wage busting on two of the three contracts and only two cases on the remaining contract.

However, in the two cases, the contractor paid the salaries requested on the employees' job applications. Moreover, both employees' salaries were later increased, so that, as of December 1977, one was making slightly less and the other slightly more than under the prior contract.

Consequently, these two cases are not indicative of any overall effort or intent by the contractor to wage bust the employees.

Contractor and agency officials and representatives of a labor organization and a professional employees organization in the Cape Canaveral area generally agreed that wage busting had not occurred on the three contracts. (See ch. 2.)

**NASA AND AIR FORCE**  
**SPECIAL PROCEDURES HELPED**  
**PREVENT WAGE BUSTING**

The procedures used by NASA and the Air Force generally influenced contractors to submit proposals based on paying wages and fringe benefits comparable to those paid under the prior contracts. Some contractors told GAO they would have proposed lower wages and fringe benefits had the requests for proposals not contained the procedures. The procedures did not deter firms from submitting proposals on the three contracts.

The special procurement procedures and NASA's and the Air Force's emphasis on wages and fringe benefits, before and during proposal evaluation and contract negotiation, resulted in the award of the three contracts to contractors that agreed to pay incumbent contractor employees not covered by the act the same salaries paid by the incumbent as long as the employees did the same jobs. GAO noted that NASA rejected the low salary proposal of a contractor as nonresponsive.

The special procedures helped prevent wage busting on the three contracts.

Legislation, such as House bill 314, introduced in the 95th Congress would include professional employees under the Service Contract Act. The special procurement procedures demonstrate that a policy directed toward discouraging the practice of wage busting and augmented with appropriate language in procurement regulations and in service contracts is a viable and pertinent alternative. Neither NASA, the Air Force, nor the Office of Federal Procurement Policy has a policy requiring that the special procedures be used in competition for service contracts. (See pp. 26 to 28.)

**RECOMMENDATIONS**

The Administrator for Federal Procurement Policy should establish a Government-wide

policy to discourage wage busting of professional employees not covered by the act and require Federal agencies to include appropriate implementing language in their procurement regulations and service contracts. (See p. 30.)

The Secretary of Defense and the Administrator of NASA should amend their procurement regulations to discourage wage busting of professional employees not covered by the act on recompetition of service contracts without waiting for a Government-wide policy. (See p. 30.)

#### AGENCY COMMENTS

Office of Federal Procurement Policy officials agreed with GAO's recommendation and said the Office is working on a Government-wide policy directive that would require agencies to issue regulations to prevent wage busting during procurements under service contracts. The officials hoped to issue the policy statement in February 1978. (See p. 30.)

Defense and NASA officials agreed that the special procurement procedures helped prevent wage busting on the support service contracts at the Space Center and Eastern Test Range. The officials also agreed with GAO's recommendation and said appropriate corrective actions would be considered and taken.

In addition, GAO was advised that NASA headquarters has taken action to require the use of the special procurement procedures on service contracts being negotiated at its National Space Technology Laboratories in Bay St. Louis, Missouri, and Lyndon B. Johnson Space Center in Houston, Texas. (See pp. 30 and 31.)

C o n t e n t s

		<u>Page</u>
<b>DIGEST</b>		i
<b>CHAPTER</b>		
1	<b>INTRODUCTION</b>	1
	SCA and wage busting	1
	Scope of review	5
2	<b>WAGE BUSTING NOT A PROBLEM ON NASA AND AIR FORCE SERVICE CONTRACTS</b>	7
	Recompetition of service contracts by Kennedy Space Center and the Air Force	7
	Boeing Services contract	10
	Computer Sciences contract	12
	Pan Am contract	15
3	<b>SPECIAL PROCUREMENT PROCEDURES HELPED PREVENT WAGE BUSTING</b>	17
	Special procurement procedures	17
	Procedures' effect on contractors' proposals	20
	Procedures' effect on contract awards	23
	Procedures not included in agencies' regulations	26
	Proposed legislation to prevent wage busting of professional employees	26
	Comments by a professional employees' organization and a labor organization	28
	Conclusions	29
	Recommendation to the Administrator for Federal Procurement Policy	30
	Recommendation to the Secretary of Defense and the Administrator of NASA	30
<b>APPENDIX</b>		
I	Letter dated June 24, 1977, from the Chair- man, Subcommittee on Federal Spending Practices and Open Government, Senate Committee on Governmental Affairs	32
II	Letter dated October 27, 1977, from the Chairman, Subcommittee on Federal Spending Practices and Open Government, Senate Com- mittee on Governmental Affairs	34

**APPENDIX**

III	Letter dated July 8, 1977, from the Deputy Comptroller General to the Chairman, Subcommittee on Labor-Management Relations, House Committee on Education and Labor, commenting on House bill 314, 95th Congress, to include professional employees under SCA	36
IV	Principal officials responsible for activities discussed in this report	44

ABBREVIATIONS

GAO	General Accounting Office
NASA	National Aeronautics and Space Administration
Pan Am	Pan American World Airways, Inc.
RCA	RCA Corporation
RFP	request for proposals
SCA	Service Contract Act of 1965, as amended

## CHAPTER 1

### INTRODUCTION

The Federal Government frequently contracts for many continuing support services. In 1974, the latest year for which data was available, a Department of Labor special analysis showed that the Government had about 27,000 service contracts employing over 337,000 workers at a cost of nearly \$3.3 billion.

The Service Contract Act of 1965, as amended (SCA) (41 U.S.C. 351), protects from wage busting all contractor service employees, except bona fide executive, administrative, and professional employees. "Wage busting" is the practice of lowering employee wages and fringe benefits by either incumbent or successor contractors, in an effort to become low bidders or offerors on Government service contracts, when the employees continue to perform the same jobs. Legislation introduced in the 95th Congress would include professional employees under SCA.

This report discusses how special procurement procedures used by the National Aeronautics and Space Administration (NASA) and the Department of the Air Force helped prevent wage busting of employees not covered by SCA during the re-competition of major support service contracts in the Cape Canaveral, Florida, area in 1977.

### SCA AND WAGE BUSTING

In passing SCA the Congress intended to ensure that service workers received wages and fringe benefits equal to those being paid workers performing similar tasks in their locality. The House and Senate reports on the 1965 act (S. Rept. 798 and H. Rept. 948, 89th Cong., 1st Sess.) state that many service employees were poorly paid and were not covered by Federal or State minimum wage laws.

SCA provides labor standards protection to service employees of contractors and subcontractors when the principal purpose of a contract is to furnish services to Federal agencies in the United States. SCA requires that:

--Service employees under Federal contracts <sup>1/</sup> receive wages no less than the minimum wages specified under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 201).

--For contracts exceeding \$2,500, the minimum wages and fringe benefits be based on rates that the Secretary of Labor determines as prevailing for service employees in the locality of the contract.

--The contractor or subcontractor notify its service employees of the minimum wages and fringe benefits applicable to the work.

The service industry emerged in the early 1950s, when the Government began to contract for services previously performed by Federal blue-collar employees. Service industry contractors needed few facilities and little equipment and were highly mobile because the Government furnished the facilities and the contractor furnished the employees. As the industry grew, the bidding process became intensely competitive. Since the Government usually accepts the lowest bid, contractors had an incentive to pay the lowest possible wages to reduce labor costs--the dominant cost of the contracts. <sup>2/</sup>

In the ensuing competition, contractor employees frequently received much lower pay than the Federal employees they replaced, even though they were performing identical tasks. In addition, contractors often came from outside the area where the work was to be done and underbid a contractor paying the area's prevailing wage. <sup>2/</sup>

In 1971 the Special Subcommittee on Labor, House Committee on Education and Labor, held oversight hearings to review the administration of SCA. The Subcommittee report <sup>2/</sup> criticized the Department of Labor's administration, stating it had generated the same intolerable conditions that the Congress had intended to correct in 1965.

---

<sup>1/</sup>"Contracts" means all types of agreements and orders, including letter contracts, letters of intent, and purchase orders for procuring services.

<sup>2/</sup>See Committee Print by the Special Subcommittee on Labor, House Committee on Education and Labor, "The Plight of Service Workers Under Government Contracts," 92d Cong., pp. 1-3 (1971).

A major Subcommittee finding was that wage busting was common among service contractors. This was caused by Labor's failure to make wage determinations or recognize prospective increases in wages and fringe benefits. This led to a situation in which incumbent contractors were turned out every year and new contractors refused to recognize existing collective bargaining agreements. Employees had to take wage cuts to keep their jobs.

On October 9, 1972, SCA was amended by Public Law 92-473 to provide that (1) Labor use collective bargaining agreements, if applicable, in setting wages and fringe benefits under its wage determinations and (2) Successor contractors who provide substantially the same services as under the predecessor contract not pay any employee covered by the act less than the wages and fringe benefits, including any prospective increases in wages and fringe benefits, than those provided for in a collective bargaining agreement reached as a result of arms-length negotiations. The act states, however, that wages and fringe benefits in the collective bargaining agreement do not have to be paid if they vary substantially from those that prevail for similar services in the locality.

#### Employees covered by SCA

Before October 19, 1976, SCA defined "service employee" as (1) a guard, watchman, or other person engaged in a recognized trade or craft, or other skilled mechanical craft, or in an unskilled, semiskilled, or skilled manual labor occupation or (2) any other employee, including a foreman or supervisor, in a position having trade, craft, or laboring experience as the paramount requirement.

In 1972 Labor began issuing wage determinations that included white-collar employees, such as keypunch operators, secretaries, clerks, stenographers, and typists. This action was protested by several contractors and led to litigation. Two U.S. district courts ruled 1/ that the Congress had never intended SCA to apply to white-collar workers who would be classified and paid under the "general pay schedule" of the Classification Act (5 U.S.C. 5102(c)(7)). One of the decisions (Federal Electric Corporation v. Dunlop), made by a U.S. district court in Florida on March 30, 1976, affected service employees in the Cape Canaveral area.

---

1/Descomp, Inc., v. Sampson, 377 F. Supp. 254 (D. Del., 1974), and Federal Electric Corporation v. John T. Dunlop, Civil No. 74-320 (M. D. Fla., Mar. 30, 1976).

As a result, on May 17, 1976, the Subcommittee on Federal Spending Practices, Efficiency, and Open Government, Senate Committee on Government Operations, held hearings in the Cape Canaveral area. According to the Subcommittee Chairman, Labor had estimated that the court's decision had the effect of removing about 9,000 workers (70 percent) in the Cape Canaveral area from coverage under SCA.

By letters dated May 19 and June 3, 1976, the Subcommittee Chairman and other Congressmen requested both NASA and the Air Force to delay the recompetition of several service contracts at Cape Canaveral to allow the Congress time to enact legislation to redress the effects of the decision. NASA and the Air Force agreed to delay recompetition.

In July 1976 the Subcommittee on Labor-Management Relations, House Committee on Education and Labor, also held oversight hearings on SCA to find a solution to the definition problem caused by the decisions. In September 1976 the House and Senate passed House bill 15246, which broadened the definition to include white-collar workers in positions similar to those of Federal workers, as well as the blue-collar counterparts of Federal wage board workers. The only persons excluded from SCA are bona fide executive, administrative, and professional employees. The amendment was signed by the President on October 13, 1976, and became Public Law 94-489.

The inclusion of white-collar workers failed to quiet the fears expressed by members of various labor and professional groups during the May and July 1976 hearings and in June 1977 hearings by the House Subcommittee on Labor-Management Relations. These groups believed that professional employees would be wage busted when NASA and the Air Force put their service contracts up for recompetition.

At the hearings professional employees testified that they had been wage busted during previous recompetition of NASA and Air Force service contracts. They were concerned that professional employees would be wage busted again if the contracts were put up for bid.

Several bills introduced in the 95th Congress should prevent wage busting and protect the wages and fringe benefits of professional employees. Most bills--such as House bill 314--favor including professional employees under SCA. House bill 4873 would amend Federal procurement law and give responsibility for protecting professional employees' salaries under service contracts to the head of the procuring agency.

The bills were not acted on in the first session of the 95th Congress as of December 31, 1977. However, on February 8, 1978, the House Committee on Education and Labor reported favorably on House bill 314. The bill was pending in the Congress at February 14, 1978.

In late 1976 NASA and the Air Force issued requests for proposals (RFPs) for recompetition on their service contracts in the Cape Canaveral area. However, to prevent wage busting of professional employees, both agencies included special procurement procedures in the RFPs. (See p. 17.)

#### SCOPE OF REVIEW

By letters dated June 24 and October 27, 1977 (see apps. I and II), the Chairman, Subcommittee on Federal Spending Practices and Open Government, Senate Committee on Governmental Affairs, asked us to review NASA's and the Air Force's special procurement procedures to determine whether they had helped prevent wage busting in contracts in the Cape Canaveral area.

As the Subcommittee office agreed, our review was limited to three major support service contracts awarded at NASA's Kennedy Space Center and the Air Force's Patrick Air Force Base between January 1 and October 1, 1977. Two were NASA contracts--an \$87.9 million ground support operations contract awarded to Boeing Services International, Inc., effective July 1, 1977, and a \$41 million contract for communications and instrumentation support services awarded to the Computer Sciences Corporation, effective June 1, 1977. The Air Force awarded the third contract, for \$70.2 million for operation and maintenance of the Eastern Test Range, to Pan American World Airways, Inc. (Pan Am), effective October 1, 1977.

Our review consisted primarily of:

- Identifying the special procurement procedures.
- Evaluating their effect on contractors' proposals and on NASA's and the Air Force's evaluation of the proposals and award of the contracts.
- Comparing the wages paid under the prior and new contracts for employees not covered by SCA to determine if wage busting had occurred.

--Interviewing a labor organization official and members of a professional employees group in the Cape Canaveral area to determine if they had received allegations of wage busting.

We did not consider wage busting to have occurred when employees were reclassified to lower paying jobs with different duties and responsibilities.

Our review was made primarily at the Kennedy Space Center and Patrick Air Force Base. There we reviewed the RFPs, contractor proposals, proposal evaluations, records of contract negotiations, basis for contract award, briefings to unsuccessful contractors, selected employees' pay records, agencies' procurement regulations and procedures, and sections of the legislative history of SCA.

We also talked with NASA and Air Force officials and contractor officials and employees.

## CHAPTER 2

### WAGE BUSTING NOT A PROBLEM

#### ON NASA AND AIR FORCE SERVICE CONTRACTS

We reviewed the wages and fringe benefits of 881 of 1,034 employees not covered by SCA who had worked on the three contracts. We found no cases of wage busting on two of the three contracts and only two cases on the other contract.

In the two cases, however, the contractor paid the wages requested on the employees' job applications. Moreover, both employees' salaries have been increased, so that as of December 1977 one was making slightly more and the other slightly less than under the prior contract. Thus, we believe that these two cases are not indicative of any overall effort or intent by the contractor to wage bust the employees.

Also, contractor and agency officials and representatives of a labor organization and a professional employees organization generally agreed that wage busting had not occurred on the three contracts.

#### RECOMPETITION OF SERVICE CONTRACTS BY KENNEDY SPACE CENTER AND THE AIR FORCE

From January 1 through October 1, 1977, three major support service contracts were awarded in the Cape Canaveral area. Two were awarded by NASA's John F. Kennedy Space Center and the other by the Air Force's Detachment 1, Space and Missile Test Center, Patrick Air Force Base.

The two NASA contracts were put up for recompetition according to NASA Procurement Regulation, and the Air Force contract was handled according to the Armed Services Procurement Regulation. The two agencies' regulations provide that, for all negotiated procurements over \$10,000, proposals be solicited from the maximum number of qualified sources consistent with the nature and requirements of the services to be procured.

For each of the three contracts, the RFPs included special procurement language and procedures to discourage wage busting of employees not covered by SCA. The procedures encouraged contractors to (1) propose a suitable compensation structure and realistic payment plan, (2) maintain a stable work force, and (3) employ persons from the local labor market.

The procedures included criteria for the agencies to evaluate the offerors' total plan for employee compensation and to reject any offer they believed nonresponsive because of low wages proposed. (See p. 17.)

#### Kennedy Space Center contracts

On November 5, 1976, the Kennedy Space Center issued an RFP for recompetition of its communications and instrumentation services contract. The Space Center awarded the contract for about \$41 million--covering 3 years, effective June 1, 1977--to the Computer Sciences Corporation. The RCA Corporation (RCA) is the major subcontractor.

The contract calls for Computer Sciences and RCA to furnish specialized communications, instrumentation, and computer operations in support of NASA's space shuttle program at the Space Center. It also covers operation and maintenance of the intercommunication system; television system; and the checkout, control, and monitor subsystems.

On November 24, 1976, the Space Center issued another RFP for recompetition of its ground systems operation contract. The Space Center awarded the contract for about \$87.9 million--covering 3 years, effective July 1, 1977--to Boeing Services International, Inc., a wholly owned subsidiary of The Boeing Company.

The contract calls for Boeing Services to furnish specialized ground systems operations in support of NASA programs at the Space Center and in support of both NASA and Air Force programs at the Cape Canaveral Air Force Station and the Eastern Test Range. The contract covers operation and maintenance of specific systems, such as water, transportation, and pneumatic systems related to the space shuttle program.

#### Eastern Test Range contract

On December 1, 1976, Detachment 1, Space and Missile Test Center, at Patrick Air Force Base issued a preliminary RFP for recompetition of its support services contract for operation and maintenance of the Eastern Test Range. A final RFP was issued on March 22, 1977. The Air Force awarded the contract for about \$70.2 million for the first year beginning October 1, 1977, to Pan Am. The total estimated cost is \$224.3 million, including the cost of two additional 1-year options. Pan Am has held the test range contract since 1953, and RCA has been the major subcontractor during this period.

The contract calls for Pan Am and RCA to furnish the necessary organization, services, and supervision for the administration, operation, maintenance, and logistics support of the test facilities and related activities of the test range. The services include engineering, tests, and reports necessary or incidental to operating and maintaining launch complexes and communication and instrumentation systems.

Employees working on three service contracts

The three contractors employed a total of 4,744 employees. Of these, 3,710 were covered by SCA and 1,034 executive, administrative, and professional employees were not. To determine whether wage busting had occurred, we reviewed the wages and fringe benefits of 881 of the 1,034 employees (85 percent) not covered by SCA and compared the wages paid by contractors under the prior and new contracts. This data, by contract and contractor, is shown in the following table.

<u>Contract</u>	<u>Contractor/ subcontractor</u>	<u>Contractor employees</u>			
		<u>Total</u>	<u>Covered by SCA</u>	<u>Total</u>	<u>Not covered by SCA Number reviewed by GAO</u>
<b>NASA:</b>					
Ground system operations	Boeing Services	<u>1,107</u>	<u>917</u>	<u>190</u>	<u>37</u>
Communications and instrumentation services	Computer Sciences	<u>454</u>	<u>230</u>	<u>224</u>	<u>224</u>
	RCA	<u>279</u>	<u>213</u>	<u>66</u>	<u>66</u>
		<u>733</u>	<u>443</u>	<u>290</u>	<u>290</u>
<b>Air Force:</b>					
Operation and maintenance of Eastern Test Range	Pan Am	<u>a/1,813</u>	<u>1,567</u>	<u>246</u>	<u>246</u>
	RCA	<u>1,091</u>	<u>783</u>	<u>308</u>	<u>308</u>
		<u>2,904</u>	<u>2,350</u>	<u>554</u>	<u>554</u>
<b>Total</b>		<u>4,744</u>	<u>3,710</u>	<u>1,034</u>	<u>881</u>

a/Excludes foreign national employees who work outside the United States.

As the schedule shows, our review included all Computer Sciences and RCA employees not covered by SCA working on NASA's communications and instrumentation services contract and all Pan Am and RCA employees not covered by SCA working on the Air Force's Eastern Test Range contract. For NASA's ground systems operation contract, we reviewed a statistical random sample of 37 of the 190 Boeing Services employees. This was necessary because employee records were maintained at three sites and contained data which, if all records had been reviewed, would have required inordinately time-consuming research and computations.

BOEING SERVICES CONTRACT

On July 29, 1977, Boeing Services had 1,107 employees, including 190 not covered by SCA. Of the 37 employees whose salaries we reviewed, 36 had worked for the prior contractors--the Bendix Corporation and The Boeing Company. We found no examples of wage busting.

<u>Salary status</u>	<u>Prior employer</u>		<u>Other employee</u>	<u>Total</u>
	<u>Bendix Corporation</u>	<u>Boeing Company</u>		
Same as received under prior contract	12	11	-	23
Increased from prior contract	6	2	-	8
Reduced from prior contract	<u>3</u>	<u>1</u>	-	<u>4</u>
	<u>21</u>	<u>14</u>	-	<u>35</u>
Salary under prior contract not shown in employees' files	<u>1</u>	-	<u>1</u>	<u>2</u>
Total	<u>22</u>	<u>14</u>	<u>1</u>	<u>37</u>

As the schedule shows, 31 of 35 employees whose files showed a prior contract salary were hired at or above the salary paid by the prior contractor. The salary reductions for the four other employees ranged from \$52 to \$1,200 annually.

A Boeing Services official told us that the four employees who had received less pay had been reclassified to positions with different duties and fewer responsibilities. For example, one employee was reclassified from a chief maintenance engineer to an engineer. The official stated that, therefore, the salary reductions were justified.

One of the employees was reclassified from a supervisor to a senior engineer and received a \$1,200 pay reduction. About 1 week after being hired, he changed jobs within Boeing Services and became a lead engineer. This change restored his pay to what he had received as a supervisor under the prior contract.

The four employees agreed that they had not been wage busted. Three also agreed that they had different and fewer responsibilities with Boeing Services. The fourth, who had a reduction of only \$52, said that his work was similar but that he did not consider his reduction as wage busting.

Boeing Services officials identified 45 employees not in our random sample and not previously covered by SCA who had been reclassified to jobs with different duties and fewer responsibilities. As a result, 38 were then covered by SCA. Pay records of the 45 employees showed the following:

<u>Salary</u>	<u>Prior employer</u>		<u>Total</u>
	<u>Bendix Corporation</u>	<u>Boeing Company</u>	
Same as received under prior contract	17	-	17
Increased from prior contract	2	6	8
Reduced from prior contract	<u>16</u>	<u>4</u>	<u>20</u>
Total	<u>35</u>	<u>10</u>	<u>45</u>

The reduction in annual pay for the 16 former Bendix employees ranged from \$251 to \$1,746; the average reduction was about \$847. The reductions for the four former Boeing Company employees ranged from \$788 to \$1,890; the average reduction was about \$1,255.

We interviewed 19 of the 20 employees who had been reclassified and had received less pay. We did not interview the 20th because he had terminated his employment at Boeing Services. Of the 19 employees, 4 said they may have been wage busted. They had been reclassified from foremen to leadmen.

A Boeing Services official advised us that a foreman is a supervisor who does not perform hands-on work. Instead, he schedules the work and provides overall supervision and training to his subordinates. A leadman, on the other hand, is a group leader who performs hands-on work and is responsible only for completing the work assigned by the foreman.

The official stated that the four employees had not been wage busted and that the reduction in pay was justified because they had been reclassified. He said that their new jobs required less supervisory skill and involved less responsibility.

Three of the employees told us they were generally doing the same work, and the other said his work was similar. However, all four agreed that they had less responsibility. For example, one said that his duties as a leadman were similar to what he had done before. He added, however, that as a foreman he had supervised 16 people but that now he led 6 and no longer had responsibility for work scheduling, reprimanding, or planning of training. Another employee whose jobs under both contracts were identical to that of this employee said he had not been wage busted because the new job had less responsibility.

#### COMPUTER SCIENCES CONTRACT

As of October 14, 1977, Computer Sciences and its subcontractor (RCA) had hired 733 employees--including 290 not covered by SCA--to work under the communications and instrumentation contract. Of the 290, 232 had worked for the prior contractor, the Federal Electric Corporation, and 21 had worked for Computer Sciences or RCA.

Sixteen of the 290 employees received lower salaries than under the prior contract. Of the 16, 6 received pay reductions because of clerical errors, 8 were reclassified to lower paying positions with less responsibility, and 2 said they had been wage busted. Our findings are shown on the following page.

<u>Salary status</u>	<u>Prior employer</u>			<u>Total</u>
	<u>Computer Sciences/ RCA</u>	<u>Federal Electric</u>	<u>Other employees</u>	
Same as received under prior con- tract	-	36	1	37
Increased from prior contract	5	180	15	200
Reduced from prior contract	-	16	a/1	17
Salary under prior contract not shown in em- ployees' files	<u>16</u>	<u>-</u>	<u>20</u>	<u>36</u>
<b>Total</b>	<u><u>21</u></u>	<u><u>232</u></u>	<u><u>37</u></u>	<u><u>290</u></u>

a/For purposes of our review, we did not consider this other employee subject to wage busting.

Reductions for the six employees because of clerical errors ranged from \$16 to \$254 annually; the average reduction was \$86. A Computer Sciences official said that the errors had occurred during the pay computation. Action was reportedly being taken to correct the errors and restore the employees' pay to the level under the prior contract.

The reductions in pay for the eight employees whose jobs were reclassified ranged from \$92 to \$10,996 (an operations manager reclassified to an analyst); the average reduction was \$4,684. A Computer Sciences official said that the reductions were justified because the employees were doing different work with less responsibility.

Of the eight employees who had been reclassified and had received pay reductions, seven agreed that they had not been wage busted. They said that their present jobs entailed different duties and less responsibility than under the prior contract. The eighth employee had left his job at the time of our review.

The two employees who told us that they had been wage busted said that they were doing the same jobs as before. Both stated that the differences in their salaries equaled

the amount of a pay raise given by the Federal Electric Corporation, the prior contractor, shortly before the contract ended. Personnel records for these two employees showed that:

--One employee's application for a job with Computer Sciences, dated June 13, 1977, showed his annual salary under the prior contract at \$15,100. On August 8, 1977, Computer Sciences offered him a job at \$15,100. On August 16, 1977, he accepted and advised Computer Sciences that he had received a merit increase on July 25, 1977, bringing his prior salary to \$16,681.

--The second employee's application, dated July 25, 1977, showed his annual salary under the prior contract at \$13,374. On September 22, 1977, Computer Sciences offered him a job at \$13,380. On September 26, 1977, he accepted and advised Computer Sciences that he had received a merit increase on September 5, 1977, bringing his prior salary to \$14,456.

Both employees acknowledged that they had submitted their applications to Computer Sciences before they had received their pay raises and had not notified the company until after it had made offers based on the salary information in their applications. Both believed that Computer Sciences' policy was to not change a salary offer once it had been made. Both also said that Computer Sciences' scheduled salary review may result in an increase which would restore their salaries to what they had been under the prior contract.

A Computer Sciences official said:

--The salaries shown on the employees' applications had been used as the basis for the offers and, once the offers had been made, the salary amounts were not changed.

--This policy had been necessary because of the problem of hiring all the employees needed in time to meet the October 1, 1977, start date for the second phase of contract work.

--The two employees had been wage busted because they were doing the same work they had done for the prior contractor and their salaries were lower.

However, Computer Sciences gave one employee a \$55 monthly increase and the other a \$146 monthly increase. Thus, one employee received \$422 less annually and the other received \$171 more annually than under the prior contract.

PAN AM CONTRACT

On October 1, 1977, Pan Am and its subcontractor (RCA) had 2,904 employees--including 554 not covered by SCA--to work under the contract for operating and maintaining the Eastern Test Range. Our review of the salaries of the 554 disclosed no examples of wage busting. One employee received a reduction in pay, but this occurred because his job had been reclassified and his duties had been reduced. Our findings are shown below.

<u>Salary status</u>	<u>Prior employer</u>		<u>Total</u>
	<u>Pan Am</u>	<u>RCA</u>	
Same or increased from prior contract	245	307	552
Reduced from prior contract	1	-	1
Salary from prior contract not shown in employees' files	-	1	1
<b>Total</b>	<u>246</u>	<u>308</u>	<u>554</u>

The employee who had a pay reduction agreed that he had not been wage busted. He said that his present duties and responsibilities were different than under the prior contract. According to a Pan Am official, the employee was reclassified to a job with different duties and fewer responsibilities. He stated that the salary reduction was justified and wage busting had not occurred.

We also reviewed the salaries of Pan Am and RCA employees not covered by SCA under the prior contract to determine if any had been reclassified to positions covered by SCA and had received pay reductions. Six had been reclassified, one of whom was brought under SCA. The other five are working outside the United States and thus are not covered by SCA. The six received pay reductions ranging from \$144 to \$1,428 annually; the average reduction was \$720. The one employee

now under SCA told us he had not been wage busted. He said that his duties and responsibilities had changed.

According to Pan Am and RCA officials, all six employees were reclassified to positions with different and fewer responsibilities. Thus, they believed that the employees had not been wage busted.

### CHAPTER 3

#### SPECIAL PROCUREMENT PROCEDURES

##### HELPED PREVENT WAGE BUSTING

NASA and the Air Force designed special procurement procedures to discourage wage busting during recompetition of the three service contracts in the Cape Canaveral area. The special procedures and the agencies' emphasis on wages and fringe benefits, before and during the evaluation and negotiation processes, resulted in the contractors agreeing to pay to employees not covered by SCA wages and fringe benefits comparable to those paid under the prior contracts. Thus, the procedures helped prevent wage busting on the three contracts.

We believe that the procedures should be incorporated in the agencies' procurement regulations and that a Government-wide procurement policy to discourage wage busting of professional employees not covered by SCA should be established.

##### SPECIAL PROCUREMENT PROCEDURES

The RFPs used for recompetition on the three contracts contained specific provisions encouraging the contractors to (1) propose a suitable compensation structure and realistic payment plan to employ and retain professional and administrative personnel, (2) maintain a stable work force, and (3) employ persons from the local labor market area (Brevard County, Fla.). The RFPs also contained criteria for both agencies to evaluate the contractors' adherence to these provisions and reject any offer they believed nonresponsive because of low wages proposed.

##### Procedures for Space Center contracts

The special procedures and language used for the NASA communications and instrumentation contract awarded to Computer Sciences effective June 1, 1977, were in the RFP issued on November 5, 1976. Generally, identical procedures and language were included in the RFP issued by NASA on November 24, 1976, for the ground systems operations contract awarded to Boeing Services effective July 1, 1977.

The RFPs contained four factors used to evaluate the proposals: mission suitability; cost; experience and past performance; and other, which included the contractors' financial condition and capability and stability of

labor-management relations. Under the mission suitability factor, NASA ranked understanding the mission requirements along with technical and management approach, as the most important evaluation criterion.

The mission suitability factor included special provisions and language, which addressed the suitability of the proposed compensation for employees. For example, the RFPs stated that the proposer's understanding of the mission requirements was to be demonstrated, in part, by the:

"\* \* \* suitability of the proposed compensation structure to obtain and retain qualified personnel. The Evaluation will include an assessment of the contractor's ability to provide uninterrupted work of high quality and an assessment of the realism of proposer's total plan for compensation (both salaries and fringe benefits)."

The RFPs also cautioned proposers that cost realism as it related to salaries would be used extensively in NASA's assessment of each offeror's understanding of the mission requirements. For example, the November 24, 1976, RFP stated:

"\* \* \* Proposals which are unrealistically low or do not reflect a reasonable relationship of compensation to the job categories so as to impair the contractor's ability to recruit and retain competent personnel may be deemed reflective of failure to comprehend the complexity of the contract requirement. In this regard, NASA is concerned with the quality and stability of the work force on this contract. The compensation data required \* \* \* will be used in evaluation of your Understanding of the Requirement."

The RFPs, under other factors, stated that the proposer's ability to maintain harmonious labor relations with its employees would also be used to evaluate the proposer's ability to meet the requirements and objectives of the procurement. The RFPs stated that the evaluation of labor relations would include:

"\* \* \* an assessment of the potential for adverse effect upon performance as a result of an unrealistically low wage and salary structure and the derivation of the offeror's work force."

The RFPs also included a special provision on the proposers' use of the local labor from Brevard County. One RFP stated that:

"\* \* \* The Kennedy Space Center area, where the bulk of the effort will be performed, is an area of high unemployment. Although work force selection is the prerogative of each proposer, recognition should be given to this high unemployment. Therefore, each offeror's recruitment plan and labor relations policies should demonstrate how they relate to the local labor situation."

According to Space Center procurement officials, the special procedures could not be stated more specifically because NASA cannot dictate the terms of employment between a competing contractor and its employees. To do so, they said, would interfere with the contractor's management prerogatives, and specifying the employees that contractors must hire and the wages that must be paid would create a Government employer-employee relationship not allowable under procurement regulations.

#### Procedures for Air Force contract

On March 22, 1977, the Air Force issued its final RFP for the contract to operate and maintain the Eastern Test Range. The RFP contained special procedures and language similar to NASA's.

The Air Force RFP also contained special language which indicated that the Government valued the qualifications and experience of incumbent personnel and stated that successor contractors may elect to hire well-qualified and experienced personnel from the incumbent contractor. The need for experienced personnel was further emphasized as follows:

"\* \* \* Offeror acceptability--Proposals will be acceptable only from offerors who possess a high degree of professional, scientific and technical competence, financial ability and organization and have demonstrated capabilities and experience in the operation and maintenance of test ranges or comparable operations."

The RFP also pointed out that Patrick Air Force Base is in an area of high unemployment and this should be recognized in selecting personnel. The RFP stated that each offeror's recruitment plan and labor relations policies should therefore demonstrate how they related to the local labor situation.

According to the Air Force contracting officer, the special procedures could not require the contractors to hire all incumbent employees, keep them in the same jobs, and pay them the same or higher salaries. He said that the RFP could not be too specific because of the possibility of generating a protest or making Pan Am the only contractor that could qualify for the contract.

#### PROCEDURES' EFFECT ON CONTRACTORS' PROPOSALS

The procedures generally influenced contractors to submit proposals based on paying wages and fringe benefits comparable to those paid under the prior contracts. Some contractors told us they would have proposed lower wages and fringe benefits than paid by the prior contractors if the RFPs had not contained the procedures. The procedures did not deter firms from submitting proposals on the three contracts.

#### Proposals for Space Center contracts

Three proposals were submitted in response to the RFP for the ground systems operations contract--two by Boeing Services and one by Bendix Corporation. Officials of these firms said they had understood the special procedures were intended to prevent wage busting. However, a Boeing Services official said that his company had not been sure whether NASA really meant what the special procedures and language said and whether NASA would follow them.

Therefore, Boeing Services submitted two proposals--a basic and an alternate. A Boeing Services official stated that the basic proposal, for \$88 million, had been prepared using the special procedures and had been based on paying wage rates and fringe benefits comparable to those paid under the prior contract. The alternate proposal, for \$84 million, was based on lowering the wages and fringe benefits. He stated that wage busting would have occurred under the alternate proposal because both proposals were for the same staff. The \$4 million difference in the two proposals was due to the lower wages proposed under the alternate.

NASA rejected the alternate proposal, however, as nonresponsive due to an unrealistic salary structure and staffing plan. (See p. 23.)

The Bendix Corporation's proposal contained a compensation plan that NASA judged as satisfactory for obtaining and

retaining qualified personnel. A Bendix official said lower salaries and fringe benefits would have been proposed had the RFP not contained the procedures.

Two proposals were submitted--one by Computer Sciences and one by the Federal Electric Corporation--in response to NASA's RFP for its communications and instrumentation services contract. Officials of both companies said that they had understood the special procedures were intended to prevent wage busting. According to a Computer Sciences official, the procedures alone did not affect his company's proposal. He stated that, in view of the area's sensitivity to wage busting, it would not have been good business to propose cutting wages.

A Federal Electric official said that he had believed cost realism was required by the RFP and, as a result, his company's proposal had been designed to maintain the existing wage structure, including job classifications and future pay raises. He stated further that lower salaries would have been proposed if the RFP had not contained the procedures.

Space Center procurement officials agreed that the contractors had understood that the special procedures were intended to prevent wage busting. The contractors, they said, had not asked about the procedures at conferences NASA held to clarify unclear items in the RFPs. Furthermore, they stated, the proposals had demonstrated that the contractors had fully understood the purpose of the procedures.

#### Proposal for Eastern Test Range contract

Pan Am, the incumbent, submitted the only proposal for this contract. The same salaries and fringe benefits as under the prior contract were proposed.

A Pan Am official stated:

--There had been no question regarding the intent of the special procedures in the RFP.

--The proposal would have been the same had the RFP not contained them.

--His only concern had been that the other bidders might not read the procedures as clearly as he had and might underbid Pan Am by proposing lower wages and fringe benefits.

--The main incentive for not wage busting had been that it was not a sound business practice. News media coverage, unions, and congressional concerns about wage busting had made it impossible for Pan Am, as an incumbent, to lower wages.

Special procedures did not deter firms from submitting proposals

The procedures did not significantly deter firms from submitting proposals on the three contracts.

Both NASA and the Air Force held preproposal conferences after the RFPs had been issued to ensure that prospective offerors properly understand the Government's requirements on the three contracts. We contacted officials of some firms that had attended the conferences but had decided not to submit proposals to determine if the procedures had influenced their companies' decisions.

For NASA's ground systems operation contract, 10 firms were represented at the conference but only two submitted proposals. We contacted officials from three of the other eight firms. None gave the special procedures as a reason for not submitting a proposal. The reasons provided were that the company had attended for information only, that the job was too big for the company, or that it was not the company's type of work.

For NASA's communications and instrumentation services contract, officials from eight firms were represented at the conference but only three (one as a subcontractor) submitted proposals. We contacted officials from three of the other five firms. None gave the special procedures as a reason for not submitting a proposal. The reasons provided were that the work was not in the company's field of expertise or that the work did not fit the company's future business plans.

For the Air Force's Eastern Test Range operation and maintenance contract, nine firms were represented at the preproposal conference but only two (one as a subcontractor) submitted proposals. We contacted officials from three of the other seven firms. Two officials stated that the procedures had not influenced their companies' decisions not to submit proposals. The other said that the procedures may have accounted for 25 percent of the factors considered in his company's decision; however, the most important reason was that the company could not compete with the incumbent's low overhead rate.

## PROCEDURES' EFFECT ON CONTRACT AWARDS

The special procedures, coupled with NASA's and the Air Force's emphasis on realistic salaries before and during the evaluation and negotiation processes, resulted in proposals that generally contained salaries comparable to those paid under the predecessor contracts. Also, the contractors that were awarded the contracts agreed to pay incumbent contractor employees not covered by the SCA the same salaries paid by the incumbent as long as the employees did the same jobs. In addition, NASA rejected the low salary proposal of a contractor as nonresponsive.

### Space Center contracts

As indicated previously, three proposals--one basic and one alternate by Boeing Services and one by the Bendix Corporation--were submitted for NASA's ground systems operations contract. The proposals were evaluated by a NASA Source Evaluation Board, which considered and scored the contractors on mission suitability, cost, experience and past performance, and other factors. The board also considered the contractors' adherence to the special procurement procedures and language in the RFP to prevent wage busting.

NASA rejected Boeing Services' alternate proposal because the board considered it nonresponsive due to an unrealistic salary structure and staffing plan. In a March 30, 1977, letter to Boeing Services, NASA stated:

"\* \* \* As you know, the RFP provided in addition to other elements that the evaluation for mission suitability would include an assessment of the contractor's ability to provide uninterrupted work of high quality and an assessment of the realism of each proposal's plan for compensation including salaries and fringe benefits. Offerors were advised that proposals which were unrealistically low in cost or which did not reflect a reasonable relationship of compensation to the job categories so as to impair the offeror's ability to recruit and retain competent personnel could be deemed reflective of a failure to comprehend the complexity of the contract requirement.

"This is to notify you that the Source Evaluation Board for the GSO [ground systems operation] procurement has determined that your alternate

proposal is not within the competitive range for the subject procurement and will no longer be considered for contract award for the following reasons:

"(1) Your key personnel are unacceptable for the positions for which they are proposed.

"(2) Your proposed compensation to employees is unrealistically low, and would seriously impair your ability to recruit and retain competent personnel.

"(3) The proposed composition of your blue collar workforce is unrealistic."

NASA's source board ranked Boeing Services' basic proposal first under the factor understanding the requirement in regard to compensation. The compensation structure was judged suitable for obtaining and retaining qualified personnel, and the rates for comparable labor categories were equal to, and generally exceeded, rates under the prior contract.

The board initially judged the Bendix compensation plan as satisfactory for obtaining and retaining qualified personnel. But during the evaluation process, Bendix lowered starting salaries and reduced the fringe benefits for certain engineers. The board judged the reductions as unrealistic for retaining competent personnel and reduced Bendix's score for the evaluation factor of understanding the requirement. This factor was the weakest area in the Bendix proposal. The board rated Bendix somewhat higher than Boeing Services in the technical approach evaluation.

Although there was a mixture of strengths and weaknesses for both contractors within all evaluation factors, except cost, NASA officials concluded that they were offsetting and did not provide a meaningful advantage to either competitor. In terms of cost, however, Boeing Services' proposal was \$2.5 million less than Bendix's. In addition, Bendix had calculated certain labor costs but omitted them from its final proposal. When the board included these additional costs, the cost difference increased to about \$7 million.

NASA officials concluded that there were no other meaningful differences between the two proposals. Therefore, Boeing Services was selected for final negotiations leading to contract award.

Only two proposals were submitted on NASA's communications and instrumentation services contract, one from Computer Sciences and one from the Federal Electric Corporation. NASA's source board gave Computer Sciences an overall higher score on mission suitability. According to the board, a major strength of Computer Sciences' proposal was the realistic compensation structure for employees not covered by SCA. Computer Sciences advised the board during the proposal evaluation that it would not make salary offers to incumbent employees below the employees' current rates if they did the same jobs.

NASA officials also ranked Federal Electric high on mission suitability, although the total score was lower than Computer Sciences'. The difference was due primarily to Computer Sciences being rated higher for its management approach to the statement of work. NASA concluded that, although the overall difference was small, it was significant in terms of accomplishing the work.

In addition, Computer Sciences' proposed cost was about \$1.9 million lower than Federal Electric's. NASA concluded that Computer Sciences had won the competition with respect to both mission suitability and cost and it was awarded the contract.

#### Eastern Test Range contract

The Air Force contracting officer advised us that the special procurement procedures had been a factor--although not a significant one--for evaluating proposals for this contract since only Pan Am submitted a proposal. He said, however, that a competitive environment had existed because proposals from other offerors had been expected.

Nevertheless, during negotiations, Pan Am and RCA officials stated that their proposal was based on realistic salaries and that they would not wage bust. Moreover, Pan Am's proposal stated:

"While not all employees are protected by legislation, Pan Am and RCA--in responding to this RFP--have not reduced the pay or benefits of any existing job including those of management and professionals not protected by the Service Contract Act. "

Also, the Air Force price analyst reported to the contracting officer that, while analyzing the proposal, he had found no evidence of wage busting.

PROCEDURES NOT INCLUDED  
IN AGENCIES' REGULATIONS

Neither NASA nor the Air Force has an official policy requiring that the special procedures be used in competition for service contracts. Nor are the procedures included in, or required by, NASA or Air Force regulations. In addition, agreements with contractors made during proposal evaluation and contract negotiation that are based on the procedures are not incorporated into the negotiated contracts.

Both NASA and Air Force officials stated that the procedures were not in the contract because they cannot require contractors to hire or pay minimum salaries to prior contractors' employees. Specifying wage rates for employees not covered by SCA is not allowed under present procurement regulations. The NASA officials stated that under the special procedures, they can reject as nonresponsive proposals based on unrealistic salaries and fringe benefits.

NASA officials added that the procedures are significant. Contractors run the risk of not receiving future NASA contracts if they agree in their proposals or during negotiations to pay salaries based on wages and fringe benefits paid under the prior contract, but after the contracts are awarded, disregard their agreements and wage bust.

In addition, one NASA official said that NASA evaluates the contractor's experience and past performance. Thus, if a contractor could not be relied upon to keep its word, it would probably be evaluated low for this factor. This would particularly be true if the failure to pay employees the agreed rates resulted in labor problems that affected contract performance.

PROPOSED LEGISLATION TO PREVENT  
WAGE BUSTING OF PROFESSIONAL EMPLOYEES

House bills 314, 4276, 4393, 5375, and 5514 and Senate bill 609 would include professional employees under SCA. These bills provide that the prevailing rates (wages and fringe benefits) for professional employees in any locality not be less than the rates in the most recent Bureau of Labor Statistics National Survey of Professional, Administrative, Technical, and Clerical Pay issued pursuant to 5 U.S.C. 5305.

House bill 7388 would also include professional employees under SCA. However, the prevailing rates for professionals would be determined by the Department of Labor in the same

manner as for other occupations covered by SCA, based on surveys of actual wages paid in the locality where the service would be rendered.

House bill 4873 would amend Federal procurement law so that fair and equitable compensation would be provided professional employees performing support services contracts. The bill would prohibit contractors from engaging in bidding practices that result in lower salaries for professionals than paid by the prior contractors. But it would not involve Labor in salary determinations for professional employees.

House bill 4873 would give the head of the procuring agency the responsibility to review salary levels to ensure that they are based on the abilities, professional status, responsibilities, and value of the employee's education and experience. The agency head must consider published salary surveys and studies of public and private organizations. The agency head would be given specific authority to award contracts only upon determining that the salary levels for professional employees are equitable and commensurate with the individual position classifications and levels of professional performance proposed by the contractor.

None of these bills had been acted on in the first session of the 95th Congress as of December 31, 1977. However, on February 8, 1978, the House Committee on Education and Labor reported favorably on House bill 314. The bill was pending in the Congress at February 14, 1978.

#### Our views on proposed legislation

We reported to the Chairman, Subcommittee on Labor-Management Relations, House Committee on Education and Labor, by letter dated July 8, 1977 (see app. III), that the proposed legislation, such as House bill 314, establishing minimum wage and fringe benefits for professional employees, as a solution to the problem of wage busting, was both undesirable and unnecessary. Such legislation would adversely affect the professional salary structure in both the private and public sectors, would unduly increase the cost of service contracts without a corresponding increase in the proficiency or quality of the services provided, and would create problems for the agencies administering the legislation.

The objective of the proposed legislation could best be achieved by establishing a procurement policy and adopting contract language that addresses the specific problem, rather

than by establishing national minimum salaries for all professionals furnishing services to the Government regardless of whether they perform under successor contracts or are offering their services for the first time.

We proposed that, as an alternative, a Government-wide policy directed toward discouraging wage busting and augmented with appropriate language in service contracts be established. Such actions are well within the authority granted by the Congress in Public Law 93-400 to the Office of Federal Procurement Policy in the Office of Management and Budget.

Public Law 93-400 made the Office of Federal Procurement Policy responsible for providing overall leadership and direction in formulating and implementing procurement and procurement-related policies. One of its functions specified in the law is to establish a system of coordinated and, to the extent feasible, uniform procurement regulations for executive branch agencies. As conceived, the Office is also a focal point in the executive branch for resolving agency differences in procurement matters.

COMMENTS BY A PROFESSIONAL EMPLOYEES'  
ORGANIZATION AND A LABOR ORGANIZATION

Representatives of a professional employees' organization and a labor organization in the Cape Canaveral area generally agreed that wage busting had not occurred on the three contracts.

Representatives from the Canaveral Section of the Institute of Electrical and Electronics Engineers, a national professional organization, had heard no complaints of wage busting on the three contracts. They said that the special procurement procedures may have helped prevent wage busting but that the procedures would have been ineffective without House bill 314 (the bill to include professional employees under SCA), congressional pressure, public opinion, and the Institute's efforts.

One of the representatives, who is also the former Task Force Chairman for Service Contract Act of the Institute's U.S. Activities Board, stated that the last major wage busting of engineers had occurred at Cape Canaveral in 1974, when the Kennedy Space Center put its engineering support service contract up for recompetition. He said that he had not heard of any wage busting complaints resulting from the recompetition of the three service contracts reviewed.

Another representative, the present Task Force Chairman for Service Contract Act, who is also the President, Coalition of Aerospace Professional Employees in the Cape Canaveral area, had no documented cases of wage busting on the three contracts reviewed. He was familiar with the special procedures but felt they did not help prevent wage busting. He said that wage busting did not occur because of political pressure and because NASA and the Air Force knew that Congressmen were watching how the procurements were being handled.

We also discussed the effect the procedures had on preventing wage busting with the President, Chapter One, Florida Association of Professional Employees--a union that represents about 385 Boeing Services employees. He knew of no employee complaints of wage busting resulting from the recompetition of the ground systems operations contract awarded to Boeing Services. He said that wage busting had been prevented by a combination of factors--such as the union's collective-bargaining agreement, NASA's emphasis on preventing wage busting, congressional interest, and SCA itself--including the special procedures.

#### CONCLUSIONS

NASA and the Air Force helped prevent wage busting on the three major support service contracts put up for recompetition in the Cape Canaveral area by using special procurement procedures and emphasizing throughout the procurement process the prevention of wage busting. The impact of the procedures is illustrated by NASA's rejection of Boeing Services' alternate proposal primarily because it was based on unrealistic wage rates.

Most legislation introduced in the 95th Congress to prevent wage busting and protect the wages and fringe benefits of professional employees would include such employees under SCA. The special procurement procedures implemented by NASA and the Air Force demonstrate that a policy directed toward discouraging wage busting in service contracts is a viable and pertinent alternative.

The success of the procedures was enhanced by other factors, such as collective-bargaining agreements, congressional interest, and public opinion. During contracting for other Federal support services, these factors would not necessarily be present and the special procedures might not be adequate to prevent wage busting. We believe the objective of discouraging wage busting in Federal service contracts

is desirable. Therefore, Government-wide policy and regulations should be established to discourage wage busting for professional employees not covered by SCA.

The matters discussed in this report apply to Government-wide procurement of services. In our opinion, action should be taken by the Department of Defense, NASA, and other Federal agencies to discourage wage busting of professional employees. The Secretary of Defense and the Administrator of NASA have authority to amend their procurement regulations to achieve this goal. The Office of Federal Procurement Policy has the authority to establish Government-wide procurement policy.

RECOMMENDATION TO THE ADMINISTRATOR  
FOR FEDERAL PROCUREMENT POLICY

We recommend that the Administrator establish a Government-wide policy to discourage wage busting of professional employees not covered by SCA and require Federal agencies to include appropriate implementing language in their procurement regulations and service contracts.

RECOMMENDATION TO THE SECRETARY OF  
DEFENSE AND THE ADMINISTRATOR OF NASA

Because special procedures have already been developed by the Air Force and NASA, we recommend that the Secretary and the Administrator amend their procurement regulations to (1) discourage wage busting of professional employees not covered by SCA and (2) require that appropriate provisions be included in the recompetition of service contracts without waiting for the Office of Federal Procurement Policy to establish a formal policy.

- - - -

We discussed this report with Office of Federal Procurement Policy officials on January 23, 1978. They concurred with our recommendation to the Office. They stated that the Office is working on a policy statement and directive which would require agencies to issue regulations to prevent wage busting of professionals during procurements under service contracts. The Office hopes to have the policy statement issued in February 1978.

We also discussed the report with headquarters officials of the Department of Defense, the Department of the Air Force, and NASA. Defense and Air Force officials agreed that the special procurement procedures helped prevent wage busting

---

in the recompetition of the support service contract at the Eastern Test Range. They also agreed with our recommendation and said appropriate action would be considered and taken.

NASA officials agreed that the special procedures helped prevent wage busting at the Space Center. They also agreed with our recommendation and said that NASA headquarters has taken action to require the use of the special procurement procedures on service contracts being negotiated at NASA's National Space Technology Laboratories in Bay St. Louis, Missouri, and Lyndon B. Johnson Space Center in Houston, Texas.

APPENDIX I

APPENDIX I

ARTHUR W. BISHOP, CHAIR, MISSOURI  
 JOHN L. McGRATH, ARIZ.  
 HENRY H. JACKSON, WASH.  
 EDWARD G. BREWER, MISSOURI  
 LEO GARDALF, MISSOURI  
 THOMAS F. BRADLEY, CALIF.  
 LAWRENCE GIBBS, FLA.  
 BOB RYAN, CALIF.  
 JOHN CLAYTON, CALIF.  
 JIM BROWN, TEXAS  
 CHARLES H. PETER, CALIF.  
 JAMES H. EASTON, N.Y.  
 WILLIAM F. BRADY, CALIF.  
 THEODORE G. BOWEN, CALIF.  
 CHARLES H. BENTLEY, JR., CALIF.  
 JOHN H. CARROLL, CALIF.  
 H. JOHN BERRY, CALIF.

SENATOR  
 LAWRENCE GIBBS, FLA., CHAIRMAN  
 JOHN L. McGRATH, ARIZ. H. JOHN BERRY, CALIF.  
 BOB RYAN, CALIF. JAMES H. EASTON, N.Y.  
 HENRY H. JACKSON, WASH. WILLIAM F. BRADY, CALIF.  
 SENATOR A. BISHOP  
 CHIEF CLERK AND STAFF CHIEFS

SENATOR A. BISHOP  
CHIEF CLERK AND STAFF CHIEFS

# United States Senate

COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SUBCOMMITTEE ON FEDERAL SPENDING PRACTICES  
 AND COST MANAGEMENT  
 (SIC 25-201)  
 (STAFFED BY S. REP. JAMES H. EASTON, CHIEF CLERK)  
 WASHINGTON, D.C. 20540

June 24, 1977

Honorable Elmer B. Staats  
 Comptroller General of the U. S.  
 U. S. General Accounting Office  
 441 G Street, N. W.  
 Washington, D. C. 20548

Dear Mr. Staats:

Allegations of "wage busting" have been made by employees of service contractors as a result of competition for Federal contracts. The term is applied to situations where either the incumbent contractor or a successor contractor lowers employee wages in its efforts to become the low bidder for a contractual requirement.

The Service Contract Act and its implementing regulations have ruled against "wage busting" practices for "blue collar" and "white collar" employees. The most recent concern over such practices has been for professional engineers.

NASA and the Air Force recently have competed requirements for operations and maintenance services to be performed primarily at Cape Canaveral, Florida. I have been informed that both attempted to insure that "wage busting" did not in fact occur as an outgrowth of their competitions. Special instructions covering this problem were inserted in RFP's, and offer evaluators and contract negotiators were asked to be sensitive to this problem.

I am interested in assuring that employees of Federal Government contractors are paid fairly for services that they perform. In discussing this matter with the Office of Federal Procurement Policy I find that they are attempting to determine how to insure achievement of this goal without undue disruption to the procurement process.

APPENDIX I

APPENDIX I

Honorable Elmer B. Staats  
June 24, 1977  
Page Two

I would appreciate your views on this matter also. I believe it would be appropriate in the development of your views for you to examine the recent experiences of NASA and the Air Force in their efforts to assure that contractors do not engage in "wage busting" in competing for Government service contracts. Please advise me at the earliest time about your findings and conclusions.

Sincerely,

*Lawton*  
LAWTON CHILES

LC/da

APPENDIX II

APPENDIX II

ROBERTO VERDETTI, CHAIR, SENATOR  
 JOHN L. McGRILLAN, ASST.  
 HENRY H. JARVIS, SENATOR  
 GEORGE E. BROWN, SENATOR  
 LEE METCALF, SENATOR  
 THOMAS P. SALTONSTAD, SENATOR  
 LAWTON COLE, FLA.  
 BOB BAKER, GA.  
 JOHN CLAYTON, MISS.  
 BOB CRANDALL, TEXAS

ROBERT A. VERMAN  
 CHIEF COUNSEL AND STAFF DIRECTOR

CHARLES H. PERCY, U.S.  
 JAMES H. JAVTS, N.Y.  
 WILLIAM V. SCOTT, JR., MISS.  
 THEODORE G. BINGHAM, ALABAMA  
 CHARLES H. McCORMACK, JR., MD.  
 JOHN G. ROBERTSON, MISS.  
 R. JOHN ROBERTS, JR., PA.

LAWTON COLE, FLA., SENATOR  
 JOHN L. McGRILLAN, ASST.  
 BOB BAKER, GA.  
 HENRY H. JARVIS, SENATOR

R. JOHN ROBERTS, JR., PA.  
 JAMES H. JAVTS, N.Y.  
 WILLIAM V. SCOTT, JR., MISS.

THOMAS P. SALTONSTAD, SENATOR  
 CHIEF COUNSEL AND STAFF DIRECTOR

**United States Senate**

COMMITTEE ON  
 GOVERNMENTAL AFFAIRS  
 SUBCOMMITTEE ON FEDERAL SPENDING PRACTICES  
 AND OPEN GOVERNMENT

(S) 204-021

(SUBJECT TO S. RES. 1 AND S. RES. 2, 97th CONGRESS)  
 WASHINGTON, D.C. 20540

October 27, 1977

Honorable Elmer B. Staats  
 Comptroller General of the U. S.  
 U. S. General Accounting Office  
 441 G Street, N. W.  
 Washington, D. C. 20548

Dear Mr. Staats:

On June 24th I asked the General Accounting Office to review the award of two service contracts in Brevard County, Florida. The purpose of the review was to evaluate the effectiveness of clauses inserted in the requests for proposals during competition for the contract award. The clauses allowed the procuring agency to declare that any bid which "busted" the wages of professional employees was nonresponsive.

Members of your staff have finished the fieldwork for two recent contract awards in Florida and have made an initial presentation to the staff of my Subcommittee on Federal Spending Practices. The final report is scheduled to be completed early in 1978.

The purpose of the study was to consider alternatives to solving the vexing problem of wage busting. Another approach, the one espoused in H.R. 314, would attempt to solve wage busting by amending the Service Contract Act. I recently learned that H.R. 314 is likely to pass the House of Representatives in the near future.

In order to allow the Senate to consider different solutions to the wage busting problem, I am requesting that your staff present an interim report, perhaps in the form of a response letter, which sets out your preliminary findings. I would

APPENDIX II

APPENDIX II

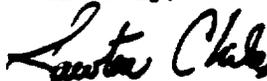
Honorable Elmer B. Staats  
Pate Two  
October 27, 1977

further hope that such an interim response could be made  
available to me no later than November 4, 1977.

Thank you for your cooperation in this matter.

With kind regards, I am

Sincerely,



LAWTON CHILDS  
Chairman

LC/da  
Attachment



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

HR7-208

JUL 8 1977

The Honorable Frank Thompson, Jr.  
Chairman, Subcommittee on Labor-  
Management Relations  
Committee on Education and Labor  
House of Representatives

Dear Mr. Chairman:

We refer to your letter dated May 26, 1977, requesting us to furnish you certain information concerning proposed legislation--House bill 314 to amend the Service Contract Act of 1965 (41 U.S.C. 351) to include professional employees. This information was furnished to your staff on June 10 and June 13, 1977.

We would like to take this opportunity to express our views concerning H.R. 314, and a similar bill, H.R. 7388, which is also being considered by your Subcommittee. We are in complete agreement with the objectives of the proposed legislation of discouraging the practice of "wage busting" by contractors seeking to gain a competitive advantage in securing successive technical service contracts. However, we believe that legislatively establishing minimum wages and fringe benefits as a solution to the problem is both undesirable and unnecessary. Such legislation, in our opinion, would unduly increase the costs of service contracts, adversely impact on the professional salary structure both in the private sector and the Government, and create additional administrative burdens on the agencies which would be required to administer the legislation.

We believe that the objective of the proposed legislation could best be achieved by establishing an appropriate procurement policy and the adoption of contract language which addresses the specific problem rather than establishing national minimum salaries for all professionals furnishing services to the Government regardless of whether they perform under successor contracts or are offering their services for the first time.

COST IMPACT OF PROPOSED LEGISLATION  
ON CONTRACTORS AND THE GOVERNMENT

The proposed amendments of H.R. 314 provide that the prevailing rates (wages and fringe benefits) for professional employees in any locality shall not be less than the rate described in the most recent Bureau of Labor Statistic's (BLS's) National Survey of Professional, Administrative, Technical, and Clerical Pay (PATC) issued pursuant to 5 U.S.C. 5305. Under H.R. 7388, the prevailing rates for professionals would be determined in the same manner as for other occupations covered by the Service Contract Act (SCA)--based on surveys of actual wages paid in the locality where the service would be rendered.

In either case, the prevailing rates would create unrealistic and expensive minimums since they would reflect the average rate for the occupation in the survey universe. That is, the minimum would be higher than the pay earned by approximately one half of the surveyed professionals in any given category.

For example, the PATC survey published in March 1976 showed the average annual salaries for accountants in Level III ranged from a low of about \$11,000 to a high of about \$21,000. For the middle range--which excludes the upper and lower fourths of the employee distribution--the annual salary spread between the low and the high ranged from \$14,796 to \$18,720.

Many factors enter into the differences in salaries paid, such as type of industry and locality. In addition, of significant importance, particularly with regard to professionals, is the individuals' achievements and contributions to the effort. Under both bills, the prevailing salary as established by BLS surveys would become minimum salaries under SCA contracts and, therefore, costs will advance automatically without regard to increases in the proficiency or quality of the services provided.

It can also be expected that the establishment of minimum salaries will have an inflationary impact on the salaries paid by private companies as well as by Government. Companies which compensate their professional employees at rates which are consistent with salaries for professionals in the area where they are located but are lower than the SCA minimums may have to increase the salaries of all professionals in their organizations to maintain equity with their employees doing work under an SCA contract. The other option available to such

organizations, in lieu of maintaining a separate salary structure for employees working on SCA contracts, would be to refrain from bidding on service contracts. In addition, future annual surveys by BLS would reflect the overall higher average salaries which, in turn, become the new reference point under the SCA and the establishment of salaries for Government employees under the Federal Pay Comparability Act of 1970.

PRACTICAL PROBLEMS IN DETERMINING  
PREVAILING PROFESSIONAL SALARIES

To establish professional salary rates, Labor would have to first identify those occupations that should be classified as "professional" and then to define specific occupational elements applicable to each profession so that salary ranges could be established to reflect the various levels within each profession. To accomplish this would be a herculean task.

The PATC survey has attempted to do this for some 12 different categories of professionals. In contrast, the Department of Commerce has provided us with a list (copy enclosed) of 64 categories of professionals that would be covered by their service contracts under the expanded SCA. It is reasonable to assume that when considering the diverse activities of all Federal agencies, there would be many more categories of professional occupations covered under contracts for which prevailing salary rates would have to be established.

In our report issued to the Congress in May 1973 on the PATC survey <sup>1/</sup>, we reported with regard to the PATC job definitions, that in a number of cases BLS data collectors were left to their own interpretative devices because terms have not been defined or illustrated by specific examples. This was particularly prevalent with regard to the higher work levels of certain occupations, such as accountants, chemists, and attorneys.

These problems would be encountered regardless of whether professional salaries are to be established for purposes of the SCA under the PATC survey or separately by the Secretary as provided for under H.R. 7388.

---

<sup>1/</sup> "Improvements Needed in the Survey of Non-Federal Salaries Used as Basis for Adjusting Federal White-Collar Salaries" (B-167266, May 11, 1973)

Furthermore, the PATC survey is designed to estimate only the national averages of the private sector salary rates. It does not supply sufficient data for analysis of local or area pay patterns. Thus, under H.R. 314 or a similar bill, the SCA would provide for establishing rates for white and blue collar workers based on local prevailing rates, and for professional employees on the basis of national rates. The establishment of wage rates on a national basis would be contrary to the original intent of the SCA--to base wages in accordance with the rates prevailing in the locality. It would also be inconsistent with other employee protective laws such as the Davis-Bacon Act, which covers construction workers and which provides for the Secretary of Labor to determine wage rates based on prevailing rates in the locality where the construction work is to be performed.

In addition, under H.R. 7388 the Secretary of Labor would determine the prevailing rates for professional occupations in the same manner as rates for other occupations covered by the SCA. Therefore, the question of locality to be used in determining such rates arises. This problem was discussed at great length before your Subcommittee at hearings held in the Spring of 1974 and again at hearings held in May 1975. As discussed at these hearings, the problem of locality arises when the place of performance of the service is not ascertainable at the time bids are solicited. Because of the nature of professional services, this situation would probably be the rule rather than the exception.

Under conditions where the place of performance is unknown at the time bids are solicited, Labor has determined the rates to be those prevailing in the locality of the procuring agency's installation. Labor's locality interpretation could result in employees being paid minimum wages as determined from the prevailing wages in a locality other than the one wherein they are actually engaged in performing the contracts. Also, it establishes, in effect, a nationwide rate, since all bidders, whatever their location, are bound by the wage rates in the locality of the procuring installation. This nationwide rate is not determined with reference to the prevailing wages throughout the country, as is done under the PATC survey, but is based on the prevailing rates in the locality of the procuring facility.

As you know, we have expressed the view that this method of implementing the act is subject to serious question, since the language of the act and its legislative history indicates

that "locality" refers to the place where service employees are performing a service contract.

PROBLEMS IN ADMINISTERING THE SCA

We have previously reported on the problem that Labor and the procuring agencies have encountered with regard to administering the provisions of the SCA and related legislation establishing minimum wages under Federal contracts. Many of these problems result from the difficult and complex wage setting and enforcement requirements inherent in such legislation. We believe that these problems would increase with further expansion of such legislation.

In 1973 1/ we reported on Labor's difficulties in making minimum wage determinations for clerical and office employees under the SCA. In a report issued in July 1971 2/ we informed the Congress on the difficulties encountered by Labor between June 1962 and July 1971 in identifying the classification of construction workers under the Davis-Bacon Act and in determining prevailing wage rates. Based on current work we are doing on the Davis-Bacon Act, we believe that Labor is having the same difficulties today in administering these provisions of the Davis-Bacon Act.

In 1975 3/ we reported that Labor's enforcement of the SCA in Colorado was not effective and was not detecting cases where employees were paid less than the prevailing wages. More recently, at your office's request, we are making a review of the Defense Department's (DOD's) compliance with the SCA in requesting timely wage determinations from Labor and including

---

1/ "Priority of Minimum Wage Determinations for Clerical and Other Office Employees Under the Service Contract Act" (B-151261, November 30, 1973)

2/ "Need for Improved Administration of the Davis-Bacon Act Noted Over a Decade of General Accounting Office Reviews" (B-146842, July 14, 1971)

3/ "Use, Administration, and Enforcement of Davis-Bacon Act and Service Contract Act Labor Standards Provisions by Selected Federal Agencies in Colorado for Carpetlaying Contracts" (MWD-76-44, November 24, 1975)

APPENDIX III

APPENDIX III

them in service contracts, and how Labor carries out its enforcement responsibilities. This review is being made at selected DOD procurement offices and Labor field offices.

At the procurement offices visited, we found that procurement personnel were often not aware of Labor and DOD requirements and regulations for requesting wage determinations under the SCA. For example, we found that the procurement offices failed to request wage determinations from Labor and/or include them in 65 or 15 percent of the 425 contracts we reviewed, and in 62 or 34 percent of the 210 purchase orders we reviewed.

Labor's enforcement of the SCA consists solely of investigating complaints of alleged contractor violations. Labor does not have a direct enforcement program to review selected contractors or to monitor Federal agencies' compliance with the SCA. Thus Labor is not aware of the extent to which contractors may be violating the SCA by paying service employees lower wages than required.

Labor officials have stated that the lack of a direct enforcement review program was due to an insufficient number of compliance officers to handle the complaint workload. Labor devotes only 15 staff years of compliance officers' time nationwide to enforce the SCA.

The requests received by Labor for wage determinations for SCA contracts have increased from about 22,000 in 1972 to about 27,000 in 1976. Labor estimates it will receive requests for wage determinations for about 30,000 service contracts in 1977. Labor does not maintain records showing how many employees are covered by SCA contracts. However, a special analysis made by Labor showed that requests for wage determinations for 26,917 service contracts awarded in 1974 covered 337,344 workers. Labor, at the present time, has only 19 professionals and 5 clerks to make wage determinations under the SCA.

The number of professional employees that would be covered by the proposed legislation would have a severe impact on Labor's current workload. Many thousands of engineers and medical professionals would be brought under the SCA because they are employed by universities engaged in federally financed and directed research projects. Still other thousands of engineers, accountants, actuaries, and economists employed by consulting firms would be covered because those firms engage in a broad variety of Federal

programs under direct Federal contract in such diverse areas as water pollution control, design of highways and airports, land use, recreational facilities, and military installations of all kinds, just to name a few.

- - - -

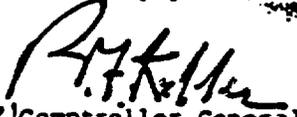
In conclusion, we believe that the proposed legislation establishing minimum wage and fringe benefits as a solution to the problem of wage busting is both undesirable and unnecessary. Such legislation would adversely impact on the professional salary structure both in the private sector and the Government, unduly increase the cost of service contracts without a corresponding increase in the proficiency or quality of the services provided, and create problems for the agencies which would be required to administer the legislation.

Of equal concern is the application of minimum salary and fringe benefit systems to professional employees. Although a minimum wage concept may be desirable in the case of construction workers under the Davis-Bacon Act, blue collar workers under the SCA, and production workers under the Walsh-Healey Act, it does not appear to fit the compensation requirements of professional employees. Minimums tend to become fixed amounts for stated classifications of employees. The compensation of professional employees, to the contrary, has historically and traditionally been related to individual achievement and contribution to the effort and this flexibility must be retained if the individuality inherent in professional activity is to be maintained.

We propose that as an alternative to such legislation that a Government-wide procurement policy directed toward discouraging the practice of wage busting and augmented with appropriate language in service contracts be established. Such actions are well within the authority granted by the Congress in P.L. 93-400 to the Office of Federal Procurement Policy of the Office of Management and Budget.

We trust that this information will be useful to the Subcommittee in considering the proposed legislation.

Sincerely yours,

  
[Deputy] Comptroller General  
of the United States

CATEGORIES OF PROFESSIONAL EMPLOYEES WHO  
THE DEPARTMENT OF COMMERCE WOULD COVER UNDER  
AN EXPANDED SERVICE CONTRACT ACT OF 1965

Motion Picture Producer	Professional Artist
Economist	Metalurgist
Accountant	Technical Writer
Certified Public Accountant	Transportation Specialist
Marine Engineer	Contract Specialist
Electrical Engineer	Professional Actor
Civil Engineer	Composer
Chemical Engineer	Molecular Chemist
Radio Engineer	Physicist
Mechanical Engineer	Chemist
Fire Safety Engineer	Biochemist
Aeronautical Engineer	Biologist
Avionics Engineer	Teacher
Computer Programmer	Educator
Computer System Analyst	Physician
Meteorologist	Nurse
Geologist	Pathologist
Oil Geologist	Radiologist
Marine Geologist	Architect
Geographer	Naval Architect
Oceanographer	Attorney
Hydrologist	Patent Attorney
Geophysicist	Sociologist
Professional Photographer	Astronomer
Fashion Designer	Forester
Professional Writer	Mathematician
Psychologist	Linguist
Astrophysicist	Dentist
Interior Designer	Librarian
Geodesist	Ecometrician
Cinemaphotographer	Microbiologist
Seismologist	Cardiologist

TOTAL = 64 Categories

PRINCIPAL OFFICIALS RESPONSIBLE FOR  
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
<b>SECRETARY OF DEFENSE:</b>		
Harold Brown	Jan. 1977	Present
Donald H. Rumsfeld	Nov. 1975	Jan. 1977
James R. Schlesinger	July 1973	Nov. 1975
William P. Clements (acting)	May 1973	July 1973
<u>DEPARTMENT OF THE AIR FORCE</u>		
<b>SECRETARY OF THE AIR FORCE:</b>		
John C. Stetson	Apr. 1977	Present
Thomas C. Reed	Dec. 1975	Apr. 1977
John L. McLucas	May 1973	Dec. 1975
<b>AIR FORCE SYSTEMS COMMAND:</b>		
Gen. Lew Allen, Jr.	Aug. 1977	Present
Gen. William J. Evans	Sept. 1975	July 1977
<b>AIR FORCE EASTERN TEST RANGE</b>		
(note a):		
Brig. Gen. Don M. Hartung	Apr. 1975	Jan. 1977
Col. Dan D. Oxley	Feb. 1975	Apr. 1975
Brig. Gen. James J. Ahmann	Sept. 1974	Feb. 1975
<b>SPACE AND MISSILE SYSTEMS</b>		
<b>ORGANIZATION:</b>		
Lt. Gen. Thomas W. Morgan	Aug. 1975	Present
Lt. Gen. Kenneth W. Schultz	Jan. 1972	Aug. 1975
<b>SPACE AND MISSILE TEST CENTER:</b>		
Brig. Gen. Don M. Hartung	Feb. 1977	Present
Maj. Gen. Warner E. Newby	June 1975	Jan. 1977
<b>DETACHMENT 1, SPACE AND MISSILE</b>		
<b>TEST CENTER:</b>		
Col. Oscar W. Payne	Feb. 1977	Present

## APPENDIX IV

## APPENDIX IV

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**ADMINISTRATOR:**

Robert A. Frosch	June 1977	Present
Alan M. Lovelace (acting)	May 1977	June 1977
James C. Fletcher	Apr. 1971	May 1977

**DIRECTOR, KENNEDY SPACE CENTER:**

Lee R. Scherer	Jan. 1975	Present
Miles Ross (acting)	Oct. 1974	Jan. 1975
Dr. Kurt H. Debus	July 1962	Oct. 1974

OFFICE OF FEDERAL PROCUREMENT POLICY**ADMINISTRATOR FOR FEDERAL PROCUREMENT****POLICY:**

Lester A. Fettig	May 1977	Present
James A. Currie (acting)	Feb. 1977	May 1977
Hugh E. Witt	Dec. 1974	Feb. 1977

a/Effective February 1, 1977, the Air Force Eastern Test Range was reorganized under Detachment 1, Space and Missile Test Center, Space and Missile Systems Organization, Air Force Systems Command.