

transponder was eventually chosen, all competing firms would have an opportunity to bid on volume production of that transponder.

The Navy persuaded the Department of Defense that the Navy-Bendix transponder was superior to others in development. And in June 1966, Bendix was very quietly given a sole-source production contract for 2,300 APX-72 transponders. "Urgent need" was cited as justification for the sole-source contract and first production units were due for delivery in June 1967. It was thereafter decided by the Navy Department to award Bendix an "extraordinary" type of contract called a leader-follower.

Under this arrangement and without any of the usual notification through the Commerce Business Daily, Bendix's extraordinary contract provided that Bendix was to be given a contract for 8,500 additional units of the APX-72 transponders with the further proviso that of the entire total of 10,800 units, 40 percent would be shared with (or subcontracted to) a "follower" company whom Bendix would take under its wing. The Navy justified this approach on two grounds:

(1) That in the normal course of events Bendix would not have a data package for almost a year. But, by having a Bendix handpicked "follower" to understudy the initial production, at least 6 months' time could be gained in getting a second source into production; and

(2) Being able to hold Bendix responsible for the quality and precision of the "follower's" product, complete interchangeability or "commonality" could be assured.

The absence of a technical data package is open to question because Bendix issued such a technical package to its component subcontractors and to potential "followers" at the time of solicitation.

In its second point, the Navy admitted, in effect, that it did not have the ability to demand or obtain from manufacturers performing Navy contracts equipment "common" with or identical to the same equipment, turned out from identical drawings by another manufacturer.

A further part of the agreement between the Navy and Bendix is still more disturbing. This agreement with Bendix held that to perpetuate the commonality feature on future production, Bendix and its handpicked "follower" would be permitted to share all future production.

I want to emphasize that, Mr. Chairman: "all future production."

This is no small factor when you consider that the APX-72 is destined to be the transponder on all military aircraft in the future and will be bought in a civilian version by the Federal Aviation Administration.

The first notice that anyone had of these proceedings came in May 1967, when the fact was announced in the Commerce Business Daily that Bendix was conducting competition to choose the "follower." Bendix announced that it would require a complex management and technical proposal to be submitted within 10 days. Other requirements listed by Bendix were so restrictive that all small business firms were discouraged from bidding. Bendix also held a bidders' conference and disclosed at that conference that Bendix intended to put one of its teams in the "follower's" plant to keep an eye on production. Furthermore, Bendix would demand detailed cost figures and other similar data. At this point, a number of major firms dropped out, unwilling