

came to a plant in my district one time and said, "This item has never been made, we have tried and tried, we cannot make it. Will you try?" Two men ran that plant, with a very small number of employees. They knew that those men were some of the most skilled workmen in America. They made the item. But they put in \$325,000 of their own money. When they had completed it, the big contractor came out, looked over the whole thing, said, "This is great, just wonderful." They sent out their engineers, watched it made, and then the contractor said, "However, we do not need you to make it now." And the Navy inspector picked up their machines, and sent them straight to storage. They broke them.

But I think somebody ought to look into this, too. Because I do not think this is any isolated case. The subs are taking a terrible beating; and the Government is taking a terrible beating, and some of the competitors of some of the primes are taking a terrible beating—because the Government is not looking over this stuff.

CRITERIA FOR FURNISHING EQUIPMENT

Chairman PROXMIRE. Now, your criteria, you say, are cost and performance. I presume that one very important factor would be the availability of the particular item that you want to procure. In other words, if you are having difficulty getting jet blades or getting some kind of equipment—well, jet blades is not a very good example—but some kind of exotic equipment that is new, perhaps, a refinement on a helicopter—and there are no sources around—under these circumstances I can understand why you would have to make all kinds of concessions perhaps to the only manufacturer available, and he might argue "We are not going to have any use for this kind of machine"—under those circumstances perhaps you would think it would be lower cost to buy the machine and so forth. But I should think that would be a very rare exception.

Under normal circumstance, with the vast productive resources we have, and the great versatility of American production, you would think that you would be in a position to procure without actually going into the market and setting the manufacturer up with plant and equipment.

Mr. HUGHES. I certainly agree with you, Senator. I am sure that most of the things that the Government procures in terms of volume and probably cost, are common items available from several sources at any given moment. Time may be a factor, however.

Chairman PROXMIRE. Even if they are only available from one source, I should think you would still be in a position to bargain for them to purchase their own equipment.

Mr. HUGHES. I would think so.

Chairman PROXMIRE. So that in view of the elements other than strict cost and performance, in view of the competitive element, in view of the inequity in terms of taxes and so forth, in view of the difficulty of keeping records and that kind of thing—apparent difficulty—I would think that you would very carefully reconsider this policy which seems to be so widespread, in view of the enormous amount committed—I think Mr. Morris said \$14 billion—between \$11 billion and