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THE PRESIDENT HAS BEEN
[Signature]

THE WHITE HOUSE

WASHINGTON

December 18, 1974

[Signature]

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM J. BAROODY, JR. (B)

SUBJECT: Wednesday Meeting with the National Council of Professional Services Firms

Sixteen leaders of the professional services industry participated in this conference in the Roosevelt Room on December 11, 1974. Government participants included representatives of Defense, GSA, OMB, HEW and NSF, who have responsibilities in the procurement field.

The professional services industry represented by the National Council of Professional Services Firms consists of qualified for-profit private sector firms engaged in consulting engineering, architecture, research and development, laboratory testing and analysis, planning, data processing, and information dissemination for clients in both the public and private sectors. Currently, about half of the professional services activity is devoted to Federal, state and local governments, with the balance devoted to commercial and industrial work.

The spokesman for the organization stated its belief that it is essential that the government at all levels have highly qualified managers who have the capability to define objectives and organize and utilize the talents of qualified private sector professional services firms in assisting the government. Federal laws and policies should create uniform and fair rules for any qualified private firm to compete to perform needed professional services work. To the maximum extent possible such work should be performed by private sector firms to achieve efficiencies and flexibility not otherwise possible.

Specifically, it stressed unfair competition from inhouse government sources and urged a revision of government policies in this area. It also stressed unfair competition from not-for-profit organizations,

including the universities. In effect, the development of the not-for-profit sector was alleged to have been sometimes sponsored or assisted by the government, including favorable tax treatment and qualification for grants. And finally, it cited federal procurement policies which adversely affect the acquisition of professional services, particularly in the architectural-engineering area and often arising from arbitrary profit limitation policies.

The representatives of the industry asserted that:

- (a) It is less expensive to perform work in the private sector.
- (b) The proportion of work going to the private sector is dropping sharply.
- (c) Current trends represented an inefficient and unnecessary increase in government spending.
- (d) Specific steps had to be taken to turn it around, such as monitoring procurement of these services within the government by the OMB.

The government officials present responded in a generally sympathetic and understanding way. They explained the policies under which they are required to operate, indicated where some changes might be made and pointed out some of the difficulties of bringing about change desired by the professional services industry.

The meeting brought about a number of useful contacts on a personal basis which will result in follow-up and further discussion of these issues between the industry and the agencies directly involved.