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POTENTIAL SAVINGS THROUGH DIRECT PROCUREMENT OF COMPONENTS
USED IN PRODUCTION OF VARIABLE TIMING FUZES, DEPARTMENT
OF THE NAVY

The Navy, in contracting for variable timing fuzes, can purchase directly from the component manufacturers rather than through prime contractors certain electron tubes and reserve energizers required for use in the fabrication of the variable timing fuzes. The components can then be supplied to prime contractors as Government-furnished material. Such action should result in significant savings to the Government in the procurement of variable timing fuzes over the next 5 years.

Prior to May 1962, the Navy had supplied the tubes and energizers for use in connection with the variable timing fuze contracts as Government-furnished material either from stock or through direct procurement from the component manufacturers. However, under a contract awarded by the Naval Ammunition Depot, Crane, Indiana, in May 1962 and one awarded by the Navy Ordnance Supply Office, Mechanicsburg, Pennsylvania, in July 1963 and amended in June 1964, Eastman Kodak—the prime contractor—was authorized to purchase the tube and energizer requirements not available from existing Navy inventory. We estimate that, as a result of this change in procurement, the Government incurred additional costs of about \$421,000 under the two contracts. The official procurement files of the naval activities involved in the award of the 1962 and 1963 contracts did not contain any documentary evidence to indicate the basis for the Navy's decision to discontinue its practice of supplying tubes and energizers as Government-furnished material. Moreover, we could not find any regulations which require that the contract files be documented to indicate the basis for a decision to discontinue the use of components as Government-furnished material after initial breakout has been achieved.

We found that, while Eastman Kodak was purchasing tubes and energizers for use in producing variable timing fuzes under these two contracts, the Navy was procuring similar, but not identical, components directly from the same vendors and providing them as Government-furnished material to Eastman Kodak for use in fabricating other types of fuzes. In addition, an Air Force audit report dated May 16, 1963, on the pricing of the tubes used in missile fuzes, contained a statement concerning the dual procurement of electron tubes and recommended that the Bureau of Naval Weapons coordinate all requirements common to both Navy and Eastman Kodak and place prime contracts with the same vendor for the consolidated tube requirements. However, the Bureau of Naval Weapons took no action with respect to this recommendation.

The Assistant Secretary of the Navy (Financial Management) commented on our findings by letter of July 26, 1965, stating that in this case there would have been a saving to the Government if the tubes and energizers had been furnished to the contractor by the Navy. The Assistant Secretary stated also that the Navy agreed that, had it furnished the Air Force audit report to the contracting officials responsible for these variable timing fuze procurements, the