

STATEMENT OF DANA L. SCOTT, ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION BEFORE THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS, SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, NOVEMBER 29, 1979.

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before your Subcommittee to discuss the problem of procurement spending during the last quarter of the fiscal year, and the solutions we are implementing at the National Highway Traffic Safety Administration. With me are Joseph Bolos, Deputy Associate Administrator for Administration, and John Clogan, Director of the Office of Contracts and Procurement.

There is no question but that compressed year-end procurement spending can be a problem, both for government agencies and for their contractors. The agencies have less time to solicit proposals, evaluate proposals, and negotiate the contracts. With shorter solicitation periods, they receive fewer proposals, and often find them to be of poorer quality. The potential contractors, for their part, are asked to propose on more contracts than they can reasonably address, with the result that quality slips and the resources available to perform the contracts are spread too thin. Key people promised on one contract are sometimes committed elsewhere by the time a contract is awarded. All in all, compressing a high

percentage of procurement awards into the last quarter of the year impairs the effectiveness of the Federal procurement process.

In our case, the year-end problem has been caused in large part by the need to coordinate complex research and development efforts among several offices. Our R&D projects exist but for one purpose: to support our rulemaking and highway safety programs. A project must be geared to a particular need of a particular program. To assure this role, nearly all R&D projects are subject to a "coordination" phase between the program office and the R&D office. To do a satisfactory job of coordination takes time. In the past we often found that procurement efforts begun early in the fiscal year did not reach the final stages of procurement until the last quarter. In a typical year, we obligated approximately half of our research and development funds during the last quarter.

We believe that the solution to the year-end procurement problem at our agency lies in the development of a long-range planning process for the agency's rulemaking and research activities. We began to develop such a process more than two years ago.

The master plans, first issued during fiscal years 1978 and 1979, have already begun to affect procurement during fiscal year 1980. The first plan, the Rulemaking Plan for Motor Vehicle Safety and Fuel Economy, was issued in draft form in March 1978 and issued in final form in April 1979. The second plan, the Section 403 Highway Safety Plan for 1980-1984, was issued as a proposal in March 1979. In the Rulemaking Plan, the schedule of proposed rulemakings in vehicle safety and fuel economy is set out for the next five years along with a detailed description of the supporting R&D projects needed and a cost estimate of the R&D project. Similarly, the Highway Safety Plan details all long term goals we hope to achieve in highway safety over the next five years and outlines the means to be used to achieve those goals. The plan is very specific with projects set out year by year. There are deadlines set for projects, cost estimates made, and milestone dates decided to assure progress in each project. Both plans will be updated annually.

Both plans are the result of thorough discussion and agreement within our agency and have been developed through a very open process. As drafts, the plans were made available for public comment, sent to outside specialists, and subject

to full public debate at conferences called specifically to discuss the plans. Private R&D firms, various industries, other government agencies and consumers participated during the public comment period.

With this forecasting tool, the coordination phase of contract work statement development is simplified because the Plans set priorities and, thus, resolve in advance most disputes over the direction or purpose of a research project. The goals and types of research projects needed are already listed in the two plans. All offices involved in coordination agreed on the direction of a given project at the time the Plans were formulated. Now coordination involves primarily negotiation over the wording of a work statement. As a result of our planning activities, coordination is more efficient and more effective in the selection of R&D projects that best support our programs.

As a result of private industry participation in the long term planning process, private firms also receive tangible benefits. From their knowledge of NHTSA's future R&D needs, they can anticipate solicitations and spend more time developing proposals. The extra amount of lead time will encourage a greater number of proposals and promote the submission of higher quality, better researched proposals.

Although the master plans were issued in draft form by the middle of fiscal 1979, it will take some time to reduce the end of year spending crunch. The issuance of these plans signified the start of a major realignment of R&D project cycles. Because of the interdependence of our R&D efforts, many R&D work statements cannot be written until the results of ongoing projects are ascertained. The contracts awarded before our plans were issued will therefore continue to affect our contracting cycle for a time. Once these contracts are completed, their results are in, and incorporated into the Plans, we expect to have more control over the timing of the new R&D contract awards. However, there will always be some project completions at a time in a given fiscal year which will cause delay in the commitment of a follow-on project until late in the fiscal year.

The Office of Management and Budget (OMB) Circular of August 7, 1979, in addressing the end of year spending problem, seeks to limit fourth quarter spending to the third quarter level. The Circular states a goal which is compatible with our internal goals and which we hope to meet as our planning activities bear fruit.

Although I would not presume to speak for other agencies, whose procurement demands may differ from ours, I believe

that long range planning will greatly relieve the year-end problems in NHTSA's R&D procurement.

This completes my prepared statement. I would be pleased to answer any questions that you may have.