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Congress of the United States
House of Representatives
Washington, DC 20515-3303

March 20, 2012

The Honorable Leon Panetta
Secretary
Department of Defense
1400 Defense Pentagon
Washington, DC 20301

Dear Secretary Panetta,

It has come to my attention that the Department of Defense through the Defense Logistics Agency (DLA) and its procurement arm, DLA Troop Support (DLA-TS), has implemented Reverse Auction (RA) and Low Price Technically Acceptable (LPTA) procurement practices in several different commodity areas, especially in Clothing & Textiles (C&T). While I understand DOD has undertaken these methods to lower costs, I have deep concerns that the ultimate effect of these two acquisition procedures will result in a race-to-the-bottom and expose our servicemen and women to inferior products. As such, I am asking for an evaluation to be done on the use of these acquisition strategies. The evaluation should include a comprehensive study of the long term effects on an already fragile U.S. textile and apparel industry. I appreciate your time and attention to these concerns.

In conversations with several domestic manufacturers, they confirm that institutionalizing RA and LPTA will leave the industrial base significantly weakened. Some businesses may artificially bid below cost in hopes of winning a contract to keep their workforce employed and their doors open. However, this situation will increase the likelihood of default on part of the awardee as they will be unable to sustain the steady flow of business due to minimized profits. Further to that concern is the fact that clothing and textile contracts are most predominantly long term (five year) fixed price contracts. As seen in just this past year, a number of raw materials have increased well above expectations, making forecasting difficult to adhere to long-term commitments. A contractor, who may already be working with meager profit margins, would certainly begin to lose money and need to consider alternatives for survival over the course of a contract. At the same time, those otherwise healthy companies who did not receive the contract are now at risk of going out of business due to lack of work. Implementation of these new procurement policies will accelerate the consolidation of the industry until competition has been reduced so much that prices will have to return to a level that can support the remaining firms. The eventual outcome will be a much smaller industrial base, job losses and less competition.

Most recently, the Marine Corps Combat Utility Uniform (MCCUU), the most well-known uniform worn by a Marine in combat, has now gone through not one, but two reverse auctions in an attempt to get the price down. Since the last procurement of this item, material prices have gone up 18.5%. I hope the Department will soon realize that you cannot buy the

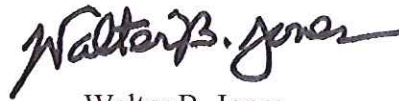
same high-quality items for less, especially in an environment when the cost to make one of the most crucial items for our national security has risen immensely.

Contractors have also cautioned about reductions of their research and development (R&D) departments. R&D fuels innovation, which has brought tremendous improvements to the products our service personnel now wear. Our government should enact policies to foster new technologies and not implement policies that throw away this crucial skill set.

As you can see, Reverse Auction and Low Price Technically Acceptable policies do not benefit the domestic manufacturing base, its employees, the Department of Defense and most importantly the Soldier, Airmen, Sailor or Marine. I recognize that DOD is looking for ways to increase efficiency and lower costs, an objective I wholeheartedly support. However, pursuing these short-sighted fixes without any long-term strategy is not the solution in this economic environment.

I look forward to bringing this concern before the House Armed Services Committee as we begin to draft the FY13 National Defense Authorization Act, and I look forward to hearing your thoughts on this issue.

Sincerely,

A handwritten signature in black ink that reads "Walter B. Jones". The signature is written in a cursive, flowing style.

Walter B. Jones
Member of Congress