

Mr. ROBACK. That is the nature of the dispute?

Mr. SHILLITO. You mean as far as the price for the data, Mr. Roback?

Mr. ROBACK. Well, first of all, why was the data package included in the procurement? That is to say, why did you have a procurement of the data and a procurement of the rocket launchers all in one bundle?

Captain McMorries. This is the normal method of acquisition of data.

VALUE ENGINEERING DATA

Mr. ROBACK. What is under dispute now? The price of the data?

Captain McMorries. If I can address it generally, Mr. Roback, there are two issues involved which have been present in our discussions, and the reason for the nondefinitization of the contract. The contractor has alleged, or made a claim for certain value engineering benefits which go to product improvement and cost-reduction efforts that he is contending he has made and the Government has benefited by. We have not seen fit to accord recognition that this in fact has occurred nor is it within the scope of the particular contract.

Mr. ROBACK. Separate from the proprietary issue? A question of what value you place on the value engineering which presumably would save money for the Government if it were available, right? And this is the matter in dispute?

Captain McMorries. Yes.

Mr. ROBACK. And if this dispute were not resolved, or at least, if there were a determination the contractor didn't like, he could take it to the Contract Appeals Board? And it wouldn't rule on the proprietary data problem?

Mr. SHILLITO. Probably not.

Captain McMorries. I don't think it would be at issue in that.

Mr. ROBACK. Suppose you don't want to pay \$500,000 because there are other alternatives? What happens then?

Captain McMorries. This is the issue we are facing now, and as a practical matter, when you tie in this value engineering request, if I may term it that way, and the current asking price for the data, we now come to a \$2-million figure.

Mr. ROBACK. You mean the value engineering and the proprietorship values have been intertwined in the \$2 million?

Mr. SHILLITO. That is right, by the contractor.

Mr. ROBACK. Have you ever given a contractor any value engineering premiums or bonuses?

Mr. SHILLITO. This particular contractor?

Mr. ROBACK. Any contractor.

Mr. SHILLITO. Yes.

Captain McMorries. I don't know that that is correct, and I would ask for help on that.

Mr. ROBACK. Has Chromcraft and Alsco ever received any value engineering?

Mr. SHILLITO. Not these contractors—not this contractor.

Mr. ROBACK. On any contract?

Mr. SHILLITO. Not to my knowledge.

Mr. TASSIN. I am sure there has been no value engineering purchase.