

some degree of nonperformance. So that we took the percentage of nonperformance on that equipment, and we extrapolated it back over the total man-hours of equipment that had been worked and paid for between August 1, 1966, through January 31, 1967.

And that made up actually a little under \$30,000 within the total figure that we arrived at as a total settlement.

We had shortages in inventory, which made up a second category. And we had a third category where our inspectors, in the process of examining the equipment, considered the amount of hours charged, and came to the conclusion that for the job specified the hours seemed unreasonably long. And they, accordingly, made a subjective judgment as to what the proper number of hours ought to be. And they categorized that as excessive hours worked.

Now, with regard to this category of the claim, the contractor raised a number of serious objections. First of all, he said that he doesn't quite understand by what standards any man who comes and looks at a piece of equipment afterward that has had a considerable amount of body damage work repair done, or has had a paint job done, can determine from the finished product what the condition was at the outset when the work was started. So that a large portion of this category he noted, and I think properly, as being purely speculative and subjective paid his labor.

So that taking account of the third category, we settled it simply on the basis of the claims we made for the 67 pieces at hand without an attempt to extrapolate that.

Mr. BEASER. May I ask one question?

Mr. JACOBSON. Surely.

AID APPROVING WORK IN EXCESS OF AGREEMENT?

Mr. BEASER. Under the contract, as I read it, you make out—AID makes out a work order or a contract. And that has to be approved by the AID man. What has been happening in fact as far as Japan Aircraft at least is concerned is that ex post facto you have been approving work in excess of the amount previously agreed on for items; is that not so?

Mr. JACOBSON. That is correct.