

largest stockholders, the company was placed on our suspended bidders list of April 4, 1967. The continuing time constraint for a product involving dynamic design has required that we keep buying from this supplier. Waivers, therefore, have been necessary each time we have had to place orders with this company.

We have been attempting to develop competition as regards this product. Several problem aspects are concerned with the securing of competition.

In order to acquire competition it would be helpful to have a data package. The relative usefulness of a data package is dependent to some extent upon continuity of procurement of the same item called for by the data package.

Second, the data package is useless for competitive purposes unless there is adequate leadtime before new deliveries are required to permit producers other than the developer, or other established producers, to set up tooling, establish subcontractors, provide preproduction models for testing, and obtain materials after approval of the tests. All this requires longer time for a new producer than for the developer who is already in production.

For this reason, when requirements cannot be determined well in advance, or when changes in military operations generate an immediate requirement, we are constrained to secure these needs from the current producer.

In those instances involving price competition, AlSCO has been the low bidder. Prices on other sole source procurement with AlSCO are comparable with these competitive prices.

Another factor that has entered into the matter of sole source procurement in recent years is the constant modifications to the product, to accommodate differing operational requirements, and to accommodate changes in the rocket design. This has generated a relatively constant series of changes in the launcher and the development of new launcher models. These factors have contributed to the current sole source situation in rocket launchers.

You have indicated an interest in current requirements and current procurement. You are aware that the contract for the fiscal year 1967 buy was awarded to the developing company, AlSCO. We are again negotiating with AlSCO for our fiscal year 1968 requirements because of an urgency for delivery that precludes adequate leadtime for competition. As far as the Navy and Marine Corps are concerned, the projected fiscal year 1968 buy will cover all projected requirements through calendar year 1969. In consequence, no Navy/Marine Corps fiscal year 1969 buy is currently planned.

With the benefit of 20/20 hindsight, I am sure that we could have improved our second source or competitive efforts. But we are very much concerned, as I am sure you can appreciate, with the necessity for obtaining competition for rocket launchers in the future; that is, beyond our fiscal year 1969 requirement. It would create a much healthier situation for all Services if competition could be injected into future procurements and alternate producing sources were secured.

To this end we have taken two steps: First, we have the Naval Weapons Center at China Lake working on the development of two rocket launchers, one of seven rounds and one of 19 rounds, that are