

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Maintenance Contracts

FROM:

Director of Logistics

EXTENSION:

NO.

DATE

17 DEC 1979

DDA REGISTRY
FILE: Contracts

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

EO/ODA

RECEIVED

FORWARDED

1. DDA Room 7D24 Headquarters

12/18

ODM

Don: I am taking this opportunity to advise you of a situation which has the potential for creating a problem of great significance for this Agency. The Department of Labor has expanded the provisions of the Service Contract Act (SCA) to include maintenance support contracts for ADP equipment. Several of our contractors (Hewlett-Packard, Honeywell, IBM) have refused to accept contracts because of their disagreement with the Department of Labor's right to extend the SCA to ADP maintenance contracts. Attached hereto is an article from the Electronic News which discusses the issue in some detail.

2. DDA

21 DEC 1979

ODM

There are two approaches which we are now considering to work the problem. We have asked the Office of General Counsel for a legal opinion as to whether the special authorities granted to the DCI under Section 8 of the CIA Act would permit us to issue contracts without the Service Contract Act provisions notwithstanding the Department of Labor's determination that the SCA does apply. Our second approach would be to prepare a letter for the DCI's signature for issuance to the Department of Labor in which we would request a special exemption from the Act. It is our understanding that NSA has been able to obtain a waiver for several of their contracts.

3.

4. Jim McDonald let -

5.

6. The -

7. Sounds bad.

8. Good luck on

9. You efforts to

10. every

11. DDA Distribution: Orig - D/Log w/att

12. 1 - DDA Subjw/att
1 - DDA Chrono/att
1 - DIW Chrono

13. let us know if

14. I can help in any way.

15. 121 1979

James H. McDonald

Att.

Source: Electronic News
Monday, December 3, 1979

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government closeup

By JACK ROBERTSON

Out of Service

WASHINGTON — The Carter Administration is buying major problems for itself by letting the Labor Department run amok with the controversial Service Contracts Act.

The Labor Department has been given a blank check to apply the disputed law broadly throughout federal procurements — running up costs astronomically and threatening the quality of desperately needed equipment servicing and maintenance.

The Service Contracts Act has existed for 14 years — applied to predominantly service support work.

In June the Labor agency emerged winner in a White House turf battle over control of the law — and immediately expanded the coverage epidemically to new types of contracts which, industry claims, were never intended to come under the law.

It is one thing to implement a law self-admittedly intended for service contracts. But Labor has opened a Pandora's Box by applying the Act to hardware procurements, to equipment leases — even to individual government-owned products returned to a vendor's commercial service center.

Suddenly commercial electronics firms find the Labor Department able to set the wage rates of service workers — even if they work on a single piece of government-owned equipment.

Alarm is spreading as the new Service Contracts Act spectre reaches more and more unsuspecting vendors. Computer and telecommunications equipment firms hit yesterday. Instrument vendors today. Tomorrow . . .

CONTRACTORS by the droves are starting to refuse any federal award that includes the controversial Service Contracts Act. Hewlett-Packard and Digital Equipment Corp. have been outspoken in their rejections — but other firms are quietly balking at accepting the Service Act coverage.

Industry refusal to sell Uncle Sam under terms of the Act has mushroomed to the point that the AFL-CIO publicly blasted such action as "blackmail to sabotage the law."

Contractor rejections are throwing federal agencies into turmoil.

Agencies with sophisticated computer, instrument and telecommunication systems installed suddenly face loss of contractor support. Federal users have

frantically petitioned the Labor Department for waivers of the Act for the projects — so far mainly without success.

The White House reportedly intervened to crack Labor's stone wall to get a 6-month exemption until next March for service support of Data General, Digital Equipment Corp. and Hewlett-Packard computers at the critical National Security Agency.

Labor is still considering an urgent Pentagon request to waive the Act for Honeywell's service contract supporting the crucial WWMCCS (World Wide Military Command and Control System) computers. Honeywell reportedly has balked at accepting the Service Act coverage in the new support contract — and time is too short to bring in a new support contractor or arrange to perform the service in-house.

To get equipment serviced at all, many agencies now are forced to write individual time-and-materials purchase orders for support of each product since each purchase order under \$2,500 is exempt from the Service Contracts Act.

This imposes three needless costly stumbling blocks:

1. Agencies are buried under massive paperwork to write thousands of individual purchase orders to service each and every product.

TRADITIONALLY products are serviced under omnibus annual installation-wide service contracts, or under GSA schedule contracts, under warranty, or simply returned to vendor service centers. The spiraling paperwork waste — at a time President Carter has pledged greater government efficiency — seems to have only one conceivable benefit: helping Labor build its own Service Contracts Act empire.

2. Even the \$2,500 exemption for individual service purchase orders covers fewer and fewer products. Many sophisticated electronic systems require service work in excess of the \$2,500 exemption — which was set 14 years ago, and since rendered meaningless by a decade of rampant inflation.

3. The avalanche of individual service purchase orders to escape the Service Contracts Act is an obvious circumvention of the law. Agencies that flout laws — even when driven by crisis conditions — risk erosion of respect and integrity in the procurement process.