

date through 1951 at prices ranging from \$215.00 to \$302.78. During the period 28 June 1961 through 31 October 1961, four contracts and two options were awarded at unit prices ranging from \$130.00 to \$144.89. These awards were for Set Aside and Non-Set Aside procurements for labor surplus areas. All of these awards were subsequently terminated for default, or because of the use of surplus materials contrary to the terms of the contract. During the period 28 August 1963 to 16 July 1964, reprourement of the above defaulted contracts was made under two competitively negotiated and formally advertised Small Business Set Aside solicitations. A Small Business firm in Philadelphia, Pennsylvania, was the successful contractor for all reprocurements at unit prices of \$182.00, \$193.00 and \$173.00.

As a result of the Southeast Asia buildup, four negotiated sole source procurements were awarded to the Philadelphia firm during the period 20 August 1965 through 28 December 1966. Increase options on two of these contracts were exercised within the same period. The negotiated prices were based on audits performed by Defense Contract Audit Agency and or U.S. Army Electronics Command, Philadelphia Procurement Division and in all cases involving sole source procurements prices were negotiated with the assistance of certificates of current cost and pricing.

All of these sole source awards covered urgent priority procurements requiring earliest possible delivery. The contractor was actually in production throughout the time frame of these six awards. Previous experience had shown that he had met required delivery schedules and had submitted reasonable competitive prices. Award to the current producer entailed minimal administrative leadtime to contract award (one month) followed by four to six months production leadtime. Award to a new producer under formally advertised procedures would involve an administrative leadtime of three months to contract award, followed by 13 months production time. Thus, award to the active producer meant a procurement leadtime of five to seven months as opposed to 16 months with a new producer. Also inherent in a new award was the risk of a repetition of the unsatisfactory results as experienced with the earlier contractors. The decision to go sole source gave greatest assurance of early delivery as required by the priority Southeast Asia requirements. The increase in unit cost from \$182 to \$314.23 is largely reflected in material cost due to varying quantities and accelerated deliveries.

NAVY PROCUREMENT OF AN/APX-72 TRANSPONDER

In late 1964 and early 1965, the Naval Research Laboratory (NRL), using its senior scientific and engineering personnel, built a hand-made laboratory model of the AN/APX-72 transponder. Many of the components incorporated in this model were obtained from industry sources which had developed them.

It is not practicable to go immediately from such a model into production without extensive development. It was determined to go to industry for such development. In April 1965, following extensive industry-wide competition, Bendix received a contract award from NRL for \$58,000 (later increased to \$124,000) to develop production models of the AN/APX-72 that could be quantity produced as economically as possible. During this competitive solicitation, 11 companies submitted the best technical proposal and the lowest price.

In June 1966, pursuant to the authority of Title 10, U.S.C., Section 2304(a) (14), the Navy issued a letter contract to Bendix for the production of 2,310 AN/APX-72 transponder units. Bendix, the developer and sole producer of the AN/APX-72 transponder, was the only firm considered qualified to economically manufacture and deliver the required equipment within the time available. It is not uncommon to award first production contracts for relatively complex electronic units to the company which developed the equipment to assure that the development is in fact capable of being mass produced and to avoid the long delays inherent in training a new producer who is unfamiliar with the equipment.

In April 1967, under a leader-follower arrangement, Bendix was awarded a contract for 8,590 transponders—the FY 1967 requirement—with the proviso that 40% of these units must be subcontracted on a competitive basis to a "follower" company. The leader-follower arrangement, which is an "extraordinary" but well established procurement technique, is useful when it is necessary that all units of equipment in service be absolutely identical. In some fields, particularly complex electronics, it is virtually impossible to accomplish this