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Interior

RELEASED

APR 2 1970

Dear Mrs. May:

This is in further response to your letter of October 30, 1969, concerning the Bureau of Land Management's contracting for the construction of fences. You asked if any information had been developed to show whether it was less costly for the Bureau to purchase fencing material through the General Services Administration (GSA) and furnish it to the fencing contractor or for the contractor to furnish the fencing material under the contract.

Washington headquarters officials advise us that the Bureau has no stated policy regarding the choice of Government-furnished or contractor-furnished material for its fencing contracts. Officials of the Bureau's district offices, who initiate fencing construction contracts, determine whether Government-furnished or contractor-furnished material will be issued. Discussions with officials at the Bureau's Washington headquarters, Portland Service Center, and Oregon State Office and subordinate district offices indicate that the Bureau has not made any cost comparisons to show whether the use of Government-furnished or contractor-furnished fencing material is the less costly method of fence construction. Contract records show that all fiscal year 1969 fence construction contracts entered into by these district offices specified Government-furnished material.

In fiscal year 1969, the district offices subordinate to the Oregon State Office constructed 530 miles of fencing, as follows:

<u>District</u>	<u>Miles of fencing</u>	<u>Percent</u>
Lakeview, Oregon	48	9
Burns, Oregon	50	9
Vale, Oregon	400	76
Prineville, Oregon	9	2
Baker, Oregon	17	3
Spokane, Washington	6	1
Total	<u>530</u>	<u>100</u>

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Various Bureau officials told us that they believed the use of Government-furnished fencing material to be in the best interests of the Government, principally because:

1. Most of the bidders on fencing contracts are individuals or small partnerships and do not have the capital to supply the fencing material. Requiring contractors to furnish the material would eliminate many of the potential bidders and thereby reduce competition for the contracts.
2. Fencing material purchased in the local market is generally higher priced than GSA material. Bureau headquarters officials informed us that GSA prices were normally 10 percent to 20 percent lower than local prices.

In discussing the cost of using Government-furnished material, we were told that information on warehousing and handling costs is not readily available. However, an official at the Vale District Office expressed the opinion that the cost of handling fencing material is relatively insignificant. He pointed out that, even if contractor-furnished material were used, the Bureau would still need some fencing material for use in its fence maintenance program and for marking the location of new fences to be constructed. One District Manager has indicated that no additional manpower or equipment is needed for handling Government-furnished fencing material. In the opinion of an Oregon State Office official, there is no appreciable increase in warehousing costs due to the use of Government-furnished fencing material.

As agreed with Mr. John Knievel of your staff on February 6, 1970, we made the results of our review available to the Bureau's Assistant Director for Administration and obtained his views and comments. We suggested that the Bureau establish a better basis for determining the method of obtaining fencing material. The Assistant Director stated that the Bureau (1) agreed that it was desirable to have a more definite basis for determining whether Government-furnished or contractor-furnished fencing material should be used in fence construction and (2) was requesting contracting officers at Denver and Portland to invite bids for fencing contracts on both bases for selected projects in differing price ranges and in varied locations, so that an analysis could be made.

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In our opinion, this approach would provide the Bureau with a better basis for selecting the material source for its fence contracts.

In accordance with advice received from Mr. Knievel of your staff, we are furnishing the Secretary of the Interior with copies of this letter. We hope that this information will serve the purposes of your inquiry. If you desire further information, we shall be pleased to meet with you or members of your staff at your convenience.

Sincerely yours,



Assistant Comptroller General
of the United States

The Honorable Catherine May
House of Representatives