

GAO has alleged that under contract NOW 65-0547f Chromcraft furnished individual quotations from potential subcontractors for negotiation purposes, and subsequently purchased the components from other subcontractors at lower prices based upon consolidating the individual requirements. There is no question as to whether Chromcraft had the lower subcontracting pricing data available prior to the conclusion of prime contract price negotiations. GAO was unable to make this determination from the contractor's records. Neither were we prior to the Justice Department request that we defer further contact with the company until further notice. In addition, GAO did not note that under this same contract we secured a price reduction of \$138,840.00 because of purchase economies, which is substantially in excess of the alleged overcharge.

Mr. ROBACK. Are there any unusual contract clauses in any of these contracts? That is, one particularly demanded by the subcontractor that ordinarily do not enter into such contracts?

Mr. TASSIN. There was a clause in the last contractor, sir, that I recall. I don't recall any unusual ones in the others. And the last one pertained to detrimental effects in his credit and production capability due to the Justice investigation.

Mr. ROBACK. You mean that was a clause in the contract? What did it say in substance?

Mr. TASSIN. I don't have the language with me.

Mr. ROBACK. What was the sense of it?

Mr. TASSIN. The sense of it was that he wanted protection against termination for default, for failure to make deliveries should his personnel, his financing, be adversely affected as a result of his having been placed on the suspended list, and because of the investigation.

Mr. ROBACK. That is unusual. I don't know if it is legal. Can a Government contractor have a right to default?

Mr. STEIN. Mr. Roback, it is an undesirable provision which we certainly would prefer not to include. It is legal. And this was the only basis upon which this contractor was willing to enter the contract.

Mr. HOLIFIELD. This again accents the disadvantage that you get into by allowing a long-time sole source procurement to continue. This gets you into the bind where you have to make concessions that are not in the public interest in order to get the item which is needed in emergency use, in this instance in Vietnam. And I just cannot understand why. Trouble always seems to follow this rocket launcher procurement. Somewhere along the line there has been a lack of competency, it seems like to me, in alerting your contracting officers, or the contracting officers themselves being alerted to the facts that are plainly set forth, like the auditing fact there; and it is a strange thing to me.

Mr. ROBACK. Has there been, or is there, a contract provision which requires the Government to pay certain demurrage or storage charges if the Government doesn't remove the items within a certain period?

Mr. BOTHWELL. There is no such contract provision.

Mr. ROBACK. Has there not been such in some contract, any contract?

Mr. BOTHWELL. Not to my knowledge; no, sir.

Mr. ROBACK. Is Mr. Ogolin here?

Would you give us some information on that?

Mr. HOLIFIELD. Mr. Ogolin, will you stand up and be sworn?

(Whereupon, Earl J. Oglin was duly sworn by the chairman of the subcommittee, and testified as follows:)