

COORDINATION WITH ARMY

Mr. ROBACK. The Army is also involved, is it not? In the data package consideration?

Captain McMorries. I cannot answer that.

Mr. ROBACK. But if it were, would it make any sense for the issue to be joined?

Captain McMorries. Yes.

Mr. ROBACK. It would? In other words, maybe there is some slight adaptation of the Army thing, and it wouldn't make sense for the Army to negotiate separately?

Captain McMorries. We would coordinate the data problem, we would discuss it with the Army. This is being undertaken.

DEFINITIZING 1967 CONTRACT

Mr. ROBACK. What is the outlook for this letter contract?

Mr. SHILLITO. The one under negotiation?

Mr. ROBACK. Yes.

Mr. SHILLITO. Well, I think that it is our opinion—now you are talking about the data package and this letter contract, or the definitization of the letter contract?

Mr. ROBACK. That involves that other question, because if you want to definitize it, presumably you have to—

Mr. SHILLITO. We are at an impasse as regards the data package. As far as the definitization is concerned, I would say it is pretty much our position that the Government's interests are probably protected by our not pushing to definitize this letter contract too rapidly, because it allows us a holdback; in view of the awkward circumstances with this contractor, I think it is desirable that we maintain this holdback.

Mr. ROBACK. Is the stance of the Navy at this point that they are going to await the outcome of the legal action?

Mr. SHILLITO. As far as definitizing this contract?

Captain McMorries. I think to answer that in its entirety, Mr. Roback, we are not reluctant to let the contract run in its letter contract form as long as we are getting a product. We do derive a degree of protection in not paying the full price. If we could secure some adequate protection, I don't know that we would have any reason not to completely definitize. However, at the moment, the definitization is intertwined, so to speak, with this value engineering. The contractor has not agreed to a final price on the contract until we agree to accept his terms regarding the value engineering.

Mr. ROBACK. If the contract runs out, what is the legal situation?

Mr. Stein perhaps might answer. Is that a quantum meruit compensation by the Government?

Mr. STEIN. It would be if the contract were to run out without any agreement upon the price.

Mr. ROBACK. That is a probability?

Mr. STEIN. That is a probability.

Mr. ROBACK. And if the contractor refused to deliver on the contract, what recourse would you have, since he is the only one available to produce?