

In order to verify our engineering judgment of this program we have contracted for an analytical overhaul of one of our cargo helicopters and will continue such surveillance on a random basis. I would now like to discuss:

III. AIRCRAFT COMPONENT OVERHAUL

Pursuant to the memorandum of agreement relative to transfer of responsibilities from the Air Force to the Army, it was considered in the best interests of the Government to establish overhaul contracts on a contractor furnished parts concept. This basic policy was established in order to delay the introduction of an additional broad range of items and tools in the Army supply system which would not be required within the normal scope of the military mission.

Our contractors were accustomed to the Government furnished equipment concept under Air Force contract procedures, therefore the transition to contractor furnished parts was not at once favorably received.

Also, under the contractor furnished parts concept, the contractor had no way to predetermine the parts required until disassembly and inspection.

This action resulted in a delay in the timely procurement of parts required for the overhaul.

The contractor ordered his parts from other manufacturers and, as a result, took his place in the production line to get his parts produced. In many instances he was competing with large Government and other civilian orders.

Contractors also experienced financial difficulties because they had to increase their investment in shelf stock and their contractual deliveries were delayed.

While the contractor furnished parts concept did offer many advantages and was improving, as the Transportation Materiel Command gained more experience during the period from 1957 to the present, we have gradually changed over to a policy of Government furnished parts. This will not only assure a better support of our oversea customers but will:

(a) Reduce overhaul turnaround time from about 13 months to 6 months, and

(b) Expand the production base to emphasize small business participation.

Initially, component overhaul contracts were awarded to cover a fixed quantity of items. As requirement information was not entirely dependable, modifications as to quantities were required. In order to obviate the necessity for revision of quantities, a more flexible type of contract was required.

The indefinite quantity type, which provides for a minimum and a maximum quantity, enabled the Government to order and meet quantities as are actually available for overhaul. The Transportation Materiel Command did, however, award a contract covering overhaul of a quantity of engines on a fixed-price basis. This method of procuring contract maintenance proved to be unsuccessful for the reason that no contractor can accurately predetermine the full scope of work that will be required.