



Highlights of [GAO-08-854](#), a report to congressional committees

Why GAO Did This Study

Congress enacted the Defense Production Act of 1950 (DPA) to ensure the availability of industrial resources to meet defense needs. Amendments to the Act allow its use for energy supply, emergency preparedness, and critical infrastructure protection and require agencies to report on foreign offsets, which are incentives to foreign governments to purchase U.S. goods and services. Only Titles I, III, and VII remain in effect.

In the National Defense Authorization Act for Fiscal Year 2008, Congress directed GAO to review recent agency efforts to implement the DPA. This report (1) examines the extent to which agencies use DPA authorities and (2) assesses agencies' response to reporting requirements on the economic impact of foreign offsets.

GAO's work is based on a review of policies and guidance for the use of DPA authorities, instances in which agencies have exercised the authorities, and the analysis used in required reports on foreign offsets.

What GAO Recommends

GAO's three recommendations are that agencies develop and implement a priorities and allocations system, consider ratings in advance of emergencies, and that Commerce update regulations to better assess the economic effect of offsets. USDA concurred, while other agencies provided only technical comments. HHS and DOT indicated that they plan to implement our recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-854](#). For more information, contact Ann Calvaresi Barr at (202) 512-4841 or calvaresibarra@gao.gov.

DEFENSE PRODUCTION ACT

Agencies Lack Policies and Guidance for Use of Key Authorities

What GAO Found

The Department of Defense (DOD) routinely exercises the DPA Title I priorities and allocations authority, which allows rated contracts and orders to be delivered before others, to ensure the availability of defense resources. However, civilian agencies have generally not used the Title I authority and most differ from DOD in deciding when to apply it. For example, DOD places ratings on most of its contracts before critical defense items are needed. In contrast, agencies such as the Department of Homeland Security (DHS) generally request ratings after delivery needs are identified, potentially delaying critical items during emergencies. Also, agencies responsible for responding to domestic emergencies and procuring resources in the areas of food and agriculture, health resources, and civil transportation, lack policies and guidance that could facilitate execution of the Title I authority and delivery of items needed in an emergency. While the Departments of Agriculture (USDA) and Health and Human Services are developing regulations to establish a framework for considering priority ratings, the Department of Transportation (DOT) has not yet begun to do so.

Table 1: Status of Priorities and Allocations Policies and Guidance by Agency

Agency	Area of authority	Status
Department of Commerce	Industrial resources	In place
Department of Defense	Defense and water resources	In place
Department of Energy	All forms of energy	In place
Department of Homeland Security	Homeland security programs	In place
Department of Health and Human Services	Health resources	In development
Department of Agriculture	Food and agriculture resources	In development
Department of Transportation	Civil transportation	Not in place

Source: GAO.

Note: DHS is currently developing additional policies and guidance on implementing its authority.

Other DPA authorities have been used exclusively by DOD or have not been triggered by recent events. For example, DOD has generally been the sole user of the Title III authority for expansion of production capabilities, while events that would activate some Title VII authorities—such as the National Defense Executive Reserve and voluntary agreements—have not occurred.

Agencies have taken steps towards fulfilling their offset reporting requirements to Congress, but data collected by the Department of Commerce limits the analysis of the economic effect of offsets. Commerce officials noted that a more detailed analysis could be provided if they requested more specific product data from prime contractors. Also, a DOD-chaired interagency team—required to report on its consultations with foreign nations on limiting the adverse effects of offsets—has reached consensus with other nations that adverse effects exist, but not yet on best practices to address them. Actions by the National Commission on Offsets have similarly been limited in the assessment of economic effects.