

time-and-materials contract that was the standard contract of the Army Forces Procurement Agency, and it follows that which is in effect in Antwerp.

CONTRACT WITH JAPAN AIRCRAFT A GRATUITY?

Mr. BEASER. That is what Mr. Lee says on page 31. However, if you take a look at your Navy contract, it does not refer to any minimum. What you have provided in the contract with Japan Aircraft is a gratuity, actually. Japan Aircraft did not have to perform a single thing for AID, but was guaranteed a minimum of \$400,000.

Mr. JACOBSON. That is talking to a different feature of the contract. I quite agree, there was a minimum figure of \$400,000 which had nothing to do with the work order operation.

Mr. BEASER. Have you come up under the operations of Japan Aircraft to the tune of \$400,000. Where is your authority for that?

JACOBSON AGREES CRITICISM IS WELL TAKEN

Mr. JACOBSON. I think you might have been right, and I think your criticism is well taken as a general matter, but inapplicable in view of the fact that the contract expenditure far exceeded the minimum. Now, I can concede that if it had not, there might have been a windfall to the contractor. I don't know specifically what was in mind when this contract was negotiated on these terms. It is conceivable that a contractor who is undertaking a contract with someone for the first time and is being called upon to increase his work force wants to have some assurance that he is going to have the volume to put through.

Mr. BEASER. They didn't do it with the Navy.

Mr. JACOBSON. They haven't done it in the negotiation of the second contract.

LEGALITY OF PAYMENTS SUBMITTED TO GAO? NO

Mr. BEASER. Have you submitted this question on the legality of the payments under this contract to GAO?

Mr. JACOBSON. No. I have rendered an opinion to my office with