

APPENDIX 11

PROCUREMENT INFORMATION FURNISHED BY SENATOR DOMINICK

U.S. MILITARY PROCUREMENT¹ PRACTICES NEED INVESTIGATION

Mr. DOMINICK. Mr. President, reports which have reached me concerning some recent military procurement practices indicate that there is a real cause for concern over the equity, inefficiency, and even perhaps the honesty of some of these practices. In one specific instance, I have asked the Senate Committee on Government Operations to conduct a preliminary investigation to determine whether the facts in that case warrant a full-scale investigation and public hearings on military procurement practices.

In this case, my constituent, Custom Packaging Co., a small business in Aurora, Colo., received less than equitable treatment, to say the least, in its efforts to do business with the Army. The facts in this case are as follows:

Working on its own initiative and expense over a considerable period of time, Custom Packaging Co. developed the concept of a lightweight, shoulder-borne flame weapon with a 2,000- to 3,000-yard range capability. In August 1965, they contacted Army officials at Edgewood Arsenal, Aberdeen, Md. The Army showed a great deal of interest and, after considerable discussion, a demonstration was arranged. The demonstration took place at Edgewood Arsenal on February 14, 1966.

Assurances were given to Custom Packaging Co. by the Army that the company's technological innovations would be fully protected against disclosures to or use by unauthorized persons. Two of the significant innovations introduced by the company were in the basic lightweight design and in the propellant that was used.

Following the demonstration at Edgewood Arsenal, the Army agreed that Custom Packaging Co. should prepare a color sound on film showing the weapon firing nine or 10 rounds. The Army also asked the company to prepare a proposal setting forth the company's capability to produce the weapon, estimates of time and cost factors, and statistics on how much time and money had already been spent by the company on the program.

Custom Packaging Co. submitted the requested film and proposal to the Army on April 15, 1966.

During the summer of 1966, the Marine Corps displayed interest in a preliminary test program with this weapon. Subsequently, on October 16, 1966, Edgewood Arsenal circulated "Requests for Proposals" on a flame weapon system, soliciting quotations from several vendors, including Customs Packaging Co. The invitation called for proposals for research and development, production of 20 weapons and 2,000 units of ammunition. The language of the Edgewood Arsenal description of the weapon and requirements was virtually word for word identical with the "unsolicited" proposal submitted by Custom Packaging Co. on April 15, 1966, at the request of the Army.

On November 16, 1966, Custom Packaging Co. submitted its bid for a fixed price contract in the amount of \$167,608. Northrop Nortronics of Anaheim, Calif., a subsidiary of Northrop Aviation, submitted its bid on a cost-plus-incentive fee basis in the amount of \$387,000. Seven other bidders submitted quotations ranging from \$269,000 to a high bid of \$404,000, all on a cost-plus-fixed fee basis. A comparison of the bids of Custom Packaging and Northrop Nortronics shows that the engineering estimates were very nearly the same, but Custom Packaging's bid reflected lower labor rates and lower overhead costs, as well as lower subcomponent costs. Nortronics' bid proposed use of more expensive off-the-shelf, or subcontracted components. Subsequently, by telegram dated January 26, 1967, the Edgewood Arsenal Contracting Office advised Custom Packaging Co. that the award was expected to be made on Monday, February 6, 1967. Thereafter, in

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