

TRW has complied with all the terms of its contracts, and with the applicable laws, the armed services procurement regulation and the directives of the administrative officers of the military departments.

We wish to protest most emphatically the gross unfairness to all concerned of the procedure followed in this case which permitted the release of a report to Congress carrying an unmistakable implication to the contrary without the essential rudimentary safeguard of first obtaining the views of the contractors affected. This unfairness has been compounded by the inadequate time permitted to us to prepare a response to this complex document. Not only were we not given an opportunity to comment on the GAO report to Congress, TRW did not know fully the basis of the GAO findings regarding TRW until December 15. Our ability to evaluate the GAO report has been hampered by the fact that the GAO findings appear to have been based in some instances on misinterpretation or misunderstanding of contract terms and on consideration of incomplete and erroneous information which distorted the true facts in several important respects.

The following points summarize TRW's position regarding matters of prime concern among the findings you designated as pertinent to TRW.

1. Contrary to the GAO allegations, TRW did not use IPE without the proper authority. For example, the statement that TRW used 10 machines 100 percent of the time for commercial work without obtaining advance OEP approval is false. In fact, the 10 machines were not used in excess of 25 percent for non-Government work and hence no advance approval was required.

2. Contrary to implications from the report in press discussions of it, TRW has paid rent for work for all commercial programs as well as for some Government programs. In fact during the 1963-65 period of the report, TRW paid over \$2.5 million in rental to the Government.

3. We are puzzled by GAO's criticisms relating to accounting for use of Government equipment and for reporting. In June 1960, GAO by letter to TRW indicated that TRW's method of accounting for usage of IPE was appropriate and carried the implication that use of the method now recommended by GAO would be inappropriate. In part the letter stated:

"It is recognized that the contractor does not maintain records and data indicating usage of all individual items of facilities and the maintenance of such records would be uneconomical, impractical, and unnecessary."

4. With respect to the 8,000-ton press, the numerous GAO comments have distorted the facts and created a false impression regarding the following.

A. Contrary to the GAO report, the 8,000-ton press was acquired not only for the production of one specific jet engine blade, but also for use in connection with expected future defense needs that would require presses larger than the 4,000-ton machine then available. At the time of the proposal to acquire the press, TRW 4,000-ton presses were not able to forge certain jet engine parts without overloading. The Air Force and the press manufacturer confirmed this fact and cautioned that such use of the 4,000-ton presses would likely result in damage.

B. From the date of the original proposal to purchase until the 8,000-ton press was ready for production, numerous technological developments occurred which enabled larger parts to be forged on the 4,000-ton press than theretofore was possible. Advances in lubricants, die manufacturing, and preformed shapes all contributed to this advance in the state of the art. These advances were largely financed by TRW and have resulted in significant savings to the military departments. Thus, contrary to GAO's statement that the 4,000-ton presses are less efficient than the 8,000-ton press, because of the previously described advances in the state of the art they had become more efficient than they were, so that actually the use of the 4,000-ton presses in the instances described resulted in less cost to the Government than if military work had been forged on the 8,000-ton press.

C. Use of the 8,000-ton press in 1966 and 1967 and as projected through 1970 on the stage one fan blade for the C-5A airplane, provides abundant vindication of the acquisition of the 8,000-ton press. This C-5A blade clearly exceeds the capability of the 4,000-ton presses even with the present state of the art. If not produced on the 8,000-ton press it would require an alternative method of production known as machining. Savings to the Government attributed to the use of the 8,000-ton press on this single part compared with using the alternative production method, are conservatively estimated at \$2,400,000—an amount substantially in excess of the original cost of the press.