

**MILITARY PROCUREMENT OF AIRBORNE
ROCKET LAUNCHERS**

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HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
SECOND SESSION

JUNE 20 AND 21, 1968

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MILITARY PROCUREMENT OF AIRBORNE ROCKET LAUNCHERS

THURSDAY, JUNE 20, 1968

HOUSE OF REPRESENTATIVES,
MILITARY OPERATIONS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met in executive session at 10:35 a.m., in room 2203, Rayburn Building, Hon. Chet Holifield presiding.

Present: Representatives Holifield, Moorhead, Randall, and Erlenborn.

Also present: Herbert Roback, staff administrator; Joseph C. Luman, defense analyst; Douglas Dahlin, counsel; Paul Ridgely, investigator; and J. Philip Carlson, minority counsel, Committee on Government Operations.

Mr. HOLIFIELD. The subcommittee will be in order.

Today and tomorrow we will review the military procurement of the 2.75-inch rocket launcher. This is an important ordnance item used by all military services. This launcher fires the 2.75-inch Folding Fin Aircraft Rocket (FFAR). Navy and Air Force aircraft and Army helicopters in Vietnam use these ordnance items in great quantities.

The launcher comes in two basic types: 7-round and 19-round, and each type may be made of metal or fiber, depending on whether the launcher is expendable or reusable. Reusable launchers are used in training and also preferred by the Army for helicopter use.

On May 7, 1968, the Washington Post carried a news story that the Justice Department brought a legal action before a Federal grand jury in Washington, D.C., involving a company named AlSCO, Inc. This company recently acquired a company known as Chromcraft, a maker of chrome furniture in St. Louis, Mo. Chromcraft was awarded an Air Force contract to make a 19-round rocket launcher known as the LAU-3/A in 1957, about 11 years ago. When the contractor experienced production difficulties with the rocket launcher, the Air Force partially terminated the contract and indicated that it was no longer interested in 2.75-inch rocket launcher procurement.

A few years later, with the new emphasis on limited war preparation and the Vietnam conflict, the military services became very much interested in the 2.75-inch rocket launcher. All of them, it seems, turned to Chromcraft as a production source. In a few instances 7-round rocket launchers were purchased from another company, Radiant Co., of Chicago, Ill., but Chromcraft was the exclusive source for the 19-round and the primary source for the 7-round.

Our preliminary information is that Chromcraft received more than a score of contracts totaling about \$100 million from the Navy and the Army. I should explain that the Navy buys rocket launchers both for itself and the Air Force. The Army buys its own. At the same time the Army is the single procurement agent for the rocket, as distinguished from the launcher, for all three services.

The purpose of our hearing today is to examine the procurement situation which led the military services to go sole source for so many years and to ascertain what plans, if any, they have to broaden the production base and introduce competition into this procurement.

This hearing is in executive session for two reasons: (1) We do not want to interfere in any way with the Department of Justice legal action by publicizing information on the company. (2) To some extent the material is classified, particularly the data on inventory and requirements. Also, we want a frank discussion of procurement plans or intended Government actions, and this may not be appropriate for the public record at this time.

Accordingly, I am going to ask that this hearing be treated as dealing with classified material, up to and including the secret level, and that any discussions touching on the causes or nature of the legal action also be held in confidence by all participants. If and when this record, or any portion of it, or any report thereon, is publicly released, we will have prior consultations with the Department of Justice and the Department of Defense.

We do expect that a public report can be issued on the procurement problems. Our committee has a proper interest and objective in holding this hearing at this time because we are interested in improving procurement practices and procedures, as other studies and reports of our subcommittee attest. In fact, we examined this rocket launcher area in great depth and detail some years ago, and have issued two previous reports on the subject.

This hearing will serve to bring us up to date, and we will take a reading of the procurement practices in this field today.

In a report now 10 years old, we made some recommendations about integrated procurement of rocket launchers among the services which are still valid. Furthermore, as we pointed out in a 1960 report, the procurement experience in connection with these rocket launchers has disclosed many procurement problems of broader significance and applicable to the whole procurement field. Therefore, this should be a useful lesson for those engaged in Government procurement.

In addition to representatives of the three military departments and Department of Defense observers, we have several staff members from the GAO who are working with our own staff at our request. We may want to call upon them for such information as they have about their auditing of these contracts. Also, we may require some follow-up information from documents and otherwise, and we ask the procurement agencies concerned to cooperate with the GAO staff working with our subcommittee.

We will hear first from the Navy.

Mr. Shillito, we welcome you here today.

The chair would like to say that your predecessor in this office, Graeme C. Bannerman, was a longstanding friend of the subcommittee. He appeared before us a number of times and his testimony and advice were unfailingly helpful. Mr. Bannerman now lives in my State of California and is associated with the great University of California.

You have been a witness before our subcommittee, too, back in 1962, when we were getting information on the role of the Logistics Management Institute and other organizations making contract studies and performing technical advisory functions for the Department of Defense and other Government agencies.

Since you are fairly new in your present position, we will not expect you to know all the ins and outs of this rocket launcher program. It will not be necessary for you to stay through all the proceedings today and tomorrow, but after your prepared statement, we would like to address some questions to you. The other Navy witnesses will remain as long as necessary. I am going to ask all witnesses at these hearings today and tomorrow to be sworn in. The Navy witnesses will please stand, identify themselves to the reporter, and be sworn in en bloc.

Mr. SHILLITO. I am Barry J. Shillito.

Captain McMorries. Capt. E. E. McMorries, Director of Procurement, Office of the Assistant Secretary of the Navy.

Mr. BOTHWELL. Lyman Bothwell, Assistant Counsel, Naval Air Systems Command.

Mr. STEIN. Albert H. Stein, Deputy General Counsel.

Mr. ERHARDT. Judd Erhardt, Armament Negotiations Section, Purchase Division.

Mr. TASSIN. James S. Tassin, Purchasing Assistant to the Assistant Executive Director for Purchasing, Naval Air Systems Command.

Commander KATCHER. Comdr. Martin J. Katcher, Program Manager's Office for Airborne Weapons, Naval Air Systems Command.

Captain JAY. Capt. D. H. Jay, the Airborne Weapons Project Manager in the Naval Air Systems Command.

Commander BROWN. Comdr. Joseph W. Brown, Jr., International Logistics Division, Office of the Chief, Naval Air Operations.

Mr. CHAMBERS. Richmond D. Chambers, Production Branch of the Armament Division, Naval Air Systems Command.

Mr. MORGAN. Lee Morgan, Armament Division, Naval Air Systems Command.

(Whereupon, Barry J. Shillito, E. E. McMorries, Lyman Bothwell, Albert H. Stein, Judd Erhardt, James S. Tassin, Martin J. Katcher, D. H. Jay, Joseph W. Brown, Jr., Richmond D. Chambers, and Lee Morgan were duly sworn en bloc by the chairman of the subcommittee, and testified as follows:)

TESTIMONY OF HON. BARRY J. SHILLITO, ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS); CAPT. E. E. McMORRIES, DIRECTOR OF PROCUREMENT, OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY; ALBERT H. STEIN, DEPUTY GENERAL COUNSEL, OFFICE OF THE GENERAL COUNSEL; JAMES S. TASSIN, PURCHASING ASSISTANT TO ASSISTANT EXECUTIVE DIRECTOR FOR PURCHASING, NAVAL AIR SYSTEMS COMMAND; LYMAN BOTHWELL, ASSISTANT COUNSEL, NAVAL AIR SYSTEMS COMMAND; JUDD ERHARDT, ARMAMENT NEGOTIATIONS SECTION, PURCHASE DIVISION; COMDR. MARTIN J. KATCHER, U.S. NAVY, PROGRAM MANAGER'S OFFICE FOR AIRBORNE WEAPONS, NAVAL AIR SYSTEMS COMMAND; CAPT. D. H. JAY, U.S. NAVY, AIRBORNE WEAPONS PROJECT MANAGER, NAVAL AIR SYSTEMS COMMAND; RICHMOND D. CHAMBERS, PRODUCTION BRANCH OF THE ARMAMENT DIVISION, NAVAL AIR SYSTEMS COMMAND; LEE MORGAN, ARMAMENT DIVISION, NAVAL AIR SYSTEMS COMMAND; AND COMDR. JOSEPH W. BROWN, JR., U.S. NAVY, INTERNATIONAL LOGISTICS DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

Mr. HOLIFIELD. Now, Mr. Shillito, will you proceed with your statement?

Mr. SHILLITO. Thank you very much, Mr. Chairman.

I am Barry J. Shillito, Assistant Secretary of the Navy (Installations and Logistics), and I am appearing here at the request of your committee, as you know.

I would like to mention first that, as just covered, we do believe that the kinds of questions that you may have will lead to the necessity for various experts in the Navy being in attendance, so consequently, we do have such experts available to answer your questions—contractual, legal, production, and technical questions. I think we should be able to answer all the questions you might raise.

From 1960, the date you have suggested, the 2.75-inch rocket itself remained relatively stable in design until 1966-67. The shift from its original design as an air-to-air weapon to an air-to-surface configuration progressed slowly until 1966 and 1967 with the increase in the tempo of Southeast Asia operations. During the period of relative stability, 1960 through 1965, the basic Navy/Marine and Air Force launchers were the LAU-3 (19 round) and the LAU-32 (7 round). Minor variations, leading to differing nomenclature, were instituted from time to time to meet specialized requirements of one or another of the services. Lack of time plus dynamic product design caused one company to emerge as the lowest price, high quality, on-time producer.

During the total period under discussion, the Navy has been, and still is, the procuring agency for launchers for the Air Force as well as for the Navy and Marine Corps. Army procurement is handled directly through appropriate Army activities. Alscov, Inc., is the primary producer and has delivered a quality product, and possesses excellent capabilities for producing in quantity and on time. However, because of suspected irregularities involving the company and its two

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

intended to meet all future Navy and Marine Corps requirements both for reusable and disposable purposes.

This project is being coordinated with Air Force and Army personnel, and it is expected that many objectives of the standardization of launchers may be met through this development.

While any development project has its disappointments and setbacks, we are hopeful that the new launcher designs will be available in September of this year, permitting potential competition for all Service procurements subsequent to fiscal year 1969.

In addition, we have gone out to industry informally to determine the possibility of obtaining an adequate data package through reverse engineering of models of the various launchers now in use by the Navy and Marine Corps. We felt this was an area that should be explored, even though we recognized that it presents problems in time consumed and money required. We have received some thirteen indications of interest from industry which reflect, generally, an initial cost of \$250,000 for the development and production of hardware for testing. A time range of 8 to 12 months to produce the test samples was indicated. The cost and time estimates were predicated on receipt of a manufacturing contract, with the development effort for a 1-year combined Air Force/Navy requirement of approximately 100,000 units. Tooling costs for the test samples were to be absorbed in the unit price of the 100,000 units. A development effort separate from a guaranteed follow-on production contract would add 4 to 6 months and \$50,000 to \$100,000 to the program.

The lack now of a Navy/Marine fiscal year 1969 requirement and the Air Force decision to buy the LAU-3/A and 59/A again in fiscal year 1969 have apparently eliminated the 100,000 unit potential originally premised.

For these reasons, we feel that the China Lake project presents a better solution to the competition problem, and we are concentrating our efforts in that area at the present time.

With respect to your interest in the status of single service procurement for these rocket launchers, the triservice managership of launcher procurement by the Army has been concurred in by all the services, and approved by the Assistant Secretary of Defense (I. & L.). This will be implemented to effect the fiscal year 1970 procurement and will parallel the Army triservice managership of the 2.75-inch rocket. As with the rocket itself, development efforts of the services will be coordinated by the triservice manager.

For your information, we have attached to this statement a summary of the 2.75-inch launcher contracts let during the period of 1960 through 1967.

(The summary referred to follows:)

SUMMARY OF 18 CONTRACTS LET DURING PERIOD 1960-67 FOR 2.75-IN. LAUNCHERS—Continued

SUMMARY OF 18 CONTRACTS LET DURING PERIOD 1960-67

Contract		Items						Contractor			
No.	Date	ASPR exception and/or competition	LAU 68/A		LAU 69/A		LAU 61/A		Total contract price (millions)	Chromcraft, Also, Inc.	Radiant Co.
			Quantity (thousands)	Unit price	Quantity (thousands)	Unit price	Quantity (thousands)	Unit price			
1. 62-0520	Dec. 20, 1961	2							\$2.0	X	X
2. 62-0638	Feb. 5, 1962	2							1.94	X	X
3. 64-0035	July 12, 1963	2							.599	X	X
4. 64-0154	Oct. 25, 1963	2							1.775	X	X
5. 64-0190	Dec. 9, 1963	2							.505	X	X
6. 64-0233	Jan. 28, 1964	2							.755	X	X
7. 64-0313	Feb. 14, 1964	2							1.90	X	X
8. 64-0609	June 3, 1964	2							2.82	X	X
9. 64-0689	June 25, 1964	2							1.375	X	X
10. 64-0692	Feb. 29, 1964	2							7.08	X	X
11. 65-0121	Sept. 1, 1964	2							3.43	X	X
12. 65-0472	May 11, 1965	Competition							1.98	X	X
13. 65-0547	May 3, 1965	2 and competition							12.02	X	X
14. 66-0082	Aug. 10, 1965	2							5.19	X	X
15. 66-0307	Jan. 4, 1966	10							1.15	X	X
16. 66-0435	Apr. 5, 1966	14(2)							4.79	X	X
17. 67-0120	Oct. 5, 1966	14(2)							8.59	X	X
18. 67-0621	June 16, 1967	Competition and 2							25.05	X	X
			5.5	\$265	29.9	\$168	3.5	\$540			

1 For Fairings only, 9,240 sets at \$21.40 each (AERO 7D).

This completes my statement, Mr. Chairman. We will be glad to attempt to answer any and all questions you might care to raise.

Mr. HOLIFIELD. Thank you, Mr. Secretary.

SINGLE SERVICE ASSIGNMENT

Mr. MOORHEAD. One thing occurs to me right out of the statement itself. On page 1 you say the Navy has been, and still is, the procuring agency for launchers. On page 5, you say the triservice management of launcher procurement by the Army has been concurred in.

Mr. SHILLITO. It has been concurred in, Mr. Congressman, and it will not become effective until fiscal year 1970. That is our plan, to move in this direction.

Mr. MOORHEAD. I see.

Mr. SHILLITO. The Army, by the way, has responsibility for the rockets themselves. And now we are tying the launchers into this triservice responsibility, also under the Army.

Mr. RANDALL. Just for further clarification, the ammunition, you say, has always been under the Army?

Mr. SHILLITO. Yes, sir.

Mr. RANDALL. And the launchers are now in the Navy, but will be in the triservice?

Mr. SHILLITO. The launchers are in both the Army and the Navy; the Navy buying for the Marine Corps, Air Force, and Navy; the Army buying their own. And this will now be moved under the Army for fiscal year 1970.

Mr. RANDALL. Thank you.

Mr. HOLIFIELD. Mr. Roback?

DESIGN CHANGES

Mr. ROBACK. The statement is made that this was a relatively stable design until 1966-67. Was it by making it an air-to-ground weapon that made the difference?

Mr. SHILLITO. I am sure that that was one of the major reasons that brought about the difference. Design improvements caused by other needs in Vietnam undoubtedly had an impact, too, Mr. Roback. But that was the primary difference, yes, sir.

Mr. ROBACK. Well, aside from this shift from air-to-air to air-to-surface, you referred to "minor variations." If these were minor variations, what is the problem in acquiring a data package?

Commander KATCHER. I would like to answer that for Mr. Shillito. The design differences for quite some time, until the rockets themselves changed radically, the design differences were basically minor improvements in the rocket launcher structure, the rocket contact points; just minor improvements that you get in any product that is in use for a while.

However, with the advent of the changes to the rocket, the need to change the launcher to a different size caused the Navy to have a new family of launchers. And it is these launchers that are now in production of a different size, with many changes to them, that have generated a data problem.

Mr. SHILLITO. Plus air-to-ground.

Commander KATCHER. Yes, sir.

Mr. ROBACK. Is there a data problem with the air-to-air rocket?

Mr. SHILLITO. On the old 3/A rocket?

Mr. ROBACK. Well, on any air-to-air configuration. Is there any problem there?

Commander KATCHER. Well, sir, the weapon is universal in that the current production rocket is now used primarily for air-to-ground since many new improved air-to-air weapons have supplanted it, and the production requirement by the Army program manager for this weapon is entirely of the new type rocket, and thus all of the rockets are of the new length.

Mr. ROBACK. When was the rocket first used air-to-ground?

Commander KATCHER. I assume, sir, that it has been used air-to-ground from its inception. But that was not its primary development purpose. It primarily was developed as an air-to-air weapon.

Mr. ROBACK. I am trying to understand the significance of the second paragraph, the shift in design. It sounds like you had this as an air-to-air weapon, and you decided you ought to make it air-to-ground, and it was another ball game; and that isn't right, is it?

Commander KATCHER. Perhaps the emphasis shifted from air-to-air with the advent of the Southeast Asia conflict, and the Army's needs as they used this weapon, and the terrain in Southeast Asia created a need for new fuses and more powerful warheads. This led to a longer size of both the fuse and the warhead, which is the prime change in the weapon.

Mr. ROBACK. Outside of the increase in dimensions, what were the technical problems created by the shift in emphasis?

Commander KATCHER. The impact of the rocket on an aircraft surface was not as complicated as the need to have a fuse that would impact on rice paddies equally as well as on hard surfaces.

Mr. ROBACK. That is a warhead problem, not a rocket problem. That is not the launcher problem.

Commander KATCHER. It is in that the new fuse and warhead family, caused a change in the size of the launcher.

Mr. ROBACK. What was the change in the requirements of the warhead? What technical problems did that create for the launcher outside of merely increasing the size?

Commander KATCHER. It created no technical problems other than the size. For the Navy's needs, we had to have longer launchers because of the radiation hazard requirements on board carriers. And thus, while the Air Force continued to use the old length launcher, we were required to shift to a longer length launcher. We had to completely enclose the long rocket in order to provide radiation hazard protection. And this led us to—

Mr. HOLIFIELD. What do you mean, radiation hazard?

Commander KATCHER. The concentration from all of our equipment, radar, radios, and so forth, creates an electrical set-off problem, and that is offset by enclosing the rocket completely within the launcher and making an electrical surrounded barrier. And you cannot do this with the short launchers because the warhead of the rocket extends from the launcher itself and cannot be an electrically sealed unit.

Mr. ROBACK. You had to have a longer nose—you had to have a casing with the fairing?

Commander KATCHER. The tube length of the launcher had to be lengthened.

Mr. ROBACK. Outside of merely increasing the length specifications and size specifications, what kind of technical problems did that create? Did the larger launcher create aerodynamic problems, safety problems, requiring development of any kind, any development effort?

Commander KATCHER. No, sir—

Mr. ROBACK. These were straightforward dimension change problems?

Commander KATCHER. Basically it was a dimension change that was involved; but at the same time, because of potential interference in rocket fins, causing possible fin separation and damage, the length of the interval of launching the rockets from the launcher was changed, and this created a new intervalometer; in other words, a family of improvements took place, better detent springs, better intervalometer, better strength bulkhead, better contact springs, as well as a lengthening. All of this led to basically a much different launcher when the longer size evolved.

Mr. SHILLITO. Correct me if I am wrong, Commander, but I think this is an important point. The contractor visualized the changes, conceptually saw the changes required. The contractor moved out and made a number of these changes, at his cost. He preempted us in some respects as regards the need; took a lot of these things into his design shop, modified his launchers as necessary to what he foresaw as the Navy requirement. This complicated the data package, as I am sure you probably appreciate.

Is that correct?

Commander KATCHER. Yes.

Mr. ROBACK. In that sense did he acquire a proprietary package that becomes an issue of procurement now? That is, if you want to go competitive, you have to buy the data? I am trying to get an idea of what kind of data—

Mr. SHILLITO. Of course, he has put all the data together to accomplish the modifications that the Commander has talked about. As to the proprietary aspects of his data, this is something that might be debated. But he certainly has put the data together. It is his compilation of data. It is his data. We have only one patent involved at this point as regards the efforts on the part of the contractor.

Mr. ROBACK. How do you know, if you don't have the specifications, that somebody else couldn't produce this?

Mr. SHILLITO. We don't know. In fact, I think that we would have to state that someone else could produce this, Mr. Roback. The problem gets to be one of time; and this rather continuous dynamic change we have been talking about here has further complicated the issue. But I feel sure that someone else could produce this.

Mr. ROBACK. So that offhand, the question of acquiring the data package for procurement is what? Is it one of equity to the producer, in the sense you think he owns some rights that he ought to be paid for? Or is it necessary that he gives you information you do not now have so you can go out on the street? Which is it? Or is it both?

Captain McMorries. I think I might answer that, Mr. Roback. The issue, particularly right now, I think we are dealing within the present, Mr. Roback—and I am addressing myself to the Navy configura-

tion of launchers—the current contract requires the furnishing of certain drawings, publications, and technical data which would give us the complete data and design disclosure on these new articles. We have not yet been successful in securing these from the contractor.

Prior to the current production contract for the new, longer launchers, the improved versions that Commander Katcher referred to, we did have data on earlier model launchers. This current production contract was a first buy of these longer modified launchers for Navy/Marine use.

Mr. ROBACK. Is that the one at issue in the current contract?

Mr. SHILLITO. As far as data is concerned? Yes.

Mr. ROBACK. And you don't have data acquisition problems on any other launcher?

Captain McMORRIES. The Navy is not trying to acquire data on any other than these three.

Mr. ROBACK. Is there any reason why the launchers that the Air Force use can't be competed—aside from the time? I am talking about the technical aspect.

Captain McMORRIES. Technically there is adequate data for the LAU-3/A. This is the primary one we are buying for the Air Force.

NEGOTIATIONS FOR DATA

Mr. ROBACK. You said that the question of competition—aside from this new procurement, where you think you need some extra data—has it been a matter of time? Now, the time involved here, we put the period at 1960 when you sort of came into the new decade and a new phase, perhaps, of interest in the 2.75—how many contracts did the Navy let, including changes which amounted to contract modifications? And how many of those were competed?

Captain McMORRIES. If I may, I would like to ask Mr. Tassin to address himself to that.

Mr. SHILLITO. I have a list of 18 contracts here, Mr. Tassin, of which I think three were competed, but one of the three being for fairings. I think that is correct.

Mr. MOORHEAD. Mr. Chairman, while Mr. Tassin is looking up his figures, I would like to ask a clarifying question of the captain.

As I understood you, you said you had a contract with the contractor which required him to give you plans and specifications; and then you said you were not successful in obtaining them. I would like to know why you were not successful.

Captain McMORRIES. We have a current letter contract, Mr. Congressman, which has not yet been definitized or converted, and basically we are receiving deliveries under it. And in definitizing the contract, complete definitization of precise data requirements are necessary. We have gone through a data review board, and are in the process of redefining data needs. The contractor's asking price at the last discussion was \$500,000 for certain of the design and data requirements on two launchers. At the moment, we are looking a little askance at that price tag.

Mr. MOORHEAD. It isn't a case of breach of contract?

Captain McMORRIES. No, sir.

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 Alasco 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.

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?

Captain McMorries. Well, we would then have a breach of contract, for whatever value it may be to us.

Mr. ROBACK. You would have a breach against the contractor?

Captain McMorries. Yes.

COMPETITIVE CONTRACTS

Mr. ROBACK. And he would have a countersuit on some other ground.

Mr. Tassin, can you answer the question as to how many contracts, including contract modifications, have been placed by the Navy since 1960?

Mr. TASSIN. My records show, Mr. Roback, that there were 18 procurements during the period in question.

Of those 18, 17 were for complete launchers, and one was for fairings alone. Three of those contracts—and they were for complete launchers—were with Radiant; and 15 of them were with Chromcraft or Alasco.

Of those 18, sir; three were competed. There was competition in three of them. One for the fairings. There was competition between Western Molded and Chromcraft; and there were two contracts for several designations of launchers in which competition was secured; and also on the fairings that were involved.

Mr. MOORHEAD. What is a fairing?

Mr. ROBACK. A nose cone.

Mr. TASSIN. It is a faired, or somewhat of a streamlined cover that goes on the front; and some of them also are used on the rear. Some of them call them a rear shroud. In fact, that is what is being used right now. It is to get a better airflow, less drag.

Mr. ROBACK. You say there were two competitions?

Mr. SHILLITO. Other than the fairing competition.

Mr. ROBACK. And how many companies competed? I take it these were all negotiated contracts.

Mr. TASSIN. On the two contracts for launchers, in the one contract there were six firms requested to quote, and there were two firms who responded.

Mr. ROBACK. You say six were requested?

Mr. TASSIN. Six were solicited, yes, sir; and two firms responded.

Mr. ROBACK. On each of the two competitions?

Mr. TASSIN. No, sir; that was on one contract. NOW-65-0547.

And I might add that was a small business set-aside, and that may have cut the number down somewhat. There were adequate companies available within the small business family to produce that.

Mr. ROBACK. That competition was on a modification; is that right?

Mr. TASSIN. No, sir; this was on a portion of the launchers, the LAU-3/A, the one on which Captain McMorries has already answered, where we have data. On that particular contract, the LAU-3/A launcher, we had competition. There were other launchers procured under that contract, for which no competition was secured.

Mr. ROBACK. Who were the competitors on that contract?

Mr. TASSIN. Chromcraft, Hillside Metal Products, Lasko Metal Products, Lockley Machine Co., Radiant Manufacturing Co., and Standard Armament Co.

Mr. ROBACK. Who won the award?

Mr. TASSIN. Chromcraft, sir.

Mr. ROBACK. There wasn't any problem of competition on the LAU-3/A as far as the data availability was concerned; is that right?

Mr. TASSIN. No, sir; we had data on that, and competed that item.

Mr. ROBACK. Just as a matter of general observation, you had procurements of LAU-3/A for maybe a dozen or more—I haven't counted them. But in each case you decided that the urgency of the procurement would not permit competition. Why would there be such an exceptional public exigency in an item which you know you are procuring and that you have to replenish inventories, you have to meet Vietnam demands, some urgent, and others less urgent? In any case, you have a replenishment cycle of some kind. Why did every one of these become, almost every one, a matter of public exigency?

Mr. TASSIN. I can't answer that. The 3/A launcher was procured for the Air Force, and they set their priorities on these procurements.

LACK OF COMPETITION ON AIR FORCE CONTRACTS

Mr. ROBACK. Is the statement that the timing of the Air Force procurement was such that you didn't have time for competition?

Mr. TASSIN. Yes, sir; when we received the requirements from the Air Force for the quantity to be procured, and the delivery requirements as to when they required them, together with their priority designators, it was determined that the length of time, or the timespan between the receipt of the requirement and the award of the contract would not permit—except in these other cases where we did get competition—would not permit others to manufacture, present for test, and commence deliveries in time to meet the requirements of the service.

Mr. ROBACK. Your testimony is that the public exigency, wherever it was determined to be a public exigency in these procurements, stemmed from the procurement requests of the Air Force rather than from the nature of the conflict, so to speak? In other words, it was just the routing procedures of the Air Force which created the public exigency?

Mr. TASSIN. I am not saying that. I am saying I cannot answer the question as to why we did not receive the requirements earlier. I am not privy to this.

Mr. SHILLITO. I think the Air Force can answer better than we can. If you look at the sporadic requirements of the Air Force and the time periods involved, you will find the Vietnam conflict just brought about unforeseen requirements that just necessitated the Air Force requiring these launchers in short order. That is what happened.

Mr. HOLIFIELD. But the basic problem here, Mr. Secretary, it seems to me, is that the procuring office, the single source procuring office, allowed itself to get into a position where you had no competitive sources.

Mr. SHILLITO. That is correct, sir.

Mr. HOLIFIELD. And this is the thing I cannot quite understand, because I can remember in past instances where the Navy was very meticulous about getting additional sources, to the point where they held up a contract with a sole source producer until that sole source producer had trained at least two other industrial groups to produce

the item which was needed at that time. And I don't intend to go into past history at this time on it, but this did occur. And now 10 years later we find that the situation is in the reverse. The Navy has allowed itself to be put behind the eight ball by procuring an item from a sole source producer. And then, of course, when the Air Force comes in for quantity, it is not any fault of the Air Force that you, being the single source procurer, have not protected the interests of the Government by developing additional sources.

Mr. SHILLITO. It is not in my prepared statement, but as I was reading my prepared statement, I did mention that looking back with 20/20 hindsight now, there is no question about the fact that we could have improved our approach to developing a second source.

Mr. HOLIFIELD. This is a longstanding principle. We are not blaming you personally for this, of course, because this occurred long before your time. But it has been a longstanding and, I think, a wise provision or procedure that the Government does not allow itself to get into a position of disadvantage which a single producer places them in. And they have had a policy of developing additional sources.

I think this goes much deeper than looking at the situation of the Vietnam war with its sudden surge of need in this field. This was a standard item. The rockets were standard, and have been standard for many years. Of course, you have made some changes in them to make them longer, as you said, but that is a dimensional change rather than a technical development change, it seems to me. And we are dealing here with a product that we have been using for many, many years; and yet, through all of this period of years, there has been no attempt upon the part of the defense agencies, apparently, to protect the Government by having additional sources.

LACK OF COMPETITION ON NAVY CONTRACTS

Mr. ROBACK. Mr. Chairman, I do not want the Air Force to carry an unnecessary burden here.

If what you say is true, it is also true that the Navy has signed off for itself on public exigency?

Mr. SHILLITO. That is correct, sir.

Mr. ROBACK. So in your case you are laying it on the fact that the demand came in such a way that you didn't have time to compete it.

Mr. TASSIN. Mr. Roback, I did not wish to imply that all of these requirements were for the Air Force. I think I was addressing myself to the LAU-3/A on which we had data, and why we did not compete these in all instances; and I think my statement stands. I am sure that what Mr. Shillito has added to this further explains the situation. With regard to the other launchers that were procured—and let us get into launchers procured for Navy and Marine Corps use—it is—at least, my records reflect that the data necessary for competitive procurements of these was not available, and accordingly, could not be competed, for two reasons: one, the lack of the data; and, two, the timing of requirements in that event which did not permit adequate time for the development of another source to produce the requirements.

Mr. ROBACK. In some 18 contract actions, 13 times you decided, and most of the times you decided personally that the public exigency

wouldn't permit competition. Two times it was decided that it would be impractical to duplicate some other facility by getting a new line set up, I assume, and in one instance it was stated that it was impractical to obtain competition.

Of course, it becomes a matter of choice, I suppose, as to what excepting paragraph to negotiate you select, but nevertheless I don't think if you run 13 times, let's say, for public exigency—and you now say, "In hindsight, we could have done it better"—that it becomes sort of a routine. You don't want to compete the thing. It is easier to buy the thing without competing, especially when one fellow is already in business and doing a good job.

Mr. SHILLITO. I don't know that the present buy is typical throughout this sequence.

Mr. ROBACK. It is not typical in price because in one single buy you lumped in a third of all the procurements you have bought over the years.

Mr. SHILLITO. Excuse me. I shouldn't say the present buy. The pending buy.

But here we are faced with a buy involving roughly \$16 million worth of launchers. That is in the immediate offing. And if we don't go to this particular company we are going to have about a 9-month gap, I would guess, at least, in the availability of launchers.

Mr. ROBACK. We are not making recommendations on that point. We are exploring the problem.

Mr. SHILLITO. I realize that. But I say I don't know it is typical. But it may be similar to some of the kinds of problems we were faced with in the past.

TIME ALLOWED FOR RESPONSE

Mr. RANDALL. On this list that the gentleman gave there, you said you put out six bids or requests for bids, and you enumerated the ones that bid. I think you said four were interested; is that right?

Mr. TASSIN. Two, sir.

Mr. RANDALL. Only two. Now, those who didn't respond, what steps were taken? Was a contract actually made by your people, or just a letter? Or did you take any steps? When you say they didn't respond, what sort of interval was there? Did you try to get them to respond? That is what I am trying to bring out.

Mr. TASSIN. I don't have the information as to the interval involved here. We sent them written information and asked them to respond by a certain date. They did not respond at all.

Mr. RANDALL. What is that date? How long did you give them?

Mr. TASSIN. I don't have that.

Mr. RANDALL. I think it ought to be supplied for the record, Mr. Chairman.

Mr. HOLIFIELD. I am sure it can be.

(The requested information appears at p. 38.)

Mr. RANDALL. We have had a little experience in other committees with this sort of thing. I think the question of the interval is important, and what you do to try to get them to respond.

I would like to ask one more question. What was the reason? Was it this exigency? Was it because of this hurry?

Mr. TASSIN. I will have to get that information supplied.

Mr. RANDALL. Thank you very much.

POSITION OF COMPETITORS

Mr. LUMAN. Mr. Tassin, you indicated that the competition was not on a modification but on a basic contract. Were you talking about the competition of six firms? According to the data we received from the Navy, there was a contract with Chromcraft, 65-0547-f, and this contract had five modifications. The third modification lists here six firms solicited and two responses and exception 2 used. Is that the competition you referred to?

Mr. TASSIN. That is what I am speaking to; yes, sir.

Mr. LUMAN. Do you think it was a fair competition in the sense that in the previous modification of that contract the Chromcraft Co. had been awarded almost 40,000 launchers of the LAU-3/A, and this was a bid for 12,000 of the same launcher? Did that put any competitor on any kind of equal footing? This was within 30 days of the signing of this modification for 12,000 launchers. Chromcraft had been sole source awarded almost 40,000 of the same product.

Mr. TASSIN. I can't say it would put them on an equal footing, but let us put it this way. Our competitive system is such that if an individual is, and I will have to use the word "fortuitous" enough to be in production and adequate time is available to compete the item, we have no authority that I know of to equalize this competitor advantage by giving him any sort of a premium price in order to make him more competitive.

Mr. ROBACK. We understand the rules of the game. But what was the happy inspiration that led to a competition on modification No. 3 of the contract when the bulk of the thing had already been sole sourced?

Mr. TASSIN. There was more time available between the requirement initiation and the deliveries that were to be made for that quantity of launchers.

Mr. ROBACK. What was the time difference?

Mr. TASSIN. I will have to supply it. I don't have the information available here.

Mr. ROBACK. How do you measure the time difference?

Mr. TASSIN. We measure the time difference from the contemplated date of award to the date that production, or production deliveries, must commence.

Mr. ROBACK. The contract was signed when?

Mr. SHILLITO. It says May 3, 1965.

Mr. TASSIN. Modification No. 3 on that contract—

Mr. ROBACK. I am talking about prime award.

Mr. TASSIN. The prime award, sir, that was June 3, 1965.

Mr. SHILLITO. May 3.

Mr. ROBACK. Chromcraft Corp., 65-0547-f, initial award.

Mr. TASSIN. My record shows June 3, 1965, sir.

Mr. ROBACK. Was the competition for the main award?

Mr. TASSIN. Yes, sir. That was the date the contract was awarded.

Mr. LUMAN. Your summary here shows the contract date to be May 3, 1965. The other information shows modification No. 1 to be June 3, 1965, which added 3,000 more rockets.

Mr. TASSIN. I will have to clarify that with you. I have differing information here, sir. I think we will have to clarify that.

Mr. ROBACK. Does your information show that the competition started with a modification?

Mr. TASSIN. No, sir; it does not. It shows that the competition was on an award that was made as a modification, but it doesn't show that the competition started on the basis of a modification. It could have been a part of the original requirement.

Mr. ROBACK. We will have to examine in more detail into the circumstances of that award so we can get it straightened out.

But in any case, the award went to Chromcraft; is that right?

Mr. TASSIN. That is right, sir.

COMPETITION ON CURRENT LETTER CONTRACTS

Mr. ROBACK. You had another competition. You had one more competition. What was the nature of that?

Mr. SHILLITO. — 0621.

Mr. TASSIN. It is the current contract, N00019-67-0621.

Mr. ROBACK. That is the current contract under production in a letter form?

Mr. SHILLITO. That is right.

Mr. ROBACK. This contract was for something like \$25 million?

Mr. SHILLITO. \$25 million is correct.

Mr. ROBACK. This is a big piece of the business. This was about one-third, roughly, of all you have procured over the last few years, since 1960.

Mr. SHILLITO. Exactly one-third.

Mr. ROBACK. What was the occasion for it being so big? And was the occasion related to the fact the company was in a little trouble and you thought you ought to buy a big piece so you could assist, or was it because you were coming up to the end of the fiscal year?

Mr. TASSIN. This again, sir, was a requirement that was forwarded to us. I can't tell you from my own recollection why the requirements were consolidated.

Mr. ROBACK. You were just responding to a requirement as it came up? You don't know the circumstances or whether it was for fiscal reasons or tactical reasons or combat reasons? You just know you had a requirement?

Mr. TASSIN. We had a requirement to buy these launchers. They were required for—at least, the requirements people needed them for their inventory.

Now, on that contract, the initial solicitation, it did not go out as a competitive solicitation. However, one company, Portsmouth Electronics in Portsmouth, Ohio, asked for and received a copy of the request for proposal as it pertained to two launchers, the LAU-32A/A, a quantity of 5,340, and the LAU-3/A, and there were two separate quantities of these: 71,000, and another quantity of 9,704.

Now at this time there were data available for the purpose of securing competition on those two launchers.

Mr. ROBACK. No problem of data on the LAU-3/A and the LAU-32A/A?

Mr. TASSIN. At this particular time that this contract was being placed.

Mr. ROBACK. No problem with data there?

Mr. TASSIN. However, the requirement again was an urgent one, and it is my recollection that the two quantities, the 71,000 and the 9,704, were broken out in order to permit the competition on the smaller quantity, at the request of Portsmouth, that it was felt that that was the only quantity, even though quotes were obtained from Portsmouth on the total of the 32A/A and the 3/A, but that was the only quantity that we might logically break out unless for some reason the requirement became less urgent, and we did secure the quotes. The question as to whether or not we had to make a determination as to whether we could break these out or not did not have to be answered inasmuch as the Chromcraft quotation was substantially less than that of Portsmouth in all three instances.

Mr. DAHLIN. And was the requirement for those two items, the 71,000 and 9,704, Navy or Air Force requirements?

Mr. TASSIN. Those were Air Force requirements.

Mr. DAHLIN. Both items?

Mr. ROBACK. You extruded the Air Force requirement—

Mr. TASSIN. No, sir. The requirements being procured for the Navy, there were no data available for competitive purchases.

Mr. ROBACK. You mean on the Navy portion there were no data, but on the Air Force, the old reliable LAU-3/A, you had the data?

Mr. DAHLIN. Has it been changed since the contract was awarded?

Mr. TASSIN. The 3/A and 32A/A data is available now.

Mr. DAHLIN. There have been no further changes up to the present date? It is the same item today as it was a year ago?

Commander KATCHER. I will defer to the tech people.

Mr. ROBACK. Let us defer to the man who knows. Mr. Morgan?

Mr. MORGAN. Today it is adequate.

Mr. ROBACK. That is not under negotiation? Nobody is paying for any data that they haven't had—or proposing to, rather?

Mr. MORGAN. Negative.

Mr. ROBACK. Summarizing, then, in this case you had a big requirement; you placed a sole source with Chromcraft; another company came in and said, "I want a piece of the action;" they didn't propose to bid on all, but a portion. You then had the legal problem of deciding whether you could break out a piece, particularly in view of the urgency; but then you didn't have to worry because the price was way out of line?

Mr. TASSIN. I think that summarizes it; yes, sir.

Mr. DAHLIN. They actually bid on a larger quantity?

Mr. TASSIN. They actually quoted on the total of the 32A/A and the 3/A.

Mr. LUMAN. Why didn't you compete it before 1967 if you had the data? It was brought out earlier that the data problem precluded competition.

Mr. TASSIN. We competed the 3/A in 1965, sir. We just went over that once.

RADIANT CONTRACTS

Mr. DAHLIN. Did Radiant produce successfully on those contracts in 1961 and 1964?

Mr. TASSIN. Yes, sir.

Mr. DAHLIN. Did they produce satisfactorily; no quality problems?

Mr. MORGAN. There were quality problems with some of the Radiant launchers, yes.

Mr. DAHLIN. Did you run into any contract disputes or anything in winding up those contracts? Were they still pending in any sense as of this competition in 1967?

Mr. MORGAN. I don't believe so.

Mr. TASSIN. There are no disputes pending with Radiant.

Mr. DAHLIN. But there had been disputes or quality problems at the time of the earlier competitions? That is, in the production under those contracts that were competed?

Mr. TASSIN. Yes, sir.

Mr. ROBACK. Excuse me. Radiant wasn't in competition. You are not suggesting that, are you?

Mr. DAHLIN. Radiant is the only other one who ever produced.

Mr. ROBACK. Excuse me. Don't let us get the record distorted. The Radiant contract was on a sole source contract; were they not?

Mr. TASSIN. Yes, sir.

Mr. DAHLIN. Was that to produce a second source?

Mr. ROBACK. They were sole source contracts. They were not competed. Those contracts were not competed. The Radiant contracts were for what? Seven-rounders?

Mr. LUMAN. LAU-32.

Mr. ROBACK. Will someone explain why you went to Radiant when you had been sole sourcing Chromcraft to death?

Mr. TASSIN. Radiant had produced launchers previously, and Radiant was considered to be a qualified producer of launchers. Accordingly, when competition was permitted, or we had time to secure competition, Radiant had been out of production for some time, but we still felt that if they desired, they could still compete for it.

Mr. ROBACK. My understanding is that you didn't compete Radiant, you merely awarded them a sole source contract.

Mr. TASSIN. That was in the early years of this study that is being made, sir.

Mr. ROBACK. How many contracts did Radiant get? They got three contracts?

Mr. TASSIN. Three contracts.

Mr. ROBACK. And each on the basis of what? Public exigency?

Mr. TASSIN. All of them were exception 2.

Mr. ROBACK. So they were not competed. You said you went to Radiant as a likely producer, and you said, "Here is a contract." Now you said that Radiant was out of business. They had been in business back in 1955 or 1956, right?

Mr. TASSIN. They had not produced a launcher for some time is what I said, sir.

Mr. ROBACK. Will you explain to me how the public exigency allows you to go to a man who no longer has a production line and say, "Since you were in business before, why don't you get in business again?"

Mr. TASSIN. I didn't say that. I said in 1965 we asked Radiant, as one of six firms, if they cared to submit a proposal for the LAU-3/A launcher. Radiant did not submit a proposal. That is what I said, sir.

Mr. ROBACK. Oh. Well, what are the circumstances under which Radiant got sole source awards?

Mr. TASSIN. Public exigency. They were the only producer at the time the awards were made to them in 1961 and 1964.

Mr. ROBACK. One in 1963, one in 1964?

Mr. TASSIN. There may have been prior ones.

Mr. ROBACK. Your own sheet says 1961, 1963, and 1964.

Commander KATCHER. No, sir; it shows 1964 twice and 1961 once.

Mr. ROBACK. Excuse me.

Mr. SHILLITO. January 1964.

Mr. ROBACK. Because Chromcraft was up to capacity?

Mr. TASSIN. Chromcraft entered the game after Radiant had been a producer of launchers for some years, sir.

Mr. ROBACK. I know, but Chromcraft was in the game at least since 1957 with their first Air Force contract, as the chairman stated in his opening statement. It is true they were making a 19-round, but also they have been making 7-rounders, and nobody has yet suggested that the techniques are that different.

Mr. TASSIN. I am afraid I don't have the answer to that, sir. But on the LAU-3/A launcher, the first contract that Chromcraft got on this was a 1964 contract, I think.

Mr. DAHLIN. That was the contract in 1963?

Mr. TASSIN. September 1963; yes, sir.

Mr. ERLBORN. Mr. Chairman, might I ask a question here?

Mr. HOLIFIELD. Certainly.

Mr. ERLBORN. There are three sole source contracts that are rather close in date as to their award. December 9 of 1963—that is on LAU-32A/A, and that was awarded to Chromcraft. The next one, January 28 of 1964, less than 2 months later, the same item, the 32A/A, and that was a sole source contract awarded to Radiant. And then on February 14 of 1964, less than a month later, the same item was procured; it was a sole source contract, again to Chromcraft. So those three sole source contracts, all for the same item, were awarded within a period of just a few months.

Do I read your chart correctly?

Mr. SHILLITO. Yes.

Mr. ERLBORN. Can you explain why Chromcraft, in two instances, was considered the only one eligible to make this item under your procurement needs; and in another instance Radiant was the only one? There was no competition between the two, even though within this relatively short time span, three contracts for the same item were awarded. It looks to me that they were both producing the same thing at the same time, yet there was no competition between them.

Mr. SHILLITO. Can you answer that, Jim?

Mr. TASSIN. I don't think I can answer that question, sir. I will have to supply it.

(The following information was furnished for the record:)

Question. Explain the reason for the three contracts (two sole source to Chromcraft, one sole source to Radiant) issued within a period of 3 months, including unit cost differential.

Answer. Contract 64-0190, issued December 9, 1963, covered the purchase of 3,840 LAU-32A/A launchers from Chromcraft, for the Air Force, at a unit cost of \$131. This was the first procurement of this 7-round, metal skin, disposable launcher fabricated in the Air Force version, without radiation hazard barriers. This launcher was a new Chromcraft development. Contract 64-0233, issued January 28, 1964, covered the purchase of 7,500 LAU-32A launchers from Radiant,

for the Navy, at a unit cost of \$97. This launcher was a 7-round, disposable, metal-banded, paper launcher, with paper tubes, first procured in 1962 under contract 62-0520, and was the basic 7-round launcher then in use by the Navy. The difference in unit price between the LAU-32A/A and the LAU-32A is explained by the change from paper to metal in the skin construction. This launcher was a Radiant development. Contract 64-0813, issued February 14, 1964, covered the purchase of 1,000 LAU-32A/A 7-round, disposable launchers for Navy and 8,400 LAU-3A/A 19-round, disposable launchers for Air Force at unit costs of \$171 and \$201, respectively. This was the first buy of LAU-32A/A launchers for Navy, the Navy version including radiation hazard barriers which, together with the small number bought initially, accounts for the higher unit price. The LAU-3A/A is the basic Air Force 19-round, disposable launcher, and the unit cost for 8,400 of \$201 compares with the previous buy of 10,000 at a unit cost of \$194 (contract 62-0638).

Mr. ERLBORN. Do I read the chart correctly?

Mr. SHILLITO. Yes, sir; you do.

Mr. ROBACK. I might add, Mr. Erlborn, if you look at the unit price, it is curious that the price varies from \$97 for Radiant, compared to \$131 and \$171. Now, this may make sense, and it may not. But what was the production experience on the contract for \$97 compared to the \$171?

Mr. SHILLITO. You would have to note in conjunction with the price that the quantities are significantly different, too, with the Radiant contract being 7,500 and the last contract to Chromcraft being 1,000.

PRICE VARIATIONS WITH QUANTITY PURCHASES

Mr. ROBACK. Does the pricing experience with Chromcraft show that their price varies directly with the quantity?

Mr. SHILLITO. Generally you can assume price varies with quantity.

Mr. ROBACK. You are not speaking as a Chromcraft buyer. What does a Chromcraft buyer say?

Mr. HOLIFIELD. The Chair would like to ask this question: That as long as the item was the same item and it was running concurrently on the production line, why should the price vary? Why shouldn't it have been an add-on, let us say, to the \$131 price? That was 3,840, I guess.

Mr. SHILLITO. It is a good point. We will have to supply that, Mr. Chairman.

Mr. HOLIFIELD. And you did get a cut on it to \$97.

Commander KATCHER. Mr. Chairman, if I may clarify a little, sir, the buy at \$131 was an Air Force buy; the buy at \$171 for a lesser quantity was a Navy buy, and there are differences. Even though the LAU-32A/A is titled the same, there are differences, including shipping end pans and radiation hazard barriers, that entered into part of this price differential.

Mr. LUMAN. The \$171?

Commander KATCHER. It was a quantity seven times greater; and as has previously been stated, there were problems—

Mr. LUMAN. It was for the—

Commander KATCHER. This sheet could not go into details of exactly what components were included.

Mr. ROBACK. I would like to ask Mr. Tassin whether the Chromcraft procurement shows decreasing prices with increasing quantities?

Mr. TASSIN. I would say generally it does, sir. I brought a price change curve on them; and the price is substantially less as the quantities increase, and as learning continued with successive contracts.

Mr. ROBACK. You think you can demonstrate that?

Mr. TASSIN. Well, I think the LAU—

Mr. ROBACK. Can you give us a few selected examples? I just want to find out.

Mr. TASSIN. The LAU-3/A, sir—

Commander KATCHER. You may refer to the chart, sir, the LAU-3/A, the initial buy from Chromcraft was at \$179 for 3,300. When the quantity went up, it was down just a couple of dollars. However, as the quantity went up still more in the next buy, down the line, it went down 6 more dollars. The quantity went up further, and it went down 5 more dollars. The quantity didn't go up, but it was a substantial quantity and learning curves, and so on might have entered into it, and there was still a price decrease of 8 more dollars. The price went up when the quantity went way down by a factor of 10, and the price went back up \$7.

The current buy of 81,000 shows a price reduction of over \$30.

Mr. ROBACK. Since you have not been able to test it out in the market, really, the price of this item, how do you know it is a fair price? Your statement has said it is fair and reasonable; or at least suggested that it is satisfied with it. How do you know that?

Commander KATCHER. Other prices bid were substantially higher.

Mr. ROBACK. Portsmouth was new and didn't have any idea. You can't test out a price unless you have people in the same strategic position.

Commander KATCHER. The Lockley Corp. does the launcher currently, the LAU-10's, for the "Zuni" rocket, and they bid on this item and were higher.

Mr. LUMAN. That was on the one that shows as a modification in our chart, the one with the six firms bidding?

Commander KATCHER. Correct.

Mr. ROBACK. One instance in 18 different contracts—

Commander KATCHER. Eight contracts for this item. There were two basic competitions out of the eight contracts for this item, and the prices were higher by those two bidders.

COST OR PRICE ANALYSES

Mr. TASSIN. I would like to add, Mr. Roback, to that statement that there were cost or price analyses performed on each of these, together with audit assistance as to what costs should be, the labor rates, material costs, and other items that go to make up a cost analysis.

Mr. ROBACK. Well, you have to make cost analyses. These were cost rather than price analyses, right?

Mr. SHILLITO. Yes, sir.

Mr. ROBACK. They are based upon access to the data, audit access, or based upon estimations?

Mr. TASSIN. They are based on the submission of the contractor as well as having his submitted cost data subjected to a review by either—I can call them administrative personnel, or the DCAS, Defense contract administration personnel in the plant, as well as by the Defense contract auditing agency personnel who work in the plant.

Mr. ROBACK. You know that the Navy auditors have had trouble getting information here, do you not?

Mr. TASSIN. They had some difficulties getting access to certain records.

Mr. ROBACK. Don't try to anticipate what I have in my file. Just answer the question.

Mr. TASSIN. I said certain records—

Mr. ROBACK. You can't read it at this distance.

Are you familiar with the difficulty that the Navy auditors have had getting information from Chromcraft?

Mr. TASSIN. I am not personally familiar with the audit people having difficulty getting cost information from Chromcraft in recent years, sir.

Mr. ROBACK. Let us take a sample of such as we have.

This is advisory report on initial pricing in BUWEPS. This, I take it, was the auditor. Dated June 11, 1965. Among the comments made: "Actual contract costs cannot be obtained from the contractor's accounting records."

Mr. SHILLITO. I think we have been rather unhappy with the contractors' accounting records, I am sure.

Mr. ROBACK. You are familiar with the problem?

Mr. SHILLITO. By the way, for what it is worth, Mr. Roback, I had the LAU-68/A in my office for a week, and I wouldn't say that I did a value analysis job on it, but for \$265, it is a lot of launcher, I will tell you, and it is quite a product for \$265.

But again, this does not tell us what the price would have been with competition. I realize that.

AUDIT ACCESS

Mr. ROBACK. We are not making assumptions. A good launcher could be overpriced conceivably, and if one contractor has the opportunity to do the production on many contracts over a long period for all the services, there is lots of opportunity, and so in the sole source, the Navy auditors—any auditor—gets sensitive.

Mr. SHILLITO. Certainly.

Mr. ROBACK. I was just making the point that we have information which shows not only did the Navy auditors express concern and dissatisfaction, particularly in getting some information from the prime, the relationships and the quotations that the prime received from his vendors, but the General Accounting Office has also had some trouble getting access. And in fact, they wrote a letter in August 1966 in which they suggested the Navy auditor look over all these contracts. I think the letter was written to Admiral Shinn. And there was a reply, an acknowledgment about a month later, as I recall, and the thing dragged on for a while and by the half year that passed, by that time the Department of Justice was in the act. So the Navy felt that maybe their auditors didn't have to do any more.

Are you having audit access now?

Mr. SHILLITO. To my knowledge we are.

Mr. TASSIN. To my knowledge we are having audit access.

Are you having any problems with audit access?

Mr. ERHARDT. The only problem I recall in the past was in being able to identify the scrap material. His accounting system was not susceptible of ascertaining the true amount.

Mr. ROBACK. Scrap? It was returnable? salvageable?
 Mr. ERHARDT. That would be scrap for scrap recovery. It was difficult for the auditor, and he made mention in several of his reports.

USE OF AUDIT REPORTS

Mr. LUMAN. The contractor obtained only one quotation for each item [reading].

You mentioned, Mr. Tassin, some of the evidence was based on such things as the audit, but here is the auditor saying when he goes and looks at the subcontractor's prices, he can't see evidence of competition, nor can he get access to the records. This was a June 15 report. You signed off on a contract in December of 1965. Did you have this report submitted to you as the contracting officer before signing off, to perhaps assure that the company would do something with the subcontractor records?

Mr. TASSIN. I don't recall signing any contract with this. I signed the exception.

Now, as far as having that report shown to me, no, sir; I was not shown it.

Mr. ROBACK. Is the contracting officer here?

Mr. ERHARDT. I am one of them.

Mr. ROBACK. Did you have the report before you signed the contract?

Mr. ERHARDT. I think I am one of perhaps half a dozen contracting officers that have signed contracts over this period of time.

Mr. ROBACK. Were you aware of the problem of not including the appropriate clauses with vendors? Was that problem one that was raised and brushed aside? Or was it something you didn't know?

Mr. ERHARDT. It was not brushed aside, Mr. Roback. The information that we received in one of our reports we were working on at the same time, we had an inquiry from the General Accounting Office, and we were at that time preparing a reply to the GAO inquiry when the Department of Justice entered the picture and said, "Dispense with further reviews."

Mr. ROBACK. That was half a year later that you were preparing the reply?

Mr. ERHARDT. We were not aware of the fact until it was brought to our attention that the contractor was not including these requirements in his subcontracts.

Mr. LUMAN. Did these audit reports as a matter of course go to the contracting officer?

Mr. TASSIN. They go to the negotiator who handles the pricing with the company and justifies this to the contracting officer; yes, sir.

Mr. LUMAN. So someone in the contracting process, let us say, from some time after June of 1965 at the earliest, was aware of this problem, it had been brought to his attention?

Mr. TASSIN. Yes, sir.

Mr. ROBACK. I see here that the officer in charge of the U.S. Navy area audit office, in a memorandum of December 6, 1963, to the Chief of the Bureau, Naval Weapons, he had the same comment, it was made a couple years later, "Actual contract cost not obtained." That is the comment. And he goes on much in the same vein as the information that was repeated several years—in other words, this has been pretty

much reported by the auditor's office over the life of the thing. And so when the General Accounting Office raised the question in August 1966, it was not a new problem. It ought to have been a particularly sensitive problem because of the sole-source aspect.

I assume that is the basis for the auditing. What is the basis for auditing? Is it for providing estimation, for determining reasonableness of cost, or what? The fixed-price contract.

Mr. TASSIN. The basis for auditing, sir, is to serve as an assist in the pricing effort as distinguished from auditing the costs after the fact.

Mr. ROBACK. When you have a repeated history of continuous, almost continuous, sole sourcing, that always ought to be a red flag for auditing, I would assume.

Mr. SHILLITO. Certainly.

ACTION TAKEN BY NAVY IN RESPONSE TO AUDIT REPORTS

Mr. HOLIFIELD. And always while enforcing the proper auditing procedures on the contractor. This repeated reference to the fact that they couldn't tell, couldn't give an accurate answer because of the defect in the auditing process of the manufacturer would seem like to me to call for summary action on the part of the Navy, telling them to install the proper kind of auditing system in order that you might obtain those costs to which you are entitled.

But apparently there was no action taken on the part of the Navy, notwithstanding the fact that that was a sole source, and notwithstanding that your auditors repeatedly said they couldn't tell, couldn't give you the information that you were entitled to, because of the defect in their auditing system. Yet nothing was done, apparently.

Mr. TASSIN. I agree, sir. I can't answer the question as to what was done about this. I don't think that the people here can answer that. The only thing I can say is we can look into this and see what was done, if anything, sir.

(The following information was provided for the record:)

Question. What is the Navy response to the two Navy audit reports summed up in the GAO (General Accounting Office) letter dated December 20, 1966, to Rear Admiral Shinn, Commander, Naval Air Systems Command?

Answer. This is a matter that required correspondence with the Defense Contract Administration Services Region, St. Louis, and the Director, Defense Contract Audit Agency for the purpose of checking the GAO statements in context and to determine what action needed to be taken and to implement such action in those cases where it was required.

This research was still in progress at the time when we were requested by the Justice Department to discontinue the operation pending their investigation of representations that had been made to them.

In connection with the Justice Department investigation, our files have been placed at the disposal of their investigators, and it has been extremely difficult to prepare an item-by-item answer to the points raised by GAO.

In general, it may be said that those items reported by GAO that we have been able to confirm have been the subject of corrective action. For example, Chromcraft contract N00019-67-C-0120, dated October 5, 1966, is completely documented as to sole source subcontracts. Copies of certificates of current cost/pricing have been obtained from the subcontractors along with the cost data supporting the certificates. Also, the Chromcraft purchase office procedures have been changed to require the ASPR cost/pricing data subcontract clauses. In addition, the "examination of records" clause is now included in Chromcraft subcontracts in excess of \$2,500.

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:)

**STATEMENT OF EARL J. OGOLIN, SUPERVISORY AUDITOR,
GENERAL ACCOUNTING OFFICE, ST. LOUIS, MO.**

Mr. OGOLIN. I will refer to a report made by the Defense Contract Auditing Agency in which they bring out this point.

First I would like to explain, Mr. Chairman, that since 1965 we have not been at the contractor's plant, nor have we looked at any contracts. We have been working with DCAS and the Defense Contract Audit Agency with their records that they had available. And this is again a quote from the audit report No. 705-02-03-6-029, it is dated January 27, 1966, in which it says that:

the proposed material cost includes \$1.71 per rocket launcher for outside warehousing charges. This charge has not been included on previous proposals. The auditor believes that consideration should be given to the fact that the contractor is producing ahead of schedule: thus causing a storage problem.

And it is my understanding from the DCAS files that there is at least one contract on which there is a dispute relative to this particular point. The contractor is claiming costs under this particular point.

Mr. ROBACK. I am not sure from this information whether there is a contract clause on it. Is it your understanding this is a contract clause?

Mr. OGOLIN. I don't know, Mr. Roback, because we did not get to see the contract. This is a point we wanted to check out.

Mr. BOTHWELL. There is no contract clause.

Mr. ROBACK. On the basis of a claim—

Mr. BOTHWELL. The question is whether the Navy gave shipping instructions in a timely manner.

Mr. ROBACK. Does it have a contractual obligation to move anything within a time period specified?

Mr. BOTHWELL. The contract provided for the approval of pre-production matters, I believe, by the Navy, but there isn't any specific date on which the—

Mr. ROBACK. The contract requires the contractor to ship within 72 hours. And does this require any obligation on the part of the Navy? For example, does the INSMAT man have to stamp it or something?

Mr. BOTHWELL. Yes.

Mr. ROBACK. If the inspector doesn't stamp it, then the contractor has a claim?

Mr. BOTHWELL. We have to provide shipping instructions as to destinations and so forth before the contractor can ship.

Mr. ROBACK. Does your 72-hour clause create charges for demurrage or storage because for one reason or another the Government is at fault? I mean, by failing to do something, charges are incurred under that?

We are not trying to make any big point about this. I was only asking the question whether this was an unusual contract provision or not, the one that we are talking about.

Captain McMorries. Mr. Roback, may I try to throw a little light on it, if I understand the thrust of it?

We have had instances in which—and I am not addressing this particular contract, if you please—in which the Government furnishes certain elements of material to a contractor, and the scheduling of

GFE or GFM coming into a contractor's production line, we may ship one of the items that is integral to the further assembly, and we may stack up a large quantity of material that the contractor cannot employ because of failure or lateness of delivery of something else. He may or may not have to incur additional charges to store and handle that. I don't know if it is a particular contract clause, but in equity it is certainly a basis for claim against the Government by having put him to this. It may be the issue here. I don't know. We have experienced that.

(The following information was furnished for the record:)

In the matter of unincurred freight costs on fairings allegedly accepted by the Navy, we were unable to resolve this matter completely prior to Justice Department action. We had, however, had some discussion with Chromcraft on the subject and received an indication that if the contract was reopened to consider some \$51,800 unincurred for freight costs, the contractor was prepared to counter by claiming \$154,000 it had failed to include in its cost computation.

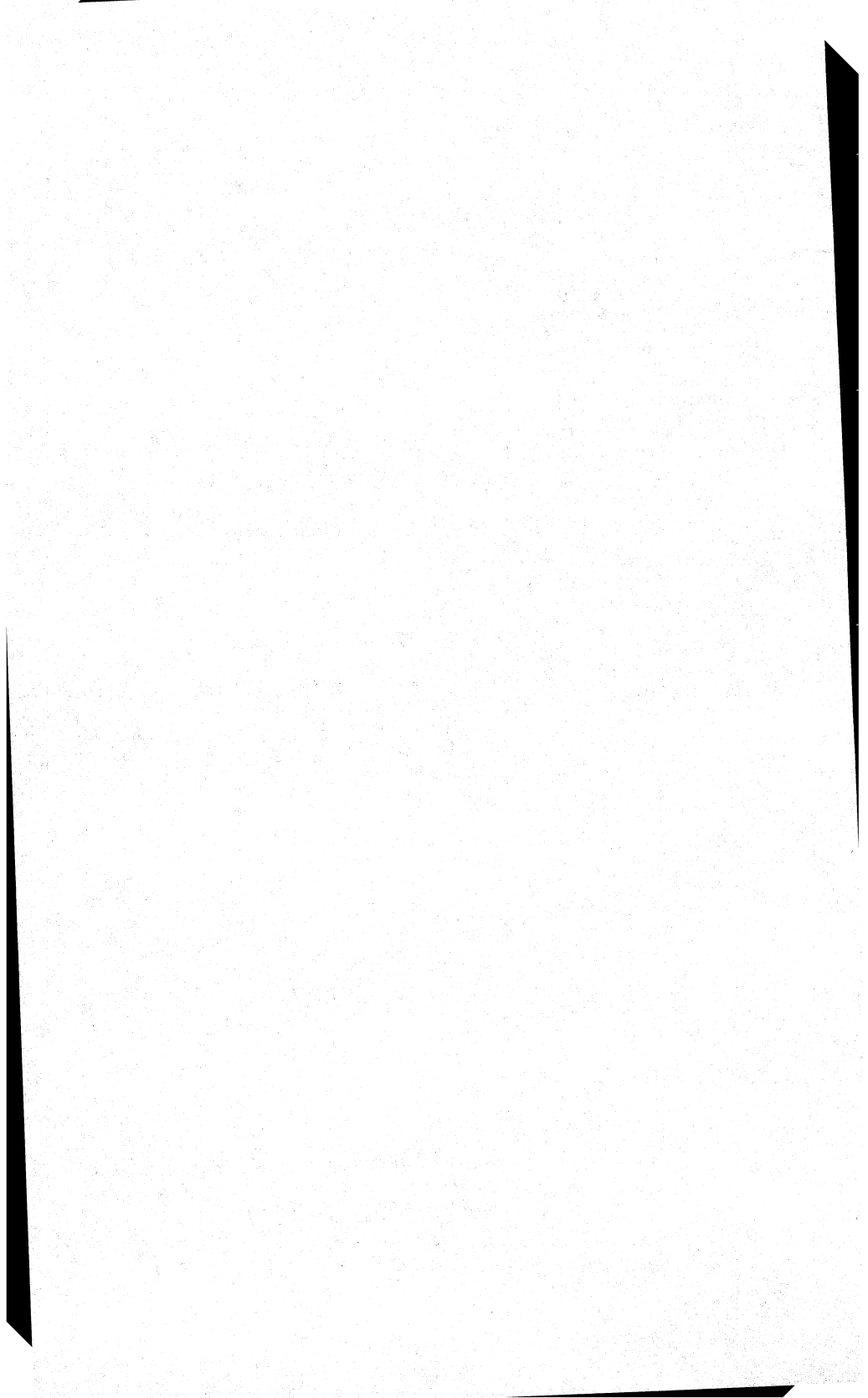
Mr. HOLIFIELD. I regret we are going to have to adjourn the meeting at this time because of other obligations.

Mr. ROBACK. I suggest, Mr. Chairman, that we can excuse the Secretary, and that all the other witnesses return tomorrow and we will continue on, and then try to wind up the other part of it tomorrow, also.

Mr. HOLIFIELD. Thank you, gentlemen. I am sorry we were delayed in getting started. We are not as far along as we thought we could get this morning, but we will gather tomorrow morning.

Mr. Secretary, it won't be necessary for you to be here. The meeting is adjourned.

(Whereupon, at 12:03 p.m., the subcommittee was adjourned, to reconvene at 10 a.m., Friday, June 21, 1968.)



MILITARY PROCUREMENT OF AIRBORNE ROCKET LAUNCHERS

FRIDAY, JUNE 21, 1968

HOUSE OF REPRESENTATIVES,
MILITARY OPERATIONS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2203, Rayburn House Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

Present: Representatives Holifield and Horton.

Also present: Herbert Roback, staff administrator; Douglas G. Dahlin, counsel; Joseph C. Luman, defense analyst; and Paul Ridgely, investigator.

Mr. HOLIFIELD. The committee will be in order.

Let the record show that Congressman Holifield and Congressman Horton are present. The first order of business will be to swear in the Air Force witnesses.

Mr. Hugh E. Witt, Deputy Director, Supply and Maintenance, Secretary of the Air Force, will you please stand and ask your people that are with you that may be on the witness list to also stand and give their names to the reporter, starting with you, Mr. Secretary.

Mr. WITT. Hugh E. Witt, deputy to Assistant Secretary of the Air Force (Installations and Logistics).

Colonel MANNING. Col. William R. Manning, Office of the Assistant Secretary of the Air Force for Installations and Logistics.

Colonel DICKENS. Lt. Col. John W. Dickens, the Director of Supply and Services, Deputy Chief of Staff.

Colonel SCHARLING. Lt. Col. Stanley V. Scharling, Directorate, Production and Programing, Office of the Deputy Chief of Staff for Systems and Logistics.

Mr. HOLIFIELD. If you gentlemen will please raise your right hand, do you and each of you swear that the testimony which you are about to give to this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WITT. I do.

Colonel MANNING. I do.

Colonel DICKENS. I do.

Colonel SCHARLING. I do.

Mr. HOLIFIELD. Thank you, gentlemen.

If Maj. Gen. Roland B. Anderson and his group will stand at this time for the same purpose. Will you please each one of you identify yourself to the reporter?

General ANDERSON. Maj. Gen. Roland B. Anderson, Director of Materiel Acquisition, Office of the Assistant Secretary of the Army (Installations and Logistics).

Colonel LEWIS. Col. Mose E. Lewis, project manager, aircraft weapons, Headquarters, Army Materiel Command.

Colonel NEWPORT. Col. Elswick Newport of the Office of the Assistant Secretary of the Army for Installations and Logistics, Aircraft Division.

Mr. RAMIREZ. Jose A. Ramirez, Office of the Project Manager for Aircraft Weaponizations, Army Materiel Command.

Colonel GURLEY. Lt. Col. William Gurley, Headquarters, Army Combat Developments Command.

Mr. SCHAEPPI. Paul K. Schaeppi, Deputy Director of Procurement and Production, U.S. Army Missile Command.

Mr. WATSON. William C. Watson, Research and Development Directorate, Army Missile Command.

Colonel HICKMAN. Col. Paul B. Hickman, project manager, 2.75-inch rocket.

Mr. HOLIFIELD. Will each of you raise your right hand? Do you and each of you swear that the testimony you are about to give to this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

General ANDERSON. I do.

Colonel LEWIS. I do.

Colonel NEWPORT. I do.

Mr. RAMIREZ. I do.

Colonel GURLEY. I do.

Mr. SCHAEPPI. I do.

Mr. WATSON. I do.

Colonel HICKMAN. I do.

Mr. HOLIFIELD. Thank you very much, gentlemen. Sit down.

Mr. ROBACK. Captain McMorries, we were discussing the Navy procurements in which there was competition, and we had discussed the pending procurement which I believe was let, that is pending production was let in 1967, was it not?

TESTIMONY OF CAPT. E. E. McMORRIES, U.S. NAVY, DIRECTOR OF PROCUREMENT, OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS); ACCOMPANIED BY ALBERT H. STEIN, DEPUTY GENERAL COUNSEL, OFFICE OF THE GENERAL COUNSEL OF THE NAVY; CAPT. D. H. JAY, U.S. NAVY, AIRBORNE WEAPONS PROJECT MANAGER; COMDR. MARTIN J. KATCHER, U.S. NAVY, OFFICE OF THE PROGRAM MANAGER FOR AIRBORNE WEAPONS; LYMAN BOTHWELL, ASSISTANT COUNSEL; JAMES S. TASSIN, PURCHASING ASSISTANT TO THE ASSISTANT EXECUTIVE DIRECTOR FOR PURCHASING; JUDD ERHARDT, ARMAMENT NEGOTIATION SECTION, PURCHASING DIVISION; LEE MORGAN, ARMAMENT DIVISION; RICHMOND D. CHAMBERS, PRODUCTION BRANCH, ARMAMENT DIVISION, ALL NAVAL AIR SYSTEMS COMMAND; AND COMDR. JOSEPH W. BROWN, JR., U.S. NAVY, INTERNATIONAL LOGISTICS DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS—Resumed

Captain McMorries. Yes, sir; there was one placed in 1967.

Mr. ROBACK. What was the nature of the other competition?

Captain McMorries. I believe this refers to the request to participate and to submit a quotation by another source, and I would like to have Mr. Tassin address that, if I may.

Mr. TASSIN. Mr. Roback, this contract was contract No. N00019-67-C-0621, and included in the total contract were rocket launchers of various designations.

Of those rocket launchers the Navy had data available in which competition could be secured on the LAU-3/A and the LAU-32A/A launcher.

The initial determination of the Navy due to the time between receipt of the procurement request and the first deliveries and most of the deliveries required under the contract were such that it was felt that only one supplier could supply these requirements. Consequently, a procurement was initiated with that company, namely Chromcraft.

Another concern known as Portsmouth Electronics, Portsmouth, Ohio, asked for and received a copy of the request for proposal, and did submit a quote on three items, 5,340 of the 32A/A, 71,000 of the

3A, and 9,704 of the 3A. In each, this was the only other quotation received aside from Chromcraft.

In each instance, the quotation of Chromcraft was substantially lower than that of Portsmouth Electronics.

Mr. ROBACK. You have a little description sheet, a little summary sheet which shows that the quotations by Portsmouth, unsolicited quotations by Portsmouth, were substantially higher, but then you have a total proposed price for Portsmouth on an RFQ of \$19.9 million roughly compared to AlSCO of \$18.9 million. Where did those figures come from?

Mr. TASSIN. The figures I have, sir, and I can give you the prices, on the —

Mr. ROBACK. We have a summary of the prices. The summary of the prices for the quantities, but then this narration, Portsmouth total proposed price under this RFQ was \$19,956,372.84. AlSCO's total proposed price was \$18,895,312.68. Then there was also a little less under an alternate proposal. Where did those figures come from?

Mr. TASSIN. Those figures come from a summation of the totals of fairings and launchers which Portsmouth quoted on.

Mr. ROBACK. In other words, these figures do not add up because you do not have the fairings included?

Mr. TASSIN. The fairings are not in these prices, that is right, sir, that I was about to give you. The fairings were all coming from the same producer.

Mr. ROBACK. Suppose Portsmouth were lower, what would have happened?

Mr. TASSIN. If Portsmouth had been lower, sir?

Mr. ROBACK. Yes. It would probably have been disqualified on the basis it did not have the production line or did not have the experience; is that right?

Mr. TASSIN. I cannot speculate on that, sir. I can only say that the quotations that were received, it was the opinion of the Navy that a portion of these requirements could be broken off, if another supplier could be found, and that supplier were considered after a preaward survey to be a responsible supplier for supplying that quantity at the time the delivery was required.

Mr. ROBACK. Suppose the prices were lower. What would have been the legal requirement? Would you have had to amend or to resubmit, resolicit?

Mr. TASSIN. No, sir. We would not have had to resolicit if the prices of Portsmouth had been lower. We would have had to make a determination concerning their responsibility to supply those at the time required.

Mr. ROBACK. The determination and finding already had been signed that this was going to be sole source?

Mr. TASSIN. This is a determination as to the responsibility of the source, sir, and comes after the quotations are received. It involves his capability to manufacture and to produce at the time required.

Mr. ROBACK. What did the D. & F. form say about the reason you were going to Chromcraft? I do not want you to read it in detail, but what was the substance of it?

Chromcraft it says here, if I may anticipate since we want to move along, "is the only firm with prior experience to manufacture these

launchers and with existing production facilities adequate for this procurement."

You had already made that determination before you received this unsolicited offer?

Mr. TASSIN. It was our opinion at that time, sir, that Chromcraft was the only one who possessed these facilities and capabilities. However, if another concern could come in and demonstrate to us that they could produce these launchers in the time required, or a portion of them, it is altogether probable or possible that we would have given them an opportunity not only to quote—

Mr. ROBACK. I understand.

Mr. TASSIN (continuing). But to receive a portion of the award.

Mr. ROBACK. I understand. All I asked you was what would you have had to do, since you had already made a D. & F.; that is, a determination and finding.

Suppose the firm came in with low prices and you wanted to give them a chance, what would you have had to do? This is all I ask.

Mr. TASSIN. We would have awarded a portion to the other concern and we would not have had to amend these requirements since this was our opinion at the time it was made.

Mr. ROBACK. Would you have had to cancel the D. & F.?

Mr. TASSIN. The matter of signing an exception to D. & F. does not automatically preclude competition. In fact, the ASPR says that even though there is a public exigency existing that this should not be used to obviate competition.

(Off the record.)

Mr. HOLFIELD. Proceed.

1965 COMPETITION

Mr. ROBACK. That was the last in time, that competition? When was the next prior competition?

My records show there was a competition in 1965 on 0547.

Mr. TASSIN. The last prior competition, sir, was on contract NOW-65-0547-f, modification No. 3 to that contract.

Mr. ROBACK. Now we had a little interchange yesterday, and it was unclear whether the competition was on the modification or on the initial contract. Have you examined your information and can you clarify it?

Mr. TASSIN. Yes, sir, and it was on the modification No. 3 for a quantity of 12,000 LAU-3/A rocket launchers.

Mr. ROBACK. We raised the question then and the substance of the report at the time was that this was on the initial contract it was believed, but we asked why was the competition introduced at modification No. 3. Why No. 3?

Captain McMorries. Can you respond to that?

Mr. TASSIN. I do not have the answer to that at this time. There was a rather urgent—

Mr. ROBACK. You have been preparing for this hearing for several weeks. You knew of our interest. And you knew of the committee's interest in the competitive problem, and you mean to say you do not know?

Mr. TASSIN. I can say this, Mr. Roback: That we seek to get competition at any time we can.

Mr. ROBACK. That is a generalization which all the services will gladly accept.

Mr. TASSIN. And in this case there was a quantity of 3/A rocket launchers to be procured. We had data which we considered adequate for competitive purposes. There were suppliers that to our knowledge were interested in competing on this, including a supplier who had previously produced rocket launchers, and we sought to introduce competition.

Mr. ROBACK. We are talking about time expansion of several weeks between these things. I mean at what point in that short compress of time between modification No. 3 on July 14 and modification No. 2 on June 30, which is only 2 weeks, including the Fourth of July holiday, did the wisdom come to you that this ought to be competitive, I mean the inspiration, not the wisdom?

Mr. TASSIN. The contract was awarded, modification No. 3 was awarded on the 14th of July, sir. The procurement request for that modification, and I think this is a question you asked or someone asked yesterday, perhaps Mr. Randall asked that, when was the requirement received.

The date of that procurement request was the 24th of May 1965. The procurement request was received in our purchase group for action on the 2d of June. The request for proposal on that went out on the 10th of June and the proposals were due in on the 21st of June.

I think this answers the questions that were raised yesterday with regard to that. But we again sought in that instance to get competition.

The first delivery was due in September of 1965. We felt that it might be feasible for a prior producer or someone who was otherwise qualified to—

Mr. ROBACK. I am asking why the inspiration came to you on that modification and not on any other number of it?

Mr. TASSIN. I do not think that it was an inspiration, sir. I think that again it was an attempt to get competition.

Mr. ROBACK. Is there any piece of paper, any memorandum or any determination of any kind which could throw any light on this?

Mr. TASSIN. I do not have any, sir, except the general proposition that we seek and strive to get competition whenever we can.

PROCEDURE FOR HANDLING MIPR'S

Mr. ROBACK. Captain McMorries, can you explain to the committee what is the sequence of a procurement response to a requisition or a requirement or a request from another service or from another department or from the Navy Department?

What, briefly, is the sequence? What kind of documents are originated? Is there a requirements document that comes to you or is there a military interdepartmental request?

Just give us briefly the sequence.

Captain McMORRIES. To speak to the military interdepartmental procurement request—

Mr. ROBACK. I assume that all the Air Force requests, for example, would be on those so-called MIPR's?

Captain McMorries. MIPR's, yes, sir.

We would receive from the requiring command for purchase and procurement action their definitive requirements which would be set forth in the MIPR, wherein we had any technical review of this required by nature of the product or any responsibilities in that area, the MIPR, with its attendant specifications and requirements as referenced by the requiring department would be appropriately reviewed within the Navy.

When this determination had been made as to the completeness of the item and specifications to be acquired, the MIPR or PR would be referred to contracts division in the procurement command for contractual action.

Mr. ROBACK. Do you have the information in the Navy when you are procuring for the Air Force when the Air Force requirement originates, or is that in their department?

Captain McMorries. That is in their department, sir. Our basic concern would be upon receipt of the requirement per se.

Mr. ROBACK. Now does the receipt, is your first notification as a department in the form of the MIPR?

Captain McMorries. I cannot answer that precisely. I would like to ask Commander Katcher or Captain Jay if they can address that.

Commander KATCHER. We will ask the man who processes the papers, Mr. Chambers.

Mr. ROBACK. Mr. Chambers, when does the Navy first get a signal that there is a requirement from the Air Force?

Mr. CHAMBERS. Normally a MIPR arrives through the Air Force Liaison Office within the Navy. They forward that MIPR down to our office for the initiation of the procurement request which ultimately goes to the contracts division.

Mr. ROBACK. Mr. Witt, what is the nature of the documentation on a request for a rocket launcher procurement? What can the Air Force tell us as to when a given procurement originated in the form of a requirement and in the form of an approved requirement?

Mr. WITT. You mean prior to the development of an MIPR going to the Navy?

Mr. ROBACK. Yes, I want to get some handle on "public exigency." If it takes a half a year to process the paper and only 14 days to decide only one producer can do it, you can see what the point is.

Mr. WITT. Our requirements are of course developed in Southeast Asia for necessary items and they are developed by the operational people. It comes through CINCPAC, commander in chief of the Pacific forces, and then is processed into the Pentagon as an approved allocation of the rockets, which backs into our launchers of course.

We start out with rocket requirements and we have to have launchers, of course, to match up with the rocket requirements.

We develop our requirements specifically for the launchers to support the rockets. We develop the requirement. We put it into a MIPR, which is sent to the Navy.

Mr. ROBACK. Is there any problem of documenting the origination of any given procurement as far as the Air Force is concerned? In other words, we have a procurement where so many launchers were bought for the Air Force.

Can you supply for all those Air Force procurements that the Navy has listed here when a request originated in the Air Force, and when it was sent to the Navy? Is there any problem on that?

Mr. WITT. We can lay that out.

Mr. ROBACK. All right, you can lay that out, and we will ask the Navy in cooperation to lay out what happened, that is what were the critical dates in processing that MIPR for procurement.

Captain McMorries. We will be very glad to do that.

(The following information was submitted:)

AIR FORCE SUBMISSION

A synopsis of actions taken by the Air Force for the procurement of 2.75 inch rocket launchers from the establishment of the requirement through the transmittal of the military interdepartmental purchase request (MIPR) to the Navy, is proffered.

Air Force requirements for Southeast Asia are generated by changes in force structure, sortie rates, and tactics. Programing fiscal year procurements is generally made in October of the preceding fiscal year, and is reflected in P-series (procurement program) exhibits, which are used to support budget estimates and apportionment requests. The preparation of the P-series exhibits involves the establishment of an inventory cutoff date, assets on-hand date, consolidation of all requirements (pipeline and stock level), due-in assets from current and prior fiscal year production and post consumption experience. P-1 exhibits portray prior, current, and future fiscal year quantities; consequently, when requirements are changed, the current and future quantities are adjusted. An extract has been prepared for the 2.75 inch rocket launchers, beginning with the October 1965 P-1 and for each P-1 thereafter, which reflects the planned program as well as adjustments caused by fluctuating SEA requirements. This extract is included as attachment No. 1. Attachments Nos. 2, 3, 4, and 5 have been prepared (one for each type rocket launcher) showing the administrative actions taken to implement the program set forth in attachment No. 1. It should be recognized that the actions shown on the attachments pertain to the basic MIPR's involved, and do not include MIPR amendments which affect specification, packaging, and delivery schedules.

PROCUREMENT PROGRAM EXHIBIT P-1 EXTRACT—OTHER PROCUREMENT, AIR FORCE
2.75-IN. ROCKET LAUNCHERS
FISCAL YEAR QUANTITIES

P-1 date	LAU-3/A			LAU-32A/A			LAU-32B/A			LAU-59/A		
	1965	1966	1967	1965	1966	1967	1965	1966	1967	1965	1966	1967
Oct. 1, 1965	49,466	25,945	(*)	3,000	1,500	(*)	2,147	4,292	(*)			
Jan. 20, 1966	49,466	43,632	(*)	3,000	3,000	(*)	2,147	7,292	(*)			
June 27, 1966	49,466	55,432	(*)	3,000		(*)	2,147	4,229	(*)			
Aug. 23, 1966	49,466	55,432	(*)	3,000		(*)	2,147	4,229	(*)			
											3,554	(*)
											3,554	(*)
Oct. 3, 1966	55,432	(*)	(*)	1966	1967	1968	1966	1967	1968	1966	1967	1968
Oct. 31, 1966	55,432	(*)	(*)		(*)	(*)	(*)			3,554	(*)	(*)
Jan. 20, 1967	55,432	(*)	(*)		(*)	(*)	(*)			3,554	(*)	(*)
June 7, 1967	55,432	(*)	(*)		(*)	(*)	(*)			3,554	(*)	(*)

*Deleted, classified security information.

PROCUREMENT ACTIONS

LAU-3/A

Fiscal year program	USAF		AFLC		WRAMA		MIPR liaison office	
	PA number	Date	Quantity	PA date	MIPR No.	Initiation date	Date received	Date to Navy
1965	LC-1	June 30, 1964	22,616	July 7, 1964	WR-5-01081	July 9, 1964	Aug. 6, 1964	Aug. 7, 1964
1965	LC-50	May 12, 1965	22,850	May 13, 1965	WR-5-17828	May 17, 1965	May 26, 1965	May 27, 1965
1965	LC-1	July 10, 1965	25,945	July 16, 1965	WR-6-00595	June 15, 1965	June 23, 1965	June 23, 1965
1966	LC-26	Mar. 28, 1966	19,783	Apr. 7, 1966	FD2060-6-30228	Mar. 15, 1966	Apr. 12, 1966	Apr. 13, 1966
1966	LC-32	June 6, 1966	7,704	June 7, 1966	FD2060-6-24205	June 8, 1966	Aug. 30, 1966	Aug. 31, 1966
1966	LC-4	July 16, 1966	71,000	July 18, 1966	FD2060-7-01173	June 3, 1966	June 16, 1966	June 17, 1966
1967	LC-13	Nov. 20, 1967	22,405	Nov. 24, 1967	FD2060-8-15744	Dec. 1, 1967	Jan. 15, 1968	Jan. 16, 1968
1968	LC-31	May 17, 1968	18,000	May 19, 1968	FD2060-8-31430	May 21, 1968	May 29, 1968	May 31, 1968

NOTES

Fiscal year 1966—PA LC-1 WRAMA MIPR of June 15, 1965, was planning MIPR without funds.
 Funds furnished on July 19, 1965.

Fiscal year 1966—PA LC-26 WRAMA MIPR of March 1966 was planning MIPR without funds.
 Funds furnished on April 13, 1966.

Fiscal year 1966—PA LC-32 Reason for WRAMA delay in preparation and transmittal unknown.
 Fiscal year 1967—PA LC-4 WRAMA MIPR of June 3, 1966, was planning MIPR without funds.
 Funds furnished on Aug. 15, 1966.

LAU-32A/A

Fiscal year program	USAF		AFLC		WRAMA		MIPR liaison office	
	PA number	Date	Quantity	PA date	MIPR No.	Initiation date	Date received	Date to Navy
1965	LC-51	June 4, 1965	2,438	June 15, 1965	WR-5-19119	June 22, 1965	June 30, 1965	July 1, 1965
1965	LC-52	June 8, 1965	562					
1966	None							
1967	LC-3	Aug. 15, 1966	5,340	Aug. 19, 1966	FD2060-7-08344	Aug. 22, 1966	Sept. 19, 1966	Sept. 20, 1966
1968	None							

Note: Fiscal year 1965 LC-51 and LC-52 were combined at AFLC and WRAMA for single action of 3,000.

LAU-32B/A

Fiscal year program	USAF		AFLC PA date	WRAMA		MIPR liaison office	
	PA number	Date		Quantity	MIPR No.	Date received	Date to Navy
1965.....	LC-11.....	Aug. 7, 1964	2, 147 Aug. 8, 1964	2, 147	WR-5-01737	Aug. 10, 1964	Aug. 13, 1964
1966.....	LC-1.....	July 10, 1965	4, 292 July 10, 1965	4, 292	WR-6-00594	June 15, 1965	June 23, 1965
1966.....	LC-26.....	Mar. 28, 1966	3, 554	3, 554	WR-6-05691	July 30, 1965	Sept. 2, 1965
1967.....	None.....				WR-6-07671	Aug. 18, 1965	Sept. 7, 1965
1968.....	None.....						Sept. 8, 1965

NOTES

Fiscal year 1966 LC-1 WRAMA MIPR for 2,291 and funds were furnished Navy on July 19. Additional quantities of 1,200 and 101, respectively, were added on subsequent MIPR's shown and quantities maximized for total dollars available to the total of 4,846.

Fiscal year 1966 LC-26 this quantity of 3,554 released for the LAU-32B/A was procured as the LAU-59/A instead as it became available in this period. See LAU-59/A (Atch. No. 3).

LAU-59/A

Fiscal year program	USAF		AFLC PA date	WRAMA		MIPR liaison office	
	PA number	Date		Quantity	MIPR No.	Date received	Date to Navy
1965.....	None.....		3, 554 Apr. 6, 1966	3, 554	WR-6-19700	May 2, 1966	May 12, 1966
1966.....	LC-5.....	Aug. 15, 1966	5, 856 Aug. 17, 1966	5, 856	FD2060-7-01174	June 3, 1966	June 16, 1966
1967.....	LC-29.....	Apr. 3, 1967	1, 560 Apr. 7, 1967	1, 560	FD2060-7-26929	May 25, 1967	July 26, 1967
1968.....	LC-1.....	July 11, 1967	10, 603 July 13, 1967	10, 603	FD2060-8-02489	July 26, 1967	Aug. 17, 1967

NOTES

Fiscal year 1966 LC-26 Mar. 28, 1966, was released for the LAU-32B/A but was used for the LAU-59/A as the improved launcher was then available.

Fiscal year 1967 LC-5 WRAMA MIPR at June 3, 1966, was planning MIPR for 6,000. Funds were furnished on Aug. 22, 1966, and quantity reduced to 5,856 to agree with total funds.

NAVY SUBMISSION

Question. Give an itemization of the MIPR progress on each contract and contract modification.

Answer. See following schedule:

Contract	Date MIPR received	Date P/R received in contracts	Contract date of 1st delivery	Date of contract
Now 64-0035-f	May 7, 1963	May 14, 1963	August 1963	July 12, 1963
Now 64-0154-f	July 15, 1963	Aug. 2, 1963	December 1963	Oct. 25, 1963
Now 64-0190-f	Sep. 3, 1963	Sep. 19, 1963	January 1964	Dec. 9, 1963
	Sep. 17, 1963			
Now 64-0609-f	Dec. 24, 1963	Mar. 12, 1964	July 1964	June 3, 1964
Now 65-0121-f	Aug. 7, 1964	Aug. 18, 1964	October 1964	Sep. 1, 1964
Now 65-0547-f	do	Apr. 9, 1965	July 1965	May 3, 1965
	Nov. 20, 1964			
Now 65-0547-f MOD 2	Apr. 9, 1965			
	June 21, 1965	July 18, 1965	September 1965	June 30, 1965
	June 28, 1965			
Now 66-0082-f	June 25, 1965	July 27, 1965	October 1965	Aug. 10, 1965
Now 66-0307-f	Sept. 23, 1965	Dec. 9, 1965	April 1966	Jan. 4, 1966
	Nov. 5, 1965			
N00019-67-C-0120	Feb. 2, 1966	June 29, 1966	October 1966	Oct. 5, 1966
	Feb. 21, 1966			
	Apr. 13, 1966			
	May 13, 1966			
	June 11, 1966			
N00019-67-C-0621	June 16, 1966	Jan. 12, 1967	July 1967	June 16, 1967
	Aug. 8, 1966			
	Sept. 20, 1966			
	Nov. 15, 1966			
N00019-67-C-0621 MOD 3	June 16, 1966	June 20, 1967	August 1967	Aug. 2, 1967
	Aug. 8, 1966			
	Sept. 20, 1966			
	Nov. 15, 1966			

DELIVERY DATE FOR 1965 COMPETITIVE CONTRACT

Mr. TASSIN. Mr. Roback, if I may, I made an error in that date I gave you in that series of dates I gave a while ago. That related to the date of first delivery on modification No. 3 to NOW-65-0547. I gave you the date of September 1965 as the date of first delivery. This is the date as it came down to the contracts group on the procurement request.

However, it was found in reviewing that that date could be extended to December 1965, and that is the date that went into the request for proposal, and that is the date that went into the modification for first delivery under that modification.

Mr. ROBACK. What is the significance of these times?

Mr. TASSIN. The significance is that by this extension of the first delivery date, there was a period of about six and a half months between the receipt of the procurement request and the first delivery, and it was felt that this was a rather close issue as to whether any other company could compete.

Mr. ROBACK. You extended Chromcraft's delivery date, you say?

Mr. TASSIN. No, sir. We extended it in the request for proposal.

Mr. ROBACK. The request for proposal?

Mr. TASSIN. Which went to all six companies.

Mr. LUMAN. If you have the date on this contract 0547 there, can you tell us when you started negotiations with Chromcraft for the contract that was signed on May 3, which was your first contract for something like 4,000 launchers?

Mr. TASSIN. I do not have that immediately available. We can search it out.

Mr. LUMAN. And also when you started talking with them on the second modification.

In other words, when you went out with the RFP, you gave these companies 11 days to respond on a quantity of 12,000 launchers. Now I am wondering if that RFP went out the 10th of June, if the modification No. 2, which was signed on the 30th of June for something like 27,000 launchers, if at that time Chromcraft knew that they were going to get this award of 27,000 launchers, when they bid on the competitive award.

Mr. TASSIN. Do you want us to search that out now or supply it later?

Mr. ROBACK. If you have the summary information on all these contracts.

Mr. TASSIN. Not the date that negotiations started, we do not have that, sir. We can chase it out of information we have available here, and give it to you this morning.

Mr. ROBACK. When you find it, you can report on that.

Mr. TASSIN. Yes, sir.

Mr. LUMAN. Did you feel 11 days was the best you could do for the other firm, give it to them on the 10th and it had to be back in on the 21st?

Mr. TASSIN. It was a very tight schedule. We had just a little over 6 months in which to commence deliveries, even after extending it some 3 months, and we had to make use of let's say the time available, and we felt that it was more important to give people time in order to make ready and to produce than to spend time in getting their quotes in.

Mr. LUMAN. Would you agree this is a rather tight time to go to someone who has not been making it and give him 11 days to bid on a \$2 million contract?

Mr. TASSIN. It is a short time, sir, and I would agree with your analysis.

Mr. ROBACK. When is the third competition you had of the three?

Captain McMorries. I think the third competition was for fairings only, if I am not mistaken, contract 65-0472.

Mr. ROBACK. What is the second competition, the one that was minus fairings?

Mr. TASSIN. The second competition is the one immediately following the fairings.

Mr. ROBACK. The one we were just discussing, was that minus fairings?

Mr. TASSIN. No, sir; this included fairings.

Mr. ROBACK. Say that again.

Captain McMorries. It did include fairings.

Mr. TASSIN. The one I was discussing on 65-0547 included fairings.

Mr. ROBACK. Which was the one that you had, was it this last one which had the breakout that was minus fairings?

Mr. TASSIN. Yes, sir.

Mr. ROBACK. Why did you decide that the breakout ought to be without the fairing?

Mr. TASSIN. That is contract—

Mr. ROBACK. That is contract 0621 using the last four digits?

Mr. TASSIN. Yes. In that case, sir, we had had this investigation started at that time, and we knew that it was involved with both fairings and launchers, and it was considered that we should make every attempt to procure the items from companies that were not on the suspended list. As a result, we broke out the fairings and attempted to get those direct from the manufacturer of the fairings as distinguished from having them shipped into Chromcraft as had been the usual case, and then resold to the Navy.

That is the only answer that I have for that, sir.

Mr. ROBACK. I do not understand the answer.

This investigation started, and incidentally, the only direct effort at competition was made after the investigation started. That was in 0621, using the last four digits. This is the only contract since 1960, and one still under production.

Mr. TASSIN. No, sir.

Mr. ROBACK. For which competition was instituted by the Navy.

Captain McMorries. I think, Mr. Roback—

Mr. TASSIN. Modification 3 to 65-0472, sir, instituted competition.

Mr. ROBACK. Excuse me.

The last one was the one that was unsolicited?

Mr. TASSIN. And on the fairings, we had previously attempted to secure competition.

Mr. ROBACK. Aside from the fairings you instituted only one competition?

Mr. TASSIN. Right.

Mr. ROBACK. But it was before the investigation?

Captain McMorries. That is correct.

Mr. ROBACK. Right?

Captain McMorries. That is correct.

Mr. ROBACK. Then when the investigation came, you did not institute a competition, but you did get an offer?

Captain McMorries. On that particular requirement.

Mr. ROBACK. Now state again why the part that was competed or that you thought you could allocate for competition did not have the fairings?

Mr. TASSIN. Sir, there is a general policy that in the total Government's interest, we should break items out that can be separately procured. That is one element of it.

The second element is that these fairings had been called to our attention rather forcefully by the investigation. In fact, it was one of the items involved in the investigation, directly involved.

Mr. ROBACK. Why did you break it out?

Mr. TASSIN. And furthermore, the fairing manufacturer requested that he be permitted to quote directly on this, and for these reasons it was felt that we may be able to get a better price overall for rocket launchers, including fairings if we break them out, have the fairings shipped separately either to AlSCO or Chromcraft or to a loading point. For this reason we got separate prices on launchers minus fairings and on fairings.

Mr. ROBACK. I understood that you decided to have a breakout minus the fairings, that is you were only going to break out the launcher casings.

Mr. TASSIN. Either way, one is the alternative to the other.

CONTRACT FOR FAIRINGS ONLY

Mr. ROBACK. We will have to look at the negotiation record on that to see what was involved. I do not think we should take more time.

Now the competition that you had on 0472 for fairings only, what was the situation there?

Mr. TASSIN. We had a requirement to procure a quantity of fairings to be used with some reusable launchers for, you might call it, refurbishing purposes.

Mr. ROBACK. You needed fairings? You had launchers?

Mr. TASSIN. That is right, sir.

Mr. ROBACK. All right, so you decided to have a competition. Who won the competition?

Mr. TASSIN. Let me get my information here correct, sir.

The contract was awarded to the Chromcraft Corp.

Mr. ROBACK. Who competed?

Mr. TASSIN. Western Molded Fiber Products and Chromcraft.

Mr. ROBACK. You had two. Two companies competed. Chromcraft won the award. Then the award was handed back to Western Molded Fiber, I mean the production responsibility; is that right?

Mr. TASSIN. That is right, sir.

Mr. ROBACK. What was the rationale for that, and did that require any Navy consideration?

Mr. TASSIN. Well, first let me say the price that we got from Chromcraft was \$17,000 lower than from Western Molded Fiber, and this required no further competition, I mean work from the Navy. It was known in advance of the negotiations that the fairings would be produced by Western Molded Fiber.

Mr. ROBACK. Are you saying, and if I understand this, that you knew at the time that Chromcraft was competing against Western Molded Fiber that Western Molded Fiber would produce?

Mr. TASSIN. That is right, sir. The item would be produced by the same source.

Mr. ROBACK. Even though they were competing?

Mr. TASSIN. Even though they were competing.

Mr. ROBACK. Mr. Stein, does that sound like a legal competition to you?

Mr. STEIN. It sounds like an unusual arrangement, sir.

Mr. ROBACK. This was a 100-percent small business set-aside, was it not?

Mr. TASSIN. That is right, sir.

Mr. ROBACK. And Chromcraft was considered small business?

Mr. TASSIN. Yes, sir.

Mr. ROBACK. And Chromcraft bid against Western Molded Fiber even though you knew at the time that Western Molded Fiber was going to get the contract. Now, offhand it does not make any sense, does it?

Mr. TASSIN. Well, it so happened that the special tooling required for the production or some of the elements of special tooling required for the production of these items was owned by Chromcraft, and under those circumstances we sought to, you might call it test the market, to see whether or not Western Molded could produce additional tooling

on their own accord and give us a better price than we could obtain through going to Chromcraft.

Now it may seem unusual. I agree with you there. And it so happened that we did get a better price going back to Chromcraft.

Mr. ROBACK. Chromcraft won the award and gave it to Western Molded, which will make a profit on it, presumably, which made a profit on it, so did Chromcraft. And yet the price that Western Molded bid was higher than the one that Chromcraft bid.

It is a little confusing, and it is not really competitive. Molding had to do it at the price that Chromcraft bid?

Mr. TASSIN. I would say, Mr. Roback, that the forces of competition were at work here. There was a matter of let's say a number of dollars having to be expended, should Western Molded get the contract, they would have to expend this for additional tooling in order to fabricate the fairings.

Now with that element in play, the forces of competition could have and may have forced Chromcraft to quote a lower price than they would have quoted had this not been true. As it turned out, Chromcraft actually quoted less than did Western Molded, possibly due to these same reasons. And in addition to that, my chief negotiator here informs me that we took another \$10,000 out of the contract in the negotiations after we received the Chromcraft quote, reducing it then, the differential, to some \$27,000.

Now I do feel—

Mr. HOLIFIELD. It could be assumed that then Chromcraft, going back to Western, made their own arrangement with them, and could it be further assumed that Western did manufacture the fairings for a lesser price because of the Chromcraft lesser bid than it would have under its original bid?

Mr. TASSIN. I do not know that they would manufacture them for let's say a lesser cost. Yes, sir, at a lesser price.

Mr. HOLIFIELD. Yes.

Mr. TASSIN. But in that circumstance, since Chromcraft did go back to Western, and since Chromcraft owned some of the production tooling that was in Western's hands, it is entirely reasonable that it should have cost less, sir.

Mr. HOLIFIELD. In other words, Western's bid was not predicated upon using the Chromcraft machinery, but was predicated on getting their own machinery of that type?

Mr. TASSIN. Yes, sir.

Mr. ROBACK. Did Western Molded Fiber ever become a competitor after that, or did they become a subcontractor?

Captain McMorries. I think they could reasonably be categorized as a subcontractor.

1967 CONTRACT FOR FAIRINGS

Mr. ROBACK. You no longer gave them an opportunity to compete on fairings after that?

Mr. TASSIN. On 67-0621 contract, they did quote, Western Molded did quote on the fairings, sir.

Mr. ROBACK. They were one of the competitors?

Mr. TASSIN. That is right, sir, when we again sought to get competition on the fairings.

Mr. ROBACK. Do you mean to say that there was a competition on fairings in 0621?

Mr. TASSIN. There were separate quotes received on the fairings from the launchers in 67-0621, sir.

Mr. ROBACK. Was that unsolicited?

Mr. TASSIN. No, sir; this was solicited.

Mr. ROBACK. I am confused, because I thought 0621 was the contract where there was competition only because Portsmouth voluntarily submitted a quote by saying, "We want to get in on this."

Mr. TASSIN. That is on the launchers, sir. Now when we get back to the fairings, we did ask Western Molded again to quote on the fairings, and this was in keeping, as I stated earlier, with the policy as enunciated by then Assistant Secretary, Installations and Logistics, that due to the fact that Chromcraft was on the suspended list of bidders, we should make every opportunity to breakout items. We should make every opportunity to obtain sources for items that could be procured outside of the realm of the Chromcraft-Alsco family.

Mr. ROBACK. Did you have a separate RFP for the fairings?

Mr. TASSIN. Yes, we did, sir.

Mr. ROBACK. That is not listed here; is that right?

Captain McMorries. I think it is on the list of contracts.

Mr. TASSIN. I think the items in here are listed separately. In fact, the schedule of the contract shows the items listed separately.

Mr. ROBACK. Was the award made at the same time or was it made as a modification, do you know?

Mr. TASSIN. I am advised that on 67-0621 that the award for the fairings was made by modification 3 to that contract at a date later than the original award.

Mr. ROBACK. Who else besides Western Molded was solicited?

Mr. TASSIN. Chromcraft, sir.

Mr. ROBACK. On the fairings?

Mr. TASSIN. On the fairings.

Mr. ROBACK. So that competition, because Chromcraft was on the suspended list, you went to Western Molded, not knowing perhaps that potentially they were also on the suspended list, that is, potentially in the sense that you were not directly dealing with them, but maybe Chromcraft was?

Captain McMorries. I think, Mr. Roback—

Mr. ROBACK. Chromcraft was getting its fairings from Western Molded?

Captain McMorries. That is correct.

Mr. ROBACK. So when Chromcraft was suspended, the assumption was that you would not have any problems dealing with Western Molded, even though he was a supplier to Chromcraft?

Captain McMorries. Well, I think it could be categorized as Mr. Tassin recited, that one item in the total end article that could be broken out and secured from another producer, that producer not being under suspension.

Mr. ROBACK. Offhand why only Western Molded? Why did you not go to—sometimes the Navy solicits 102 prospective sources and gets two replies. Why did you not solicit 102? The other time you may solicit 102 and there are only two who maybe fabricate products. Offhand why did you not solicit six?

Mr. TASSIN. I am advised by our technical people, and I will give you my short answer on that, that the fairings are a very delicate item. They can cause damage to the aircraft when they break up, as well as cause damage on ingestion into the engine intakes. And these are an item requiring very careful manufacture, very careful treatment, very careful tests, before they are used on an aircraft with these launchers, and that there is only one approved source for the fractionable or grenade-type fairing, and that is Western Molded Fiber, now owned by the H. I. Thompson Co.

Mr. ROBACK. The fact it is an approved source is merely because they were doing a satisfactory job and not because they were the only source that could do a satisfactory job; is that not the case?

You do not really know, and you do not know to this minute or to this day how many people could make nose fairings that are acceptable and might become competitive?

Captain McMorries. This is a statement that I think is quite accurate. However, my understanding, and I would like Mr. Morgan to address this, we are aware of the difficulties with the fairing and have sought to secure other producing sources, and improve fractionable fairings.

Mr. Morgan, could you elaborate a little bit on that?

Mr. ROBACK. Excuse me, Captain. Do I understand you have difficulties with the performance of the fairing?

Captain McMorries. Not to my personal knowledge.

Mr. ROBACK. You mean difficulties with the manufacture?

Captain McMorries. No.

Mr. ROBACK. Are you getting a satisfactory fairing or is that a risk item today?

Captain McMorries. To the best of my knowledge, it is the approved fairing that we have.

Mr. ROBACK. Has it given you any kind of trouble, Mr. Morgan?

Mr. MORGAN. No, sir. The so-called grenade fairing, which is the latest fairing developed by Western Molded a number of years ago, is giving satisfactory results. We have attempted to develop other sources for fairings. I have had programs at China Lake, I have had programs at the Naval Ordnance Station in Louisville where we have gone to reputable plastic suppliers to see whether they could come up with a fairing that would be competitive, and so far we have failed. We are still trying. We want to get out from under the sole source posture.

DEVELOPMENT PROGRAM AT CHINA LAKE

Mr. ROBACK. What is the nature of the development at China Lake with regard to a launcher? How long has it been going on and what are you trying to do and what service use will it have?

Can I have a brief concise answer on that question?

Captain McMorries. We started in 1966. I think Commander Katcher can address that rather fully.

Commander KATCHER. A project order or WEPS task order was sent to China Lake in 1966 by the then Bureau of Naval Weapons. This project order called for them to attempt to develop four basic types of launchers which would do two things. It would meet all of the service needs; in other words, this was a Navy-Marine project, but it was an

attempt to additionally satisfy other services' needs if possible, and its second purpose was to be clear of any proprietary considerations that might be involved in launcher manufacture.

The development at China Lake proceeded under initial funding, and the designs were made up by engineers and personnel at China Lake themselves. From these designs hardware was manufactured, and tests were run. These tests proved unsatisfactory.

The designs were revised, and subsequently in 1967 additional hardware was made up or ordered made up, some of which was delivered and tested in 1967, some of which was not delivered until early this year.

Again these tests proved unsatisfactory in certain aspects, all attributable to the design problems involved. Another design was made up correcting all of these initial problems, and currently hardware is under manufacture for this final design, and part of the tests that are necessary to qualify this have been run, and have proved quite successful.

The final hardware being made up is due to complete manufacture by the end of July, and the final testing needed to certify this design to be completed in August. The design drawings, rights, data, everything that is necessary for competitive procurement is to be ready in September.

Now this modification attempt at a design resulted in late 1966, when the first failures occurred, in changing the aspects and making it a two-launcher versus four-launcher development.

This two-launcher was then named the LAU-70 and 71, LAU being the—

Mr. ROBACK. LAU-70 and 71?

Commander KATCHER. LAU-70 and 71. A 7- and 19-round launcher made of aluminum to serve a dual purpose, namely to be reliable, and at the same time to be able to be manufactured inexpensively enough to qualify as a disposable launcher, as the current paper tubes are. This is the sequence of events at China Lake.

Mr. ROBACK. Is the fabrication done in-house?

Commander KATCHER. No, sir. The fabrication the first time was let after a competition. The second time it was let to two firms after a competition, and the third time, in an effort to expedite and not delay the development any longer, it was directed to a single producer to manufacture eight units from the design drawings of China Lake personnel.

Mr. ROBACK. Captain McMorries, you can submit for the record a list of the firms that were solicited and awarded.

(The list follows:)

1. Contract N60530-12827 (5 each 7-round and 19-round launchers—The initial commercial research and development effort which led to the LAU-70/A and 71/A), 30 June 1966:

Vendor	Amount	Award
Chromcraft Corp.		
L.T. Industries	¹ \$45,565.00	X
	59,714.86	

¹ Price negotiated to \$24,779.63.

2. Contract N60530-67-C-1109 (4 each 70/A and 71/A launchers), 18 May 1967
 Contract N60530-67-C-1112 (4 each 70/A and 71/A launchers), 19 May 1967

Vendor	Amount	Award
Lasko Metal Products.....	1,200.00	X
Standard Armament.....	5,849.08	X
Chromcraft Corp.....	6,740.00	
Del Mar Engineering Laboratories.....	9,448.00	
Sargent-Fletcher.....	13,456.92	
Republic Electronics.....	16,342.00	
Portsmouth Electronic Products, Inc.....	22,146.00	
K. E. Welding & Manufacturing.....	30,000.00	
Wells Industries.....	32,764.00	
Hayes International.....	89,040.00	
Do. 1.....	47,660.00	
Baifield Industries, Inc.....	118,332.00	

1 Alternate bid.

3. Contract 60530/5561 Y1921-68 (4 each 70/A and 71/A launchers) 27 May 1968:

Vendor	Amount	Award
Lasko Metal Products.....	\$1,200.00	X

4. Funding for the program was established at \$250,000 in January 1966. This was made available in increments of \$100,000 in January 1966; \$25,000 in October 1966; and \$75,000 in April 1967. In July 1967, \$50,000 was withdrawn to meet an emergency requirement. Thereafter, \$50,000 was added in October 1967, and a final increment of \$60,000 in April 1968, the additional \$10,000 being included to cover the full amount estimated to be required to complete the program.

Mr. ROBACK. Who is the present producer?

Commander KATCHER. Currently Lasko Corp. is manufacturing the hardware.

Mr. ROBACK. What type of a corporation is that? And what do they produce?

Commander KATCHER. They are producing rocket launchers for the Zuni launchers.

Mr. ROBACK. They are Zuni makers?

Commander KATCHER. Yes, sir. I do not know what other products they have.

Mr. ROBACK. Was any of that instituted after the troubles, the recent troubles with Chromcraft?

Commander KATCHER. No, sir. This is a continuing program from January 1966.

Mr. ROBACK. It acquired urgency after the troubles?

Captain McMorries. This is correct, Mr. Roback.

If I might comment on that, subsequent to the suspension of Chromcraft-Alsco Corp., the Assistant Secretary of the Navy did direct that expeditious action in the project designated by Commander Katcher for the development of the LAU-70-71 proceed.

Mr. DAHLIN. Did you get more funds?

Captain McMorries. Yes, there were more funds.

Mr. ROBACK. Can you provide the total funds for this project with the other information?

Mr. LUMAN. To go back to the competitive aspect of the Portsmouth contract, how long did you give Portsmouth to bid on that contract?

Do you have that data handy?

Mr. TASSIN. Let me see, I do not know whether I have that.

Do you know what that was? Could I supply that to you?

Mr. LUMAN. All right.

PROCUREMENT OF DATA PACKAGES

Let me ask this also. Looking at the record of the items you bought most heavily, it appears to be the LAU-3A and the LAU-32A/A.

Now, is it true that the Government has had data on these launchers perhaps throughout the period under consideration?

Mr. TASSIN. I understand data for these two launchers has been available since 1965, sir.

Mr. LUMAN. Since 1965?

Mr. TASSIN. Yes.

Mr. ROBACK. Why since then? I mean how did you get data then that you did not have before?

Captain McMorries. I think we have had data on most of the launchers in varying degrees of completeness throughout the history.

Mr. ROBACK. We noticed throughout various contracts there were small packages of data procured. I mean why a small package here and a small package there? What was the rationale?

Captain McMorries. I cannot address the particular rationale of it.

Mr. ROBACK. Were you trying to sort of create enough data to develop the design information on your own?

I mean why did you buy data today and not tomorrow or yesterday?

Captain McMorries. If I can expand on that a moment, I may have to defer, but in general where you have a basic data package, and award to a contractor, a past producer or any new producer is involved, there are during production, and particularly with a change of producers, there are certain changes that may occur, either by product improvement or by Government change orders, and it is normal to require that the producer provide you with revised and updated drawings.

Mr. ROBACK. Theoretically why could you not, every time he puts a little new twist into the item, buy the data so that at the end of the process you have all the ins and outs and new little twists, so that he cannot say or you cannot say or somebody else cannot say well, you are locked in, because he knows all about the little twists. But you have bought some of them but not all of them.

Captain McMorries. This we do by intent in the acquisition of revised drawings.

Mr. ROBACK. I mean who is responsible technically for signing off on the acquisition of data items, because they say—name a couple representative items.

Mr. LUMAN. This is what I was wondering on the 1965 figure on these launchers because in 1963 in October you paid Chromcraft for reproducible drawings for the LAU-3A/A and the LAU-32A/A.

In 1961 you paid Radiant for data on the LAU-32, and in 1964 you paid Radiant for data on the LAU-32A.

Now this would appear that the Government, at least since 1963 so far as Chromcraft went and the fact you were able to go to Radiant for one of these launchers that you might have had the data previous

to 1965—the one contract with Chromcraft you paid for data on two of the launchers, but we do not see it on the other types.

Captain McMorries. If I may, I would like to ask Mr. Morgan to address the changes, and you mentioned several launcher models and varying degrees of data.

Mr. Morgan, can you address that?

Mr. MORGAN. I think there was an error in some of the information you have there that indicates that Radiant manufactured the 32A/A. They only manufactured the 32/A.

Mr. LUMAN. All right.

Mr. ROBACK. What does the Navy own for the money they paid for reproducible drawings and other data?

Mr. LUMAN. You paid Chromcraft for the 32A/A for drawings in your contract, however, in October 1963, according to the information we have here.

Mr. ROBACK. What do you have to show for those payments?

Captain McMorries. I think the question is where do we stand in general in the status of data as of this moment?

Mr. ROBACK. In the light of the fact that there is a potential negotiation or at least a procurement request for data which is subject now to some differences of opinion between the contractor and the Navy.

Captain McMorries. Yes, sir.

Mr. ROBACK. And the sums involved, in view of the fact that value engineering is tied up, it was testified I believe that \$2.5 million are involved.

Captain McMorries. It could run as much as that, yes, sir.

Mr. ROBACK. So the question I am asking, what do you own out of this in the way of money paid, I mean resulting from money paid for data acquired?

Captain McMorries. Addressing Navy launcher configuration or design, Navy-Marine, I would like to ask Mr. Morgan to state if he can for the record at this time the status these particular launchers and the data we hold.

Could you address that?

Mr. MORGAN. The only data that I know of that we have is on the 32A/A for the Navy.

We also held it on the 32/A that Radiant manufactured.

Mr. ROBACK. Why did you pay on contract 0313-f? You paid for reproducible drawings. Is that data?

Mr. MORGAN. Yes; that would be data.

Mr. ROBACK. There is \$13,000 for item 1. This is on the 3A/A, \$12,265 for item 2.

Mr. BOTHWELL. We received on 64-0313 125 microfilm frames depicting the 3A/A, and we also have on that contract 131 microfilm frames depicting the 32A/A.

Mr. LUMAN. Looking at your 1965 contract, this is the one now that you let Portsmouth bid on, Portsmouth bid on the 32A/A and the LAU-3A, so you must have had the data on those to let these fellows bid. Is that a correct assumption?

Mr. TASSIN. That was what Portsmouth quoted on in the 1967 contract.

Mr. LUMAN. Yes; I am sorry, the 1967 contract, so you must have data on the 32A/A and the LAU-3A.

Mr. TASSIN. That is correct.

Mr. LUMAN. You paid Chromcraft for data on the LAU-3A/A.

Mr. BOTHWELL. Yes.

Mr. LUMAN. So that means you must have the data on at least those three rocket launchers.

Mr. TASSIN. That is correct.

Mr. LUMAN. The question is, could you have competed these launchers before 1967? Could you have competed them at any time after let's say October 1963, in the case of the Chromcraft launchers when you paid Chromcraft for the data?

Mr. TASSIN. I think in these cases, sir; that the problem has been one of a very short time span between—

Mr. ROBACK. We understand that problem.

Mr. TASSIN. And the first deliveries.

Mr. ROBACK. You are saying it is not a data problem, it is a time problem. You are clear on that?

Mr. TASSIN. In part of the cases it is a data problem. Some of the Navy launchers we do not have the data.

Mr. ROBACK. The problem is when you press on time you say it is a data problem, when you press on the data you say it is a time problem.

When is it a data problem and when is it a time problem? Can you identify the contracts one by one? You do not have to do it here, but identify which contracts were time problems and which contracts were data problems. Can you do that?

Captain McMorries. We will do that for the record.

(The information requested follows:)

Each sole source contract was the result of a time problem.

DATA ON MODELS LAU-60, LAU-68, LAU-69

Mr. ROBACK. Is it true that for the bulk of the launcher production procurement, for the bulk in terms of dollars, in terms of quantities, you own the data according to your testimony?

It is only these varying special little twists on the machinery that you do not have the data.

Captain McMorries. It is on the new launcher configuration, namely the LAU-61, 68, 69, that we do not have the data, that we are concerned with.

Mr. ROBACK. Briefly, those that you mentioned, those are the ones at issue—

Captain McMorries. Yes, sir.

Mr. ROBACK (continuing). On the contract?

Captain McMorries. Yes, sir.

Mr. ROBACK. And what distinctive new advance was incorporated in those that make them of interest to the Navy?

Captain McMorries. I cannot address the technical changes, Mr. Roback. In substance they consisted of a revised, improved if you will, launcher design and one that met the Navy's needs for a longer length launcher, and as I understand it, five distinct improvements.

Now I think Mr. Morgan or Commander Katcher can address the particulars of these changes.

Mr. ROBACK. What have we gained in the new series or the new launchers, Mr. Morgan?

Mr. MORGAN. Primarily we gained by being able to handle the new warhead and fuses.

We had to lengthen the launcher to accommodate this new weapon. There were internal details that are improvements. There is a new safety switch, there is a new shock pan assembly that reduced cost.

Mr. LUMAN. Were these variations to which launcher are we talking about?

Mr. MORGAN. To the 3A/A.

Mr. LUMAN. The 3A/A is one the Government owns data on?

Mr. MORGAN. Pardon me?

Mr. LUMAN. The 3A/A is one the Government owns data on?

Mr. MORGAN. Yes.

Mr. LUMAN. Now how does it come about that the contractor makes these changes to accommodate your rocket and you do not have an agreement to pay him for the changes?

Consequently, after he makes the changes, then it is a proprietary item? Why did you not negotiate with him and say, "Look, this is what has to be done, you do it and we will pay you the money and you give us the drawings"?

Mr. MORGAN. That is what we have been attempting to do. We have not reached agreement as yet. We are in an urgent need to acquire this capability to hold the new warhead, and we built the rocket launchers quickly and tested them, and have been negotiating for the acquisition of data since.

Mr. LUMAN. He did the work before there was any understanding about how it would be paid for, or if or when?

Mr. MORGAN. Yes, that is correct. He did the R. & D. on his own.

Mr. DAHLIN. Just offhand, why did you not put those changes out to China Lake rather than having them do work from scratch with other contractors?

Mr. MORGAN. We have an effort going at China Lake.

Mr. DAHLIN. I understand that. I said why did you not undertake, instead of letting the contractor develop a whole new supposed model, undertake these specific changes, give them to China Lake, have those improvements done there and have the Government data package?

Mr. MORGAN. It is a matter of time and funding.

Mr. DAHLIN. Is there any one specifically assigned to do that?

Mr. MORGAN. Yes.

Mr. DAHLIN. Whose office is responsible?

Mr. MORGAN. We have it approved at China Lake that does launcher work for us.

Mr. DAHLIN. You had a similar chance I suppose with the Air Force LAU-59 which is a whole new model that has been now converted over—in production at least—to the Air Force requirements, going on the LAU-59. There is no Government data package at all, I take it, for the LAU-59 either. They are in the same position, or you have got them in the same position as on your 60 series; is that the case?

Mr. MORGAN. Yes, I believe so.

(The following information was furnished:)

Question. Explain our failure to acquire data on the contractors' "improvement" in connection with the fiscal year 1967 procurement.

Answer. The fiscal year 1967 procurement involved five basic launchers. The two for the Air Force were the LAU-3/A and LAU-59/A. The LAU-3/A data are in possession; the procurement of LAU-59/A data was not requested, authorized, or funded by the Air Force. The three basic launchers procured for the Navy/Marine Corps in the fiscal year 1967 buy are the LAU-61/A, 68/A, and 69/A. Negotiations are continuing to secure required data upon conversion of the existing letter contract.

Mr. LUMAN. In the sequence of this thing now, did you go to the contractor and say, "Look, this is our problem, we have the longer round, we have these problems, how about designing it for us?" or did he stay out ahead of you, find out what your requirements were and then come and say "Look what I have done"; which way did it happen?

Mr. MORGAN. Essentially the latter is the way it worked.

The contractor was very industrious about keeping up with new warhead and fuse development, and would build models for us to test to see whether they would accommodate the new weapons.

Mr. ROBACK. Captain McMorries, can you supply for the record this kind of information?

On each of these contracts, whether there was an extension of delivery items from the RFP as first announced and as later; and secondly, any extension of delivery items granted to the contractor; and thirdly, instances in which the contractor delivered before time?

Now we discussed that matter somewhat yesterday. On the one hand, a timely delivery, in fact a contractor who delivers beforehand is to be praised and it is a matter of gratitude, I mean pleasing to the receiving department. But there was some question as to whether the contractor was delivering early, so that he could collect some extra costs. I mean that is, he collects some charges and demurrage, storage, or something like that.

In other words, we want to see what the pattern of delivery was, early or late on each of those contracts.

(The following information was furnished:)

Question. With respect to each contract, was any extension of delivery time permitted prior to, and/or subsequent to negotiation of the contract? Also, cite cases of early and late deliveries by the contractor.

Answer. The administrative contracting officers in Chicago, Ill., and St. Louis, Mo., have been requested to provide detailed information covering deliveries as documented by form DD-375 (monthly production progress report). The Chicago office is preparing information concerning the Radiant Manufacturing Co. contracts which will be furnished upon receipt. The St. Louis office has advised that it is necessary to defer indefinitely the presentation of Also contract delivery data due to the fact that most of the files have been forwarded to the office of the U.S. Attorney in and for the District of Columbia.

Mr. ROBACK. We also would like to have a little narrative on what was the response to the Navy audit reports in 1963 and 1965 which were critiques of the Chromcraft accounting system and failure in some cases to introduce or to include in contracts with vendors certain of the contractual clauses that are required, as for example access to records, and several others.

(The requested material appears at p. 28.)

Mr. LUMAN. With regard to these things, they were summed up in the General Accounting Office letter of August 15, 1966, to Admiral Shinn.

After several to's and fro's between the Navy and the General Accounting Office, the Navy promised a reply on February 3, 1967. On February 9, they wrote the GAO and said on February 2, the day before the reply was due, they had been informed by the Justice Department to avoid future contacts with the company.

Assuming that you in fact had a draft ready to answer the General Accounting Office's questions, we would like to see that, if you could submit it.

Captain McMorries. May I ask one question, Mr. Roback?

Earlier you asked I think whether any extension of delivery times or the RFP—I assume you mean did we extend the opening or the closing date of the RFP.

Was that your question?

Mr. Roback. I think that Mr. Tassin remarked that the delivery time was extended on the RFP. Are you referring to the actual delivery time of the items; is that right?

Captain McMorries. No, I have that. We will respond to that.

Mr. Roback. I think you had better include that information too.

Captain McMorries. All right.

Mr. Roback. So we will get a picture of that time sequence.

PROSPECT FOR FUTURE COMPETITION

Mr. Dahlin. Captain, is it the case at the present time that you have pretty well given up on the idea of getting any new competitor in this field just by bidding, rather than by getting some kind of a development effort? If so, are the only potential competitors on the horizon—as far as the Navy is concerned—from the quality qualifications standpoint the two competitors, the two contractors that are working for China Lake?

Are they the only two other possibilities here? What does the Navy have to look forward to for new competitors to get into this area?

Captain McMorries. I would address that particular question this way, sir.

Upon successful development of the 70-71 version and adoption of it by the Navy for Navy-Marine use, on any subsequent requirement, as indicated heretofore, we do not anticipate a fiscal year 1969 requirement. Assuming that we would have requirements in 1970, we would compete among all interested sources for that particular requirement, on the basis of that data. I do not know that there is any limitation necessarily to the concerns who have participated to date in the fabrication of model hardware, if you will, the six or eight models being fabricated.

We have had considerable interest, or at least enough responses in an informal solicitation to indicate that there is a reasonable base for adequate competition.

Mr. Dahlin. What is your estimate of the leadtime between the production of a set of data at China Lake, if you get one, and when you can qualify a new contractor who can pass all of your rather detailed tests of performance that are required for this type of hardware?

Captain McMorries. To address that with a complete data package, I would say that from date of contract award, if you will, until the

first production article for use would be in the neighborhood of 12 to 15 months.

Mr. DAHLIN. Fifteen months is a reasonable estimate.

What is your estimate between the dates you come up with the data package and before you make an award or could make an award, even if you had the money, which you do not appear to have at this time?

Is it going to take longer in your view to award a contract, if you had a competition on these 70-71 models, certify them and this sort of thing? Do you regard this as a standard kind of contract procedure, if you get a new model?

Captain McMORRIES. I think with a data package, and assuming a normal procurement, with the necessary leadtime for solicitation, that it would not take any longer to result in an award with 30 competitors than it would with five. I do not know whether this addresses your question.

And as to the elapsed time from initiation of the procurement until contract award, I would defer to Mr. Tassin on that, because his operation will be conducting it.

Mr. TASSIN. From the initiation of the request to the contract award, Captain?

Captain McMORRIES. Yes.

Mr. TASSIN. There should not be any difference in time, but my estimate would be that it requires more time to conduct a competition and give everybody an opportunity to quote on something than it does on a sole source, and the law I think recognizes this.

It is my estimate that it would take somewhere between 4 to 6 months to accomplish this competition, and give everybody an equal opportunity.

NAVY POSITION IN EVENT OF DEBARMENT OF ALSCO

Mr. DAHLIN. Mr. Stein, what is the position of the Department in case you get a debarment in this field?

Mr. STEIN. The position would be substantially the same as it is now.

Normally we do not contract with companies that are either suspended or debarred. However, in each case this is an administrative action, which is taken in the interests of the Government, and which can be modified in the interests of the Government.

Mr. ROBACK. Is there a waiver that has been signed?

Mr. STEIN. Yes.

Mr. ROBACK. On the pending procurement?

Mr. STEIN. Yes.

Mr. ROBACK. That is a waiver to permit dealing with a suspended firm?

Mr. STEIN. Yes.

Mr. ROBACK. And under what circumstances would debarment occur? If there was a conviction?

Mr. STEIN. Debarment would likely occur if there was a conviction.

Mr. ROBACK. And if there is a conviction, are you permitted to deal with a firm that is legally debarred?

Mr. STEIN. I am sorry, I did not get your question.

Mr. ROBACK. Are you permitted to deal with a firm that is legally debarred?

Mr. STEIN. Yes, we are legally permitted to do so.

As I say, the debarment is not required by statute. It is an administrative action, just as the suspension is an administrative action. So our legal position would be the same, if we were dealing with a debarred company, as it is in dealing with a suspended company.

Now there are, as you know some statutory ineligibilities, and they would present a different problem. But the type of debarment we are talking about here, the type of potential debarment, would be an administrative action, which we could treat administratively substantially the same way we treat the suspension.

Mr. ROBACK. Does the Navy ever try to encourage a company to improve its position, I mean get rid of the liabilities, I mean of the onus of debarment, for example, by a change of management?

Does it ever get involved in that?

Mr. STEIN. Well, we have to be very sensitive of course to this type of thing. Obviously accusations are not proof, and we are not in a position ourselves to judge the charges here.

Mr. ROBACK. I was not assuming that would be done on the basis of accusations.

Mr. STEIN. Right. Where companies have themselves taken the initiative to purge themselves of the conditions which have led to suspension or debarment, that has been a basis for us to adjust accordingly.

Mr. ROBACK. Then you would have to evaluate whether a company had the same competence, managerial ability, and what not?

Mr. STEIN. Yes, that is correct.

Mr. DAHLIN. Mr. Stein, was there in fact a legal hold at the time of the breakout of the fairings in the last year's contract, June 1967?

Mr. STEIN. The Chromcraft-Alsco Co. was suspended on April 4, 1967.

Mr. DAHLIN. Was there a 3-month legal hold on that contract, and was that for purposes of examining the suspension problem? Or did your office in fact ask for the competition on the fairing?

Mr. STEIN. Our office did not itself ask for the competition. Obviously competition is always to be desired. At any time we deal with a company in a suspended status, it presents problems we would like to avoid. It is an unusual thing to do. We do it very rarely.

Mr. DAHLIN. Could you also supply some information on just how the cost analysis function is performed on these particular kinds of contracts, Captain McMorries?

Who is responsible for doing the cost analysis as far as your command is concerned? That is, as distinguished from the DCAA support function, who is supposed to be in charge of both reviewing and working on the proposals?

(The following information was furnished for the record:)

Question. Who is responsible for the cost evaluation of these contracts?

Answer. The negotiator has the basic responsibility with the assistance of advisory reports from the administrative contracting officer and the auditor. The negotiator's cost analysis is the review and evaluation of the contractor's cost or pricing data and of the judgmental factors applied in projecting from this data to the estimated costs, in order to form an opinion on the degree to which the contractor proposed costs represent what performance of the contract should cost, assuming reasonable economy and efficiency. Cost analysis is performed in three steps, as follows:

The first step is to secure the cost/pricing data from the contractor together with the applied judgmental factors. This is commonly called "the proposal."

The second step is to secure advisory reports from the Administrative Contracting Officer and the Defense Contract Audit Agency on the information submitted by the contractor. Their general responsibilities are as follows:

- ACO 1. Need for the quantities and kinds of materials included in the proposal.
 2. Need for the number and kind of man-hours.
 3. Need for special tooling and facilities.
 4. Reasonableness of scrap and spoilage factors.

- Auditor 1. Performing that portion of the review which requires access to the contractor's books and financial records supporting proposed cost or pricing data.

The third step is the review and evaluation of the contractor's proposal, the advisory ACO and audit reports and the formulation of a Government position as to what the performance of the contract should cost.

Mr. ROBACK. We will ask the Navy witness to stand by, and I think we will ask the Air Force, Mr. Chairman, to present a statement and then the Army and then we can have a discussion which any of them will participate in as required.

Mr. HOLIFIELD. Thank you, Captain.

Thank you, gentlemen.

Captain McMorries. Thank you, gentlemen.

Mr. HOLIFIELD. Mr. Secretary, you may proceed with your statement. We will include your biographical data in the record.

TESTIMONY OF HUGH E. WITT, DEPUTY TO ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS); ACCOMPANIED BY COL. WILLIAM R. MANNING, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS); LT. COL. JOHN W. DICKENS, AFSDC, OFFICE OF DIRECTOR OF SUPPLIES AND SERVICES, DEPUTY CHIEF OF STAFF (SYSTEMS AND LOGISTICS); AND LT. COL. STANLEY V. SCHARLING, PRODUCTION AND PROGRAMING DIRECTORATE, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR SYSTEMS AND LOGISTICS
 (Biographical sketch follows:)

BIOGRAPHY OF HUGH E. WITT, DEPUTY FOR SUPPLY AND MAINTENANCE TO THE ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS)

Hugh E. Witt was born 46 years ago in Winchester, Ky. He graduated from Winchester High School in 1939 and attended Transylvania College on a scholarship for 2 years before transferring to the University of Kentucky. He was an active member of the Kappa Alpha Order at the University of Kentucky and Transylvania. He graduated from the University of Kentucky in 1943 with a bachelor of science degree in commerce. While at the university he was a member of the U.S. Army Enlisted Reserve.

After graduation, Mr. Witt spent 3 years in production control work at the Curtiss-Wright Corp. plant in Cincinnati, Ohio, one of the Nation's largest producers of aircraft engines during World War II. After the war, he went into sales promotion work, primarily with the Genesco Corp. of Nashville, Tenn.

At the outbreak of the Korean war, Mr. Witt joined the Air Force Headquarters staff at the Pentagon, working in Industrial Resources and Materials Requirements. He moved up to the Office of the Secretary of the Air Force 3 years later where his work centered around weapon system programing and procurement policy. In 1961 he was promoted to his present position of Deputy to the Assistant Secretary of the Air Force (Installations and Logistics).

As a reflection of his continuing interest in education, Mr. Witt performed graduate work at the George Washington University, Washington, D.C., and in 1956 was selected for an Alfred P. Sloan Fellowship at the Massachusetts Insti-

tute of Technology (MIT). After a year's study, he received a master's degree in industrial management from MIT. He has recently lectured on defense management at George Washington University and MIT.

In 1964 he was elected national president of the Armed Forces Management Association, a countrywide organization of Government employees, both civilian and military, devoted to the improvement of defense management. He is presently a panel chairman of the Air Force Board for the Correction of Military Records and serves on the Air Force Association's Civilian Personnel Council.

Mr. Witt has received a number of awards during his Government career, including the Superior Accomplishment Award, the Meritorious Civilian Service Award, and the Exceptional Civilian Service Award. The latter is the highest citation given by the Air Force. The Secretary of the Air Force has recently nominated him for the National Civil Service League Career Service Award.

As representative of the Secretary of the Air Force in congressional matters, he has been a principal witness before many of the major committees of the Senate and the House of Representatives.

Mr. Witt and his wife, the former Janie Bryan of Nashville, Tenn., are also active in civic affairs in Alexandria, Va., where they have resided for the past 13 years. Both have served on a number of citizens' advisory committees for the Alexandria City Council, and Mr. Witt was president of the local civic association for 2 years.

Mr. WITT. Mr. Chairman and members of the subcommittee, and members of the staff. It is indeed a privilege and a pleasure to accept, on behalf of the Air Force, your invitation to appear before you and to discuss our rocket launcher program.

Your discussions with the Navy witnesses have, I am sure, not only given you a keen insight into the Navy program itself, but also a familiarity with various Air Force aspects due to the Navy's procurement and production role for both services.

Consequently, I wish only to elaborate further on Air Force aspects of the program, and particularly as they relate to our requirements, and our logistics, operational, and management considerations.

However, before addressing myself to those areas, I would like to make clear our complete satisfaction with the Navy's efforts in the procurement, and continuing product improvement, of our rocket launchers. They have consistently given us a quality product at reasonable prices, with commendable deliveries, and I personally believe they have done an outstanding job.

As you are aware, the Air Force is the predominant user of air-borne rocket launchers. Our buy program supports Southeast Asia (SEA), military assistance programs (MAP), and training. These requirements are currently running at the rate of about [deleted] a year for the LAU-3/A, which is the 19-tube disposable type, and about [deleted] a year for the LAU-59/A, which is the seven-tube reusable type.

These two types, the LAU-3/A and the LAU-59/A, are the Air Force's current standard items and the only ones that we are now procuring.

These procurement requirement quantities are closely coincident with our expenditure rates, which were [deleted] of the LAU-3/A and [deleted] for the LAU-59/A during calendar year 1967. The expenditure rates for the first 3 months of this calendar year were at about the same monthly rate as last year, although we anticipate increased monthly consumption for the remainder of this year.

The dollar magnitude of these programs for fiscal year 1968 is \$9.1 million for the LAU-3/A, and \$3.3 million for the LAU-59/A. Our

fiscal year 1969 requirements, based on current prices, will be about the same.

In the logistics area, studies were made last year as to the relative costs of shipping rockets preloaded in their launchers versus shipping rockets and launchers separately, as we are doing now. We concluded that there were definite monetary advantages to shipping preloaded launchers, providing they were protected by a shipping container.

However, these savings had always been offset by certain operational considerations, particularly pertaining to reliability, maintainability, and flexibility.

Accordingly, however, we have decided to initiate a field test at selected bases in SEA—to be identified by PACAF—to determine if, because of our monthly consumption, that for the duration of the Vietnam conflict we should preload LAU-3/A launchers.

Of particular interest to us—and which we feel most germane, as an item of discussion here—is the very promising Navy development of the LAU-70/A and 71/A rocket launchers at the Naval Weapons Center, China Lake, Calif., which we are seriously contemplating as replacements for our LAU-59/A and 3/A. As the Navy expects to have a competitive procurement data package in September of this year, and since these new launchers have outstanding potential as standard Air Force, Navy, and Marine Corps launchers, they may well be the only items procured for the Air Force in the fiscal year 1970 program.

I would comment here, Mr. Chairman, that this depends as the Navy has stated, on how well the testing, how well the developments work out at their China Lake operation.

In reference to the decision for a single manager for the 2.75-inch rocket launcher, the Air Force concurs with the Army's being given such an assignment, with responsibility comparable to those now assigned to that service for the 2.75-inch rocket.

We will be ready to answer any questions, sir.

Mr. ROBACK. Let's take the last item first, the last paragraph.

Mr. WITT. Yes, indeed.

ROCKET DEVELOPMENT AND TEST

Mr. ROBACK. Does that mean that the Air Force retains, in the rocket area, development responsibilities?

Mr. WITT. This is correct.

Mr. ROBACK. To what extent do you have development responsibilities for the rocket?

Mr. WITT. We have development responsibilities now for the rocket. There is a very close liaison, Mr. Roback, between the services.

Mr. ROBACK. Do you let the development contract, for example, on your own for the rockets?

Mr. WITT. Yes. We would handle our own development contracts, yes.

Mr. ROBACK. You do the testing of the rockets?

Mr. WITT. Yes.

Mr. ROBACK. And the Army takes over only after you have an accepted standardized item and they buy it for you; is that right?

Mr. WITT. This is correct. We give them our requirements and so forth.

Mr. ROBACK. Does the rocket expert accord with that? Is that his understanding?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. So that the position of the Air Force is, even though the Navy has done a good job as far as they know, and understand, they would not object to the Army taking over the procurement responsibility provided the development responsibility stays with the user here.

Mr. WITT. This is correct, sir.

Mr. ROBACK. And can you at this stage throw any light on what the status of decision is with regard to change of procurement responsibility?

Mr. WITT. We have agreed, sir, and we have told the Office of the Secretary of Defense that we agree that the Army should pick up the identical responsibilities for the launcher that they now have for the rocket itself.

NAVY PROCUREMENT FOR AIR FORCE

Mr. ROBACK. Can you answer—or can the Navy witness answer—when did the Air Force transfer to the Navy, or have shifted over to the Navy the procurement responsibility for the launcher?

Mr. WITT. When was that done?

Mr. ROBACK. Yes.

Can Captain McMorries answer that?

Captain McMORRIES. I cannot answer that precisely as to date.

Mr. ROBACK. Will you provide for the record the transaction paper on that?

Captain McMORRIES. Yes, sir.

Mr. ROBACK. And describe the circumstances.

Mr. WITT. We will be glad to.

(The information requested follows:)

NAVY SUBMISSION

Records in the Naval Air Systems Command indicate that the first procurement of a 2.75-inch rocket launcher by the Navy for the Air Force was in the year 1963.

AIR FORCE SUBMISSION

The Air Force had no requirements for rocket launchers in 1961 or 1962. However, requirements for rocket launchers generated in early 1963. At this time it was determined that the most prudent procedure would be to obtain launchers through MIPR action from the Navy. A MIPR was initiated and forwarded to the Navy in early April 1963. Since that time all Air Force requirements for the 2.75-inch rocket launchers have been satisfied by MIPR to the Navy.

During the 1961-62 time period when the Air Force did not have any procurement requirements, and did not procure any rocket launchers, the Navy did have requirements and was actively working with industry on rocket launcher production programs. Consequently, when our requirements developed in early 1963, it seemed logical to have the Navy manage the procurement for both services, since the rocket launchers were basically the same; they had been developed by the Navy; and were essentially noncomplex equipment. In addition, the Navy had an established interface with industry for these programs which the Air Force did not.

It was considered that cost savings would occur through consolidation of requirements and a single point procurement commodity monitorship.

AIR FORCE INPUT FOR LAU-70, 71

Mr. ROBACK. On the launcher that China Lake is making, has there been any actual Air Force flying and shooting?

Mr. WITT. No. We have not received the new launcher for test.

Mr. ROBACK. You have not had any hardware?

Mr. WITT. No.

Mr. ROBACK. You are just now basing this testimony on the expectations?

Mr. WITT. Correct.

Mr. ROBACK. You do not have any hardware experience?

Mr. WITT. That is correct.

Mr. ROBACK. You have no test experience?

Mr. WITT. That is correct.

Mr. ROBACK. But you do not have any reservations as yet about the development?

Mr. WITT. It looks favorable at this point.

Mr. ROBACK. If the development proves out as far as it's doing, you know, successful in testing and what not, will it meet all Air Force launcher requirements?

Mr. WITT. Well, we would have to go through a certification program on our aircraft naturally. That is what we go through, this certification testing program on each new item that comes in to be tested.

Mr. ROBACK. But as far as the configuration of the hardware, it looks like this would satisfy your requirements, assuming that there was compatibility, safety, and other aircraft requirements?

Mr. WITT. It sounds good right now; yes.

Mr. DAHLIN. Were your requirements obtained before the designs were initiated by China Lake?

Mr. WITT. Were our requirements?

Mr. DAHLIN. As far as design requirements.

Mr. ROBACK. You have input, in other words?

Mr. WITT. The Navy knows very well our requirements in this regard, particularly since they have been buying for us for quite a few years now; they know what we want.

Mr. DAHLIN. This is presumably an improved model. So any improvements you want you have to ask for, do you not?

Mr. WITT. This is right. The improvements that they have advised us of so far sound very good to us.

PROCEDURE FOR AIR FORCE REQUIREMENTS SUBMISSION

Mr. ROBACK. Can you throw any light on the various procurements which have Air Force segments, quantities, as far as their frequency goes, that is to say, there are some contracts with numerous modifications or various contracts for certain numbers of items? In other words, does the Air Force, because it does not have the procurement responsibility, omit or does it disregard any concern about grouping and analyzing and organizing these requirements in such a way that it maximizes procurement, or does it merely submit requests as they

come in from the field, toss them over to the Navy, that is their responsibility?

Mr. WITT. Generally slightly oversimplified but basically I think the last part of your statement is correct.

We give the MIPR's and, as I say, we feel they have been doing a good job for us over the years now.

Mr. ROBACK. If you supply the MIPR's on a weekly basis, they have to go sole source because they do not have any time to look around?

Mr. WITT. On a weekly basis there is no question about that.

Mr. ROBACK. So the user contributes to the sole source problem?

Mr. WITT. There is no question, sir, that looking at our requirements and the way the buildup in Southeast Asia has gone, as Mr. Shillito mentioned yesterday morning, we have given the Navy some very short time periods in which to provide us with the launchers. We are the first to admit that our requirements have come in sporadically as the changing forces over there, we have had a number of force changes. Our requirements have escalated very, very rapidly.

Mr. LUMAN. Is there something in the mechanism though where, after you do this several times, someone would sit back and say, "We cannot say how many thousand we are going to need 5 months from now but we can promise you we are going to have a steady, continuing heavy demand"? In this way the buyer might be able to start breaking in new sources without getting hit with these requests all the time.

Mr. ROBACK. He should be building up and replenishing inventories and you should be drawing on inventories, and you should be procuring, not on a sporadic hit-or-miss basis, but like an orderly self-controlled wise gentleman.

Mr. WITT. I wish that we had been in a better position to forecast how these requirements were going to hit us, because it would have made the Navy's job considerably easier. There is no question about that in my mind.

Mr. ROBACK. We are not assuming on the basis of your testimony that that is the only reason why these things have been doled out that way, but you say it is a contributing factor?

Mr. WITT. Yes, I would say so.

Mr. ROBACK. Do you think that is a weakness of the single service approach, where one service has to respond to another without having anything to say about organizing requirements in some kind of orderly way if possible?

Mr. WITT. No, I don't think so.

Mr. ROBACK. This could either be urgency of request or it could be what you might call lack of attention to the problem, you know.

Mr. WITT. I see what you mean.

I think before we got into the escalation in Southeast Asia of activities there, there was much more give and take back and forth, you know. Can you not give me such a short time in which to provide requirements, things of this type. There was a lot more give and take, and we were in a better position to say well, we will wait a little later for deliveries, things of this type.

But when you look at the fact that in calendar year 1965, for instance, we flew [deleted] sorties in Southeast Asia, tactical air-to-ground type sorties which reflect back on our launcher requirements, [deleted] sorties, the following year it was [deleted] sorties, and in looking back

in calendar year 1965, we were not able to say right then that we would be flying [deleted] as many sorties the next year, sorties which would reflect directly upon our launcher requirements.

Mr. LUMAN. Could you have made a conservative guess that we do not know how high it will go, but it will be at least this and we probably foresee this for the foreseeable future.

Mr. WITT. We did not. I do not know whether we could have or not in retrospect, Mr. Luman. In 1967 it went from [deleted] up to over [deleted].

AIR-TO-AIR USE OF 2.75-INCH ROCKETS

Mr. ROBACK. Are you using any air-to-air, in this field?

Mr. WITT. Air-to-air?

No, not to my knowledge.

Colonel MANNING. Other than the rockets.

Mr. ROBACK. Is anybody using air-to-air?

Mr. WITT. For the 2.75?

Mr. ROBACK. For the 2.75.

Mr. WITT. I do not know of any.

Colonel DICKENS. We have the capability to do so, but we are not using them in Southeast Asia.

Colonel MANNING. To clarify what you said, Mr. Roback, are you speaking of the LAU-3 or the 2.75?

Mr. ROBACK. Any 2.75 rocket, is it fired air-to-air?

Colonel MANNING. We use the 2.75 rocket in our F-102 air defense aircraft.

Mr. ROBACK. Air defense?

Colonel MANNING. Yes.

Mr. ROBACK. As an air-to-air weapon?

Colonel MANNING. Yes.

Mr. ROBACK. But it is not used in Southeast Asia?

Colonel MANNING. Yes, sir; we have F-102's in Southeast Asia.

Mr. ROBACK. For the air defense part of the function?

Colonel MANNING. That is right.

Mr. ROBACK. But it is not used in sorties and ordinary target missions?

Colonel MANNING. No, sir; they are not included.

Mr. WITT. That is correct.

Mr. ROBACK. I think, Doug, if you have a question, otherwise I think we will ask the Air Force to stand by and we will take the Army.

USE OF PRELOADED LAUNCHERS

Mr. DAHLIN. This preloading study that you referred to, did you come up with a cost figure that you estimated for the contractor to do the preloading for you?

Mr. WITT. We ran some estimates, and I think we sent you a copy of the study, if I remember correctly.

Mr. DAHLIN. We have a copy of one study. You said you have done some others.

Mr. WITT. As a result of that study, we went back and questioned certain packaging arrangements and so forth, and they came up with an addendum which I think is also attached, showing that to package

these items in a better way than the original study showed that it would increase the cost.

Mr. ROBACK. Could I ask in this connection, is the rationale here to try to contribute to a standardized product with the Navy? That is, they preload and the question is, can you preload, or is it the right thing to do?

Is that the question, or is that a separate thing?

Mr. WITT. Well, let me say this: The fact that the Navy has been preloading and is doing so, we understand, successfully, raises the question whether or not we could do the same sort of thing.

Mr. ROBACK. You fellows developed quite a rationale that there are complications in preloaded shipping and you like to test the rocket out before you slap it on the aircraft, so you want to have the fellows there. You need them there anyway so you are not going to save manpower and handling and all that.

What has happened to all that rationale?

Mr. WITT. That rationale still will hold, but the fact is that monetary savings we feel could probably accrue from the preloading makes us go back and run an actual field test, which we have just now begun.

Mr. ROBACK. In your cost comparisons, be sure you add the cost of those fancy pans on each end now.

Mr. WITT. We are going to take everything into consideration, fancy pans and all.

Mr. ROBACK. Do not use the old crates. If they have a preloaded operation, the manufacturer is going to develop some even fancier pans than he has now, no doubt. So be sure you take the costs into consideration.

Mr. WITT. We will keep that in mind.

Mr. ROBACK. All right.

Mr. DAHLIN. Your statement says that you do not go with the Navy idea, as I understand it, of merely using the launcher as a shipping container.

Colonel MANNING. That is right.

Mr. DAHLIN. The Air Force concept for preloading would be to ship a launcher in a suitable case to reduce damage en route—is that the idea? The case would have to have shock absorbing material to try to reduce that danger to the rocket?

Mr. WITT. You are right.

Mr. DAHLIN. Is that the general concept you are developing?

Mr. WITT. This is correct. We are going to look at the problems, the cost of shipping preloaded versus the cost of shipping the way we are now doing it, separately, broken down, but we have run into a number of interesting facets of this when you look about it.

For instance, when they are preloaded our safety regulations say that if they are already loaded and can be fired, you have to aim them at a 10-inch concrete wall and so forth, things of that type, that earlier studies have not gone into in detail. So this would knock out some of the advantages that we looked at in our first study.

In addition, each of our LAU-3's, when it arrives overseas, and when the men are loading it in the loading areas at base level, we put one white phosphorous rocket head, loaded rocket in each of the assem-

blies. Then that raises the question, can you ship a launcher with white phosphorous in it, and the safety regulations say no.

So we would have to ship them over there and then open them up after they are prepped and put a white phosphorous in the field.

I am just saying that these kinds of things get into any consideration as to whether it is smart or not to preload.

Mr. ROBACK. Does the Navy have white phosphorous?

Mr. WITT. I do not know.

Commander KATCHER. We use white phosphorous but we do not ship white phosphorous in the launcher.

Mr. ROBACK. That is a special handling?

Commander KATCHER. Yes, sir; we either remove a round or insert it in an empty tube.

Mr. WITT. This is one of the problems.

Mr. ROBACK. The preloaded rockets, the Navy uses the launcher for the container. Would that be the same here?

Mr. WITT. We are going to try it this way except we cannot ship the white phosphorous.

Mr. ROBACK. What about the fairings?

Mr. WITT. Pardon me, the container will be in a box. I thought you meant the launcher itself.

Mr. ROBACK. The Navy does not use the box; is that right?

Commander KATCHER. We do not crate the launcher.

Mr. ROBACK. You will crate the launcher. Is that because you have further to ship?

Colonel MANNING. Yes; we do.

Mr. ROBACK. Or is it a different shipping, handling problem?

Colonel DICKENS. Mr. Roback, in the original study, AFLC came up with the idea of shipping it on a shipping pallet in which they figured a certain cost. In this new configuration there will not have to be a requirement for a specialized pallet as such, and they consequently developed the package or box in which to put the launcher, and this overall cost I believe will result in slightly lower cost than what the original concept was, as far as the packing itself is concerned.

Mr. ROBACK. Does the fairing go with the launcher in the preloaded configuration?

Colonel MANNING. Yes, sir.

Mr. ROBACK. Does the Navy, too?

Does the fairing—is that affixed?

Commander KATCHER. Fairings are shipped separately and put on at the time the launcher is hung on the aircraft, sir.

Mr. ROBACK. Why is that done?

Commander KATCHER. Because the fairings are too fragile to be shipped as a part of the exposed shipping container.

Mr. ROBACK. So you do not have that problem?

Colonel DICKENS. Might I respond to that?

The fairing itself will not be installed on the launcher in the package. I believe it will be included in the package but not installed.

Colonel MANNING. Yes, sir.

Colonel DICKENS. Such as the Navy was referring to here, so essentially, it would be the same configuration.

Mr. WITT. Have various variations on the theme, if you will, on the ways you can do this. We plan to explore this pretty thoroughly in analyzing it and looking at actual field tests.

Mr. ROBACK. If you come to a preloaded configuration or method, will that have any impact on the launcher configuration?

Mr. WITT. No.

LAUNCHER COMMONALITY

Mr. ROBACK. Will it enhance the possibilities of common use with the Navy?

For example, are you both talking about the same length of rocket?

Mr. WITT. Well, at this point we are not using the longer rocket. Colonel DICKENS. The longer launcher.

Mr. WITT. I mean the longer launcher.

Mr. ROBACK. You are talking about China Lake. Is that for the longer or the shorter or what?

Colonel MANNING. That is for the longer.

Mr. ROBACK. The longer and you do not know whether you are going to use the longer?

Mr. WITT. This is right. We do not know yet.

Mr. ROBACK. You do not know whether this China Lake thing is even interesting to you yet?

Mr. WITT. It is interesting, we can say that, but whether or not it will satisfy our requirement remains to be seen. The Air Force test program is designed to verify whether an item should be procured for Air Force use.

Mr. ROBACK. This is more or less than the problem of developing another launcher source. This is a question of whether you are interested in using the same length of launcher as the Navy; is that right?

Mr. WITT. This is right.

Colonel MANNING. In our certification tests and in our development tests of this launcher, we could possibly accept the additional 10 inches.

Mr. ROBACK. Why does the Navy have a longer launcher, because of the different kinds of aircraft?

Colonel MANNING. No, sir; because they are using a different warhead than we are using.

Mr. ROBACK. Why is that?

Mr. WITT. We do not have the same—

Mr. ROBACK. Why is the Navy using a different warhead?

Colonel DICKENS. I do not think this is right.

Commander KATCHER. We are all using the same rocket, warhead, and fuse, sir.

Mr. ROBACK. Somebody stands corrected here.

Colonel MANNING. I stand corrected.

Commander KATCHER. If Colonel Manning will permit me, the difference, as I stated yesterday, sir, involves the need for radiation hazard protection aboard ship.

Mr. ROBACK. In other words, the extended length is a ship-peculiar problem, if I may use a common parlance.

Commander KATCHER. It is a ship-generated requirement. However, it gives us the advantage of being able to put steel end pans on these things, because the rocket is completely enclosed in the launcher, and thus we put six of these on a pallet for shipping purposes.

Mr. ROBACK. Thank you for refreshing my memory on that point. I think we will ask the Air Force to stand aside for the time being and have the Army come up.

Mr. HOLIFIELD. Thank you, gentlemen.

Mr. WITT. Thank you, sir.

Mr. HOLIFIELD. General, you have waited patiently now.

TESTIMONY OF MAJ. GEN. ROLAND B. ANDERSON, DIRECTOR OF MATERIEL ACQUISITION, OFFICE OF ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS); ACCOMPANIED BY COL. PAUL D. HICKMAN, PROGRAM MANAGER, 2.75-INCH ROCKET; JOHN J. HARRITY, JR., DEPUTY PROGRAM MANAGER, 2.75-INCH ROCKET; COL. MOSE E. LEWIS, PROJECT MANAGER, AIRCRAFT WEAPONIZATION, HEADQUARTERS, ARMY MATERIEL COMMAND; LT. COL. WILLIAM F. GURLEY, HEADQUARTERS, ARMY COMBAT DEVELOPMENTS COMMAND; JOSE A. RAMIREZ, OFFICE OF THE PROJECT MANAGER FOR AIRCRAFT WEAPONIZATION, ARMY MATERIEL COMMAND; WILLIAM C. WATSON, R. & D. DIRECTORATE, ARMY MISSILE COMMAND; PAUL K. SCHAEPI, DEPUTY DIRECTOR, PROCUREMENT AND PRODUCTION, U.S. ARMY MISSILE COMMAND; AND LT. COL. ELSWICK NEWPORT, AIRCRAFT DIVISION, OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS)

(Biographical sketch of General Anderson follows:)

BIOGRAPHICAL SKETCH OF MAJ. GEN. ROLAND B. ANDERSON

Roland B. Anderson was born October 23, 1913, in Duncan Okla. He attended the University of Oklahoma, Norman, Okla., 3½ years in petroleum engineering prior to his entering the U.S. Military Academy in 1934. Upon graduation in June 1938 and being commissioned a second lieutenant of artillery, his first duty station was the 12th Field Artillery, Fort Sam Houston, Tex. Following completion of courses at the Massachusetts Institute of Technology, the Ordnance School, Sperry Gyroscope, and Kueffel & Esser in 1940, he commanded the 63d Ordnance Maintenance Company in Hawaii.

In 1942 he became the ordnance officer, Hawaiian Antiaircraft Command and from 1943 to 1946 he served with the Office, Chief of Ordnance in Washington, D.C. He was transferred from the Field Artillery to the Ordnance Corps in 1946 and in the same year he was a technical observer with the Joint Task Force No. 1, Operations Crossroads. In 1947 he was assigned as ordnance technical advisor, U.S. Military Mission, Lima, Peru, and upon his return to the United States in 1950 he was assigned to the Office of the Secretary of the Army as Chief of the Procurement Branch until July 1953. Following graduation from the Army War College in August 1954 he commanded the Boston Ordnance District, Boston, Mass., until January 1957.

General Anderson was assigned to the Office, Chief of Ordnance, Washington, D.C., as Deputy Chief, Industrial Division and in July 1960 was sent to France as Assistant Chief of Staff (G-4) of Headquarters U.S. Army Communications Zone, Europe.

Returning to the United States in August 1962, General Anderson was named deputy commander, U.S. Army Weapons Command, Rock Island Arsenal, Rock Island, Ill. and 2 months later was promoted to brigadier general.

On March 1, 1964, General Anderson was designated commanding general of the U.S. Army Weapons Command, Rock Island, Ill.

General Anderson was assigned as Director of Procurement, Office of the Assistant Secretary of the Army (Installations and Logistics) on September 12, 1966.

Due to the reorganization of the Office of the Assistant Secretary of the Army (I. & L.) on March 20, 1967, General Anderson became the Director of Materiel Acquisition. In addition to these responsibilities he was Acting Director of Procurement Policy and Review pending appointment of a director for the period March 1967 to February 1968.

Among his military decorations are the Legion of Merit, the Purple Heart, and the Order of the British Empire.

General Anderson and his wife Gene have one son, Roland Bruce Anderson, and one daughter, Gene Cox Anderson, Jr.

General ANDERSON. That is quite all right, Mr. Chairman. I have enjoyed the proceeding.

Mr. HOLIFIELD. All right, General, you may go ahead with your presentation.

General ANDERSON. Mr. Chairman and members of the subcommittee staff, I welcome the opportunity to appear before you and hope that I can respond satisfactorily to your interest in the rocket launchers and to matters related to it.

By way of background, our interest in the 2.75-inch launcher commenced in 1964 with a tactical requirement to combine machinegun suppressive fire with a high explosive capability in the form of the 2.75-inch rocket. This requirement was first met by an adaptation of the 2.75-inch seven-tube Navy launcher.

The principal changes in its adaptation were the replacement of the paper tubes with aluminum tubes to make the launcher reusable and to locate the intervalometer in the cockpit, thus affording the pilot selectivity in firing; that is, choice of firing a round, in pairs, ripples, et cetera. Only recently we have extended the length of this launcher from 48 inches to 58 inches to accommodate the new 17-pound warhead.

This launcher with its improvements is designated the XM-157/B and has been procured as a proprietary item from Chromcraft. It was first procured in 1965.

Also in 1964 the Army began the development of a seven-tube launcher that could be reliably reused through about 100 rocket firings and which was also repairable in that components could be replaced individually as required. This launcher has been designated the M-158.

Tests on this launcher were completed and the launcher was first procured from an Army technical data package competitively in November 1965. Chromcraft was the low bidder from among 13 bidders and was awarded the contract. The M-158 launcher has been modified and is now being tested for application on the Huey Cobra. If these tests are successful, there will be very few further requirements for the XM-157 Chromcraft launchers.

Also in 1964 there was an Army requirement to replace the old XM-3 24-tube launcher since it was too heavy and would not accept a heavier warhead. To meet this requirement the Army adapted a 19-tube Navy launcher and modified it in much the same way as we had the Navy seven-tube launcher and designated it the XM-159. After other improvements to include increased tube length to 58 inches, this launcher was first procured in 1965 and has continued to be procured as a proprietary item from Chromcraft.

The Army is in process of developing a 19-tube improved launcher designated the XM-160.

We are also monitoring a concurrent Navy development of a new and improved 19-tube launcher and at some time in the future will make some decision on its adoption. At the present time, however, Army requirements for a 19-tube launcher must be met with the Chromcraft XM-159/C.

There have been several procurements of the three launchers that I have discussed. At tab A of this statement, I have attached a complete listing by contract showing quantities, unit costs, date of award and total dollar value.

In summary, on the XM-157 launcher, we have made eight awards to Chromcraft through December 1967 for a total of 4,155 launchers. Because it is a proprietary item these have been sole source negotiated contracts.

On the M-158 launchers, we have made four awards: two to Chromcraft, on a competitive basis, for a total of 1,833; one award to Brown Engineering, sole source emergency procurement for 330 launchers and one award to A. C. Electronics—this is not a division of General Motors—small business set-aside, competitive, for 422 launchers.

On the XM-159 there have been five awards through December 1967 to Chromcraft for a total of 3,742 launchers. Since this was a proprietary item, all procurement was sole source negotiated with Chromcraft.

With respect to deliveries, although Chromcraft has not always met their initial schedules, they have exceeded their schedules in some cases and must be characterized as an excellent producer.

The committee has also indicated an interest in the pricing of the sole source contracts awarded to Chromcraft. In short, we are satisfied that the Government has received a fair and reasonable price.

In support of this position, negotiations have been conducted with the benefit of audit support and complete cost and price submissions under Public Law 87-653, sometimes referred to as the Truth in Negotiation Act. Indicated profits have likewise been supported by the weighted guidelines profit policy.

With respect to future requirements, there is attached at tab B a listing of the fiscal year 1968 and fiscal year 1969 procurements and requirements. It is noted in fiscal year 1968 some contracts have already been awarded and others are under negotiation with award scheduled momentarily. The fiscal year 1968 program is already on contract for the M-158 launchers. Remaining fiscal year 1968 requirements for the XM-157/B and XM-159/C will necessarily have to be met by sole source procurement from Chromcraft.

In fiscal year 1969 the M-158 requirements are [deleted] and will continue to be procured competitively. Fiscal year 1969 requirements for the XM-157/B are [deleted] and for the XM-159/C [deleted].

These requirements may have to be procured sole source from Chromcraft depending upon our determination and timing in the procurement of technical data and drawings. The Army development of the XM-160 launcher will not have progressed to the point that it can be procured as a replacement for the XM-159/C in fiscal year 1969.

Now I should like to address the matter of what the Army has done to secure competition in the procurement of its requirements.

First, with respect to the seven-tube launcher, although we first met our requirement by an adaptation of the Navy seven-tube launcher, we started development at about the same time on an improved launcher. This development was successful and resulted in the provision of a technical data package thus permitting competitive procurement beginning in November 1965.

The XM-157/B launchers, most recently procured, are primarily for the Hueycobra. However, as I mentioned, tests are now underway which, if successful, will lead to the replacement of the XM-157/B with the Army-developed M-158.

With respect to the XM-159/C 19-tube launchers, Army development of an improved XM-160 launcher has not been as rapid as was the case of our development of the seven-tube launcher. We are now considering the advantages, economic and others, of purchasing the rights and drawings from Chromcraft for the XM-159/C launcher. Any determination in this respect will be in accordance with the ASPR provisions governing the acquisition of technical data.

The committee has asked to be advised of the status of a single triservice manager for rocket launchers. It is our feeling that such a management arrangement would be beneficial and on the 4th of June we recommended to the Department of Defense that this recommendation be approved.

I understand, as a matter of fact, Mr. Chairman, that the Assistant Secretary of Defense signed such a paper approving it just yesterday.

When approval is received, it is expected that a triservice manager's office can be established and staffed so that it will be operational and in a position to carry out a triservice launcher program in fiscal year 1970.

Thus far I have confined my discussion to the 2.75-inch rocket launcher. I should like now to address the 2.75-inch rocket itself.

The Army developed a requirement for the development of a low-speed Army aircraft weapon system providing high explosive air-to-ground area coverage in June 1963. The original 2.75-inch rocket had a 6-pound warhead which was not particularly efficient when used on ground area targets. As a result, a 10-pound warhead was developed and produced so as to increase its lethality; more recently a 17-pound warhead has gone into production.

Subsequent Navy and Air Force requirements for the 2.75-inch rocket system led to design and development of the current system for air-to-ground utilization by all three services on both low- and high-speed aircraft.

The Department of Defense, on November 11, 1965, directed the Army to assume executive management for the planning, direction, control, and acquisition of 2.75-inch rockets within the Defense Department. A triservice 2.75-inch rocket project was chartered in December 1965 and a project manager assigned. Initially this involved only Army-procured components common to the three services—primarily warheads and fuses. In November 1966 responsibility was broadened to include all components for the rocket. The research and development function remains the responsibility of the separate services.

The production base for the rocket consists of 37 prime contractors for 18 components, excluding the proximity fuse which is in limited production, one commercial contractor for assembling motors, and 10 Government plants for manufacturing propellant, explosive loading warheads and fuses, and assembling and packing completed rockets.

Multiple sources are on contract for all components except seven minor parts which are readily producible and are of low-dollar value (less than \$1). Multiple facilities are also available for all load, assemble, pack (LAP) operations. Component procurement has been effected by competition within the established base.

Attached at tab C are background summaries of Army development; a listing of procurements by program year, and a listing of the principal contractors making up the production base. Procurement and production of components subsequent to January 1966 represent a consolidation of triservice requirements.

Deliveries from production have met Defense Department schedules since October 1966.

Mr. Chairman, this concludes my prepared statement. With the assistance of my associates, I hope that I can answer any further questions.

(Attachments to statement follow:)

2.75-INCH ROCKET LAUNCHER PROCUREMENTS SINCE 1960

XM-157, 2.75-Inch Rocket Launcher, 7 Tube, Reusable

Contract number	Contractor address	Value	Quantity	Unit cost
PAST				
DA-01-021-AMC-12839, 29 June 1965	Chromcraft Corp., St. Louis, Mo	\$137,804.00	470	\$293.20
Do	do	469,485.00	1,500	312.99
Do	do	2,345.60	8	293.20
		609,634.60	1,978	
DA-01-021-AMC-14127(Z) 17 Jan 1966	Chromcraft Corp., Division, of ALSCO, St. Louis, Mo.	164,138.00	520	315.65
DA-01-021-AMC-14127(Z)	do	127,086.50	430	295.55
		291,224.50	950	
DAAH01-68-C-0096, 2 Aug 1967	do	162,497.41	439	370.27
Do	do	6,434.82	18	357.49
		168,932.23	457	
CURRENT				
DAAH01-68-C-1057, 27 Dec 1967	Techfab Division of ALSCO Inc., St. Louis, Mo.	271,733.00	770	\$352.90

M-158, 2.75-Inch Rocket Launcher, 7 tube, Repairable and Reusable

PAST

DA-01-021-AMC-13791(Z), 12 Nov 1965	Chromcraft Corp., St. Louis, Mo	\$435,431.85	1,235	\$352.58
Do	do	193,637.00	598	323.81
		629,068.85	1,833	

2.75-INCH ROCKET LAUNCHER PROCUREMENTS SINCE 1960—Continued
M-158, 2.75-Inch Rocket Launcher, 7 tube, Repairable and Reusable—Continued

CURRENT

Contract number	Contractor address	Value	Quantity	Unit cost
DAAH01-68-C-0861, 20 Nov 1967-----	Brown Engineering Co., Inc., Huntsville, Ala.	\$187,440.00	330	\$568.00
DAAH01-68-C-1038, 22 Dec 1967-----	A. C. Electronics, Inc., Huntsville, Ala.	168,145.90	422	398.45

XM-159, 2.75-Inch Rocket Launcher, 19 Tube, Reusable
PAST

DA-01-021-AMC-12839, 29 June 1965	Chromcraft Corp., St. Louis, Mo.	\$191,900.00	380	\$505.00
DAAH01-67-C-0607, 20 Oct 1966-----	Chromcraft Division of ALSCO Inc., St. Louis, Mo.	251,500.00	500	503.00
DAAH01-68-C-0118, 9 Aug 1967-----	do-----	456,556.94	788	579.39
DAAH01-68-C-0118, 28 Mar 1968-----	do-----	34,455.26	62	555.73
		491,012.20	850	

CURRENT

DAAH01-68-C-1029, 29 Dec 1967-----	Techfab Division of ALSCO, Inc., St. Louis, Mo.	\$1,158,429.12	2,012	\$575.75
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CURRENT LAUNCHER PROCUREMENTS AND REQUIREMENTS

	Fiscal year 1968	Fiscal year 1969
XM-157B		
[Deleted.] Current requirement-----		[Deleted.]
[Deleted.] On contract with Techfab Division of AlSCO, Inc.		
[Deleted.] Add-on being negotiated. Waiver to procure from AlSCO approved.		
[Deleted.] Supplemental quantity being negotiated. Waiver to procure from AlSCO approved.		[Deleted.]
Program cost [deleted]-----		
M-158		
[Deleted.] Current requirement-----		[Deleted.]
[Deleted.] On contract with Brown Engineering.		
[Deleted.] On contract with A. C. Electronics.		[Deleted.]
Program cost [deleted]-----		
XM-159		
[Deleted.] Current requirement-----		[Deleted.]
[Deleted.] On contract with Techfab Division of AlSCO, Inc.		
[Deleted.] Add-on being negotiated. Waiver to procure from AlSCO approved.		
[Deleted.] Supplemental quantity being negotiated. Waiver to procure from AlSCO approved.		[Deleted.]
Program cost [deleted]-----		

ARMY DEVELOPMENT AND PROCUREMENT ACTIVITIES OF 2.75-INCH ROCKETS

- Summary Army development actions
- Summary fiscal year 1964-65 procurement
- Summary fiscal year 1966 procurement
- Summary fiscal year 1967 procurement
- Summary fiscal year 1968 procurement
- Summary motor procurement
- List major component contracts:
 - Fuses
 - Warheads
 - Motor parts
- Production Deliveries to Army, Navy, Air Force
(Secret document—not enclosed. Available under separate cover.)

Summary of Army Development of 2.75-inch Rocket Components

Fuses:

PD M423/427:

QMDO..... May 1963.
 R. & D. initiated..... June 1963.
 1st production contract..... June 1964.

Proximity fuse XM429:

QMDO..... June 1963.
 R. & D. initiated..... February 1966.
 1st production contract..... March 1967.

Warheads:

HE M151:

QMDO..... June 1963.
 R. & D. initiated..... March 1965.
 1st production contract..... November 1964.

WP M156:

QMDO..... May 1963.
 R. & D. initiated..... March 1965.
 1st production contract..... June 1965.

HE XM229:

QMDO..... December 1965.
 R. & D. initiated..... November 1966.
 1st production contract..... November 1967.

2.75-INCH ROCKET FUSE AND WARHEAD METAL PARTS PROCUREMENT
 SUMMARY—FISCAL YEARS 1964 AND 1965

Item	Quantity	Value	Actions	Contracts
M423 Fuse.....	1,640,000	\$10,102,676	10	12
M427 Fuse.....	206,000	1,232,395	2	2
M151 WHD.....	1,670,000	16,690,640	8	9
E-13 WHD.....	118,000	864,078	1	1
Component parts.....		8,360	2	2
Casing burster.....	119,000	89,250	1	1
Total.....		28,987,399	24	27

SUMMARY FISCAL YEAR 1966

M423 Fuse.....	3,817,490	\$21,523,374	14	22
M427 Fuse.....	2,420,337	13,819,766	11	14
M151 WHD.....	4,847,700	38,326,857	14	22
M156 WHD.....	629,513	3,877,710	4	4
Rotors M427.....	500,000	210,000	1	1
Rocket motor (LAP).....	1,820,000	1,226,115	1	1
WHD castings.....	100,000	450,000	1	1
Casing burster.....	212,350	122,101	1	1
Total.....		79,555,924	47	66

DEGREE OF RESPONSE

Item	Number solicited	Number responses
Competitive (all items).....		65
M-151.....	570	20
M-156.....	324	8
Fuses.....	80	37
	166	

2.75-INCH ROCKET FUSE AND WARHEAD METAL PARTS PROCUREMENT—Continued
SUMMARY, FISCAL YEAR 1967

Item	Quantity	Value	Actions	Contracts
M423 fuse.....	2,569,880	\$14,079,591	11	13
M427E1 fuse.....	2,577,592	13,764,792	9	9
M151 warhead.....	3,793,418	27,110,904	19	19
M156 warhead.....	414,200	2,433,970	2	2
Miscellaneous components.....		18,257	1	1
Fuses:				
Fuse bodies.....	147,100	212,178	4	5
Casing burster.....	422,900	327,749	2	2
Warhead castings.....	400,000	1,094,500	3	3
Warhead bases.....	196,400	194,116	2	2
Total.....		59,246,057	53	56

SUMMARY, FISCAL YEAR 1968

M423 fuse.....	[Deleted]	[Deleted]	4	2
M427 fuse.....			5	3
M429 VT fuse.....			4	4
M151 WHD.....			12	6
M156 WHD.....			4	2
M229 WHD.....			2	2
Total.....			31	19

Note: All contracts were competitive within the established base.

2.75-INCH ROCKET COMPLETE MOTOR PROCUREMENT—SUMMARY

	Quantity	Value
Fiscal year 1965:		
Army (MIPR to Navy).....	1,000,000	\$29,864,113
Navy.....	575,000	16,832,856
Total.....	1,575,000	46,696,969
Fiscal year 1966:		
Army (equivalent).....	1,692,000	65,930,703
Air Force (MIPR to Navy).....	874,000	25,986,498
Navy.....	917,000	30,374,700
Total.....	3,483,000	122,291,901
Fiscal year 1967:		
Air Force (MIPR to Navy).....	1,367,500	40,151,500
Navy.....	774,500	24,532,155
Tri-Service (includes fiscal year 1966 Army).....	4,446,000	190,993,783
Total.....	6,588,000	155,677,438
Fiscal year 1968: Tri-Service.....	[Deleted]	[Deleted]

1 Army procurement: Actions, 37; contracts, 14.

2.75-INCH ROCKET CONTRACTOR CAPABILITY RATE [Rates in thousands per month]

Contractor	Fuzes	Rate
Avco.....	[Deleted]	[Deleted]
Bulova.....		
Gibbs.....		
KDI.....		
Zenith (XM29).....		
Westclox.....		
Total.....		

Contractor	Warheads	Rate
Hayes-Albion.....	[Deleted]	[Deleted]
Chamberlain.....		
Airport.....		
Medico.....		
Aerojet-General.....		
Hayes International.....		
Lehigh.....		
Northrop Northronics.....		
Total.....		

Contractor	Fin and nozzle	Rate
Muncie.....	[Deleted]	[Deleted]
Farmers Tool.....		
Marquardt.....		
Hoffman.....		
RMF.....		
Columbus Milpar.....		
Total.....		

GRAIN		TUBES	
Contractor	Rate	Contractor	Rate
SFAAP.....	[Deleted]	Norris Industries.....	[Deleted]
Badger AAP.....		Alcoa.....	
NOS (Indian Head).....			
Total.....		Total.....	

Mr. HOLIFIELD. Thank you, General.

Mr. ROBACK. How is it you have time to have competition? Do you have a different planning concept—buying for inventory, say?

General ANDERSON. No. As a matter of fact, Mr. Roback you are speaking of the rocket launchers now—

Mr. ROBACK. Speaking of the rocket launchers now.

General ANDERSON. Yes. This is an especially managed item within the Army. That is to say we get along without the normal CONUS inventories of stocks by keeping the pipeline full, and a sizable stock-age level in the 34th group in SEA, and meeting our replacement requirements.

Now, to keep on top of these, we have quarterly meetings, where we get together with the theater people and everybody concerned, and make sure that our projections of requirements are accurate.

Mr. ROBACK. Do you see any real problem to having a competitive environment or at least a limited competitive environment for procurement of launchers as far as timing goes?

Is there any reason why you cannot plan that?

General ANDERSON. You are speaking with respect to the generation of requirements?

Mr. ROBACK. Especially if you are responsible for all three services.

General ANDERSON. Well, of course we would still have to get their requirements on MIPR, but I would suggest that the centralization of this management might put the impetus upon the manager to seek these requirements if he did not get them.

Mr. ROBACK. Will you give us the requisite documentation for these assignments that you had for single-service procurement agency with regard to the rockets?

General ANDERSON. Yes, sir.

Mr. ROBACK. With regard to the modification of the assignment?

General ANDERSON. Yes, sir.

Mr. ROBACK. And also with regard to this paper that is signed by the Secretary with regard to the rocket launcher?

General ANDERSON. Very well.

Mr. ROBACK. And tie that to this also?

General ANDERSON. Yes, sir.

(The information requested follows:)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., November 1, 1966.

Memorandum for:

The Assistant Secretary of the Army (I. & L.).

The Assistant Secretary of the Navy (I. & L.).

Subject: Procurement responsibility for the 2.75-inch rocket.

The subject plan submitted by Assistant Secretary of Army (I. & L.) memorandum of October 7, 1966, for assumption by the 2.75-inch rocket system project manager of procurement responsibility for 2.75-inch rockets, rocket motors, and associated equipment has been reviewed.

The plan for the assumption by the army project manager of the procurement responsibility of 2.75-inch rocket motors and associated equipment is approved, except for the quality assurance function for which seven additional spaces are requested. The quality assurance function, currently being performed for Navy by DCAS, is a proper function of DCAS and should continue to be performed by DCAS. The proposed transfer of 12 equivalent civilian spaces from the Navy to the Army is approved in accordance with the Secretary of Defense memorandum of August 4, 1966, subject: "Procedures for Adjusting Manpower Ceilings and Programed Manpower Levels." The Army will submit to ASD (Comptroller) an agreement, signed by the Navy, to transfer these spaces. As provided in the August 4, 1966, Secretary of Defense memorandum, the additional civilian spaces required for support of your plan will be provided from within available Army manpower resources. Consideration should be given to consolidation of procurement personnel at either APSA or at Picatinny Arsenal.

It is requested that four copies of the "Amended Project Charter, 2.75-Inch Rocket System," to be issued by your office, be furnished within 30 days after date of this memorandum. It is also requested that a revised "milestone" schedule of actions be furnished showing target dates for effecting transfer of all Navy rocket motor contracts to your department.

PAUL R. IGNATUS,
Assistant Secretary of Defense (Installations and Logistics).

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., June 20, 1968.

Memorandum for:

The Assistant Secretary of the Army (I. & L.).

The Assistant Secretary of the Navy (I. & L.).

The Assistant Secretary of the Air Force (I. & L.).

Subject: Procurement responsibility for 2.75-inch rocket launchers.

By memorandum of June 4, 1968, the Assistant Secretary of the Army (Installations and Logistics) recommended that a single manager for tri-service procurement be established within the Department of the Army for 2.75-inch aircraft rocket launchers.

Based upon our discussions of the merit of the recommendation, I conclude that there are benefits in terms of standardization, cost and procurement flexibility to be achieved in placing the responsibility for procurement of all service needs under a single manager. I therefore approve the establishment within the Department of the Army of a single manager for tri-service procurement of the 2.75-inch rocket launcher, to be effective with the fiscal year 1970 procurement program and to parallel the scope of the 2.75-inch rocket system responsibility as currently assigned to the Department of the Army.

The Assistant Secretary of the Army (Installations and Logistics) is requested to coordinate the development of necessary details for achieving this transfer of responsibility with the Departments of the Navy and Air Force. Such details, including time schedule, proposed project charter, and if necessary, proposed personnel adjustments, should be provided to this office by August 31, 1968.

THOMAS D. MORRIS,
Assistant Secretary of Defense (Installations and Logistics).

COMPETITION FOR M-158

Mr. ROBACK. What was your experience with competitive producers on the 158 that went out in a limited quantity for competitive—you had several people?

General ANDERSON. Yes.

Mr. ROBACK. What has been the actual production experience to date? Have there been, for example, any problems?

General ANDERSON. No, sir. There have been no problems.

In the first competitive procurement, as I mentioned, that was won by Chromcraft competitively over some 13 bidders, and they produced essentially on schedule. We have had no production problems.

Mr. ROBACK. Chromcraft was the bidder on quantity; but was not the 158 bid awarded with several others?

General ANDERSON. Yes. It was subsequently awarded to Brown Engineering. I think that was for 330 launchers.

And then finally in a small business set-aside, 420-odd to A.C. Electronics.

Mr. ROBACK. What I am trying to find out is whether there is a competitive source availability to some extent?

General ANDERSON. Yes.

Mr. ROBACK. For example, set aside; you look at the item, it looks pretty simple, and the Small Business Administration says, "We have got 103 producers that can make that."

General ANDERSON. Yes.

Mr. ROBACK. You know, they make ice cream cones and various other things.

What is your experience?

General ANDERSON. We had eight bidders on that set-aside. This was a total set-aside, and I think with that demonstration of ability to get people to bid that perhaps we might very well continue on the total small business set-aside.

Mr. ROBACK. Has anybody except Chromcraft produced hardware for you in the launcher department?

General ANDERSON. Yes.

Mr. ROBACK. Who?

General ANDERSON. Brown Engineering and A. C. Electronics.

Mr. ROBACK. What do they look like? Do they have departments in them, do they work or do you not know yet?

General ANDERSON. No. We have received deliveries from both of them. They are on schedule.

May I ask Mr. Schaeppi?

Mr. SCHAEPP. Quality is good both from Brown and A.C. Electronics.

Mr. ROBACK. Have the deliveries been timely?

Mr. SCHAEPP. Yes, sir.

Mr. ROBACK. Have the fixed prices been maintained without undue modifications?

Mr. SCHAEPP. There have been no increases in prices in either case.

Mr. ROBACK. Is there any reason to believe that this presents a problem as far as finding sources go?

Mr. SCHAEPP. On XM-158 or XM-160, the answer would be "No."

Mr. ROBACK. Are these metal launchers?

Mr. SCHAEPP. Yes.

Mr. ROBACK. Do they buy the casings preformed from aluminum producers or fabricators?

Mr. SCHAEPP. The tubes are bought.

Mr. ROBACK. The tubes are bought?

Mr. SCHAEPP. Not cut off, 20-foot length tubes.

Mr. ROBACK. They do the cutting?

Mr. SCHAEPP. Yes.

Mr. ROBACK. And the other adaptations. So as far as your experience today, limited though it may be in the way of producers, you have not run into the usual run of difficulties that has plagued the Navy that nobody but Chromcraft seems to be able to come within any kind of a reasonable price range or even have the ability to make it.

Mr. SCHAEPP. We have run into the usual initial production problems that you will run into with anyone.

Mr. ROBACK. Are you going to have a test report on the 158 on the Cobra?

General ANDERSON. Yes, sir. It is undergoing flight certification tests now. It is promising so far.

Mr. ROBACK. Will you submit those to us when you get some?

General ANDERSON. Yes, sir.
(The information requested follows:)

The Army has directed that aerial tests be conducted on the M-158 7-tube repairable, reusable launcher to determine compatibility and secure flight certification for use on the Hueycobra helicopter. This action is necessary to determine whether the M-158 launcher can be used to satisfy all Army 7-tube 2.75-inch rocket launcher requirements known to date. Successful test results will also provide a basis for eliminating the need to buy the XM-157/B reusable, nonrepairable, proprietary item from Alsco Inc.

Tests are now being conducted at Yuma Proving Ground. On completion of the tests, the results will be evaluated and final report forwarded to Headquarters AMC on/about August 20, 1968. Tests are proceeding satisfactorily.

The test report will be furnished the committee after processing by the Army Staff.

ROCKET MISHAP IN VIETNAM

Mr. ROBACK. Do you happen to know whether there was any fault in the launcher or a fault in the rocket which caused a good part of the South Vietnamese Government to be decimated?

General ANDERSON. No, I do not know, Mr. Roback. That is under investigation.

Mr. ROBACK. My colleague informs me that so far as we can ascertain, it was the rocket and not the launcher. You do not have any information on the subject?

General ANDERSON. It was a 2.75-inch rocket, and it fell short.

Mr. ROBACK. And presumably a short round and not a launcher defect?

General ANDERSON. I do not know.

Mr. ROBACK. Maybe you are not the source to get that information.

General ANDERSON. Yes.

Mr. ROBACK. You are interested in that problem?

General ANDERSON. Oh, yes.

Mr. ROBACK. Maybe you should give us a report on whether the 2.75 has, as I say, decimated a good part of the top leadership over in Vietnam, at least to the extent that it has.

General ANDERSON. There is a report of investigation being made, and I am sure we can get that information from that report.
(The information requested was furnished for committee files.)

Mr. DAHLIN. Did you find out, General, whether it was the improved 17-pound warhead that hit?

General ANDERSON. I do not know.

Mr. DAHLIN. You do not know?

General ANDERSON. No.

EFFECT OF LONGER WARHEAD ON STANDARDIZATION

Mr. DAHLIN. This improved 17-pound warhead is the one that is longer?

General ANDERSON. Yes.

Mr. DAHLIN. And created some of the problems in the standardization that was being talked about before?

General ANDERSON. Yes, it is longer.

Mr. DAHLIN. This would lengthen all the tubes if you tried to get any standardization on this warhead?

General ANDERSON. Yes.

Mr. DAHLIN. As far as you know, only the Army has a requirement for this improved warhead?

General ANDERSON. I cannot answer that.

Colonel HICKMAN. At the present time, that is true; yes, sir.

General ANDERSON. Yes.

Mr. DAHLIN. Are you in the Army now producing only this improved 17-pound warhead for Army use, or are you buying both the 10 and 17 for Army use in Vietnam?

General ANDERSON. We are now producing the 17-pound warhead. The first production was last month, but we are still producing the 10-pound as well.

Colonel HICKMAN. Yes.

UNIT COST OF M-158

Mr. ROBACK. What is this [deleted] unit cost for the M-158? Is that the unit cost of the launcher?

General ANDERSON. The 158, Mr. Roback?

Mr. ROBACK. I am looking at tab B.

General ANDERSON. Oh, tab B. That is a program cost, Mr. Roback.

Mr. ROBACK. In other words, that is the cost of the tooling and all that?

General ANDERSON. No. It includes all of the Government expenses, including the costs of the engineering support.

Mr. ROBACK. You mean all the in-house costs?

General ANDERSON. Yes, sir.

Mr. ROBACK. Associated with it?

General ANDERSON. Yes, sir; that is right.

Mr. ROBACK. So that there is not any real way of comparing this?

General ANDERSON. No, you have to go back to tab A.

Mr. ROBACK. What is the contract unit cost?

General ANDERSON. There have been several, Mr. Roback. It is in Tab A, the second sheet there.

You can see there are four prices. The initial procurement was for \$352. The next procurement, which was the exercise of an option—

Mr. ROBACK. \$352?

General ANDERSON. Yes.

Mr. HOLIFIELD. Guess we have not got the right sheet.

Mr. ROBACK. Here it is.

General ANDERSON. It should be the second page of tab A, Mr. Chairman.

Mr. ROBACK. I have it. Chromcraft \$352.

Incidentally, these unit costs are much higher than the Navy's, are they not?

General ANDERSON. I do not know.

Mr. SCHAEFFEL. No.

Mr. ROBACK. Not much higher?

General ANDERSON. We will have to ask the Navy this?

Mr. SCHAEFFEL. That is a different launcher.

General ANDERSON. We know that.

Mr. ROBACK. This is Chromcraft producing what here now, the 158?

General ANDERSON. The 158.

They produce others too, but you are speaking of the 158.

Mr. ROBACK. What does the unit price run for a metal launcher in the Navy type, getting some rough comparisons here?

General ANDERSON. The Navy would have to respond to that.

Mr. ROBACK. The LAU-59 is about \$330, so it is in the same general ball park here.

What is the explanation for these increases in the unit costs?

General ANDERSON. The first increase was with Brown Engineering, Mr. Roback, which was a sole source procurement under the emergency provisions, for \$568. We went to them sole source because they were the second low bidder in the procurement that you see directly above the other two procurements.

They also were familiar with the launcher, having bid on it, had the capacity to produce, and offered a very accelerated schedule.

This contract with them was signed the 20th of November in 1967, and they produced on schedule in the following February, very fast accelerated production.

Mr. ROBACK. You are trading off your competition now for a high premium price.

General ANDERSON. In that case we did.

Mr. HOLIFIELD. Because of the urgency of need?

General ANDERSON. Because of the urgency.

Mr. HOLIFIELD. Of additional need?

General ANDERSON. These were particularly required on the XM-21 system.

Mr. HOLIFIELD. Does this include their tooling up?

General ANDERSON. Yes.

Mr. HOLIFIELD. And the engineering?

General ANDERSON. Yes, sir; it did.

Mr. ROBACK. Maybe this is the time you should have stuck with Chromcraft until the urgency was abated, you see. You would have saved yourself a little money and put the competition next year. You have to relate these two.

General ANDERSON. I will relate them for you.

Mr. ROBACK. All right.

General ANDERSON. I believe it was June when Chromcraft was put on the debarred list.

Mr. ROBACK. I see.

General ANDERSON. June of 1967. This next procurement was in November of 1967, and we were not inclined to go to Chromcraft under those conditions when we had a technical data package and could secure it from somebody else.

Mr. HOLIFIELD. And because this price runs this high—

General ANDERSON. Yes, sir.

Mr. ROBACK. And it is high?

General ANDERSON. Yes.

Mr. HOLIFIELD. And getting started it does not mean it is going to continue at that rate, does it?

General ANDERSON. This is the only contract they have, Mr. Chairman, and it is higher than we would like but the price was negotiated under the circumstances of acceleration and their consequent ability to meet that acceleration.

Mr. HOLIFIELD. But is it not reasonable to suppose that there is a second source—

General ANDERSON. Yes.

Mr. HOLIFIELD. And they are in competition, that they will reduce that price?

General ANDERSON. Oh, yes, indeed, once they get the tooling.

Mr. ROBACK. Who are they going to be in competition with; if they get a couple of small contracts they build up the tooling through which the Government is paying through these high-priced figures, then you are in the same boat.

I am not saying that there is any easy answer to this. All we are pointing out is that in view of this tortuous history of procurement, the lock-in considerations, the proprietary complications, that you ought to at least go into this from here on out with your eyes a little stretched, a little wider open.

General ANDERSON. It was procured subsequently, only a month later actually, on a small business set-aside. I was looking here. They did not bid on that procurement, I am sure, because they were already encumbered with this accelerated schedule.

A. C. Electronics won that from among eight bidders. Brown is a large business firm.

Mr. DAHLIN. General Anderson, was the purpose of those two small contracts to get the accelerated procurement, or were you deliberately trying to get other producers into the field?

General ANDERSON. In the case of Brown Engineering, the purpose was to get accelerated production. The follow-on procurement that was won by A. C. Electronics was simply to meet a normal requirement.

DESIGN CHANGES FOR ARMY LAUNCHERS

Mr. LUMAN. General, your statement indicates that the adaptations to the Navy launchers were made by the Army.

General ANDERSON. Yes.

Mr. LUMAN. Which launchers did you make these adaptations to?

General ANDERSON. To both the 7- and the 19-tube launchers.

Mr. LUMAN. What numbers, do you know?

General ANDERSON. How many?

Mr. LUMAN. No, no, the designation. Was it the 3/A and the 32A/A?

General ANDERSON. I am sorry, I do not know. I have referred to them only as the 7- and the 19-tube launchers.

Mr. LUMAN. I understand that. My point is this: That there were apparently data packages held by the Government on a 7- and 19-tube launcher. Now if the Army made the adaptations to the Government data, it would seem to me that you may have been able to escape the proprietary requirement here that it be only built by Chromcraft.

If in fact the Army made the changes to the existing launchers. General ANDERSON. Yes, I understand your question, and I cannot provide you an answer at this time. I do not know whether we considered the other one and rejected it, and if we did, for what reason.

I can check into that and supply it for the record.
(The information requested follows:)

The Army 2.75-inch reusable rocket launcher design commenced in fiscal year 1964 with a tactical requirement to combine 7.62 millimeter machinegun fire with an area target capability on Army helicopters.

To satisfy this urgent requirement the manufacturer, Chromcraft Corp. (now Techfab Div. of AlSCO Inc., St. Louis, Mo.) in cooperation with the Army modified their Navy disposable models LAU 32B/A, seven-tube, and LAU 3A/A, 19-tube launchers. The modified launchers were reusable and redesignated XM-157, seven tube, and XM-159, 19 tube.

The LAU 32B/A and LAU 3A/A as well as the XM-157/C and XM-159/C launchers are proprietary items of the manufacturer. All modifications and improvements to the launchers have been at the expense of the contractor. There has been no development program funded by the Army.

The XM-157 and XM-159 rocket launchers have been procured under limited production authority. This means a prerequisite of prior Department of Army approval for each quantity of launchers contemplated for procurement.

A summary of design changes of the Army seven-tube and 19-tube 2.75-inch rocket launchers follows:

SEVEN-TUBE LAUNCHER MODELS REUSABLE, NONREPAIRABLE (ALSCO)

XM-157: Evolved from Navy/Air Force LAU-32B/A, Basic model, aluminum tubes (instead of paper) for use with 6-pound warhead. Removed fairing, removed intervalometer from launcher and placed in cockpit. Launcher was also qualified with 10-pound warhead.

XM-157/A:

Changes inclusive of those above. Spring loaded electrical contacts.

Reduced wiring diameter 22 to 26 gage.

Increase tube wall thickness to 0.06 inch.

Deflectors added to tube to prevent rocket damage to launcher.

(Not procured—deferred to next model).

XM-157/B: Change inclusive of those above. Increase tube length, 48 to 58 inches to accommodate 17-pound warhead.

NINETEEN TUBE LAUNCHER MODELS REUSABLE, NONREPAIRABLE (ALSCO)

XM-159: Evolved from Navy/Air Force LAU-3A/A, Basic model, aluminum tubes (instead of paper) for use with 6-pound warhead. Removed fairing, removed intervalometer from launcher and placed in cockpit. Launcher was also qualified with 10-pound warhead.

XM-159/A:

Changes inclusive of those above. Increased tube wall thickness, 0.045 inch to 0.055 inch.

Mass of electrical contact increased.

Wood tube separators replaced with aluminum.

XM-159/B:

Laminated bulkheads (one-fourth inch to three-eighths inch).

Spring loaded electrical contacts.

Reduce wiring diameter 22 to 26 gauge.

Increase tube wall thickness to 0.061 inch.

Deflectors added to tubes to prevent damage to launcher.

(Not procured—deferred to next model).

XM-159/C: Change inclusive of those above. Increased tube length, 48 to 58 inches to accommodate 17-pound warhead.

Mr. LUMAN. Would any of your people know offhand what the designation of those launchers were?

Mr. WATSON. Yes, sir.

Your question was what are the Navy or Chromcraft designations to which we recommend changes?

Mr. LUMAN. Yes.

Mr. WATSON. Both the 3/A and the 32A/A.

Mr. LUMAN. These are ones that the record indicates that the Government, as a matter of fact, bought drawings for from Chromcraft.

Now if the Army made the changes to these launchers that the Government had the drawings for, why are they proprietary to Chromcraft?

Mr. WATSON. I did not say Army made changes.

Mr. LUMAN. I am sorry, this indicates—

Mr. WATSON. The 32A/A and the 3A/A were the pipe tubes. We did not make changes, and we did not document on drawings these changes.

Mr. LUMAN. Then the phrase here "the Army adapted 19-tube and modified it in much the same way as we had," actually you caused changes to be made but you apparently went to Chromcraft to get the changes made, and thus made it proprietary; is that correct?

Mr. WATSON. I cannot answer that question as to whether it made it proprietary. I am speaking for R. & D.

The launchers came for our evaluation. We performed an evaluation, and gave the results of this. The evaluation saying that we could not use this type launcher on a helicopter, and recommended as an example when it went to the tube, that they go to a metal tube. This was a recommendation by R. & D.

Mr. HOLIFIELD. The recommendation that you needed a different type but you left it up to them to design it and engineer it?

Mr. WATSON. My recommendation was not made to them. The recommendation was made to the aircraft weaponization project manager. In R. & D. we do not get into the area of either buying or contracting.

Mr. ROBACK. I think it was developed yesterday, General Anderson. I think the sense of the discussion with the Navy yesterday was that the question of proprietorship in these matters is not so much who really owns it but the fact of the matter is that the only drawings that are available were in the hands of the contractor.

General ANDERSON. That is correct.

Mr. ROBACK. So if you want to get them you have to pay for them?

General ANDERSON. That is correct.

Mr. ROBACK. It does not make any difference who owns them; he has got them?

General ANDERSON. That is correct.

Mr. ROBACK. Is that the sense of the thing?

General ANDERSON. That is where we stand today. He has a set of drawings, the only set of drawings.

Mr. ROBACK. Possession is all the points of the law here?

General ANDERSON. Yes.

Mr. ROBACK. Is that right, Mr. Stein?

Mr. STEIN. I think it is a practical consideration. I would not say it is a legal answer.

Mr. ROBACK. Proprietary data, does that mean data which are drawings in the hands of the contractor, regardless of who owns them?

Mr. STEIN. No. If we have a legal right to the drawings, I would say notwithstanding that he holds them that we would have a right to get them from him.

Mr. HOLIFIELD. You establish the legal right by notations on the drawings and specifications, do you not, that all rights are retained by the Navy, before you give out a specification which is signed by the Navy?

Mr. STEIN. We would indicate on drawings that we owned that, we have the rights to them; yes, sir.

Mr. ROBACK. But they do not have the drawings they want. They are over in St. Louis, in the hands of the—

Mr. HOLIFIELD. But you did not originate those drawings either, did you?

Mr. STEIN. I do not believe so. I think someone else would have to answer that.

Mr. ROBACK. The company makes the drawings; but the question is, Does the company own them? They have them. Whether they are owned or not seems to be unclear, and we are not making in this hearing, and nothing that we have said in those 2 days of hearings is to be construed by anybody as prescriptive of the issue of ownership.

Mr. BOTHWELL. We have not had an R. & D. contract with Chromcraft-Alsco for the development of any of these launchers.

Mr. ROBACK. Theoretically they do not own any of the drawings, but they happen to have possession of them?

Mr. BOTHWELL. They own them. We do not have any proprietary rights.

Mr. ROBACK. You bought the product, and therefore they do not own anything. You bought it.

Mr. LUMAN. You bought the drawings. Here is a case where you bought the drawings for 3A/A and 32A/A. Now, in the case of the Navy, apparently Chromcraft took this model that you had the drawings for made some changes to it ahead of the Navy requirements, came up with a new launcher which they then have proprietary. Now either the Army made some changes to these launchers or had Chromcraft make them, but the Government's original drawings that were paid for were adapted apparently by the contractor to create this situation of having to go to him sole source; is that correct?

Mr. BOTHWELL. Yes, I think that is correct.

We do not have any proprietary rights. We do not have any ownership rights in those changes of those drawings.

Mr. LUMAN. But you had the original drawings?

Mr. BOTHWELL. We had the original.

Mr. ROBACK. Why do you not have ownership rights by virtue of the fact that you are procuring the item?

Mr. BOTHWELL. No, sir; I do not think so.

Mr. ROBACK. No.

Mr. Stein?

Mr. STEIN. That would depend upon the provisions of the contract. It would not automatically follow.

NEGOTIATIONS FOR DATA

Mr. ROBACK. And if you had written your contracts since this particular producer got contracts by the score, and in sums by the tens of millions aggregating more than \$100 million since 1960 for all the services, if you had taken the care to write into the contract that all drawings and data associated with these production contracts are Navy-owned and are to be delivered, there would not have been any inhibition on doing that if you had taken the care to do it, would there; I mean there is not any reason why it could not have been done?

Mr. STEIN. Presumably you would have to pay more money for that right.

Mr. ROBACK. Presumably, but that might have been a little higher spur to competition.

Mr. HOLIFIELD. If there was only one buyer, presumably the builder, the manufacturer of the rocket might have also been in a position where he wanted some business. A sole source producer for a sole buyer, you are both in a pretty good bargaining position, particularly if you have already bought the basic drawings, and the manufacturer sees a little improvement he can make on it, it is at that point that you should bargain rather than surrender; is it not?

Mr. STEIN. This is certainly a negotiating matter, yes.

Mr. HOLIFIELD. But it was not negotiated?

Mr. STEIN. I cannot answer that.

Mr. HOLIFIELD. Is there anyone that can?

Mr. TASSIN. There have been drawings purchased from the Chromcraft people and delivered from the Chromcraft people on three launchers, the 3/A, the 32A/A and the 3A/A.

Now on those launchers it was so stated yesterday that the Government has the necessary drawings to procure these competitively.

Mr. ROBACK. Just do not have the time?

Mr. TASSIN. Time permitting.

Now there have been adaptations of these basic launchers on which the Navy does not have the information relating to the improvements or adaptations that have been made.

Mr. ROBACK. But at that point did you not sleep upon your rights but, not having an understanding at that time, you either at that time bargained that they are making an improvement on something which you have the basic rights on, and therefore if it is a matter of value, you pay for it, and if it is not a matter of value, of course you give it up. When you do give it up, you surrender your rights that the original drawings you paid for gave you.

Mr. TASSIN. Your assumption is very correct, but I cannot say that we slept upon the rights, sir. Perhaps we did not pay the man the money at the time to procure them, and now when we try to procure them he is still putting a price on them.

Mr. HOLIFIELD. Was it a matter of discussion? Now he comes and he says "I have your basic drawings here and I suggest that we put a little different gadget on here," and at that point I suppose the buyer says "Well, that is a good idea. I think we would like to have it that way," and that is the extent of the negotiation, is it not?

You did not say at that time "All right, we will give you an order for 9,000 more launchers, providing you sign over your rights to this, to the Navy"?

That sort of a negotiation did not take place.

Mr. TASSIN. It is not normally a part of the contractor price negotiations, sir. I am not personally aware of those discussions, if any took place. I am not personally knowledgeable of them.

Mr. HOLIFIELD. Can the committee assume that they did not take place in the absence of testimony that there was an interest at that time in negotiating when you were at the point of advantage of disadvantage?

Mr. TASSIN. Yes, I am aware that in the 1967 procurement, that provisions were put into the contract asking for what was called new and revised drawings pertaining to certain of the launchers which

were improvements over the three launchers that I mentioned earlier that we had data on.

Mr. HOLIFIELD. And did you get that?

Mr. TASSIN. The contractor put a price on these modifications to the data. We have not yet procured this.

Mr. HOLIFIELD. That is the matter that is under negotiation and a figure of more than \$2 million.

Mr. TASSIN. Let me put it this way, sir. It is a question as to whether it is \$2 million more or less. He has put a price on it of that amount.

Mr. HOLIFIELD. That is right. That is what I said.

Mr. TASSIN. Because he has tied another figure into it. He said, "I am out some money. I feel I am due money for value engineered improvements on this. Whether I get it for selling you the data or whether I get it for value engineering, I want my money."

This is the matter under discussion at the present time.

Mr. HOLIFIELD. I want to follow up on one more point on that.

If you do purchase those rights for a amount, does that give to you the complete drawing or just some of the new developments, and leaving some of the other developments in the manufacturer's hands?

Mr. TASSIN. I am advised, sir, that in order to give us those data he will give us a complete new set of drawings that completely describes the new launchers.

Mr. HOLIFIELD. But this, as far as you know, was never made a bargaining matter at the time when you were dispensing largess in the form of thousands and tens of thousands of new launchers to him, to a sole source producer?

Mr. TASSIN. It was made a part of the bargaining at the time of the last contract, sir, which is the first time that some of these launchers were procured.

Mr. HOLIFIELD. Yes, but it was not made a part of the bargaining any time before that, when they improved the launcher?

Mr. TASSIN. Well, with regard to the data for the 3/A, the 3A/A and the 32A/A, it was a part of that, sir.

Mr. HOLIFIELD. You did buy a purchase?

Mr. TASSIN. That is right.

Mr. HOLIFIELD. For 12,000 or 13,000?

Mr. TASSIN. We have those data available.

Mr. HOLIFIELD. Yes, but it was subsequent to that that additional improvements were put on; is that right?

Mr. TASSIN. Yes.

With regard to the LAU-59/A, sir, I do not know the circumstances there, but it appears that your assumption is correct that we did not bargain for those data.

Now with regard to some of the others, they were procured the first time to my recollection in the 1967 contract, the last contract and that was included in the request for proposal.

Mr. HOLIFIELD. Would it be possible for you to furnish us more definite information on this point, in order that we might change this discussion from appearances and assumptions to certification of the facts involved?

Mr. TASSIN. Yes, sir; we will give you a report on that, sir.

M-158 PRODUCERS

Mr. ROBACK. General Anderson, go back for a moment to tab A, the second page. I notice that Brown Engineering and A. C. Electronics are both in Huntsville. Is that a coincidence or are they connected in any way?

Mr. SCHAEFFEL. I can answer that.

There is no connection between the two except that they are suppliers to each other.

Mr. ROBACK. They do supply each other?

Mr. SCHAEFFEL. Some parts; yes, sir.

Mr. ROBACK. Are they affiliated?

Mr. SCHAEFFEL. No, sir; none whatsoever.

Mr. ROBACK. There is no common ownership of any kind?

Mr. SCHAEFFEL. No, sir.

Mr. ROBACK. Have they subcontracted mutually on this contract?

Mr. SCHAEFFEL. Yes, they have.

Mr. ROBACK. Is this a joint venture?

Mr. SCHAEFFEL. No, sir.

Mr. ROBACK. Was this separate? There was not any bidding on these?

Mr. SCHAEFFEL. Oh, yes, sir; not on the Brown. Brown was sole source.

Mr. ROBACK. Why did you go to Brown on a small number for an urgency requirement at this time? Did this follow because of the Chromcraft difficulty?

General ANDERSON. Yes, sir.

First, we did not go to Chromcraft because they had since been debarred.

Mr. ROBACK. In other words, they were on the suspended list?

General ANDERSON. Yes.

Mr. ROBACK. They have not been debarred yet, as I understand it.

General ANDERSON. Yes; so not having that availability, we went to Brown Engineering. One of the reasons was because they were the second low bidder on the previous procurement.

Mr. ROBACK. All right.

General ANDERSON. They were familiar with the drawings. They had production capacity available, and were willing to meet a highly accelerated schedule.

Mr. ROBACK. Was that their bid price?

General ANDERSON. The \$568, sir?

Mr. ROBACK. Were they the second low bidder at \$568?

General ANDERSON. No, sir. They bid \$481.70. But there was quite a difference. The first was for 1,800-odd launchers. The second was for 330, and called for an accelerated schedule.

Mr. ROBACK. How do you account for the rather striking disparity between these two mutual suppliers located in the same town; even though the quantity differences are there, they are not what you would call really decisive.

General ANDERSON. You are speaking of the difference, Mr. Roback, between—

Mr. HOLIFIELD. \$398 and \$568.

General ANDERSON. As between A. C. Electronics. Well, as I mentioned, the Brown Engineering bid on a highly accelerated schedule.

They delivered rockets from November 27, date of award, on schedule the following February. In the case of the other producer, the \$398 price, that was a normal delivery schedule, some 5 or 6 months to first production rather than 2 or 3 months later.

Mr. HOLIFIELD. In other words, the A. C. Electronics was, you would say, 5 or 6 months.

General ANDERSON. Yes.

Mr. HOLIFIELD. And the other one was 2 months.

General ANDERSON. Yes, sir. November 27 until February; yes.

Mr. LUMAN. Did A. C. bid against Chromcraft?

General ANDERSON. No. Chromcraft did not. This was a small business set-aside.

Mr. ROBACK. Chromcraft is small business.

Mr. LUMAN. Brown bid against Chromcraft.

General ANDERSON. No, A. C. Electronics did not participate in that procurement.

Mr. LUMAN. Their price here is lower than Brown's second price.

General ANDERSON. Yes.

Mr. LUMAN. By about \$100.

General ANDERSON. I do not know why they did not, but there were 13 other bidders.

Mr. LUMAN. Had they bid they would have probably come in second lowest.

Mr. HOLIFIELD. You have got at least now three companies that have a history of building these launchers. You have got Chromcraft suspended and Brown Engineering Co. and A. C. Electronics Co. that have had experience in building.

General ANDERSON. Yes, sir.

Mr. HOLIFIELD. Is that right?

General ANDERSON. Yes, and many others who have bid, and presumably had the competence to do so.

(Further information on the procurement referred to appears in app. 4.)

EASE OF COMPETITIVE ENTRY INTO FIELD

Mr. ROBACK. Do you have an industrial production expert here who can tell us what it takes to get into production? In the case of the Navy, at least one of the determinations of findings was on the basis that it would take too long or it would cost too much to set up another line. I mean what do you have to do to get into production with rocket launchers? The tubes are purchased pretty much either fabricated in lengths or fabricated in sections.

General ANDERSON. Well, I am not a production expert, Mr. Roback, but the general situation pertaining to a new or a first producer is that he has to not only set up a make or buy pattern to make certain products and buy others, the raw materials that he buys, but he subcontracts. This is a certain amount of effort on his part. Then he has to design and acquire or build special tooling, fixtures and jigs that would make all of these parts go together and in the right way.

He also has to design and procure or make himself inspection equipment, gages and so forth, to assure himself that these do come out even. These are characterized generally as startup costs.

Mr. ROBACK. I know, I understand that all buys have that. Even a candy store has starting-up costs. The question is, How complicated

how costly, how difficult is it to get into business? Is it relatively easy to get a contract?

General ANDERSON. On this launcher—

Mr. ROBACK. We once had testimony on a Navy contract that Mr. Morgan knows about that a certain Mr. Giampapa soldered the intervalometers in his bedroom. Do you know he soldered intervalometers in his bedroom?

General ANDERSON. This is an unsophisticated piece of equipment, relatively unsophisticated, and the startup costs should not be too considerable.

Mr. ROBACK. That is the answer to my question.

CORPORATE IDENTITY

Mr. HOLIFIELD. I notice on the next page you have the Techfab Division of AlSCO.

General ANDERSON. Yes, sir; that is a new name for Chromcraft, Mr. Chairman.

Mr. HOLIFIELD. As I understand it, this the follow-on company or the successor now that Chromcraft is suspended and they cannot operate. Have they just repainted the sign, or is this a new company, and does Chromcraft still have a financial interest in Techfab?

General ANDERSON. Sir, it is my understanding, and I would defer to the Navy—they probably are more informed than I—certain management changes have been made.

Mr. HOLIFIELD. Mr. Stein, would you care to comment on that question?

Mr. STEIN. My understanding is that Techfab is a division of Chromcraft which now goes by the corporate name of AlSCO. I do not believe that there is any change in that corporate arrangement.

Mr. HOLIFIELD. Does the suspension carry over then to this subsidiary?

Mr. STEIN. Oh, yes, indeed.

Mr. ROBACK. In fact was the suspension made before or after the merger, or the acquisition?

Mr. STEIN. The suspension came after the AlSCO-Chromcraft merger, and as far as I know Techfab was a division in being at that time.

DESIGN CHANGES AND NEGOTIATIONS

Mr. LUMAN. General, could you give us a statement for the record of why it came about that this was proprietary to Chromcraft? In other words, who did the development for the Navy launchers to make them adequate for Army usage?

General ANDERSON. Yes. I think I said earlier, and I will have to expand upon this in a statement for you, the changes that the Army needed to have made because it wanted a reusable launcher, and the intervalometer in the cockpit instead of on the launcher, and there were a few others, these changes were actually made by Chromcraft in anticipation or knowing of our different requirements for a low speed aircraft.

Mr. LUMAN. Why did you not try to buy it from them when they made the changes?

General ANDERSON. Well, in retrospect you may say we should have considered it. I do not believe that we did actually. It was a very small quantity starting up. The subsequent quantities, as a matter of fact, have not been very big. Our forecast requirement in subsequent years gives us some feel that we certainly are considering it now.

Mr. LUMAN. What is the price they want for this now?

General ANDERSON. We have asked them for a quotation. They have not given us one. We have used a Government estimate which may not reflect the true circumstances of I think [deleted].

Mr. SCHAEPLI. That is right.

Mr. LUMAN. You are dickering over this now with Chromcraft?

General ANDERSON. We have asked them for a proposal to acquire these rights and drawings, whatever those rights are, and to at the same time identify to us what rights it is that we bought, if any, plus the drawings.

Mr. DAHLIN. For both 157 and 159?

General ANDERSON. Only the 159.

Mr. DAHLIN. Only the 159?

General ANDERSON. Yes, because we have our own developed 158 launcher to satisfy our seven tube requirements basically.

Mr. ROBACK. Is there any spillover? Is this 158 of interest to the other services?

General ANDERSON. I do not know that it is. It is for a low-speed aircraft. We are the only ones—well, the Marine Corps uses low-speed aircraft too, but since they operate off shipboard they have to keep commonality which the other launchers but ours is the only requirement I believe.

Mr. ROBACK. In your low-speed aircraft you are interested in more precision targeting than the high-speed aircraft.

General ANDERSON. Mr. Roback, I would not say that we are interested in more or less than the Navy. I would assume not.

Mr. ROBACK. I mean more pinpoint targeting rather than suppressive fire for an area say.

General ANDERSON. Well, the first difference, Mr. Roback, is that we want a reusable launcher. We want one also that is repairable in that certain components can be replaced. We get more mileage per dollar this way, because we have a low-speed aircraft and we can tolerate these things.

Mr. HOLIFIELD. I was going to ask you that question.

General ANDERSON. We get more mileage per dollar. And we can tolerate it on a low-speed aircraft, which is not true of course of the Navy and the Air Force.

COST OF INTERVALOMETERS

Mr. ROBACK. Since you mount intervalometer in the cockpits—

General ANDERSON. Yes?

Mr. ROBACK. Is that an important component in terms of cost?

General ANDERSON. I think it costs the same whether it is in the cockpit or on the launcher for that matter. It is just the controls are in the cockpit.

Mr. ROBACK. Is the intervalometer supplied—what I mean is you only have one intervalometer.

General ANDERSON. Yes.

Mr. ROBACK. And you fire a lot of rockets whereas in the Air Force and the Navy each intervalometer goes with the rocket.

General ANDERSON. I do not know the unit or component cost of the intervalometer.

Mr. ROBACK. Offhand why should there not be a significant difference in the cost between the Navy and the Army launchers, because they do not need any intervalometers. You get one and you have it.

General ANDERSON. I have an estimate, Mr. Roback. The intervalometer probably is around 20-odd dollars.

Mr. ROBACK. Your launchers, with the other costs constant they ought to be \$20 cheaper because you do not have to buy any intervalometers. One comes with the helicopter. How long does the intervalometer last? I mean is it relatively permanent?

Colonel GURLEY. Relatively permanent.

Mr. ROBACK. Can you overhaul it when you overhaul the aircraft?

Colonel LEWIS. Basically.

Colonel GURLEY. It can be pulled out, replaced, and repaired.

Mr. ROBACK. In any case, who do you buy the intervalometer from, the launcher maker?

General ANDERSON. I do not know.

Colonel LEWIS. The airframe manufacturer furnishes it with the aircraft.

Mr. ROBACK. This is part of the aircraft, so when you deal with Chromcraft, you do not have to worry about intervalometers.

General ANDERSON. No.

Mr. ROBACK. Does this not simplify the whole manufacture? The intervalometer is an electrical system, and presumably is one of the more delicate aspects of the launcher makeup, is that right, Commander Katcher?

Commander KATCHER. No, sir; we consider that the current Chromcraft design of their intervalometer—that is, in our LAU-61 and 8, the reusable launchers—is equally compatible in strength or durability to any other part of the launcher.

Mr. ROBACK. What I mean, I assume that it is durable, that it is not a weak link. I do not mean that. What I mean is it is the electrical system in the launcher, is it not?

Commander KATCHER. Yes, sir.

Mr. ROBACK. And therefore if anything is complicated about the launcher, one might suppose it might be the electrical system in making it. I am trying to find out, since the Army does not have to worry about an intervalometer, why should it not be much easier for them to buy this thing? Anybody can hang this on to a tube ought to be able to make it, slap a pan on the end.

Mr. HOLIFIELD. Was that in the nature of a question or part of the testimony?

Mr. ROBACK. I am going to ask you is it the case—we have got assembled here all the rocket launcher experts in the country, but I cannot seem to get any relevant observation on this point—is it easier for the Army to procure launchers because they do not have to worry about intervalometers and also should it be cheaper? It may not be cheaper looking at the prices, but should it be cheaper?

General ANDERSON. I will answer your question for the Army. Yes, it would be easier to procure, because it is something less to be procured, something less to go wrong. And it should be cheaper.

Mr. ROBACK. Was that ever a negotiating element with Chromcraft? I suspect that Chromcraft is charging you intervalometer prices. That is what I am saying.

Mr. SCHAEPLI. Charging the Army?

Mr. ROBACK. Yes.

General ANDERSON. Oh, no.

Mr. ROBACK. I did not say they are charging you for intervalometers.

General ANDERSON. We do not buy intervalometers from Chromcraft.

Mr. ROBACK. But they are charging you prices as if you were buying intervalometers.

Mr. SCHAEPLI. Our competition does not bear that out, competition price with A.C. Electronics. We figure it is about \$75,000 startup costs. That brings the price down to around \$318, and we were paying \$300 and some odd for the Chromcraft price.

Mr. HOLIFIELD. \$323.

Mr. SCHAEPLI. \$323. So it does not bear up, and it was a real small quantity we are talking of.

General ANDERSON. You would have to understand too that the M-158 launcher for manufacturing purposes should price out at about the same price as the 157, so you can relate the two with some reason. And this is further support of our statement that we believe we have received fair and reasonable prices, because it has been tested indirectly by competition.

ARMY AUTHORITY TO ARM HELICOPTERS

Mr. ROBACK. When we examined this problem some years ago, the Army was not permitted to mount rockets on launchers on the ground that this was too much firepower, and that the rocket—I mean that the helicopter really was not an aircraft combat unit item. Now that has changed, and if it is not too much trouble, I would like you to dig up the paper which stated the change in doctrine and the authority by which you got into the rocket launcher business, and the rocket business.

General ANDERSON. The data in support of our requirement to utilize rocket launchers on helicopters?

Mr. ROBACK. That is not your requirement. I am talking about your doctrinal authorization to use the helicopter with this kind of firepower and these rockets. I know that is not in your bailiwick.

General ANDERSON. I do not imagine that such a black and white paper exists.

Mr. ROBACK. There is a big fat file on it.

General ANDERSON. May I ask Colonel Gurley from CDC if he has any knowledge of that?

Colonel GURLEY. Sir, I think possibly it is like Topsy. "It grewed." We had a requirement that suddenly was thrust upon us.

Mr. ROBACK. Somebody, some assistant secretary in the Defense Department, signed off somewhere and said, "Now you can do it." I am sure of that.

Colonel GURLEY. I know of no such document.

Mr. ROBACK. You do not think there is such.

Colonel GURLEY. I know of none.

Mr. ROBACK. Can you make a reasonable check? At least give us a little narrative on when the transition occurred. Do the best you can on filling in that little gap of information when you got into this business.

General ANDERSON. We will give you the justification and our rationale for using rocket launchers on helicopters.

(The information requested follows:)

The Army has explored the possibilities of arming its aircraft since 1951. Several types of armed fixed-wing aircraft were tested, but it was not until the latter part of 1956 that the armed helicopter came into being. In 1957 the U.S. Army Aviation School formed an experimental unit called "Sky Cav" to substantiate the concept that a firepower capability in the form of light weight aircraft armament should be utilized to suppress enemy ground fire and increase the flexibility of helicopters under combat conditions. As a result of these tests, it was concluded that a "fire suppression kit" would provide helicopters with a firepower capability which promised far greater benefits to the ground commander and aircrews than the weight and space converted to its use.

During the period of 1957 to 1960, the aviation school experimented with various types of "jury rigged" small caliber weapons and rocket launchers.

Impetus was added to the Army aircraft program when the Secretary of Defense in April 1962, expressed a desire to the Secretary of the Army, that the Army reexamine its capabilities insofar as tactical mobility was concerned. In May 1962, USCONARC appointed an ad hoc board, U.S. Army Tactical Mobility Requirements Board (referred to as Howze board) to conduct a re-examination of the role of Army aviation and aircraft requirements. Considerable interest was placed on determining the Army's firepower capability for 1963-75 period by increasing usage and employment of Army aircraft in the following roles: Use of Army aircraft to enhance the mobility of ground fixed weapon systems; utilization of armed Army aircraft to complement and supplement fire support provided by other services; and to protect other Army aircraft in their tactical and logistical missions.

On September 11, 1965, Secretary of Defense, Robert S. McNamara, in a memorandum for the Secretary of the Air Force concerning operation and management of Army and Air Force aviation stated:

"I consider that any aircraft of any service which may operate in battle should be armed whenever necessary, not only for self-defense but also to contribute to the success of our forces in that armor most appropriate to its mission. To the extent that arming such aircraft makes the use of the armament a principal function of the aircraft, it must compete with other aircraft for effectiveness in that function. By this criterion, I consider the work in progress toward development of antitank and other medium armament for helicopters to be quite appropriate."

In an agreement between the Chief of Staff, U.S. Army and Chief of Staff, U.S. Air Force signed April 6, 1966, the Chief of Staff of the Air Force agreed to relinquish all claims for helicopters and follow-on rotary wing aircraft designed and operated for intratheater movement, fire support, supply, and resupply of Army forces.

Development of an area rocket weapon system began in November 1960 in accordance with the requirements of "Combat Development Objectives Guide" (CDOG) paragraph 537(2) and the "Qualitative Materiel Requirement" (QMR) for armed helicopter weapon systems, May 1960. The XM-3 armament subsystem (2 Pods 24 rounds each) is the first of a series of developmental rocket systems designed to fulfill the requirements stated in the QMR for area target weapons systems. The XM-3 subsystem was developed to provide an interim area rocket subsystem in the shortest possible time through utilization of "off the shelf" rockets, warheads, fuses, launchers and sighting components.

Program authority for procurement of a quantity of 60 each XM-3 subsystems in the simplified nonflexible configuration was released to the field in October 1962.

The QMR for armed helicopter weapons systems, October 24, 1962, expanded on the pertinent CDOG paragraph referred to above and defined the following mission requirements:

- (a) Light weapons systems
- (b) Point target weapons systems
- (c) Area target weapons systems

Since the XM-3 subsystem was developed to provide an interim area rocket system in the shortest possible time, all requirements of the latest QMR were not fully satisfied. The XM-3 subsystem because of size and weight did not lend itself to the above mission requirements because of need to combine both small arms fire with rocket capabilities on Army helicopters. Further feasibility studies indicated the most expeditious and economical course of action to satisfy Army launcher requirements was to modify the design of existing rocket launchers being procured by the Navy.

Design of Navy nonreusable type LAU 32B/A, seven tube and LAU 3A/A, 19 tube rocket launchers was modified by the manufacturer (Chromcraft Corp., St. Louis, Mo.) to meet Army rocket launcher requirements as follows:

- (a) Replaced paper tubes with aluminum to make the launcher reusable.
- (b) Removed fairing, which is not required with low-speed helicopters.
- (c) Remove intervalometer from launchers. (More substantial intervalometer in aircraft cockpit provides pilot with selectivity of fire; i.e., choice of firing single rounds or continuous ripple).

The modified rocket launchers were redesignated XM-157 and XM-159 respectively.

First production contract for the XM-157 and XM-159 rocket launchers was awarded in June 1965.

M. ROBACK. After all, you are being commissioned as a single agent for the launcher as well as the rocket, and you are not the biggest user of the launcher, you see.

General ANDERSON. No.

SINGLE SERVICE ASSIGNMENT

Mr. ROBACK. And so this goes against the grain of the dominant user concept for the executive agency. You are acquiring responsibilities beyond your major involvement, and therefore one might ask a legitimate question whether you are going to be responsive to the other services, and whether your expertise in procurement is going to exceed that of the Navy. At this stage of the game and for this particular item it ought not to be too difficult.

General ANDERSON. Mr. Roback, one of the guiding premises, I believe, in our recommendation that we assume this responsibility was the marrying together of the entire weapons system, the rocket and its launchers.

Mr. ROBACK. I wonder if you could inform us—you know, some years ago when Mr. McNamara was proudly displaying his cost reduction program, one of the savings items was the fact that there were a lot of 2.75 rockets floating around that he was going to save money on by redistributing them. I do not know whether in the MAP program or to other services or what. I think they were Navy-purchased rockets. In other words, the Mighty Mouse, as I think it was then called, was a drug on the market. There were too many of them. And the Air Force and the Navy had said, "We don't even need any launchers any more." This was about 1960, 1959. And then Mr.

McNamara came along a couple of years later on this and redistributed these.

What I want to know is what is the inventory situation, the balance between the rockets and the launchers today. Who is responsible for planning the balance and for seeing that these things are meshed together? Is that going to be part of a single agency, or are you going to have two managers, one for rockets and one for launchers? Then you are going to have one to coordinate those two.

General ANDERSON. Mr. Roback, we have not—we, the Army, having received this assignment only yesterday have not determined exactly how we are going to exercise this management. But certainly things such as you have mentioned will be considered. We now have a project manager for aircraft weaponization which among other things includes launchers. We have a project manager for rockets, as you know, triservice. Colonel Hickman. This includes all the rockets. Now, just how the Army will structure itself to carry out this responsibility I am not prepared to say at this time.

Mr. ROBACK. Colonel Hickman?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. Have you got any problems?

Colonel HICKMAN. Yes, sir, we have some problems. We do not have any production problems at the moment.

Mr. ROBACK. You do not have any production problems.

Colonel HICKMAN. No, sir.

Mr. ROBACK. Are rockets in excess in these days?

Colonel HICKMAN. No, sir.

Mr. ROBACK. Your inventory management is pretty tightly controlled.

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. Are you in charge of that?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. Are you getting any complaints from the services as far as response goes?

Colonel HICKMAN. No, sir.

Mr. ROBACK. Are you making various kinds of rockets?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. New kinds?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. Are you sponsoring any R. & D. activities in that field?

Colonel HICKMAN. No, sir, but we do coordinate the R. & D. efforts to the three services.

Mr. ROBACK. You coordinate them?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. In what sense?

Colonel HICKMAN. We periodically meet with them and arrive at a triservice position and exchange information among the three services on what each is doing.

Mr. ROBACK. To what extent is there standardization in the rocket program?

Colonel HICKMAN. All three services are using the same warhead. The three services use essentially the same fuses with a minor change for high speed aircraft. The three services all use the same motor with a minor modification to provide spinning in low-speed aircraft. There

is a single service warhead used by the Air Force which the other two services do not use.

Mr. ROBACK. The Air Force?

Colonel HICKMAN. Yes, sir.

Mr. ROBACK. Is that a development item?

Colonel HICKMAN. Yes, sir, Air Force development.

Mr. ROBACK. That is not a production item yet.

Colonel HICKMAN. Yes, sir, it is in production.

Mr. ROBACK. Is it in deployment?

Colonel DICKENS. We do have some in Southeast Asia.

Mr. ROBACK. You are actually using the [deleted].

Colonel DICKENS. They do have them there. They are not using them to any great extent.

Mr. ROBACK. That is a unique requirement at this time.

Colonel DICKENS. Yes.

Colonel HICKMAN. Other than that, the Army is also in limited production on its large 17-pound warhead, which is not deployed to the field. The first quantities arrived in February of this year, and increased production of that item will depend on the field evaluation for increased quantities. We are presently limited to [deleted] per month of that item. The bulk of the Army requirement is still in the 10-pound warhead, which is common to all three services.

MAP PROGRAM

Mr. ROBACK. Are rockets and launchers being distributed on the MAP program?

Colonel HICKMAN. A few, just a few.

Mr. ROBACK. On the rockets. How about the launchers?

Colonel HICKMAN. I do not know about the launchers.

Mr. ROBACK. Can the Navy advise us?

Commander BROWN. Yes, sir. There are some being distributed under the MAP program and under the foreign military sales.

Mr. ROBACK. Do you know or does anyone know whether the rocket launchers producers are making—are selling in NATO or elsewhere on a direct basis—that is, are they making direct sales efforts? I understand it all has to go through State Department authority and all that, to sell ordnance abroad, but I mean is there a market for this thing in Europe or elsewhere?

Commander BROWN. Do you mean is there foreign production? Is there a foreign producer?

Mr. ROBACK. No, is there a foreign user?

Commander BROWN. There are some foreign users, yes, sir.

Mr. ROBACK. Is Germany buying 2.75 rockets and mounting them on 104's?

Commander BROWN. I have a list of countries that have got them, sir. Just a moment.

Mr. ROBACK. Are those distributed by the United States or are they sold by—

Mr. HOLIFIELD. Domestic producers or foreign producers?

Commander BROWN. All that I know of have been domestic producers under contract.

Mr. ROBACK. I was distinguishing between MAP donations, military assistance program, MAP, and direct sales, and I was asking whether in the direct sales or otherwise the producer was trying to develop a foreign market on his own, Chromcraft in this case.

Commander BROWN. Not that I know of. I do know of two cases where Chromcraft has attempted to get licensing for foreign production. One was in 1961 with a Belgian firm, and about that time, as I understand it, Chromcraft was beginning to be queried or investigated or suspected anyhow.

Mr. ROBACK. In what year?

Commander BROWN. 1961.

Mr. ROBACK. They were being queried in 1961?

Commander BROWN. That was my understanding. I may be mistaken.

Mr. ROBACK. That is a little early.

Commander BROWN. However, nothing ever came of this case.

Mr. ROBACK. There were queries in other respects by other interested Government investigators possibly.

Commander BROWN. At any rate, nothing ever developed on this, and no license was ever granted.

There is a case pending right now, an export license case with a British firm, BTR Plastics.

Mr. ROBACK. For licensing?

Commander BROWN. For licensing to produce overseas.

Mr. ROBACK. By Chromcraft?

Commander BROWN. By Chromcraft.

Mr. ROBACK. That is pending before the munitions board?

Commander BROWN. It is pending at the present time. However, as I understand it, the Department of Defense has requested additional information and that case is still hanging in abeyance, so I have no idea what will come of it.

Mr. HOLIFIELD. Are rocket launchers being produced in France?

Commander BROWN. Not to my knowledge, no, sir. I know of no country that is producing them, not the launchers that we are speaking of.

PATENTS

Mr. ROBACK. Can the Navy tell me or the Army whether there is any patents on any of the launchers under procurement?

General ANDERSON. Speaking for the Army, Mr. Roback, none that we know of. Our own M-158 launcher is solely owned by the Government. With respect to the other launchers, I cannot add to what the Navy has had to say on that. I do not know.

Mr. ROBACK. Mr. Morgan, do you know?

Mr. BOTHWELL. We know of only one patent, and that is on the detent mechanism that is not incorporated in the launchers we are now buying.

Mr. ROBACK. This is on a manufacturer's proposal which is not in procurement.

Mr. BOTHWELL. Would you repeat that?

Mr. ROBACK. You say the patent is on an item not in procurement but on a proposed item that the manufacturer has put together, is that right?

Mr. BOTHWELL. Yes, this item is not incorporated in the launchers we are now buying, as I understand it.

Mr. ROBACK. It is a patent on the detent?

Mr. BOTHWELL. Firing contacts.

Mr. ROBACK. That would not be the detent? The detent is what supports the rocket in the casing.

Mr. BOTHWELL. It is not the detent.

Mr. ROBACK. The firing points, right?

Mr. BOTHWELL. The firing point. That is the only patent.

Mr. ROBACK. What is the logic of the patent? Is that an accelerated firing?

Mr. MORGAN. No, it is a spring-loaded detent that takes up shifts in tolerances in the manufacture, the location of the detent in the tube and so on to avoid putting excessive force on the firing contact as the rocket is installed, and the contractor has—that is included in his patent claims. But I do not believe that it is patentable because years ago we had a spring-loaded contact quite similar to that in a practice rocket launcher developed for us by Century Engineers.

Mr. ROBACK. This is a patent pending?

Mr. MORGAN. Yes.

Mr. ROBACK. It has not been granted?

Mr. MORGAN. Not to my knowledge.

Mr. BOTHWELL. No. There is a patent. The patent has been granted, the one I am speaking of.

Mr. MORGAN. I do not know that. I thought we were investigating this.

Mr. BOTHWELL. There is an existing patent.

General ANDERSON. I have been supplied a copy of a patent which may be the patent or the only patent which Chromcraft has and it is patented April 25, 1967. It has a number.

Mr. ROBACK. And this is on the thing that Mr. Morgan was talking about?

General ANDERSON. I am not sure.

Mr. ROBACK. We do not have to pursue it. We are not interested in evaluating it for the Patent Office again.

FUTURE NAVY ROLE

Mr. DAHLIN. General Anderson, what is your understanding of the relationship between the Army and the other services with respect to taking over this assignment? Is it your understanding that it has been given as a phased basis or there are some conditions to cleaning up some areas or what is your understanding of what you have been given?

General ANDERSON. Yes. We have an understanding or an agreement with the Navy that they will continue to handle the legal aspects of the difficulties with Chromcraft vis-a-vis their suspension and so forth.

Mr. DAHLIN. Only that part?

General ANDERSON. That is the principal part. Now in negotiating the changeover, just for example, we would let them continue to administer procurements that they have already made. I would expect something like this to occur. We have already reserved development

responsibility to each of the services. It is a matter of timing and negotiating the exact arrangements to be made.

Mr. DAHLIN. At the time the Army began to get into this business, there was a considerable Navy file on difficulties with respect to cost data and lack of clauses in subcontracts and this sort of thing. Did the Army take precautions which were any different from the Navy, or has your experience been any different since?

General ANDERSON. I am told that we have had no difficulty at all in having access to their data. The auditors and our people have been very cooperative.

Mr. DAHLIN. Did your contracting officer check to make sure that clauses were put into subcontracts where they were so required?

Mr. SCHAEPLI. We called back and checked with DCASR and DCASR says that most of the things that they buy for our procurements are raw materials and parts off the shelf, and they know of no indication where appropriate clauses were not used.

Mr. DAHLIN. One of the major differences I suppose is the fact that the Army does not use fairings.

General ANDERSON. No.

Mr. DAHLIN. And therefore there are no subcontracts associated with those major components.

General ANDERSON. Or intervalometers.

Mr. DAHLIN. There have been separate audits conducted by Army or DCAA.

General ANDERSON. DCAA has at Army request conducted several of these audits on procurements, yes.

Mr. DAHLIN. Perhaps you can state how the responsibility is placed in the Army for cost analysis, pricing analysis, and how you have worked with DCAA?

General ANDERSON. I can give you now the general arrangement that we use. When there is a cost or price submission or any negotiated contract requiring audit of costs and cost projections, we elicit support from the Defense Contract Audit Agency. Their audits are advisory to the contracting officer.

Mr. ROBACK. We know the general doctrine here. We published a little report on the subject, as to what the role of the defense auditor is.

General ANDERSON. Could you be more specific?

Mr. ROBACK. In regard to this particular procurement, I think your statement was that you got complete information on a certificate.

General ANDERSON. Cost and pricing data, yes.

Mr. ROBACK. Now, the testimony of the Navy, not the testimony of the Navy but the indications that we had from the General Accounting Office representative and the information made available to us through copies of some Navy auditors' reports, were that Chromcraft would not win any prizes on data reporting. Are you going to win a prize with the Army?

Mr. SCHAEPLI. It did not show it.

Mr. ROBACK. Was it A-plus with the Army or B-minus?

General ANDERSON. The DCAA reports do not give any evidence of that. I heard that statement yesterday, but I cannot add to it.

GAO ROLE

Mr. ROBACK. I might ask at this time, Mr. Ogolin of GAO, just summarize what their experience is and submit for the record a chronology of their involvement. Mr. Ogolin, give us the sense of your involvement here, a little statement, and we will see whether the Army—maybe the Army was not involved in that. That is to say maybe they had a better responsibility than the Army, I do not know.

Mr. OGOLIN. As you have in the files, at this time, a copy of our letter that we sent to Admiral Shinn, I will read from our statement concerning the work of Chromcraft:

Objective in performing the work at Chromcraft beginning in June 1965 was to ascertain whether prices paid by the Navy for rocket launchers appeared to be fair and reasonable and whether the contracts between the Navy and Chromcraft were effectively managed. This was done as a part of our responsibility under Public Law 87-653. We compared the contractor's proposals for six contracts—

And this is through 1966, fiscal year 1966—

We compared those with prices recommended by the service auditors and with those ultimately accepted by the contract negotiators. We then selected high dollar value material costs, compared the prices proposed with the contractors' reported costs or quotas. We did this to ascertain whether the most current known data was used by the contractor in preparing its proposals as required by Public Law 87-653.

Our test indicated that Chromcraft had not requested cost and pricing data in support of various quotations from sole sources and used in its proposals. Also Chromcraft consistently did not include cost and pricing data clauses in its subcontracts as required by terms of its contracts with the Navy and as set forth in ASPR.

Further, we were unable to ascertain from Chromcraft's records whether or not the most recent subcontract price reductions had been considered during negotiations. Moreover, Chromcraft did not fulfill one of its contractual obligations since it did not include in a number of its subcontracts the examination of records clause required by both the prime contracts and ASPR 7-104.15.

We found also that one item of the launcher assembly was shipped direct from the subcontractor to military installations under Government bills of lading while Chromcraft included such costs in its proposals and they were accepted by the Navy. We recommended that the Navy make a thorough review of Navy contracting at Chromcraft. We suggested this review be directed at assuring that mandatory clauses are included in Chromcraft's subcontracts and that prices negotiated were reasonable in relation to cost or pricing data available to Chromcraft at the time of negotiation.

We recommended also that the freight costs included in negotiated prices be considered to be covered.

That was the extent of our examination at the time—at the time the Department of Justice came in.

Mr. ROBACK. Can you give us, just to complete that statement, the sequence of your communications with the Navy and what the disposition was? I mentioned it yesterday but let us have it a little more precisely.

Mr. OGOLIN. I will pick up from my chronology which I have here. On November 20, 1965, we prepared a draft report for my regional manager to review. It must then go to our Washington office where it is reviewed by legal and other people from policy staff. In the interval there were a number of questions raised, and we tried several

times to discuss this with Chromcraft people. Finally on August 15, 1960, we decided to issue a letter to Admiral Shinn calling these matters to his attention, to see if he could not get some direct answer. September 13, 1966, Navy Air Systems Command advised that the report would be answered as soon as an audit by Navy was made.

September 21, 1966, the DCA auditors called to make an appointment to look at our workpapers as a result of our report that went to Admiral Shinn.

September 27, 1966, DCA came to our office and examined our workpapers, made certain extractions.

December 20, 1966, we wrote Naval Air Systems Command for a reply to our August 15, 1966, report.

January 9, 1967, Naval Air Systems Command advised we would receive answer by February 9, 1967. On February 9, 1967, Navy Air Systems Command advised that on February 2, 1967, the Department of Justice had notified Navy of an investigation of Chromcraft and a subcontractor. They had advised us that a reply to our August 15, 1966, report was deferred pending advice from the Department of Justice.

Now, beyond that do you want me to go on with the contact with the department or the Naval Air Systems Command?

Mr. ROBACK. What is the commentary on that? You mean about the chronology?

Mr. OGOLIN. Yes, it is in the chronology. Do you want me to go on with that?

Mr. ROBACK. No, submit the remainder of that for the record, Mr. Ogolin. In fact, the whole paper.

(The information referred to follows:)

STATEMENT BY EARL J. OGOLIN, AUDIT MANAGER, GAO, KANSAS CITY REGIONAL OFFICE, ST. LOUIS SUBOFFICE, CONCERNING GAO WORK AT CHROMCRAFT CORP.

Our objective in performing work at Chromcraft beginning in June 1965 was to ascertain whether prices paid by the Navy for rocket launchers appeared to be fair and reasonable and whether the contracts between the Navy and Chromcraft were effectively managed. This was done as a part of our responsibility under Public Law 87-653.

We compared the contractor's proposals for six contracts with prices recommended by the service auditors and with those ultimately accepted by the contract negotiators.

We then selected high dollar value material costs to compare the prices proposed with the contractor's recorded costs or quotes. We did this to ascertain whether the most current known data was used by the contractor in preparing its proposals, as required by Public Law 87-653.

Our tests indicated that Chromcraft had not requested cost and pricing data in support of various quotations from sole sources and used in its proposals. Also, Chromcraft consistently did not include cost and pricing data clauses in its subcontracts as required by terms of its contract with the Navy and as set forth in the ASPR. Further, we were unable to ascertain from Chromcraft's records whether or not the most recent subcontract price reductions had been considered during negotiations.

Moreover, Chromcraft did not fulfill one of its contractual obligations since it did not include in a number of its subcontracts the examination of records clause required by both the prime contract and ASPR 7-104.15.

We found also, that one item of the launcher assembly was shipped direct from the subcontract vendor to military installations under GBL's while Chromcraft included such costs in its proposals and they were accepted by the Navy.

We recommended that the Navy make a thorough review of Navy contracting at Chromcraft. We suggested this review be directed at assuring that mandatory

clauses are included in Chromcraft's subcontracts and that prices negotiated were reasonable in relation to cost or pricing data available to Chromcraft at the time of negotiations. We recommended also that the freight costs included in negotiated prices be considered for recovery.

CHRONOLOGY

- June 11, 1965: Contacted Mr. Charles Chewning, controller, at Chromcraft to arrange for entrance meeting for purpose of making an audit of its Government contracts.
- June 14, 1965: Met with Mr. Andrew Stone, president of Chromcraft, and Mr. Chewning.
- June 25, 1965: As a result of several phone calls, Washington staff agreed with our approach to write a letter to gain entrance in 10 days.
- June 29, 1965: Issued such a letter settling July 9, 1965 as entrance date.
- July 6, 1965: Chromcraft replied that due to various problems August 5 or 9 would be earliest we could come in. Also, they asked to have us identify specifically what records we were interested in.
- July 12, 1965: We set forth generally the type records we wanted to review and requested, as a start, the files for five contracts.
- August 9 to September 11, 1965: Conducted survey at Chromcraft.
- September 11 to October 21, 1965: Through discussions and preparations of proposals to Washington staff it was decided by Washington staff to not delve further. Merely issue a letter report to Navy procurement agency.
- October 21 to December 20, 1965: Prepared draft for regional office review.
- December 21 to January 12, 1966: Prepared revised draft and referenced same.
- January 17, 1966: Revised draft and submitted to Washington staff.
- January 17 to March 24, 1966: Draft report being reviewed and processed in Washington.
- March 24, 1966: Advised by Washington staff to revise and prepare for issue a letter report.
- April 5, 1966: Resubmitted draft to Washington staff for final approval.
- June 14, 1966: GAO General Counsel agreed to issuance of report.
- August 3, 1966: Advised by Washington staff of certain revisions and then to issue.
- August 15, 1966: Issued report to NASC.
- September 13, 1966: NASC advised report would be answered as soon as an audit by Navy was made.
- September 21, 1966: DCAA auditors called to make appointment to look at our workpapers.
- September 27, 1966: DCAA came to our office to examine our workpapers.
- December 20, 1966: We wrote NASC for reply to our August 15, 1966 report.
- January 9, 1967: NASC advised we would receive answer by February 9, 1967.
- February 9, 1967: NASC advised that on February 2, 1967, the Department of Justice had notified Navy of an investigation of Chromcraft and a subcontractor. They advised us that the reply to our August 15, 1966 report was deferred pending advice from the Department of Justice.
- February 27, 1967: We advised our Washington office of Navy reply and posed the question that possibly we should inquire into Justice's interest and determine what precludes Navy answering our report.
- March 6, 1967: Our Washington office assigned this inquiry to our regional office in Washington.
- March 15, 1967: Regional manager, Washington, contacted one of our supervisors who relayed information to me that he believed we should handle our inquiry.
- March 16, 1967: Contacted our general counsel about the matter. They advised they saw no problem in making inquiry of NASC and Department of Justice.
- March 16, 1967: Contacted Mr. Bothwell of NASC's Navy Assitsant Counsel Office. He advised us an Agent Kelly of FBI Fraud Division had obtained all records and correspondence on Chromcraft and advised NASC officials not to discuss the case with anyone.
- March 23, 1967: Advised our Washington office what transpired at NASC and suggested they follow up with Department of Justice.
- June 20 to June 28, 1967: An FBI agent, William G. Harry, visited our office to discuss Chromcraft. During this period he reviewed our work and asked questions.

May 24, 1968: John Risher, Jr., Assistant U.S. Attorney, Department of Justice, Washington, D.C., called Mr. Zenk of our office to have us send our workpapers in for their use.
 May 27, 1968: We sent the workpapers to Mr. Risher.

ARMY IN-HOUSE CAPABILITY

Mr. DAHLIN. General Anderson, the initial production of rocket launchers in the Army was in-house. Have you maintained any sort of capability where these can be produced in-house in the Army in case you get into a bind?

General ANDERSON. You are speaking of the old XM-3 launcher.

Mr. DAHLIN. Yes.

General ANDERSON. Produced at Watertown Arsenal which is now closed. No, we have not planned specifically for in-house capability to produce rocket launchers. They are readily obtainable from industry.

Mr. DAHLIN. One of the problems mentioned by Navy auditors was the shortness of time between a request by a contracting officer and the time they wanted the information to go to contract. Have you had any such problems or difficulties in working between your contracting officials who have to use cost or pricing information or analysis and working with DCAA?

General ANDERSON. I know of no difficulties. Do you know of any delays?

Mr. SCHAEFFEL. Occasionally there are, but nothing serious.

General ANDERSON. They have a tremendous job, as you very well know, and they cannot always audit your contracts as quickly as you may like, but the service we have had has been quite satisfactory.

Mr. DAHLIN. Your statement seems to indicate that you are having some difficulty with the M-160. Does that mean that it is a technical problem or it is a cost problem or that in repairable concept is to be reevaluated? What is the nature of that?

General ANDERSON. No, I did not mean to infer we are having difficulty. We simply have not progressed as fast.

Mr. DAHLIN. What does that mean, sir?

General ANDERSON. In the case of the seven-tube launcher, we put that into development, got a technical data package and put it on the street. We did not act in the same way on the XM-160. We have designs, and we have R. & D. drawings. We have not yet made any prototypes for test. It is one of the launchers we are considering as well as the Navy launcher they mentioned that is under development by them, and at the same time we are considering the possibility of purchasing the rights and drawings from Chromcraft for the 19-tube launcher. All of these will have to take their place in our determinations as to what we will do.

Mr. DAHLIN. Is it clear from your statement that you have no pending procurements or dollars committed for the rest of this fiscal year? Your main concern is the next fiscal year as far as Army buy is concerned; is that correct?

General ANDERSON. There are two procurements with Chromcraft under negotiation right now, and should be awarded momentarily as a part of the fiscal year 1968 program. I think we have no choice there.

I said that in fiscal year 1969 we may have to likewise procure our requirements from Chromcraft, depending upon our acquisition of the data from them.

Mr. DAHLIN. I just have one question of Mr. Witt. Has the Air Force undertaken any separate procurements of rocket launchers outside of its single service arrangements with the Navy recently?

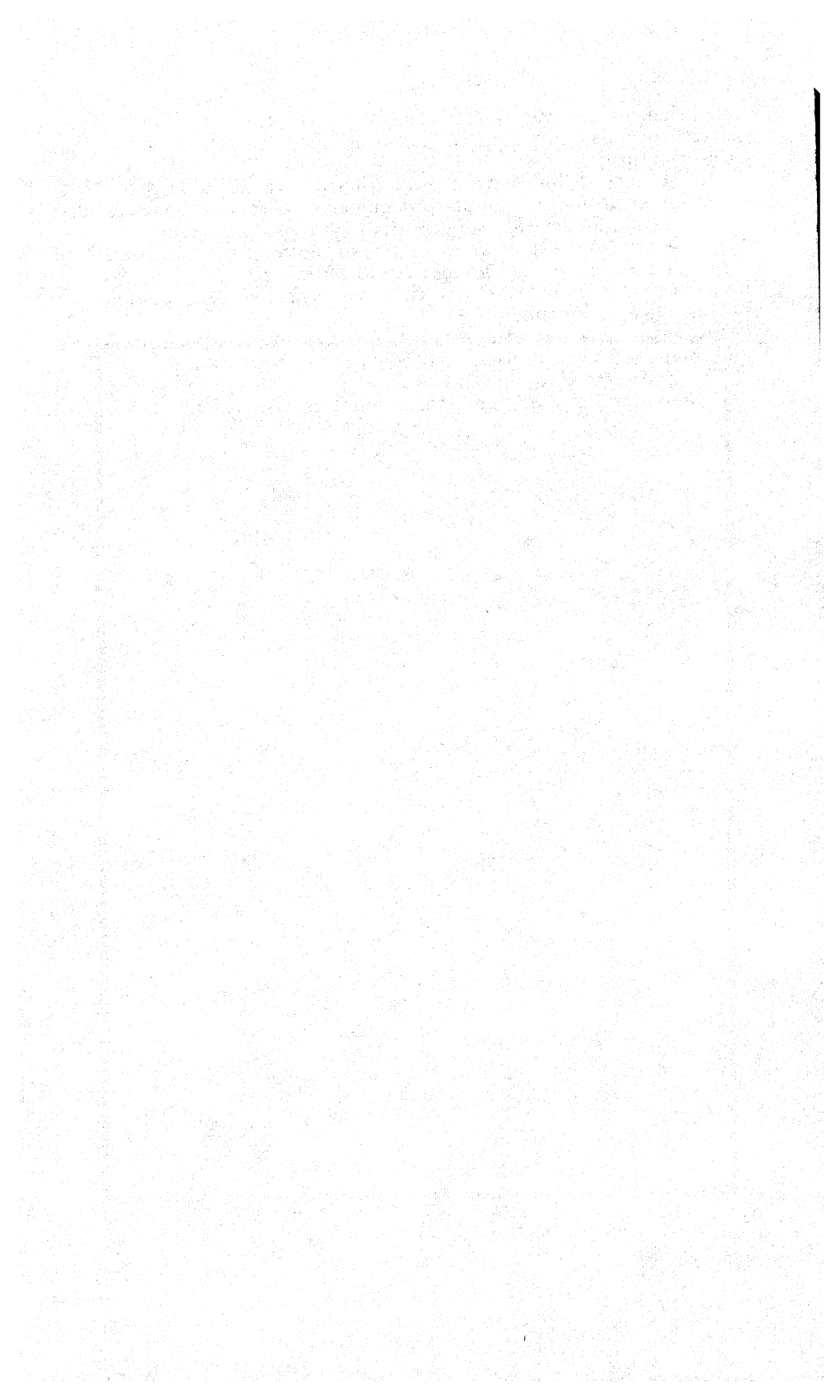
Mr. WITT. None that I know of, no, sir, nothing outside. Negative.

Mr. HOLIFIELD. We are going to hold the record open for inquiries by correspondence or otherwise from the staff, but the hearings will be concluded at this time.

I want to thank the witnesses for their responsiveness, their patience, and their endurance, particularly today.

The committee is adjourned.

(Whereupon, at 1:10 p.m., the committee was adjourned.)



APPENDICES

APPENDIX 1.—ILLUSTRATIVE ROCKET LAUNCHER DATA

T.O. 11L1-3-21-1
NAVWEPS 11-75A-39

Technical Manual
Operation Instructions

AIRBORNE ROCKET
LAUNCHER
TYPE LAU-3/A
(FSN 1055-554-1426)

THIS PUBLICATION REPLACES T.O. 11AA1-4-4-1
DATED 20 MAY 1959

PUBLISHED UNDER AUTHORITY OF THE SECRETARY OF THE AIR FORCE
AND THE CHIEF OF THE BUREAU OF NAVAL WEAPONS

CHROMCRAFT CORPORATION, ST. LOUIS, MO.

T.O. 11L1-3-21-1/NAVWEPS 11-75A-39

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T.O. 11L1-3-21-1/NAVWEPS 11-75A-39

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SAFETY SUMMARY

The following WARNINGS are repeated from the text for the protection of personnel.

WARNING

- Under no circumstances perform any electrical tests with rockets in launcher. (Page 6)
- Aircraft armament switch must be in "OFF" position and Ground Button in unused launcher receptacle before rockets are loaded in launcher. (Page 9)
- Exercise all precautions applicable to high explosive ammunition when handling rockets. Do not stand directly in front or behind launcher while loading. (Page 9)
- Rockets must be properly orientated with arrow markings on FWD bulkhead of launcher before engagement with detent and must not be pushed past the detent stop. (Page 10)

The following major CAUTIONS are repeated from the text because if not strictly observed the effectiveness of the equipment or aircraft may be destroyed.

CAUTION

- Shipping end closures and fairing containers should not be opened or seals broken until ready for use. (Page 6)
- Launcher must not be used if more than two tubes have pronounced cracks or delaminations. Do not use any tube that is damaged. (Page 6)
- Intervalometer must be seated and locked securely in place. (Page 8)
- Rocket heads must be firmly attached to rocket motors before installing in launcher. The motor and head will be tightened with a torque of 55-60 ft. lbs. (Page 9)

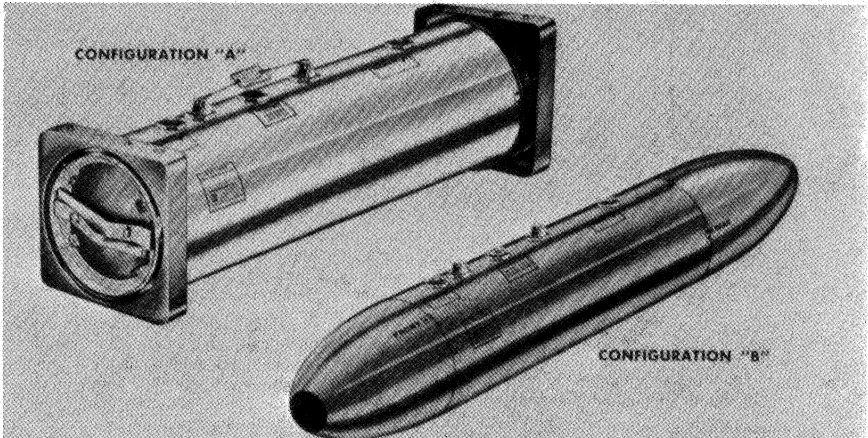
SECTION I
INTRODUCTION AND DESCRIPTION

Figure 1-1. Rocket Launcher, LAU-3/A

1-1 INTRODUCTION: This publication comprises operation instructions for the Rocket Launcher, LAU-3/A, manufactured to USAF Part Number 64J44802, and Contract No. NOW 65-0121f.

1-2 DESCRIPTION

1-3 GENERAL: Rocket Launcher, LAU-3/A is a combination shipping package, Configuration "A", and an airborne rocket launcher, Configuration "B" for nineteen (19) 2.75" FFA rockets. In addition, a fairing container is provided for shipment of the FWD and AFT fairings. General characteristics of each configuration are given by Figures 1-1 and 1-2.

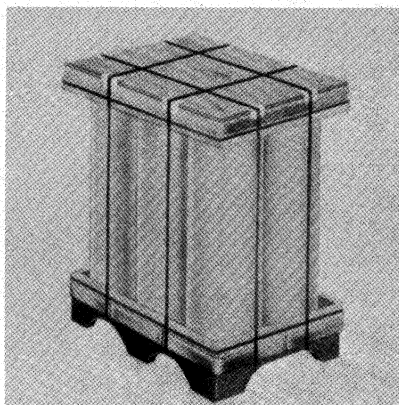
1-4 CONFIGURATION "A": The launcher in Configuration "A" is the shipping package. The Center Section of this package is identical with the Center Section of the airborne configuration, and is provided with end closures for sealing against adverse storage conditions. The standard shipping arrangement for Configuration "A" is six (6) launchers steel strapped to a molded fibre pallet (Figure 1-3). End closures should not be removed until ready for use.

Figure 1-2. Rocket Launcher, LAU-3/A
Characteristics

	Configuration "A"	Configuration "B"
Length — Overall	53.30"	86.50"
Cross Section	18.00" x 18.50"	15.5" Dia.
Capacity (2.75" FFA)	19	19
Weight — Empty	122.00 lbs.	79.00 lbs.
Weight — Loaded	459.25 lbs.	416.25 lbs.
Suspension	14" and Center	14" and Center
Ignition	28 Volt DC	28 Volt DC
Firing Rate Ripple	10 millisecond interval	10 millisecond interval
Operating Temperature Range	(-65° F) to (+ 165° F)	(-65° F) to (+ 165° F)

SECTION I
Paragraphs 1-5 to 1-7

T.O. 11L1-3-21-1/NAVWEPS 11-75A-39



**Figure 1-3. Configuration "A"
Standard Shipping Arrangement**

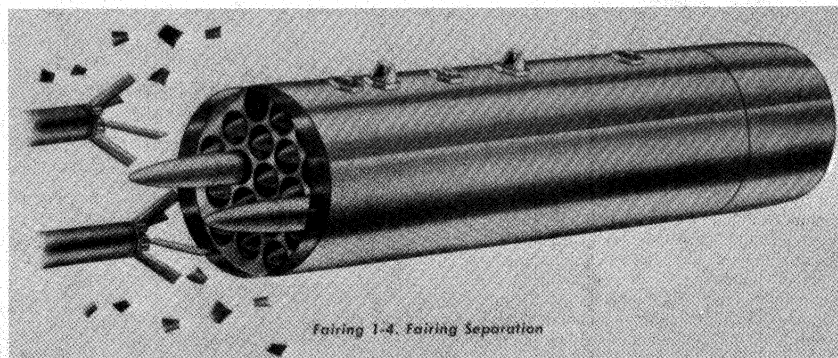
1-5 CONFIGURATION "B": The launcher in Configuration "B" is an expendable, streamlined, air-borne launcher, and capable of accommodating nineteen 2.75" FFAR complete with warheads and fuses. The launcher utilizes the Center Section of Configuration "A" and two frangible fairings. Designed as a dual surface weapon for either air to air or air to ground use, it is compatible with a variety of aircraft from high performance jet to propeller aircraft.

1-6 CENTER SECTION: The launcher Center Section consists of a 14" and center lug suspension system; a nineteen, non-metallic, tube cluster for launching 2.75" FFA rockets; an Intervalometer for controlling the rate of firing; and firing circuits. Each launcher tube has a Detent for retaining and igniting the rocket and a Contact for electrical ground point to rocket.

1-7 FAIRINGS: The launcher is provided with a set of frangible, streamlined. FWD and AFT fairings, made of impregnated molded fibre and containing a locking band for attachment to the launcher Center Section.

The FWD fairing consists of a one-piece molded section which disintegrates entirely on rocket impact. (Figure 1-4). The AFT fairing is a one-piece unit assembly, similar to the FWD fairing but molded in two sections; the rear section is shattered by the rocket blast, the base section remaining on the launcher to serve as a funnel or choke to direct debris away from the aircraft. Because of this difference in construction, they must not be interchanged when installed on the launcher.

Fairings are packed two (1 set) in a fibreboard container, sealed with waterproof tape and over-packed six (6) in a wirebound crate. (Figures 1-5 and 1-6). They should not be opened until ready for use.



Fairing 1-4. Fairing Separation

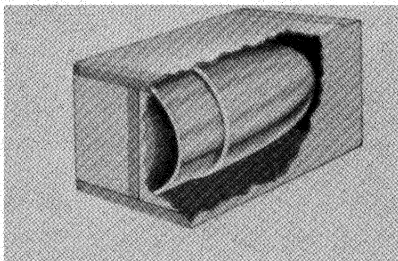


Figure 1-5. Fairing Container

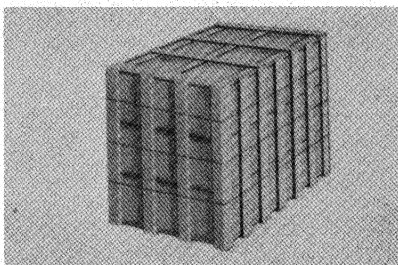


Figure 1-6. Fairing Sets Crated for Shipment

1-8 INTERVALOMETER: (Figure 1-7). The launcher Center Section is shipped with a shunt fuse type intervalometer installed. Electrical power required to operate the intervalometer and ignition system is supplied by the aircraft's 28 volt/DC armament circuit through a 5-ohm 25-watt resistor. Current to the intervalometer must be within 4.5 to 7.5 amperes. Ten finger contacts (circuits) are held in open circuit position by a fuse wire; when current is applied, the fuse wire burns through permitting the finger contacts to complete their respective circuits.

The intervalometer has no moving parts and requires no maintenance. The wiring of the intervalometer converts the firing pulse into ripple firing with approximate 10-millisecond delay interval between each of the ten circuits.

1-9 GROUNDING BUTTON: As a safety requirement, each FWD and AFT receptacle is fitted with a ground device (Figure 1-8) that grounds the launcher armament circuit and prevents inadvertent operation of the intervalometer.

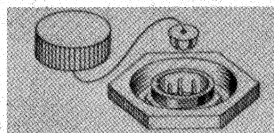


Figure 1-8. Grounding Button

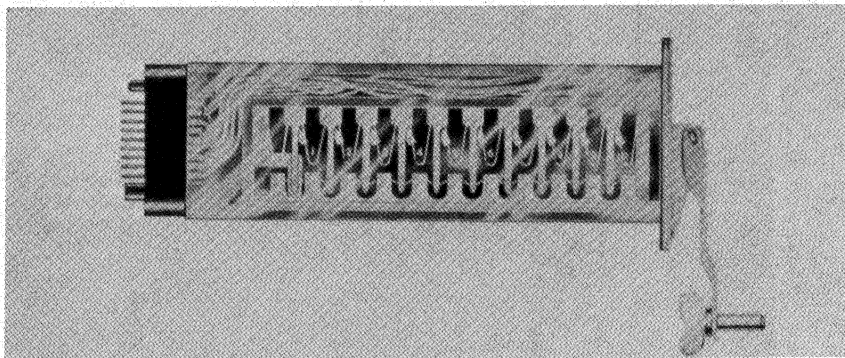


Figure 1-7. Intervalometer

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SECTION I
Paragraph 1-10

1-10 OPERATION: When the armament switch in the aircraft is closed, electrical power is routed to the launcher in the manner shown in Figure 1-9. Rockets are fired in pairs and in the order given in Figure 1-9, (1A, 1B; 2A, 2B; etc.) with the exception of the center tube rocket which is fired singly.

Aircraft power is supplied to the launcher through either of the FWD or AFT receptacles. Internal wiring of the launcher is schematically shown by Figure 1-10.

NOTE

Aircraft armament switch must be closed for at least $1/4$ second for rockets to fire.

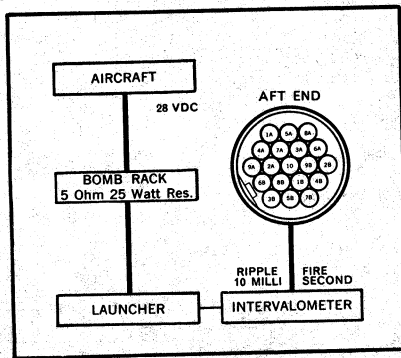
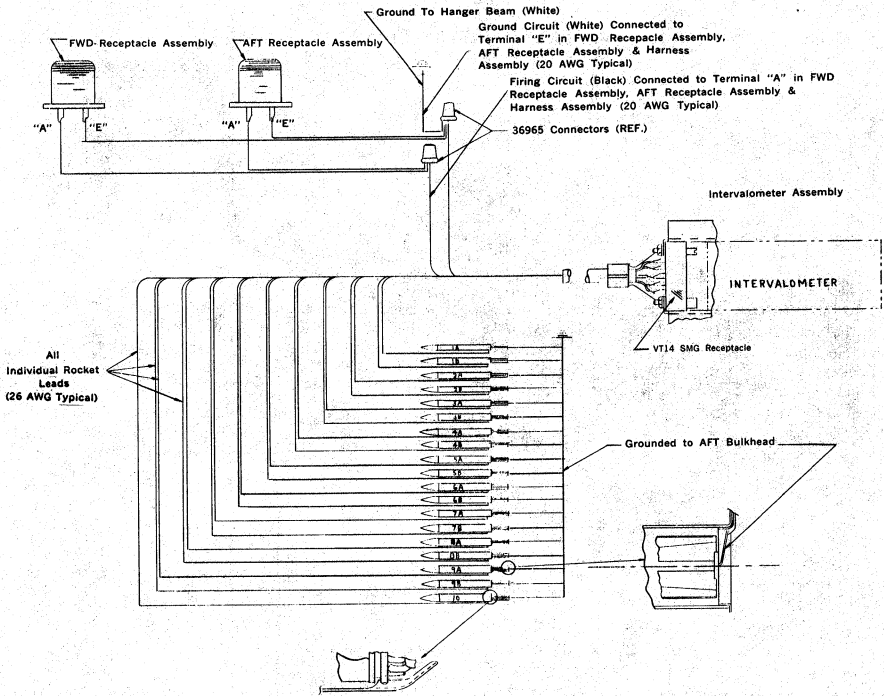


Figure 1-9. Firing Circuits

T.O. 11L1-3-21-1/NAVWEPS 11-75A-39

SECTION I



WIRE ROUTING TABLE		
Tube No.	Wire Color	Intervalometer Connection Term
1A - 1B	Orange	R
2A - 2B	Yellow	P
3A - 3B	Green	N
4A - 4B	Blue	L
5A - 5B	Purple	K
6A - 6B	Grey	H
7A - 7B	Brown	F
8A - 8B	White-Orange	D
9A - 9B	White-Yellow	C
10	White-Green	B

Figure 1-10. Launcher Electrical System

SECTION II
Paragraphs 2-1 thru 2-6

T.O. 11L1-3-21-1/NAVWEPS 11-75A-39

OPERATION INSTRUCTIONS

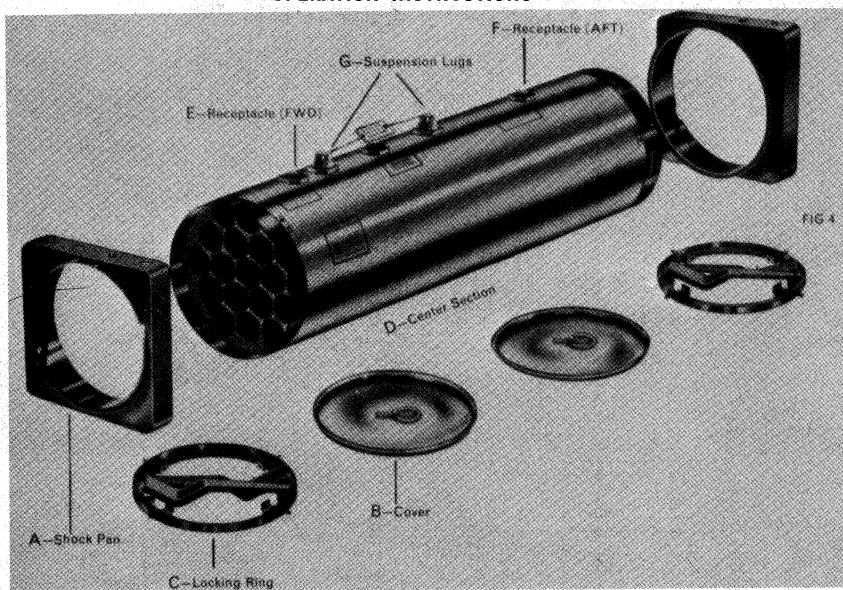


Figure 2-1. Disassembly of Configuration "A"

2-1 PREPARATION FOR USE

CAUTION

Shipping end closures and fairing containers should not be opened or seals broken until ready for use.

2-2. Disassemble watertight end seals from Configuration "A" (Figure 2-1) as follows:

- a. Remove Locking Ring by extending handles and turning counterclockwise.
- b. Lift Cover out of the shock pan.
- c. Lift spring latch on rear side of Shock Pan; turn Shock Pan counterclockwise to remove.

2-3. Inspect rocket tubes from each end of the launcher for any severe cracks or delaminations.

CAUTION

Launcher must not be used if more than two damaged tubes are found. Do not use any tube that is damaged.

2-4. Remove waterproof bag wired to suspension lugs. This bag contains Striker Post Assembly and Jumper Cable Assembly (Optional).

2-5. Remove Ground Button from FWD and AFT electrical receptacles.

2-6. Check out electrical system as follows: (Figure 2-2).

WARNING

Under no circumstances perform electrical tests with rockets in launcher.

a. Remove intervalometer (Figure 2-3) by unfastening the hinge and key locking device and visually inspect to determine that all ten finger contacts are in open position supported by fuse wire (Figure 2-4). If any fuse wire is broken, the intervalometer must be replaced.

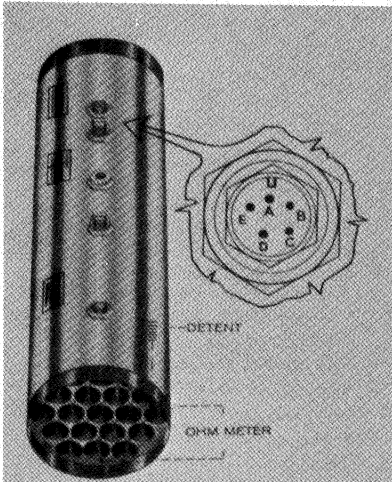


Figure 2-2. Electrical System Checkout

b. Place one probe of ohmmeter on AFT bulkhead and the other probe on launcher tube detent. Meter should indicate open circuit. Repeat on remaining 18 tubes.

c. Place one probe of ohmmeter on "A" and "E" pins of one of the receptacles; meter should indicate open circuit.

d. Place Ground Button on one receptacle and ohmmeter probes on "A" and "E" pins of the other receptacle. The meter should register continuity.

e. Select one spare intervalometer or one once-fired intervalometer. If a spare intervalometer is selected, apply six volts D.C. across A and E pins of the intervalometer to drop all finger contacts (Figure 2-4). Remove Pin E from intervalometer and mark intervalometer for (TEST ONLY).

NOTE

Test intervalometer can be re-used; however, intervalometer continuity should be checked in the event any launcher fails to check out electrically.

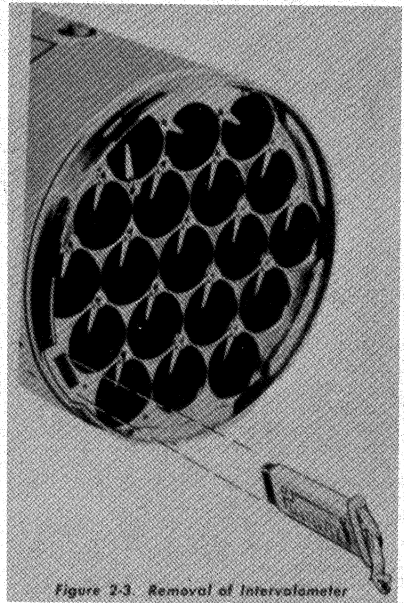


Figure 2-3. Removal of Intervalometer

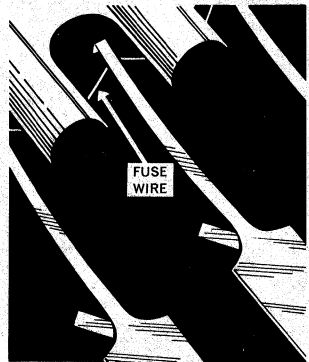


Figure 2-4. Intervalometer Finger Contacts - Exploded View

SECTION II

T.O. 11L1-3-21-1/NAVWEPS 11-75A-39

Paragraphs 2-6 thru 2-13

f. Check Test Intervalometer to see that continuity exists between Pin A and all other pins to be acceptable for a test intervalometer.

g. Install Test Intervalometer in launcher (Figure 2-4)

h. Remove both Ground Buttons from receptacles.

i. Place one probe of ohmmeter on AFT Receptacle, the other probe on Detent. Meter should indicate continuity with less than one-half ohm resistance. The meter should register continuity with less than one-half ohm resistance when the probe is placed on the remaining 18 tube detents.

j. Replace Test Intervalometer with serviceable intervalometer.

CAUTION

Intervalometer must be seated and locked securely in place.

2-7 INSTALLATION (BOMB RACKS 15B, 15C, 15C-1)

2-8. Remove Post Assembly from waterproof bag and install on FWD receptacle with the raised pro-

jection on the Post Assembly pointed forward. The AFT receptacle must have the Ground Button installed with Dust Cap hanging freely. (Figure 2-5).

OPTIONAL ARRANGEMENT: Remove Jumper Cable from waterproof bag and attach cable to the AFT receptacle. The FWD receptacle must have the Ground Button installed with receptacle Dust Cap hanging freely. (Figure 2-6).

2-9 Elevate launcher into position with the bomb rack and lock in suspension lugs.

2-10 Position sway braces on bomb rack to hold the launcher in a rigid position.

2-11 Place armament switch in aircraft in "off" position.

2-12 Check aircraft electrical circuit for stray voltage.

2-13 Make electrical connection between aircraft circuit and launcher as follows:

- a. Striker Post Assembly (Figure 2-5) — Electrical connection is made by lowering contact on bomb rack until a positive connection is made with contact on Post Assembly.

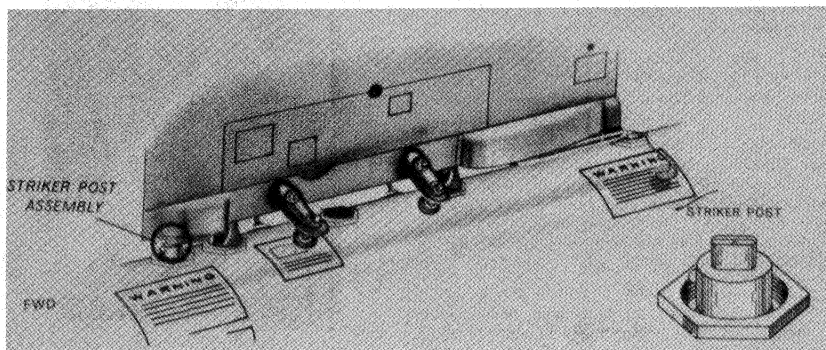


Figure 2-5. Installation of Striker Post Assembly

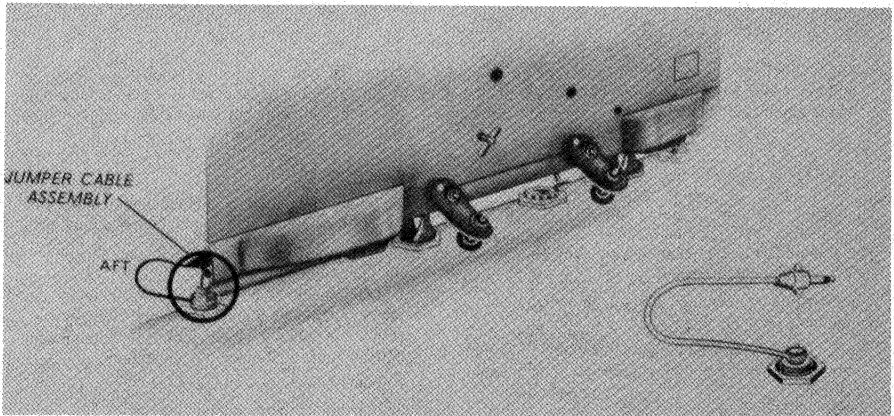


Figure 2-6. Installation of Jumper Cable Assembly (Optional)

- a-1. Jumper Cable Assembly (Figure 2-6)—Electrical connection is made by inserting cable jack in AFT receptacle of bomb rack until a positive connection is made.

2-14 LOADING.

WARNING

Aircraft armament switch must be in "OFF" position and Ground Button in unused launcher receptacle before rockets are loaded in launcher.

CAUTION

Rocket head must be firmly attached to rocket motors before installing in launcher. The motor and head will be tightened with a torque of 55-60 foot-pounds.

WARNING

Exercise all precautions applicable to high explosive ammunition when handling rockets. Do not stand directly in front or behind launcher while loading.

- 2-15 Ground rockets to forward edge of launcher and then remove fin protector.

- 2-16 Load rockets from forward end of launcher with rocket fins aligned so that arrow marking on launcher forward bulkhead is between two fins. (Figure 2-7).

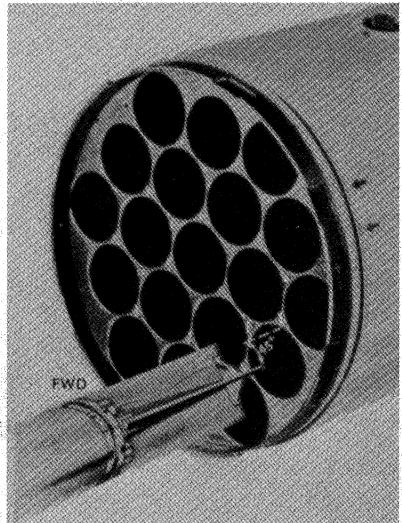


Figure 2-7. Loading Rockets

SECTION II

T.O. 11L1-3-21-1/NAVWEPS 11-75A-39

Paragraphs 2-17 thru 2-24

2-17 Slowly push rocket into launcher until an audible "click" sound is heard to indicate rocket has engaged detent. Repeat for remaining 18 tubes.

WARNING

Rockets must be properly orientated with arrow markings on launcher before engagement with detent, and must not be pushed past the detent stop. Such action could damage the detent and result in loss of rocket in flight.

2-18 Pull or push on each rocket to make sure detent is properly engaged.

2-19 Check contacts on rear bulkhead to make sure proper contact is made with rocket contact button.

2-20 Install FWD and AFT fairings immediately after loading by aligning arrow marking on fairing with "UNLOCK" arrow marking on launcher center section; slip fairing on launcher and rotate clockwise until fairing latch snaps into "LOCK" position. Joggle fairing slightly to check engagement.

2-21 PRE-FLIGHT.

2-22 Immediately before aircraft takes off, remove Ground Button from unused launcher re-

ceptacle (Figure 2-8) and hold up to notify pilot arming procedures have been completed. Retain Ground Button until aircraft returns.

2-23 POST-FLIGHT.

2-24 Immediately after aircraft lands with a full or partially loaded launcher, the following procedure should be followed:

- a. Place Ground Button in receptacle.
- b. Disconnect electrical connection between aircraft and launcher (if accessible) by raising contact in bomb rack away from striker Post Assembly; or if used, unplug Jumper Cable Assembly.
- c. Remove Fairings.
- d. Remove Intervalometer.
- e. Remove rockets from launcher using rocket release tool (Figure 2-9), or equivalent.
- f. Remove launcher from aircraft. Install launcher Shockpan or Shipping Ends assembly on launcher whenever possible.

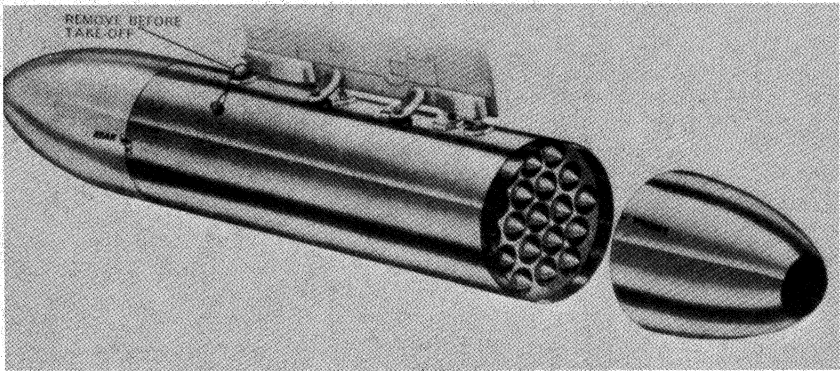


Figure 2-8. Launcher Pre-Flight Status

SECTIONS II thru IV
Paragraphs 2-25 thru 2-28

2-25 STORAGE.

2-26 Inside storage with Shockpan assembly installed is recommended for the LAU-3/A Rocket Launcher. Fairings should be stored in their sealed shipping cartons until ready for use.

2-27 DISPOSAL.

2-28 Any launcher or component found to be unserviceable is to be reported for disposition in accordance with Paragraph 19, Section 28, Volume I of AFM 67-1.

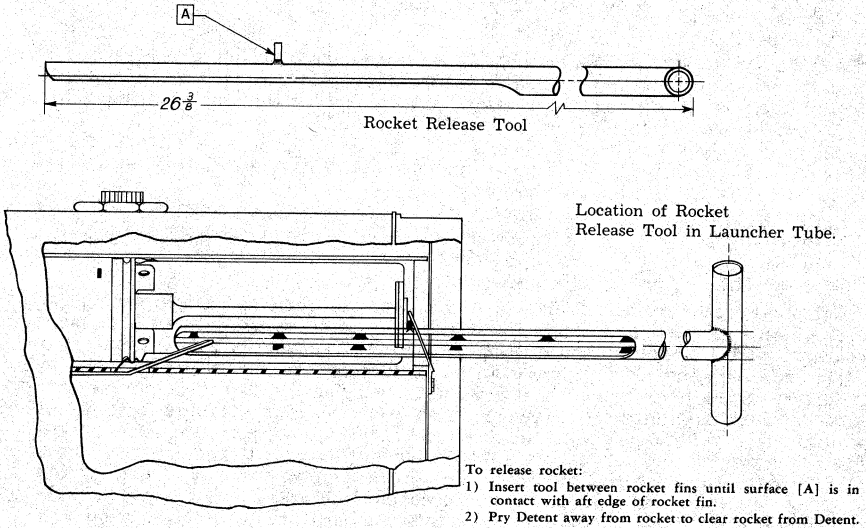


Figure 2-9. Rocket Release Tool

SECTION III
OPERATING CHECKS AND ADJUSTMENTS
NOT APPLICABLE

SECTION IV
EMERGENCY OPERATION AND REPAIR
NOT APPLICABLE

APPENDIX 2.—GAO LETTER REPORT ON CHROMCRAFT CORP. CONTRACTS

U.S. GENERAL ACCOUNTING OFFICE,
REGIONAL OFFICE,
Kansas City, Mo., August 15, 1966.

Rear Adm. ALLEN M. SHINN,
Commander, Naval Air Systems Command,
Navy Department,
Washington, D.C.

DEAR ADMIRAL SHINN: We have made a limited examination of contracts for aircraft rocket launchers and fairings for the launchers awarded to Chromcraft Corp., St. Louis, Mo. These contracts were awarded by the Navy during fiscal years 1962 through 1966.

We reviewed, on a test basis, books and records at Chromcraft Corp., Navy audit reports, and Bureau of Naval Weapons contract and negotiation files relating to the following firm-fixed-price contracts:

NOW-64-0035	NOW-64-0609	NOW-65-0472
NOW-64-0154	NOW-64-0638	NOW-65-0547
NOW-64-0190	NOW-64-0689	NOW-66-0082
NOW-64-0313	NOW-65-0121	

We found that Chromcraft did not request cost and pricing data in support of price quotations used as a basis for negotiating and awarding fixed price subcontracts with sole source subcontractors. Further, Chromcraft consistently did not include cost and pricing data clauses in its subcontracts, as provided for in the prime contracts and as set forth in the Armed Services Procurement Regulations (ASPR). In addition, Chromcraft's records were not adequate for a determination as to whether or not the most recent subcontract price reductions were considered during negotiation of prime contract prices for the rocket launchers.

ASPR paragraph 7.104.42 requires that a clause be inserted in contracts, which provides that the contractor shall require subcontractors, who are awarded subcontracts by negotiation or without adequate competition, to submit cost or pricing data for any award expected to exceed \$100,000 or where amendments or price adjustments are expected to exceed \$100,000. This requirement is included in the prime contracts but was consistently not complied with by Chromcraft in awarding subcontracts.

In an audit report dated December 6, 1963, on the pricing of contract NOW-64-0313 and again in an audit report dated June 15, 1965, on the pricing of a modification for contract NOW-65-0547, Navy auditors brought to the attention of Navy officials that the contractor was not complying with the above requirement. However, we found no evidence that contracting officials took any action to require compliance by Chromcraft.

We found that Chromcraft awarded subcontracts in excess of \$100,000 each without obtaining cost or pricing data even though the subcontractors were the sole sources of supply. For example, Chromcraft has purchased paper insert tubes for the launcher from a sole-source supplier since 1961. On May 14, 1964, Chromcraft purchased 175,000 tubes at a price of \$0.68 each. On June 19, 1965, Chromcraft purchased 800,000 tubes, or more than 4½ times as many as the previous quantity, at the same price of \$0.68 each.

For other items, Chromcraft obtained price reductions from its subcontractors after the award of the fixed price prime contracts, but did not maintain records to show when the lower pricing information was available. For example, during the period May 3, 1965 through June 30, 1965, contract NOW-65-0547 and two modifications thereto were negotiated for 17 line items to be supplied by Chromcraft. The 17 line items were for a total of 54,020 launchers of various configurations. A number of parts are identical for several of these configurations. During a 32-day period from May 15, 1965 through June 16, 1965, Chromcraft made 11 separate proposals for nine of these line items and prices were negoti-

ated by the Navy on the basis of the individual proposals. Price quotations from subcontractors for identical components of several configurations of the launchers were used to support the Chromcraft proposals. However, the parts were purchased from other subcontractors at prices lower than the quotations used by Chromcraft in its proposals. We were unable to determine from Chromcraft's records or from discussions with its employees whether or not the lower subcontract pricing data was available to Chromcraft prior to the conclusion of prime contract price negotiations.

We did note that the quotations used in Chromcraft's proposals were for small quantities and were solicited on an individual line item basis, whereas the prices paid by Chromcraft were for larger quantities of identical parts grouped for the various line items. We believe that closer scrutiny on the part of the negotiator should have apprised him of the fact that quantities of these parts to be procured significantly exceeded the number used in obtaining the price quotations used in the proposals, and that lower prices could probably be obtained for the larger quantities.

Also, we found that fairing assemblies, a part of the nose and tail of the launchers, were shipped direct from Chromcraft's subcontractor to military installations under Government bills of lading. Although the Government bore the freight costs for these shipments, Chromcraft included about \$51,800 estimated freight costs in its proposals, and the estimated costs were accepted by the Navy.

Under later pricing proposals, representatives of the Defense Contract Audit Agency had identified Chromcraft's freight cost estimates for consideration by the negotiator. Our review did not include a review of the post-negotiation clearance letters for these proposals. Therefore, we did not determine whether the estimated freight costs were excluded from prices negotiated on the basis of these proposals.

In addition, to the failure to include a cost and pricing data clause, Chromcraft did not include in a number of its subcontracts the examination of records clause required by both ASPR paragraph 7-104.15 and the prime contracts. By not including this clause, which provides that the Comptroller General of the United States or his representatives shall have access to pertinent subcontractor records, Chromcraft did not fulfill a contractual obligation.

We believe our selective review has demonstrated a need for Navy contracting officials to make a thorough review of Navy contracting at Chromcraft. The suggested review should be directed to assuring that subcontractor cost and pricing data and examination of records clauses are included in Chromcraft's subcontracts under currently pending and future prime contracts, and to obtaining additional assurance that prices negotiated for the launchers were reasonable in relation to cost or pricing data available to Chromcraft at the time of negotiations. We believe also that recovery of the estimated freight costs included in the negotiated prices for items shipped on Government bills of lading should be considered.

If additional information is desired on our findings we will be glad to discuss them further. We would appreciate your advice as to the actions taken as a result of this report.

Copies of this letter are being sent to the Comptroller of the Navy (NCD-3) and the Defense Contract Audit Agency.

Sincerely yours,

FORREST E. BROWN,
Regional Manager.

APPENDIX 3.—NAVY INFORMATION ON ROCKET LAUNCHER CONTRACTS

DEPARTMENT OF THE NAVY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., June 12, 1968.

Mr. HERBERT ROBACK,
Staff Administrator, Subcommittee on Military Operations,
House Committee on Government Operations,
Washington, D.C.

DEAR Mr. ROBACK: The enclosed material was requested from representatives of the Naval Air Systems Command during a meeting on June 5 in your office. It contains information on all purchases of 2.75-inch rocket launchers purchased since 1960 by that command and includes price, bidders solicited, bidders responding, and copies of determinations and findings for each procurement.

Additionally I have been advised that the address of Lockley Machine Co. is 310 Grove Street, New Castle, Pa., 16101.

Sincerely,

R. E. LASHLEY,
Commander, SC U.S. Navy,
Congressional Investigations Division.

(1) Information on 2.75-Inch Rocket Launcher Contracts:

N00019-67-C-0621	NOW 64-0313-F
NOW 62-0520-I	NOW 64-0609-F
NOW 64-0190-F	NOW 64-0689-F
NOW 64-0233-I	NOW 65-0121-F
NOW 64-0692-I	NOW 65-0472-F
NOW 65-0547-F	NOW 66-0082-F
NOW 62-0638-F	NOW 66-0307-F
NOW 64-0035-F	NOW 66-0435-F
NOW 64-0154-F	NOW 00019-67-C-0120

(2) Contract quotations by Portsmouth Electronics and AlSCO Corp.

APPENDIX 3A.—LISTING OF CONTRACT DATA

RADIANT MANUFACTURING CO., MORTON GROVE, ILL., CONTRACT NO. NOW 62-0520-i

Item	Supplies and services	Quantity	Unit price	Total price
1	AERO 6A-2 rocket launcher.....	18,688	\$70.72	\$1,321,615
2	do.....	2,246	54.27	121,890
3	Prepared models of item 1.....	10	108.20	1,082
4	Publications.....			849
5	LAU-32.....	4,659	115.35	551,393
6	Reproducible drawings.....			5,019
Total.....				2,001,848

Note: The basic contract provided for 25,350 AERO 6A. This was modified to provide for 20,934 AERO 6A and 4,659 LAU-32. D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 62-0638-f

Item	Supplies and services	Quantity	Unit price	Total price
1	Launcher, rocket LAU-3A/A.....	10,000	\$194	\$1,940,000
Modification—Change in specifications and increased price.....				540,450

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 64-0035-f

Item	Supplies and services	Quantity	Unit price	Total price
1	Launcher, rocket, LAU-3/A, Federal stock No. 1055-554-1426.....	1,675	\$179.08	\$299,959.00
2	do.....	1,116	179.08	199,853.28
3	do.....	553	179.08	99,031.24
Total.....		3,334		598,843.52

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 64-0154-f

Item	Supplies and services	Quantity	Unit price	Total price
1	Launcher, rocket, LAU-3/A, Federal stock No. 1055-554-1426.....	3,764	\$177.60	\$668,486.40
2	do.....	4,220	177.60	749,472.00
3	do.....	2,012	177.60	357,331.20
Total.....		9,996		1,775,289.60

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 64-0190-f

Item	Supplies and services	Quantity	Unit price	Total price
1	Rocket launcher, 7 round LAU-32A/A (without radiation hazard fix).....	760	\$131.51	\$99,947.60
2	do.....	3,083	131.51	405,445.33
Total.....				505,392.93

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

RADIANT MANUFACTURING CO., CONTRACT NO. NOW 64-0233-i

Item	Supplies and services	Quantity	Unit price	Total price
1	Rocket launcher, LAU-32/A.....	7,500	\$97.27	\$729,525
2	Rocket launcher, LAU-32/A preproduction models.....	10	99.10	1,991
3	Reproducible drawings for item 1.....	Set		10,037
4	Technical publications for item 1.....	Set		560
Total.....				755,063

¹ The total prices as shown above are the negotiated target prices. The corresponding target cost and target profit for each item is as follows:

Item	Target cost	Target profit
1.....	\$688,425.00	\$55,050.00
2.....	918.00	73.00
3.....	9,293.81	743.19
4.....	520.00	40.00

Note: The total target price applicable to each item has been computed by adding to the total target cost for such item, the corresponding target profit set forth above for such item which is equal to 8 percent of the total target cost.
Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 64-0313-f

Item	Supplies and services	Quantity	Unit price	Total price
1	Launcher, rocket, LAU-3A/A.....	8,413	\$201.56	\$1,695,724.28
2	do.....	1,000	171.28	171,280.00
3	Launchers, rocket, LAU-32A/A (preproduction models).....	10	170.60	1,706.00
4	Reproducible drawings for item 1.....			13,030.00
5	Reproducible drawings for item 2.....			12,265.00
6	Publications for item 1.....			5,060.00
7	Publications for item 2.....			5,060.00
Total.....				1,904,125.28

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 65-0472-f

Item	Supplies and services	Quantity	Unit price	Total price
1	Fairing, forward, for AERO 7D rocket launcher.....	6,747	\$21.41	\$144,453.27
2	Fairing, aft, for AERO 7D rocket launcher.....	6,747		(¹)
3	Fairing, forward, for AERO 7D rocket launcher.....	2,493	21.41	53,375.13
4	Fairing, aft, for AERO 7D rocket launcher.....	2,493		(²)
Total.....				197,828.40

¹ Included in price of item 1.

² Included in price of item 3.

Note: Firms solicited, 2; responses, 2. D. & F. exception: 10 U.S.C. 2304(a)(17).

CHROMCRAFT CORP., CONTRACT NO. NOW 64-0609-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-32A/A rocket launcher.....	7,040	\$140	\$985,600
2	LAU-3/A rocket launcher.....	10,135	177	1,793,895
3	do.....	226	177	40,002
Total.....				2,819,497

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 64-0689-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-32B/A rocket launcher.....	289	\$327.00	\$94,503.00
2	do.....	198	327.00	64,746.00
3	LAU-49/A rocket launcher.....	5,438	139.00	755,882.00
4	do.....	718	139.00	99,802.00
5	do.....	363	139.00	50,457.00
Total.....				1,065,390.00
Modification No. 1, signed Oct. 6, 1964, added:				
6	Launcher, rocket 2.75 LAU-32B/A nonradiation hazard, reusable....	1,947	317.00	617,199.00
Modification No. 2, signed Feb. 4, 1966, changed items 3 and 6 to read:				
3	LAU-32B/A rocket launcher.....	5,438	139.32	757,622.16
6	Launcher, rocket 2.75 LAU-32B/A nonradiation hazard, reusable....	1,460	317.00	462,820.00
	do.....	487	317.38	154,564.06

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

RADIANT MANUFACTURING CO., MORTON GROVE, ILL., CONTRACT NO. NOW 64-0692-i

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-32/A rocket launcher.....	6,000	\$118	\$708,289

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 65-0121-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-3/A rocket launcher Federal stock No. (to be assigned).....	19,867	\$171.50	\$3,407,190.50
2	Data.....			17,580.79
3	Technical manual.....			5,132.23
Total.....				3,429,913.52

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

CHROMCRAFT CORP., CONTRACT NO. NOW 65-0547-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-3A/A rocket launcher (radiation hazard).....	1,000	\$217.00	\$217,000.00
2	LAU-3/A rocket launcher (nonradiation hazard).....	2,749	184.00	505,816.00
3	do.....	120	184.00	22,080.00
4	do.....	328	184.00	60,352.00
5	do.....	82	184.00	15,088.00
6	do.....	328	184.00	60,352.00
7	do.....	230	184.00	42,320.00
8	do.....	230	184.00	42,320.00
Total.....				965,328.00
Modification No. 1.....				562,800.00
Modification No. 2.....				8,480,697.31
Modification No. 3.....				2,009,400.00
Total with modifications.....				12,018,225.31
9	Modification No. 1 signed June 3, 1965, added: LAU-3A/A rocket launcher (radiation hazard).....	3,000	187.60	562,800.00
10	Modification No. 2 signed June 30, 1965, added: LAU-3A/A rocket launcher.....	12,000	176.60	2,119,200.00
11	LAU-3/A rocket launcher.....	26,850	163.72	4,395,882.00
12	LAU-32A/A rocket launcher (with single and ripple fire modes) [See modification No. 5].....	3,200	147.85	473,120.00
13	LAU-32B/A rocket launcher.....	3,000	313.87	941,610.00
14	LAU-32B/A rocket launcher (with single and ripple fire modes).....	327	301.17	98,482.59
15	LAU-3/A rocket launcher.....	192	163.72	31,434.24
16	do.....	192	163.72	31,434.24
17	do.....	192	163.72	31,434.24
18	LAU-3A/A fairing sets.....	10,000	20.13	201,300.00
19	LAU-32B/A fairing sets.....	10,000	15.68	156,800.00
Total.....				8,480,697.31
20	Modification No. 3 signed July 14, 1965, added: LAU-3A rocket launcher [see modification No. 4].....	12,000	167.45	2,009,400.00
Modification No. 4 changed item 20 to read: LAU-3A/A rocket launcher.....				
Modification No. 5 changed item 12 to read: LAU-56/A in lieu of LAU-32A/A.....				

Note: Firms solicited 6; responses, 2.

CHROMCRAFT CORP., CONTRACT NO. NOW 66-0082-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-3/A rocket launcher.....	25,945	\$158.62	\$4,115,395.90
2	LAU-32A/A rocket launcher without radiation hazard.....	3,000	120.77	362,310.00
3	LAU-32B/A rocket launcher.....	2,291	283.24	648,902.84
4	do.....	200	283.24	56,648.00
5	LAU-32A/A rocket launcher without radiation hazard.....	70	120.77	8,453.90
Total.....				5,191,710.64

Note: D. & F. exception: 10 U.S.C. 2304(a) (2).

CHROMCRAFT CORP., CONTRACT NO. NOW 66-0307-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-3/A rocket launcher without radiation hazard.....	2,096	\$165.25	\$346,364.00
2	LAU-32B/A rocket launcher without radiation hazard.....	1,102	293.00	322,886.00
3	do.....	122	293.00	35,746.00
4	do.....	1,331	293.00	389,983.00
5	LAU-3/A rocket launcher without radiation hazard.....	50	165.25	8,262.50
6	do.....	111	165.25	18,342.75
7	do.....	33	165.25	5,453.25
8	do.....	33	165.25	5,453.25
9	do.....	24	165.25	3,966.00
10	do.....	85	165.25	14,046.25
Total.....				1,150,503.00

Note: D. & F. exception: 10 U.S.C. 2304(a)(10).

CHROMCRAFT CORP., CONTRACT NO. NOW 66-0435-f

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU 3A/A rocket launcher.....	26, 000	\$184. 50	\$4, 797, 000

Note: D. & F. exception: 10 U.S.C. 2304(a)(14).

CHROMCRAFT CORP., CONTRACT NO. N00019-67-C-0120

Items	Supplies and services	Quantity	Unit price	Total price
1	LAU-60/A rocket launcher.....	22, 000	\$187. 00	\$4, 114, 000. 00
2	LAU-56/A rocket launcher.....	1, 000	159. 52	159, 520. 00
3	LAU 3/A rocket launcher.....	17, 687	167. 06	2, 954, 790. 22
4	do.....	5	167. 06	835. 80
5	do.....	355	167. 06	59, 306. 30
6	do.....	634	167. 06	105, 916. 04
7	LAU-59/A rocket launcher.....	60	330. 37	19, 822. 20
8	do.....	3, 554	330. 37	1, 174, 134. 98
9	Publications for items 1 and 2.....			
10	Drawings for items 1 and 2.....			
11	Data for items 7 and 8.....			
12	do.....			

Note: This was a letter contract. D. & F. exception: 10 U.S.C. 2304 (a) (14).

CHROMCRAFT CORP., CONTRACT NO. N00019-67-C-0621

Item	Supplies and services	Quantity	Unit price	Total price
1	LAU-68/A rocket launcher (less fairings).....	5, 500		
2	LAU-32A/A rocket launcher (less fairings).....	5, 340		
3	LAU-3/A rocket launcher (less fairings).....	71, 000		
4	LAU-3/A rocket launcher (less fairings).....	5, 856		
5	Publications for items 1 and 14.....			
6	Drawings for items 1 and 14.....			
7	Design data for item 2.....			
8	Design data for item 4.....			
9	LAU-3/A rocket launcher (less fairings).....	9, 704		
10	Do.....	252		
11	Do.....	220		
12	LAU-60/A rocket launcher (less fairings).....	10, 000		
13	Publications for item 12.....			
14	Option items:			
15	LAU-61/A rocket launcher (less fairings).....	3, 500		
16	LAU-69/A rocket launcher (less fairings).....	27, 700		
17	Publications for item 15.....			
	Prepare 1 set of new or revised engineering drawings, associated lists and referenced documents, EAM cards, microfilm and microfilm index applicable to items 12 and 15.....			
Total ceiling on this letter contract, —\$25,047,476.				

Note: D. & F. exception: 10 U.S.C. 2304(a)(2).

INFORMATION ON CONTRACT QUOTATIONS BY PORTSMOUTH ELECTRONICS AND
ALSCO CORP.

1. Contract N00019-67-C-0621 resulted from RFQ N00019-67-Q-0335. This RFQ was originally sent only to AlSCO, however, one other firm, Portsmouth Electronics, requested and was furnished a copy of the RFQ. Portsmouth only bid on certain rocket launcher configurations. The following is a summary of the proposed Portsmouth price as compared to the proposed AlSCO price. (Note that AlSCO submitted two proposals, one on the RFQ configuration and a second, alternate proposal, which incorporated certain changes in the launcher configuration.)

(a) For a quantity of 5,340 LAU-32A/A rocket launchers, Portsmouth proposed a price of \$1,146,604.80 as compared to AlSCO's basic proposal of \$604,638.59 and its alternate proposal of \$582,633.52;

(b) For a quantity of 71,000 LAU-3/A rocket launchers, Portsmouth proposed \$13,270,610.00 and AlSCO proposed \$10,680,870.80 and an alternate of \$10,140,063.80; and

(c) For a quantity of 9,704 LAU-3/A rocket launchers, Portsmouth proposed \$2,209,018.56 and AlSCO proposed \$1,459,819.30 and an alternate of \$1,385,903.93.

2. Portsmouth's total proposed price under this RFQ was \$19,956,372.84. AlSCO's total proposed price was \$18,895,312.68 under its basic proposal and \$17,520,364.47 under its alternate proposal. (Note that both AlSCO's proposals responded to all of the launcher requirements of the RFQ.)

APPENDIX 3B—CONTRACT DETERMINATIONS AND FINDINGS

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 62-0520-I)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract will provide that the contractor fabricate and furnish approximately 25,000 Aero 6A-2 rocket launchers together with drawings and reports and publications.

2. This procurement is a part of the national defense buildup as authorized by Congress and directed by the President in the light of the international situation, and is in accordance with CNO Memo OP 90/CLS Serial 0083P90 of August 5, 1961 (secret Control No. K13045), which enclosed SECNAV Memo Serial 00236 which, in turn, had inscribed thereon the handwritten approval and policy determination of the Secretary of Defense. Among other things, these directives called for the procurement of consumable ordnance materials to fulfill current deficiencies in order to give our operating forces staying power for any type of combat situation. The quantities of materials to be procured had to be within the production capacities of available firms and deliverable by June 30, 1962. In implementing these directives, the Bureau of Naval Weapons established a shopping list under Program Directive No. 62081 dated August 21, 1961 which includes the subject rocket launchers. Inclusion in this shopping list indicates that the equipments are urgently needed and essential to the state of national preparedness. It is estimated that 90 days would be consumed in conducting formal advertising on an accelerated basis. There is inadequate time to pursue the procedures involved in formal advertising and still meet the delivery deadline of June 30, 1962. Immediate award of contract with delivery commencing in January 1962 is required in order to comply with the orders of higher authority, since any source will need at least 60 days to begin quantity production.

3. The Radiant Manufacturing Co. is a proven producer of the Aero 6A-1 rocket launcher which is similar to the Aero 6A-2. This firm has the required technical know-how and production facilities and can commence delivery in time to meet the Navy's requirement commencing in January 1962. The delay incident to formal advertising would unduly delay the procurement, and have detrimental effects on the national defense effort.

DETERMINATION

The proposed contract is for property or services for which the public exigency will not permit the delay incident to formal advertising.

JULIAN A. ROSS,

Contracting Officer, Bureau of Naval Weapons.

NOVEMBER 15, 1961.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 62-0638-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract will provide that the contractor fabricate and furnish approximately 10,000 LAU-3A/A rocket launchers together with reports.

2. This procurement is a part of the national defense buildup as authorized by Congress and directed by the President in the light of the international situation, and is in accordance with CNO Memo OP 90/CLS Serial 0083P90 of August 5, 1961 (secret control No. K13045), which enclosed SECNAV Memo Serial 00236 which, in turn, had inscribed thereon the handwritten approval and policy determination of the Secretary of Defense. Among other things, these directives called for the procurement of consumable ordnance materials to fulfill current deficiencies in order to give our operating forces staying power for any type of combat situation. The quantities of materials to be procured had to be within the production capacities of available firms and deliverable by June 30, 1962. In implementing these directives, the Bureau of Naval Weapons established a shopping list under program directive No. 62081 dated August 21, 1961, which includes the subject rocket launchers. Inclusion in this shopping list indicates that the equipments are urgently needed and essential to the state of national preparedness. It is estimated that 90 days would be consumed in conducting formal advertising on an accelerated basis. There is inadequate time to pursue the procedures involved in formal advertising and still meet the delivery deadline of June 30, 1962. Immediate award of contract with delivery commencing in January 1962 is required in order to comply with the orders of higher authority, since any source will need at least 60 days to begin quantity production.

3. Chromcraft Corp. is a previous proven producer of the LAU-3A/A for the Air Force. This firm has the required technical know-how and production facilities to meet the required delivery commencing in January 1962, so that deployment schedules may be met. The delays incident to formal advertising would unduly delay this procurement, and have detrimental effects on the national defense effort.

DETERMINATION

The proposed contract is for property or services for which the public exigency will not permit the delay incident to formal advertising.

DECEMBER 5, 1961.

JULIAN A. ROSS,
Contracting Officer, Bureau of Naval Weapons.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 64-0035-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a)(2).

FINDINGS

1. The proposed contract with Chromcraft Corp., will provide for the furnishing of approximately 3,344 LAU-3A rocket launchers.

2. The proposed contract is to provide supplies requisitioned by the Air Force in support of war readiness material requirements applicable to F-100 and F4C aircraft operational commitments. Delivery of these supplies is required during July and August 1963. Since issue priority designator 1 has been assigned this purchase requirement by the Air Force in accordance with uniform material issue priority system, the use of formal advertising would be impracticable.

3. In accordance with ASPR 3-202.2(vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

S. E. SWENSON,

Contracting Officer, Bureau of Naval Weapons.

JUNE 14, 1963.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 64-0154-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide for the furnishing of approximately 9,996 LAU-3A rocket launchers.

2. The proposed contract is to provide supplies requisitioned by the Air Force in support of war readiness material requirements applicable to F-100, F-105 and F4-C operational commitments. Delivery of these supplies is required during September, October, and November 1963. Since issue priority designator No. 1 has been assigned this purchase requirement by the Air Force in accordance with the uniform material issue priority system, the use of formal advertising would be impracticable.

3. In accordance with ASPR 3-202.2(vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

D. MONACO,

Contracting Officer, Bureau of Naval Weapons.

AUGUST 23, 1963.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 64-0190-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide for the furnishing of approximately 3,843 LAU-32A/A rocket launchers.

2. The proposed contract is to provide supplies requisitioned by the Air Force in support of war readiness material requirements applicable to F-100 and F-4C aircraft operational commitments. Delivery of these supplies is required during the period November 1963-January 1964. Since issue priority designator No. 1 has been assigned this purchase requirement by the Air Force in accordance with the uniform material issue priority system, the use of formal advertising would be impracticable.

3. In accordance with ASPR 3-202.2(vi) negotiation under the public exigency is authorized when a purchase requirement is assigned an issue priority designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

J. E. EHRHARDT,

Contracting Officer, Bureau of Naval Weapons.

OCTOBER 14, 1963.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 64-0233-I)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Radiant Manufacturing Co. will provide for the furnishing of approximately 7,500 LAU-32/A rocket launchers together with reproducible drawings and technical publications.

2. The proposed contract is to provide supplies for Navy support of war readiness material. Fleet stocks of these launchers are exhausted. Delivery of these supplies is required beginning in December 1963 and ending in April 1964. Since issue priority designator No. 1 has been assigned this purchase requirement in accordance with the uniform material issue priority system, the use of formal advertising would be impracticable.

3. In accordance with ASPR 3-202.2(vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

W. BENSON,

Contracting Officer, Bureau of Naval Weapons.

OCTOBER 11, 1963.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 64-0313-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide for the furnishing of approximately 10,000 LAU-3A/A rocket launchers and approximately 1,000 LAU-32A/A rocket launchers together with reproducible drawings and publications.

2. The proposed contract is to provide supplies for Navy support of war readiness material. Fleet stocks of these launchers are exhausted. Delivery of these supplies is required beginning in January 1964 and ending in June 1964. Since issue priority designator No. 6 has been assigned this purchase requirement in accordance with the uniform material issue priority system the use of formal advertising would be impracticable.

3. In accordance with ASPR 3-202.2(vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

DAVID N. MONACO,

Contracting Officer, Bureau of Naval Weapons.

OCTOBER 10, 1963.

PROCUREMENT ANALYST STATEMENT AND CONTRACTING OFFICER MEMORANDUM FOR FILE (CONTRACT No. NOW 65-0472-F)

1. Upon the basis of a 100 percent set-aside for small business by joint determination of a representative of the Small Business Administration and the contracting officer, and in accordance with NPD 3-201.50, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a)(17), and section 15 of the Small Business Act of 1958.

2. The proposed contract will provide for the furnishing of approximately 9,240 each, of forward and aft Aero 7D launcher fairings.

3. The purpose of this procurement is to provide worldwide war readiness reserve stocks of forward and aft fairings for the Aero 7D launcher, which are currently in a deficient stock position. These fairings are designed specifically to streamline the equipment, thus reducing drag on the aircraft, thereby enabling higher performance and greater radius of action. Construction of the fairings must permit disintegration into pieces sufficiently small so that the aircraft will not be damaged when the rockets are fired.

4. The potential source must be classified as small business. The small business size standard applicable to this procurement is 1,000 employees. Attempts have been made to formally advertise this procurement but without success due to the inadequacy of technical data. Therefore, the Bureau of Naval Weapons will solicit Chromcraft Corp. and Western Molded Fibre Products who are knowledgeable in the manufacture of this equipment; possess chemical formulation, process knowledge; and/or necessary tooling for the manufacture of acceptable fairings. It is impracticable to formally advertise this requirement because it is impossible to draft for solicitation of bids adequate specifications or any other detailed description of the required supplies and services.

DRAKE, *Contracting Officer.*

MAY 25, 1964.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 64-0609-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide for the furnishing of approximately 7,040 LAU-32A/A and 10,361 LAU-3/A rocket launchers.

2. The proposed contract is to provide supplies urgently required in support of issue to the Army Ammunition Procurement and Supply Agency, the U.S. Air Force, and Navy to fulfill operational commitments in countries 26 and 77. Priorities 1-6 have been assigned to cover the requirements included in this procurement by appropriate requiring activities, in accordance with the uniform material issue priority system. Thus, the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

FRED B. DRAKE,

Contracting Officer, Bureau of Naval Weapons.

MAY 11, 1964.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 64-0689-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide for the furnishing of approximately 493 LAU-32B/A and 6,473 LAU-49/A rocket launchers.

2. The proposed contract is to provide supplies requisitioned by the Air Force to fulfill operational commitments in countries 26 and 77. Delivery of these supplies is required during the period August through November 1964. Material issue priorities 1-6 have been assigned to these requirements by the Air Force in accordance with the uniform material issue priority system. Thus, the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1-6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

S. E. SWENSON,

Contracting Officer, Bureau of Naval Weapons.

JUNE 12, 1964.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 64-0692-I)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (2).

FINDINGS

1. The proposed contract with Radiant Manufacturing Co. will provide for the furnishing of approximately 6,000 LAU-32/A rocket launchers.

2. The proposed contract is to provide supplies urgently required to fulfill operational commitments in countries 26 and 77. Material issue priority 2 has been assigned to cover this requirement in accordance with the uniform material issue priority system. Thus, the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned an issue designator 1 through 6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

FRED B. DRAKE,

Contracting Officer, Bureau of Naval Weapons.

JUNE 10, 1964.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 65-0121-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide for the furnishing of approximately 22,616 LAU-3/A rocket launchers together with engineering data and publications.
2. The proposed contract is to provide supplies requisitioned by the Air Force in support of war readiness material requirements applicable to F-100, F-105, and F-4C operational commitments. Delivery of these supplies is required during the period September 1964 through January 1965. Since material issue priority designator No. 2 has been assigned this purchase requirement by the Air Force in accordance with the uniform material issue priority system, the use of formal advertising would be impracticable.
3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator 1 through 6.

DETERMINATION

The use of a negotiated contract, without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

S. E. SWENSON,

Contracting Officer, Bureau of Naval Weapons.

AUGUST 13, 1964.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 65-0547-F—BASIC CONTRACT)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide that the contractor furnish approximately 1,250 LAU-3/A rocket launchers.
2. The proposed contract is to provide supplies urgently required by the Air Force to meet operational mission requirements under code name "Mother Hubbard." Delivery of these supplies is required during July and August 1965. Material issue priority 3 has been assigned by the Air Force in accordance with the uniform material issue priority system. Thus the use of formal advertising is impracticable.
3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator 1 through 6.

4. The use of a negotiated contract without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

DETERMINATION

The use of a negotiated contract, without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

JAMES S. TASSIN,

Contracting Officer, Bureau of Naval Weapons.

APRIL 12, 1965.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 65-0547-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp., will provide that the contractor furnish approximately 2,869 LAU-3/A, and 1,000 LAU-3A/A rocket launchers.

2. The proposed contract is to provide supplies urgently required by the Air Force and the U.S. Navy for the performance of operational missions. Delivery of those supplies is required during July and August 1965. Material issue priorities 2, 3 and 5, respectively, have been assigned to these requirements in accordance with the uniform material issue priority systems. Thus, the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator 1 through 6.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit the delay incident to formal advertising.

JAMES S. TASSIN,

Contracting Officer, Bureau of Naval Weapons.

MARCH 22, 1965.

DETERMINATION AND FINDINGS (CONTRACT NO. NOW 65-0547-F—MODIFICATION 1)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp., will provide that the contractor furnish approximately 3,000 LAU-3A/A rocket launchers.

2. The proposed contract is to provide supplies urgently required by the U.S. Navy to meet operational mission requirements under code name "Mother Hubbard." Delivery of these supplies must be completed by September 30, 1965. Material issue priority 5 has been assigned in accordance with the uniform material issue priority system. Thus the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator 1 through 6.

4. The use of a negotiated contract without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

JAMES S. TASSIN,

Contracting Officer, Bureau of Naval Weapons.

MAY 13, 1965.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 65-0547-F—MODIFICATION 2)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract with Chromcraft Corp. will provide that the contractor furnish the following rocket launchers: 12,000 LAU-3A/A; 27,426 LAU-3A; 3,200 LAU-32A/A; 3,000 LAU-32B/A; 327 LAU-32B/A with single and ripple modes; and 20,000 fairing sets.

2. The proposed procurement is to provide supplies urgently required by the Navy and the Air Force to meet Southeast Asia operational requirements under code name "Mother Hubbard." Delivery of these supplies is required to begin in July 1965 and be completed by April 1966. A new source would be unable to deliver acceptable equipment in time to meet either the initial or terminal delivery requirements established for this procurement. Material issue priorities 1, 2, and 3 in accordance with the uniform material issue priority system have been assigned by the Navy and the Air Force to meet these extremely urgent requirements. Thus, the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2(vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator 1-6.

4. The use of a negotiated contract without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit delay incident to formal advertising.

JAMES S. TASSIN,

Contracting Officer, Bureau of Naval Weapons.

JUNE 11, 1965.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 65-0547-F—MODIFICATION 3)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract will provide that the contractor furnish 12,000 LAU-3A/A rocket launchers.

2. The proposed contract is to provide supplies urgently required by the Navy to meet Southeast Asia operational requirements under code name "Mother Hubbard." Delivery of these supplies is required to begin in December 1965 and be

completed in August 1966. Material issue priority designator No. 2 in accordance with the uniform material issue priority system has been assigned by the Navy to meet these extremely urgent requirements. Thus, the use of formal advertising is impracticable.

3. In accordance with ASPR 3-202.2(vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator No. 1-6.

4. The use of a negotiated contract without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit the delay incident to formal advertising.

J. S. TASSIN,

Contracting Officer, Bureau of Naval Weapons.

JUNE 7, 1965.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 66-0082-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (2).

FINDINGS

1. The proposed contract will provide that the contractor furnish approximately 25,945 LAU-3/A rocket launchers, 3,070 LAU-32A/A rocket launchers without RAD-HAZ, 2,291 LAU-32Z/A rocket launchers and 200 LAU-32B/A rocket launchers.

2. The proposed contract is to provide rocket launchers urgently required by the Air Force to meet Southeast Asia operational requirements. Delivery of these supplies is required to begin in July 1965 and be completed in March 1966. Material issue priority designator No. 1 in accordance with the uniform material issue priority system has been assigned by the Air Force to this most urgent requirement.

3. In accordance with ASPR 3-202.2 (vi), negotiation under the public exigency is authorized when a purchase requirement is assigned a material issue priority designator 1-6.

4. The use of a negotiated contract without formal advertising is justified because the public exigency will not permit the delay incident to formal advertising.

DETERMINATION

The use of a negotiated contract, without formal advertising, is justified because the public exigency will not permit the delay incident to formal advertising.

L. D. WALLACE

Contracting Officer, Bureau of Naval Weapons.

JULY 12, 1965.

DETERMINATION AND FINDINGS (CONTRACT No. NOW 66-03)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT

Upon the basis of the following findings and determination which make as contracting officer, Bureau of Naval Weapons, the proposed contract may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (10).

FINDINGS

1. The proposed contract will provide that the contractor furnish approximately 2,520 LAU-3/A and 2,647 LAU-32B/A rocket launchers.

2. The proposed contract is to provide rocket launchers for U.S. Air Force combat forces. These rocket launchers are urgently required by the U.S. Air Force to meet Southeast Asia operational requirements. Air Force aircraft not fully equipped with these rocket launchers will be incapable of performing their assigned mission. Delivery of these launchers is required to begin in December 1965 and be completed in May 1966.

3. These launchers were designed, developed and are currently being manufactured by the Chromcraft Corp., the only producer. Data adequate for competitive procurement is not available for this equipment which is the only equipment that will fulfill this requirement. It is therefore, impracticable to formally advertise this procurement because the required supplies can be obtained only from the designer, developer, and sole producer, Chromcraft Corp.

4. The price is not fixed by law or regulation.

DETERMINATION

The proposed contract is for property or services for which it is impracticable to obtain competition by formal advertising.

L. D. WALLACE,

Contracting Officer, Bureau of Naval Weapons.

DECEMBER 13, 1965.

DETERMINATIONS AND FINDINGS (CONTRACT NO. NOW 66-0435-F)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT FOR TECHNICAL OR SPECIALIZED SUPPLIES REQUIRING EXTENDED PERIOD OF PREPARATION FOR MANUFACTURE

Upon the basis of the following findings and determinations which I hereby make as Agency Head, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (14).

FINDINGS

1. The proposed contract will provide that the contractor furnish approximately 26,000 LAU-3A/A rocket launchers.

2. The proposed contract is to provide 2.75-inch FFAR rocket launchers for U.S. Navy combat forces. These rocket launchers are urgently required by the U.S. Navy to meet Southeast Asia operational requirements. U.S. Navy aircraft operating in that theater of operations not fully equipped with these rocket launchers will be incapable of performing their assigned mission. Delivery of these launchers is required to begin in March 1966 and be completed in June 1966. Cognizant Bureau technical personnel have described these launchers as technical and specialized equipment.

3. The manufacture of this equipment requires: a detailed familiarity with the appropriate design and specifications; an intimate knowledge of the manufacturing techniques involved; extensive production engineering; and an extended period of preparation for manufacture. It has been determined by the Bureau of Naval Weapons that only a firm having prior experience in the design and manufacture of this particular equipment, and already having an existing functioning production line, can deliver acceptable units in time to meet the stringent delivery requirements established for this procurement. Based on these criteria, Chromcraft Corp., by having designed, developed, and previously produced this equipment, and having the only going production line, is the only firm considered capable to manufacture the required equipment within the time available. On the other hand, other qualified manufacturers would be required to duplicate to a considerable extent the preparation for manufacture that has already been accomplished by Chromcraft Corp., and would, therefore, be unable to deliver acceptable equipment in time to meet either the initial or terminal delivery re-

quirements. It is, therefore, impracticable to obtain this requirement by formal advertising because it would require duplication of preparation for manufacture which would unduly delay the procurement and seriously jeopardize the operational commitments of fleet aircraft.

DETERMINATIONS

1. The supplies to be procured under the proposed contract are of a technical and special nature.
2. These supplies are such as to require an extended period of preparation for manufacture.
3. Procurement by formal advertising would result in duplication of necessary preparation which would unduly delay the procurement.

GRAEME C. BANNERMAN,
Assistant Secretary of the Navy
(Installations and Logistics).

JANUARY 4, 1966.

DETERMINATIONS AND FINDINGS (CONTRACT NO. N00019-67-0120)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT FOR TECHNICAL OR SPECIALIZED SUPPLIES REQUIRING EXTENDED PERIOD OF PREPARATION FOR MANUFACTURE

Upon the basis of the following findings and determinations which I hereby make as agency head, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (14).

FINDINGS

1. The proposed contract will provide that the contractor furnish: approximately 22,000 LAU-60/A rocket launchers; 1,000 LAU-56/A rocket launchers; 18,681 LAU-3/A rocket launchers; and 3,614 LAU-59/A rocket launchers, together with publications, engineering drawings, and data.

2. The proposed contract is to provide 2.75 inch FFAR rocket launchers for U.S. Navy and Air Force combat forces. These rocket launchers are urgently required to meet Southeast Asia operational requirements. U.S. Navy and Air Force aircraft operating in that theater of operations not fully equipped with those rocket launchers will be incapable of performing their assigned mission. Delivery of these launchers is required to begin in September 1966 and be completed in February 1967. Cognizant Naval Air Systems Command technical personnel have described these launchers as technical and specialized equipment.

3. The manufacture of this equipment requires; a detailed familiarity with the appropriate design and specifications; an intimate knowledge of the manufacturing techniques involved; extensive production engineering; and an extended period of preparation for manufacture. It has been determined by the Naval Air Systems Command that only a firm having prior experience in the design and manufacture of this particular equipment, and already having an existing functioning production line, can deliver acceptable units in time to meet the stringent delivery requirements established for this procurement. Based on these criteria, Chromcraft Corp., by having designed, developed and previously produced this equipment, and having the only going production line, is the only firm considered capable to manufacture the required equipment within the time available. On the other hand, other qualified manufacturers would be required to duplicate to a considerable extent the preparation for manufacture that has already been accomplished by Chromcraft Corp., and would, therefore, be unable to deliver acceptable equipment in time to meet either the initial or terminal delivery requirements. It is, therefore, impracticable to obtain this requirement by formal advertising because it would require duplication of preparation for manufacture which would unduly delay the procurement and seriously jeopardize the operational commitments of fleet aircraft.

DETERMINATIONS

1. The supplies to be procured under the proposed contract are of a technical and special nature.
2. These supplies are such as to require an extended period of preparation for manufacture.
3. Procurement by formal advertising would result in duplication of necessary preparation which would unduly delay the procurement.

GRAEME C. BANNERMAN,
Assistant Secretary of the Navy
(Installations and Logistics).

AUGUST 25, 1966.

DETERMINATION AND FINDINGS (CONTRACT NO. N00019-67-0621)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT WHEN THE PUBLIC EXIGENCY WILL NOT PERMIT THE DELAY INCIDENT TO FORMAL ADVERTISING

Upon the basis of the following findings and determination, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304(a) (2).

FINDINGS

1. The proposed contract will provide that the contractor furnish approximately 37,700 LAU-60/A rocket launchers; 3,500 LAU-61/A rocket launchers; 5,500 LAU-68/A rocket launchers; 5,340 LAU-32A/A rocket launchers; 105,176 LAU-3/A rocket launchers; 5,856 LAU-59/A rocket launchers; and publications, engineering drawings, and data for the launchers. An option provision will govern the 3,500 LAU-61/A and 24,000 of the LAU-3/A launchers.

2. The launchers are required to meet urgent U.S. Navy and Air Force requirements for combat forces in Southeast Asia. Delivery is required during the period May 1967 through April 1968. It has been determined that a source other than Chromcraft Corp. would be unable to deliver acceptable equipment in time to meet either the initial or terminal delivery requirement for this equipment. Chromcraft is the only firm with prior experience in the manufacture of these launchers and with existing production facilities adequate for this procurement. Any other source, because of the requirement for making ready for production, production of first articles for testing, testing, and finally production of the rocket launchers, would require a minimum of 12 months following contract award to produce acceptable equipment.

3. It is impracticable to procure this urgent requirement by formal advertising (or even normal negotiation procedures) because such action would, even if conducted on an accelerated basis, occasion an unacceptable delay of at least 90 days in the delivery of the aforesaid equipment. The public exigency will not permit this delay which would seriously jeopardize Southeast Asia operations by preventing aircraft from performing their operational missions.

DETERMINATION

Procurement of a negotiated contract, without formal advertising, is justified because the public exigency will not permit the delay incident to formal advertising.

JAMES S. TASSIN,
Contracting Officer, Naval Air Systems Command.

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APPENDIX 3C.—1968 NAVY CONTRACT DATA

TEXT OF PRESS RELEASE No. 559, JULY 23, 1968

AlSCO, Inc., Techfab Division, 4321 Semple Avenue, St. Louis, Mo., is being issued a \$13,919,088 fixed-price-type letter contract for rocket launchers for the Navy and Air Force. The Naval Air Systems Command is issuing the contract. The contractor advises that work under this contract will be performed at the above address. St. Louis is not a labor surplus area.

Sole source.

Contract No. N00019-68-C-0562.

TEXT OF PRESS RELEASE No. 560, JULY 23, 1968

AlSCO, Inc., Techfab Division, 4321 Semple Avenue, St. Louis, Mo., is being issued a \$1,854,620 modification to an existing fixed-price-type letter contract for increased funding for rocket launchers for the Navy and Air Force. The Naval Air Systems Command is issuing the modification.

Previous obligations under this contract have amounted to \$24,035,979.

The contractor advises that work under this modification will be performed at the above address. St. Louis is not a labor surplus area.

Sole source.

Contract No. N000-19-67-C-0621.

DETERMINATION AND FINDINGS (CONTRACT No. N00019-68-C-0562)

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT FOR TECHNICAL OR SPECIALIZED SUPPLIES REQUIRING EXTENDED PERIOD OF PREPARATION FOR MANUFACTURE

Upon the basis of the following findings and determinations which I hereby make as agency head, the proposed contract described below may be negotiated without formal advertising pursuant to the authority of title 10, United States Code, section 2304 (a) (14).

FINDINGS

1. The proposed contract will provide that the contractor furnish approximately 16,000 LAU-69/A rocket launchers; 8,070 LAU-68/A rocket launchers; 2,500 LAU-61/A rocket launchers; 12,163 LAU-59/A rocket launchers; 1,962 LAU-60/A rocket launchers; 32,405 LAU-3/A rocket launchers; 47,115 launcher fairing sets; and publications and new or revised drawings for the LAU-69/A, LAU-68/A and LAU-61/A launchers and fairings.

2. The purpose of the proposed procurement is to provide launchers and 4 inch rockets urgently required for combat forces in Southeast Asia. The launchers are categorized by cognizant Naval Air Systems Command as technical and specialized equipments. Delivery must commence in June 1969 and be completed in April 1969 to meet mandatory delivery schedules.

3. Manufacture of these launchers requires intimate familiarity with design and engineering details, time-consuming plant preparation, extensive production engineering, and an extended period of preparation for manufacture. It has been determined that only a firm having prior experience in the design and manufacture of these launchers, and having existing production facilities adequate for the manufacture thereof, can deliver acceptable units in time to meet the delivery requirements established for this procurement. Based upon these criteria, Techfab Division of AlSCO, Inc., is the only firm capable of delivering acceptable products

by the required dates. Any other firm would be required to duplicate a considerable portion of the preparation to manufacture which has been accomplished by Techfab. Attempting to procure from any source other than Techfab would cause unacceptable slippages in required delivery schedules. It is, therefore, impracticable to obtain this requirement by formal advertising methods.

DETERMINATIONS

1. The supplies to be procured under the proposed contract are of a technical and special nature.
2. These supplies are such as to require an extended period of preparation for manufacture.
3. Procurement by formal advertising would result in duplication of necessary preparation which would unduly delay the procurement.

BARRY J. SHILLITO,
Assistant Secretary of the Navy
(Installations and Logistics).

MAY 3, 1968.

Approved with understanding that in view of abnormal circumstances involving this company all necessary action will be taken to protect the Government's interests.

(Signed) B. J. S.

APPENDIX 4.—INFORMATION ON NEGOTIATED COMPETITION FOR ARMY M-158 LAUNCHER

HEADQUARTERS, DEPARTMENT OF THE ARMY,
OFFICE OF THE SECRETARY OF THE ARMY,
Washington, D.C., July 26, 1968.

HON. CHET HOLIFIELD,
Chairman, Subcommittee on Military Operations,
Committee on Government Operations,
House of Representatives.

DEAR MR. CHAIRMAN: Pursuant to a request this date from Mr. D. Dahlin of your staff, enclosed is a list of bidders for the M-158 reusable 2.75' rocket launchers on contract DA-01-020-AMC-13791 (Z).

I trust this information will be of assistance to you.

Sincerely,

ROY H. STEELE,
Chief, Congressional Investigations Division, Office, Chief of Legislative
Liaison.

LIST OF BIDDERS FOR LAUNCHER PROCUREMENTS M-158, 7 Tube, Repairable, Reusable 2.75' Rocket Launchers [Contract DA-01-021-AMC-13791(Z) 12 Nov. 1965]

Proposer	Address	Unit price	Total price
Chromcraft Corp.....	4321 Semple Ave., St. Louis, Mo.....	¹ \$352.58	\$455,140.19
Brown Engineering.....	300 Sparkman Dr., Huntsville, Ala.....	² 19,708.34	634,569.00
Cass Metal Products.....	Brodhead, Ky.....	¹ 481.70	778,352.20
Trodyne Corp.....	39 Industrial Ave., Teterboro, N.J.....	² 39,675.00	905,257.30
Dubie-Clark.....	Post Office Box 790, U.S. Highway 123, South Toccoa, Ga.....	¹ 590.00	954,578.61
Medico Industry.....	11-13 Tompkins St., Pittston, Pa.....	² 49,702.20	958,731.25
Scientific Engineering.....	Post Office Box 930, Hartselle, Ala.....	¹ 684.64	1,000,015.96
Reimers Missile Components.....	Old Hanceville Highway, Post Office Box 256, Cull- man, Ala.....	² 59,726.90	1,032,969.75
Spaco Inc.....	3022 University Dr., Huntsville, Ala.....	¹ 725.84	1,042,275.00
Emerson Electric.....	8100 Florissant Ave., St. Louis, Mo.....	² 58,168.21	1,116,714.21
Tison Engineering.....	2226 South Sepulveda Blvd., Los Angeles, Calif.....	¹ 675.00	1,320,721.92
Tran Spectra Inc.....	Post Office Box 430, Fayetteville, Tenn.....	² 125,106.25	1,718,125.50
Astro Space Labs.....	2104 Memorial Parkway SW., Huntsville, Ala.....	¹ 753.03	936,167.00
		CPFF proposal	

¹ Launchers.

² Parts.

APPENDIX 4A.—1968 ARMY CONTRACT DATA

(TEXT OF ANNOUNCEMENT NO. 1476, JUNE 28, 1968)

The U.S. Army Missile Command, Redstone Arsenal, Huntsville, Alabama, is awarding a contract for \$1,592,757 to the large business firm of Techfab division of ALSCO Inc., 4321 Semple Avenue, St. Louis, Missouri at 4:00 PM on 28 June 1968 (Washington, D.C. time). The contract is for 3,146 each Rocket Launcher for use on Aircraft, 2.75 inch. The contract will be performed by Techfab division of ALSCO, Inc. at St. Louis, Missouri which is not in a labor surplus area.

Extent of competition : Sole Source.

Type of contract : Firm Fixed Price.

Contract No. : DAAH01-68-C-2130.

(NOTE: The above contract is for XM-159/C launchers. The Army let another contract on June 26, 1968 to Alsco, Inc. in the amount of \$329,000 for 1,156 XM-157/B launchers. The military departments do not prepare announcements or press releases on contracts of less than one million dollars.)

APPENDIX 5.—INDICTMENT RETURNED AUGUST 7, 1968

United States District Court for the District of Columbia

Holding a Criminal Term

SPECIAL APRIL GRAND JURY SWORN IN ON APRIL 1, 1968

Criminal No. —

Grand Jury No. Original

Violations: 18 USC 2; 18 USC 371; 18 USC 1001; 41 USC 54.

THE UNITED STATES OF AMERICA

v.

ANDREW L. STONE, FRANCIS N. ROSENBAUM, EVELYN R. PRICE, ROBERT B. BREGMAN,
CHROMCRAFT CORPORATION, AND ITS SUCCESSOR ALSCO, INC.

The Grand Jury charges:

COUNT ONE

(1) At all times material herein the Department of the Navy, a Department and Agency of the United States of America, was responsible for the procurement of 2.75 inch rocket launchers for the national defense program.

(2) At all times material herein defendant CHROMCRAFT CORPORATION, a Missouri corporation, and its successor defendant ALSCO, INCORPORATED, a Delaware corporation, each of which is hereinafter referred to as CHROMCRAFT, was the supplier of 2.75 inch rocket launchers to the Department of the Navy as a prime contractor under the following negotiated firm fixed price contracts, including all change orders, amendments and modifications pertaining thereto:

Contract	Effective date	Amount
(a) NOW-62-0638f.....	Feb. 5, 1962	\$2,480,450
(b) NOW-64-0035f.....	July 12, 1963	618,021
(c) NOW-64-0154f.....	Oct. 25, 1963	1,775,290
(d) NOW-64-0190f.....	Dec. 9, 1963	505,393
(e) NOW-64-0313f.....	Feb. 14, 1964	1,904,125
(f) NOW-64-0609f.....	June 3, 1964	2,822,105
(g) NOW-64-0689f.....	June 25, 1964	1,684,514
(h) NOW-65-0121f.....	Sept. 1, 1964	3,437,979
(i) NOW-65-0472f.....	May 11, 1965	197,828
(j) NOW-65-0547f.....	May 3, 1965	12,018,225
(k) NOW-66-0082f.....	Aug. 10, 1965	5,191,711
(l) NOW-66-0307f.....	Jan. 4, 1966	1,150,503
(m) NOW-66-0435f.....	Apr. 5, 1966	4,797,000
(n) N000-19-67C-0120f.....	Jan. 24, 1967	8,588,325

each of which contracts was entered into by or under the direction of the Secretary of the Navy.

(3) At all times material herein defendant ANDREW L. STONE was the principal stockholder, the chief executive officer, the chief fiscal officer and a director of CHROMCRAFT.

(4) At all times material herein defendant FRANCIS N. ROSENBAUM maintained an office at 824 Connecticut Avenue, N.W., in the District of Columbia, was a director of CHROMCRAFT and its special counsel.

(5) At all times material herein defendant EVELYN R. PRICE was executive secretary to defendant Andrew L. Stone.

(6) At all times material herein defendant ROBERT B. BREGMAN was the president and the sole stockholder of Bregman Electronics, Inc., with an office at 25 West 43rd Street, New York, New York.

(7) At all times material herein HANS SENN also known as JOHANN SENN was an officer and a director of THE BANK FÜR HANDEL UND EFFEKTEN (Bank for Commerce and Securities), Zurich, Switzerland.

(8) At all times material herein WALTER A. LIPS was Vice-Director of the Union Bank of Switzerland (also known as the Schweizerische Bankgesellschaft) Branch at Aarau, Switzerland.

(9) At all times material herein Scientific Electronics, Limited, was a California corporation with a listed address at 144 South Beverly Hills Drive, Beverly Hills, California.

(10) At all times material herein Western Molded Fibre Products, Inc., of Gardena, California, was a California corporation which sold fairings to CHROMCRAFT under each of the hereinabove described contracts as a subcontractor as that term is defined in Section 52, Title 41, United States Code.

(11) Prior to the award of each of the hereinabove described contracts the Department of the Navy issued a Request For Proposals, in response to which CHROMCRAFT submitted cost and price data on Department of Defense Forms (DD 633).

(12) The aforementioned cost and price data purported to reflect, among other things:

(a) The costs and prices which CHROMCRAFT had incurred and experienced and expected to incur and experience for direct material; and

(b) Proposed general and administrative expenses and also allowances for profits under the hereinabove described contracts.

(13) Prior to the award of each of the hereinabove described contracts, in accordance with the provisions of Section 2306(f) of Title 10, United States Code, CHROMCRAFT submitted to the Department of the Navy, in the District of Columbia, "Certificates of Current Cost or Pricing Data", which documents certified that the aforesaid cost and price data was accurate, complete and current as of the date of their execution.

(14) During and for the purpose of the negotiation of each and all of the hereinabove described contracts ANDREW L. STONE met with representatives of the Department of the Navy, in the District of Columbia, as the representative of CHROMCRAFT.

(15) Each and all of the hereinabove described contracts expressly provided that CHROMCRAFT, as the prime contractor, was itself subject to and would include in all subcontracts, as that term is defined in Section 1213(g), Title 50, United States Code Appendix, provisions in accordance with and as required by Section 1214, Title 50, United States Code Appendix. (The Renegotiation Act of 1951, as amended.)

(16) Each and all of the hereinabove described contracts contained a "Price Reduction for Defective Cost or Pricing Data" clause pursuant to the requirements of Section 2306(f) of Title 10, United States Code.

(17) At all times material herein the Renegotiation Board was an agency of the United States of America charged with the responsibility to ascertain, determine, recoup, and eliminate excessive profits derived from contracts made with the United States, and from related subcontracts, for the procurement of property, materials, and services under the national defense program.

On or about January 1, 1963, and continuously thereafter through 1967, the exact dates being unknown, in the District of Columbia and in the State of New York, ANDREW L. STONE, FRANCIS N. ROSENBAUM, EVELYN R. PRICE, ROBERT B. BREGMAN, and CHROMCRAFT who are the defendants herein, and HANS SENN, WALTER A. LIPS, and THE BANK FÜR HANDEL UND EFFEKTEN who are named herein but not as defendants, unlawfully, willfully and knowingly did conspire and confederate among themselves and each with the other persons whose names are presently to the Grand Jury of the United States of America, that is to say the said defendants and conspirators did agree, combine, confederate and conspire: to defraud, frustrate, defeat, impair and impede by craft, trickery, and other means including false, fictitious and fraudulent statements and concealments of material facts and kickbacks, the lawful business operations and purposes of

(1) the Department of the Navy in all phases of its negotiation for and the administration of contracts awarded to CHROMCRAFT for the procurement of rocket launchers under the hereinabove mentioned contracts said;

(2) the Renegotiation Board to ascertain, determine, recoup and eliminate excessive profits derived under the hereinabove specified contracts.

(19) It was a part of said conspiracy that the DEFENDANTS would and did on or about March 4, 1963 cause Scientific Electronics, Limited, to be formed and on or about June 7, 1965 cause Bregman Electronics, Inc. to be formed, each of which would be and was at all times material herein a dummy corporation subject to the direction, control and use by the DEFENDANTS as a conduit for the diversion of monies fraudulently obtained.

(20) It was further a part of said conspiracy that the DEFENDANTS would and did falsely and fraudulently represent and state that Scientific Electronics, Limited and Bregman Electronics, Incorporated were Chromcraft subcontractors which would supply or had supplied among others the following items for the hereinabove described contracts, namely:

- (a) R. F. Filter Assembly.
- (b) Intervalometer Assembly.
- (c) Jumper Cable (Cord) Assembly.
- (d) Leadwire Harness Assembly.
- (e) Package Post Assembly.
- (f) Receptacle Assembly.
- (g) Special Intervalometer Assembly.
- (h) Plug Threaded—Dust Center.
- (i) Ground Button.
- (j) Package—Operational Manual.

(21) It was further a part of said conspiracy that the DEFENDANTS would and did prepare and cause to be prepared CHROMCRAFT purchase orders to and corresponding and related invoices and quotations from Scientific Electronics, Limited and Bregman Electronics, Inc., which purchase orders, invoices and quotations would be and were false, fictitious and fraudulent in that CHROMCRAFT would not and did not purchase nor acquire from either Scientific Electronics, Limited or Bregman Electronics, Inc. the items reflected therein nor would or did CHROMCRAFT purchase or acquire the items therein reflected at a cost or price as great as that reflected in the said documents.

(22) It was further a part of said conspiracy that the DEFENDANTS would and did incorporate in the aforesaid Department of Defense Forms DD 633 the prices and costs reflected in the above described false, fictitious and fraudulent purchase orders, invoices and quotations and further that they would and did falsely and fraudulently state and represent that the prices and costs reflected therein represented the prices and costs which had been or would be experienced and incurred by CHROMCRAFT in purchasing the hereinabove described items.

(23) It was further a part of said conspiracy that the DEFENDANTS would and did falsely certify and cause to be falsely certified in the hereinabove described Certificates of Current Cost or Pricing Data that the prices and costs reflected on the above described false, fictitious and fraudulent invoices, quotations and purchase orders were accurate, complete and current as of the date of execution.

(24) It was further a part of said conspiracy that the DEFENDANTS would and did submit and cause to be submitted to the Department of the Navy for payment invoices incorporating claims based upon the aforesaid false, fictitious and fraudulent purchase orders, invoices and quotations.

(25) It was further a part of said conspiracy that the DEFENDANTS would and did divert and cause to be diverted to the personal use, gratification and the DEFENDANTS money paid by the Department of the Navy under the hereinabove described contracts contrary to and in derogation of the intent of the national defense program and the Renegotiation Act, as amended, as follows:

(a) It was further a part of said conspiracy that the DEFENDANTS would and did pay and cause to be paid the above described fraudulent invoices purportedly received from Scientific Electronics, Limited and Bregman Electronics, Inc.

(b) It was further a part of said conspiracy that the DEFENDANTS would and did prepare and cause to be prepared false and fictitious invoices bearing the following foreign names and addressess:

<i>Name</i>	<i>Address</i>
(a) Geag	Chur, Switzerland.
(b) Elpag, A.G.	Chur, Switzerland.
(c) Alwatra, A.G.	Zurich, Switzerland.
(d) Etablissement Macoba	Vaduz, Lichtenstein.
(e) Infina, A.G.	Zurich, Switzerland.

which false and fictitious invoices would be and were paid from funds received by Scientific Electronics, Limited and Bregman Electronics, Inc. in payment of the false and fictitious invoices described in sub-paragraph (a) of this paragraph.

(c) It was further a part of said conspiracy that the DEFENDANTS well knowing that their interest in accounts in Swiss banks could and would be disguised and concealed by the co-conspirators HANS SENN, THE BANK FUR HANDEL UND EFFEKTEN and WALTER A. LIPS would and did cause to be paid the foreign invoices described in the preceding paragraph and did transmit and caused to be transmitted checks in payment of same to the aforesaid WALTER A. LIPS at the Union Bank of Switzerland and HANS SENN at THE BANK FUR HANDEL UND EFFEKTEN who would and did cause the said checks to be negotiated for the personal use, gain, and benefit of the defendants.

(26) It was further a part of said conspiracy that the DEFENDANTS using Scientific Electronics, Limited as a conduit, would and did from July 1, 1963 to July 22, 1965 by the fraudulent manner and means described in paragraphs twenty-five (a), (b) and (c) above cause to be negotiated through the use of the facilities of the aforesaid Union Bank of Switzerland and THE BANK FUR HANDEL UND EFFEKTEN Two Million, Two Hundred and Twenty-Seven Thousand, Five Hundred and Ninety-Two Dollars and thirteen cents (\$2,227,592.13).

(27) It was further a part of said conspiracy that the DEFENDANTS using Bregman Electronics, Inc. as a conduit, would and did from September 27, 1965 to March 1, 1966 by the fraudulent manner and means described in paragraphs twenty-five (a), (b) and (c) cause to be negotiated through the use of the aforesaid facilities of THE BANK FUR HANDEL UND EFFEKTEN an additional One Million, One Hundred and Eighty Thousand, Six Hundred and Ninety-Two Dollars and ten cents (\$1,180,692.10).

(28) It was further a part of said conspiracy that the DEFENDANTS ANDREW L. STONE and FRANCIS N. ROSENBAUM would and did cause Western Molded Fibre Products, Inc. to pay prohibited kickbacks to them of Six Hundred and Sixty-Three Thousand, Four Hundred and Eighty-One Dollars and five cents (\$663,481.05) by means of checks drawn against the account of WESTERN MOLDED FIBRE PRODUCTS, INC. payable to the following foreign payees.

Name:

- (a) Geag.
- (b) Orma-Commerce.
- (c) Export Techniko.
- (d) Alwatra A.G.
- (e) Etablissement Macoba.

It was further a part of said conspiracy that the DEFENDANTS in facilitate and conceal the kickbacks immediately hereinabove described did prepare and cause to be prepared foreign invoices, bearing the payees described in paragraph twenty-eight, which invoices the DEFENDANTS knew would be and were false, fictitious and fraudulent material described therein would not be and was not delivered to the account of WESTERN MOLDED FIBRE PRODUCTS, INC.

It was further a part of said conspiracy that the DEFENDANTS would and did cause to be made false, fictitious and fraudulent statements of material fact in annual reports on Form RB-1 submitted to the Board by CHROMCRAFT, to wit that the "total cost and amount of material incident to the renegotiable business of CHROMCRAFT during the hereinafter specified periods was:

<i>Amount</i>	<i>Period</i>
(1) \$7,623,368-----	January-December, 1963.
(2) 14,548,465-----	January-December, 1964.
(3) 16,530,025-----	January-December, 1965.
(4) 14,731,822-----	January-May, 1966.

and would and did conceal and cause to be concealed the material fact that Scientific Electronics, Limited and Bregman Electronics, Inc. were shams subject to the direction and control of the DEFENDANTS.

In furtherance of the aforesaid conspiracy and in order to effect the objects thereof the DEFENDANTS did commit, among others, the following overt acts in the District of Columbia and at divers other places.

OVERT ACTS

(1) The said DEFENDENTS did do and cause to be done the acts set forth in the succeeding counts of this indictment on the dates, at the places and in the manner therein set forth, all of which are incorporated herein by reference as though fully set forth and made a part hereof.

(2) On or about January 28, 1963 ANDREW L. STONE and FRANCIS N. ROSENBAUM traveled to Los Angeles, California and met with Leon Schwartz.

(3) On or about March 1, 1963, FRANCIS N. ROSENBAUM caused CT Corporation to form Scientific Electronics, Limited.

(4) On or about April 29, 1963, ANDREW L. STONE dictated a letter and caused it to be delivered to Leon Schwartz.

(5) On or about May 18, 1963, FRANCIS N. ROSENBAUM wrote a letter to Leon Schwartz.

(6) On or about November 20, 1963, EVELYN R. PRICE wrote a letter to Leon Schwartz.

(7) On or about September 9, 1964, EVELYN R. PRICE wrote a letter to Leon Schwartz, a carbon copy of which was prepared for and sent to FRANCIS N. ROSENBAUM.

(8) On or about February 8, 1965, FRANCIS N. ROSENBAUM dictated a letter which he caused to be delivered to Leon Schwartz.

(9) On or about January 19, 1965, EVELYN R. PRICE wrote a letter to Leon Schwartz, a carbon copy of which was prepared for and sent to FRANCIS N. ROSENBAUM.

(10) On or about August 31, 1965, CHROMCRAFT paid an advance of \$10,000 to ROBERT B. BREGMAN.

(11) On or about February 24, 1966, FRANCIS N. ROSENBAUM facilitated the opening of the (ROBERT B.) BREGMAN ELECTRONICS, INC. bank account at the Marine Midland Grace Trust Company.

(In violation of 18 U.S.C. 371.)

COUNTS TWO THROUGH THIRTEEN

(1) The Grand Jury realleges with the same force and effect as though fully set forth at length herein, all of the allegations of paragraphs One through Six and Eleven through Sixteen of Count One of this indictment.

(2) On or about the dates hereinafter set forth in the District of Columbia the DEFENDANTS ANDREW L. STONE, FRANCIS N. ROSENBAUM, EVELYN R. PRICE, ROBERT B. BREGMAN, and CHROMCRAFT in a matter within the jurisdiction of the Department of the Navy, unlawfully, knowingly and willfully did make and cause to be made false, fictitious and fraudulent statements and representations of material facts, that is to say the DEFENDANTS did submit and cause to be submitted to the Department of the Navy in Washington, D.C. the herein described "Certificates of Current Cost or Pricing Data" as required by Section 2306(f), Title 10, United States Code in which Certificates the DEFENDANTS did state and represent and cause to be stated and represented that the cost and price data referred to therein was accurate, complete as of the date of execution, whereas in truth and in fact as the

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deceit and representations, the
(a) To hamper the
defendants to de
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other, combining
as co-conspirators
WALTER A. LIPS
B. BREGMAN AND
elsewhere, I, 196
February 1, 196
(18) From
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United

and there well knew said cost and price data was inaccurate, incomplete and noncurrent as of the date of execution.

Count	Date of certificate	Contract
2	Oct. 10, 1963	NOW-64-0154f.
3	Oct. 22, 1963	NOW-64-0190f.
4	Nov. 18, 1963	NOW-64-0313f.
5	May 23, 1964	NOW-64-0609f.
6	June 22, 1964	NOW-64-0689f.
7	Aug. 24, 1964	NOW-65-0121f.
8	Mar. 1, 1965	NOW-65-0472f.
9	Apr. 16, 1965	NOW-65-0547f.
10	July 30, 1965	NOW-66-0082f.
11	Dec. 13, 1965	NOW-66-0307f.
12	Mar. 24, 1966	NOW-66-0435f.
13	Jan. 13, 1967	N000-19-67-C0120f.

(In Violation of 18 U.S.C. 1001 ; 2.)

COUNTS FOURTEEN THROUGH SEVENTEEN

(1) The Grand Jury realleges with the same force and effect as though set forth at length herein all of the allegations of paragraphs One through Six and Eleven through Seventeen of Count One of this indictment.

(2) On or about the dates hereinafter set forth in the District of Columbia the DEFENDANTS, ANDREW L. STONE, FRANCIS N. ROSENBAUM, EVELYN R. PRICE, ROBERT B. BREGMAN, and CHROMCRAFT in a matter within the jurisdiction of the Renegotiation Board, unlawfully, knowingly and willfully did make and cause to be made false, fictitious and fraudulent statements and representations of material facts, that is to say the DEFENDANTS did submit and cause to be submitted to the Renegotiation Board in Washington, D.C. the hereinbelow described reports on Forms RB-1 as required pursuant to Section 1215 (e), Title 50, United States Code Appendix in which reports the DEFENDANTS did state and represent and cause to be stated and represented as the total cost and expense incurred by CHROMCRAFT in conducting and engaging in renegotiable business during the particular period to which each report pertained, the sums hereinbelow set forth whereas in truth and fact as the DEFENDANTS then and there well knew each of the Forms RB-1 submitted included and reflected a total cost and expense which CHROMCRAFT had not, in fact, incurred and experienced.

Count	Date (RB-1 filed)	Total cost and expense
14	Apr. 29, 1964	\$7,623,368
15	June 2, 1964	14,548,465
16	Apr. 28, 1966	16,530,025
17	Dec. 27, 1966	14,731,822

(In Violation of 18 U.S.C. 1001 ; 2.)

COUNTS EIGHTEEN THROUGH TWENTY-ONE

(1) The Grand Jury realleges with the same force and effect as though set forth at length herein all of the allegations of paragraphs One through Six and Eleven through Seventeen of Count One of this indictment.

(2) On or about the dates hereinafter set forth in the District of Columbia the DEFENDANTS, ANDREW L. STONE, FRANCIS N. ROSENBAUM, EVELYN R. PRICE, ROBERT B. BREGMAN, and CHROMCRAFT in a matter within the jurisdiction of the Renegotiation Board, unlawfully, knowingly and willfully did conceal and cause to be concealed material facts, that is to say the DEFENDANTS did submit and cause to be submitted to the Renegotiation Board in Washington, D.C. the

hereinbelow described reports on Forms RB-1 as required pursuant to Section 1215(e), Title 50, United States Code Appendix in which reports the DEFENDANTS were required to state each and all subsidiaries, affiliated companies or organizations, contractors and all others under common control with or under the common control of CHROMCRAFT but the DEFENDANTS did omit to state and did cause to be omitted the material fact that Scientific Electronics, Limited and Bregman Electronics, Incorporated each was under the control of and under common control with CHROMCRAFT.

Count	Date (RB-1 Filled)	Period covered by RB-1
18.....	Apr. 29, 1964	Jan. 1 to Dec. 31, 1963.
19.....	June 2, 1965	Jan. 1 to Dec. 31, 1964.
20.....	Apr. 28, 1966	Jan. 1 to Dec. 31, 1965.
21.....	Dec. 27, 1966	Jan. 1 to May 31, 1966.

(In violation of 18 U.S.C. 1001 ; 2.)

COUNTS TWENTY-TWO THROUGH THIRTY

(1) The Grand Jury realleges with the same force and effect as though fully set forth at length herein all of the allegations of paragraphs One through Six and Ten through Sixteen of Count One of this indictment.

(2) At all times material herein CHROMCRAFT was a prime contractor holding negotiated contracts entered into by the Department of the Navy as more particularly set forth in paragraph Two of Count One of this indictment.

(3) At all times material herein ANDREW L. STONE and FRANCIS N. ROSENBAUM each was an officer, agent and employee of CHROMCRAFT.

(4) WESTERN MOLDED FIBRE PRODUCTS, INC. was a subcontractor, as that term is used and defined in Section 52, Title 41, United States Code, under each of the aforementioned contracts set forth in paragraph Two of Count One of this indictment.

(5) On or about the dates hereinafter set forth the DEFENDANTS ANDREW L. STONE and FRANCIS N. ROSENBAUM, in the District of Columbia, did knowingly and unlawfully receive directly and indirectly from Western Molded Fibre Products, Inc. the sums hereinafter set forth in the form of a check of Western Molded Fibre Products, Inc. payable to the payees hereinafter described, said sums being a fee, commission, compensation, gift and gratuity paid on behalf of a subcontractor, namely Western Molded Fibre Products, Inc., as an inducement for the award of subcontracts and orders by CHROMCRAFT to said subcontractor and as an acknowledgement of subcontracts and orders previously awarded to said subcontractor, each and all of which orders and subcontracts related to the contracts hereinabove described in paragraph Two of Count One of this indictment.

Count	Date	Check	Amount Number	Payee
22.....	Dec. 16, 1963	9746	\$1,877.40	Orma-Commerce.
23.....	Dec. 31, 1963	9786	5,960.00	Do.
24.....	June 12, 1964	10615	3,127.38	Do.
25.....	Aug. 17, 1964	10977	7,330.00	Do.
26.....	Sept. 28, 1964	11238	5,029.20	Alwatra, A.G.
27.....	Sept. 15, 1965	13341	3,478.00	Establishment Macoba.
28.....	May 17, 1966	15512	5,706.88	Export-Techniko.
29.....	Dec. 2, 1966	17272	19,781.88	Do.
30.....	Jan. 3, 1967	17561	21,454.08	Do.

(In violation of 41 U.S.C. 54 ; 18 U.S.C. 2.)

A True Bill.

Foreman of the Grand Jury.

DAVID G. BRESS, U.S. Attorney.

