

result simply by having a new producer follow drawings or specifications previously used by an earlier producer. By making the follower a subcontractor to the leader (Bendix) and holding the leader accountable for configuration control, variations in the equipments of the new producer can be eliminated or at least held to a minimum. It was originally considered highly desirable that these transponders be identical because it was felt that the resultant life-time savings in field maintenance, spare parts, and training costs would more than offset any likely small increase in acquisition costs.

The intention to award the leader-follower contract to Bendix was not publicized in advance because of the urgency of the procurement and the fact that award would have to be made to that company for reasons already explained above. However, the actual contract award to Bendix was publicized in the *Commerce Business Daily* with the intention to have a "follower" subcontractor selected by Bendix on a competitive basis.

Contrary to Senator Dominick's statement, Bendix did not hand-pick the "follower". The Navy provided Bendix with the names of six qualified competitors to be solicited. Others came in as a result of the Navy-directed publicity in the *U.S. Department of Commerce Business Daily*. The Navy reviewed the procedures used by Bendix to ensure that competition was properly conducted. Twenty-seven responses were received as the result of publicizing this planned subcontract in the *Commerce Business Daily*. Of this total, 14 companies which appeared to meet the required qualifications were then requested by Bendix to submit management and technical proposals. Ten of the companies responded to this request. Six of these ten were considered technically qualified and were asked to submit price proposals. Four of these six were in an extremely close price range, and award was made to the low responsive and responsible offerer, Wilcox Electric Company, Inc.

It is true that Bendix gave the potential follower subcontractors a data package. However, this data package alone, without the technical guidance and know-how that Bendix was obligated to furnish under the leader-follower concept, was not adequate to permit production by a new source. We believe that the use of the leader-follower technique has resulted in a gain of at least six months in getting a second source into production.

The Navy's original procurement plan did contain restrictive language as to the Navy's intent that its requirements for FY 1968 through FY 1970 would be solicited by the Government competitively between Bendix and the selected follower producer. This was based on the desire to achieve complete identity in all equipments.

Since the original procurement and maintenance plan were developed over a year ago, it has now been concluded that maintenance and spare parts stockage at the field level will not be undertaken at a level of detail below major modules of the complete equipment. Hence, while it is imperative that these modules be interchangeable performance-wise—the so-called form, fit, and function interchangeability—it is not necessary that the modules be absolutely identical internally.

This change in field maintenance planning appears to make it feasible to obtain an approved technical data package suitable for broad competitive procurement about March 1968. Hence, it is now likely that a significant portion of our future AN/APX-72 transponder requirements can be bought through unrestricted competition.

(Responding to the testimony of Senator Dominick, the GAO subsequently supplied the following material:.) (See p. 395.)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., December 26, 1967.

B-158193.

HON. WILLIAM PROXMIRE,
Chairman, Subcommittee on Economy in Government,
Joint Economic Committee,
Congress of the United States.

DEAR MR. CHAIRMAN: In response to your request made during the course of hearings before the Subcommittee on Economy in Government of the Joint Economic Committee, we have reviewed the testimony of Senator Peter H. Dominick on November 29, 1967, and we offer the following comments.

During the Senator's testimony, attention was focused on the increasing percentage of military procurements accomplished without recourse to the formal