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R 11 NAVY DEPARTMENT PROCUREMENT OF AN/PRC-41 RADIO SETS
(SOLE SOURCE—COLLINS RADIO CO.)

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HEARINGS AND REPORT
BEFORE THE
SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS
OF THE
COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
EIGHTY-SEVENTH CONGRESS

SECOND SESSION
UNDER THE AUTHORITY OF

H. Res. 78

HEARINGS HELD JUNE 28 AND 29, 1962

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(SOLE SOURCE—COLLINS RADIO CO.)

HEARINGS AND REPORT

SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS

COMMISSION ON ARMED SERVICES

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS

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INDEX

	Page
Report-----	172
Statements presented:	
Hébert, Hon. F. Edward, chairman-----	1
BeLieu, Kenneth E., Assistant Secretary of Navy-----	5, 168
Shoup, Gen. David M., Commandant of the Marine Corps-----	10
Sudhoff, Richard, U.S. Marine Corps, Bureau of Ships-----	13
Cruden, Joseph C., head of the Contract Clearance Branch, Office of Naval Material-----	32
Nau, Robert G., vice president-general manager of Electronics Systems Division, Arvin Industries-----	140
Supplementary statements:	
Wilson, Hon. Earl (Indiana)-----	160
Collins Radio Co-----	166
BeLieu, Kenneth E., Assistant Secretary of the Navy-----	168
Witnesses:	
Beardsley, Vice Adm. George F., U.S. Navy, Chief of Naval Material--	62
BeLieu, Hon. Kenneth E., Assistant Secretary of the Navy-----	5
Cruden, Joseph C., head of Contract Clearance Branch, Office of Naval Material-----	31
Foster, D. H., counsel, Collins Radio Co-----	158
Fulton, Adm. R. B., Assistant Chief, Bureau of Ships for Technical Logistics-----	49
Jones, M. E., Assistant Director, Procurement Division of the Office of Naval Material-----	36
Nau, Robert G., vice president-general manager of Electronics Sys- tems Division, Arvin Industries-----	140
Pinn, Samuel, Jr., counsel for Bureau of Ships-----	71
Pomerantz, counsel, Arvin Industries, Inc-----	140
Shoup, Gen. David H., Commandant of the Marine Corps-----	10
Steger, Meritt H., General Counsel, Navy Department-----	12
Sudhoff, Maj. Richard, U.S. Marine Corps, Bureau of Ships-----	13
Wells, Capt. G. C., Director of Contracts, Bureau of Ships-----	41
Exhibits:	
1. Equipment modifications-----	19, 20
2. Determinations and findings of Kenneth E. BeLieu, Assistant Sec- retary of the Navy, March 22, 1962-----	29
3. Determinations and findings of Kenneth E. BeLieu, Assistant Secretary of the Navy, June 9, 1962-----	30
4. Chief of Bureau of Ships' instruction in respect of the electrical equipment procurement control board-----	64-66
5. Communications concerning Congressman Wilson's findings-----	73-82
6. Collins Radio Co.—Summary of delivery and performance-----	102-104
7. U.S. Marine Corps, MIPR, dated October 24, 1961-----	106-109
8. Control steps by the Navy in "sole source designation"-----	111-130
9. Retained in subcommittee files (not relevant to testimony).	
10. Examples of review actions by Assistant Secretary of the Navy, Office of Material-----	137, 138

III



NAVY DEPARTMENT PROCUREMENT OF AN/PRC-41 RADIO SETS (SOLE SOURCE—COLLINS RADIO CORP.)

THURSDAY, JUNE 28, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met at 10 a.m., Hon. F. Edward Hébert (chairman) presiding.

Mr. HÉBERT. The committee will be in order.

Members of the committee, this morning, as you know, the House goes in session at 11 o'clock, and we will have to suspend at that time.

However, I intend to get permission to sit during the general debate on the trade bill, so we will be back and stay until the first roll-call and then leave and come back this afternoon.

We will continue as late as we can until the general debate finishes.

The Chair wishes to make the usual statement required under our rules of the committee at the opening of any investigation or hearing. This is the Chair's statement on this particular matter.

This hearing has been called to consider a proposed award by the Department of the Navy of an exclusive contract to Collins Radio Corp.

Such an exclusive contract we commonly refer to as a "sole source procurement." This same company has had a research and development contract on the same article over a period of years.

The process by which this proposal originated, was a request from the Marine Corps for the purchase of over 500 units of a military walkie-talkie communication device, which will be described in greater detail in the course of the hearing.

It is for field use; and has certain attachments and advanced technical developments in it.

This purchase is designated as AN/PRC-41.

This purchase is proposed to be made under the authority of section 2304(a) (14) of the Armed Services Procurement Act which, in pertinent part, reads as follows:

"(a) * * * the head of an agency may negotiate such a purchase or contract, if—

Section (14) is the exception.

(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment of an extended period of preparation for manufacture, and for which he determines that formal adver-

tising and competitive bidding might require duplication of investment or preparation already made or would unduly delay the procurement of that property;

I should point out, after having quoted that text, that the subcommittee is especially interested in this matter because the House, on June 7, passed H.R. 5532 without a dissenting vote, which changes this same section to read as follows:

(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment or an extended period of preparation for manufacture, and for which he determines that formal advertising would be likely to result in additional cost to the Government by reason of duplication of investment or would result in duplication of necessary preparation which would unduly delay the procurement of the property;

I repeat, which the House passed on June the 7th without a dissenting vote on a rollcall vote.

It will be noted that the yardstick which the bill applies when exception 14 is used is "additional cost to the Government."

I mention that now because I want the provision of the bill to come clearly into focus as the facts in this inquiry are developed.

On June 7, 1962, Representative Earl Wilson, of Indiana, presented to the House, in the course of the debate on H.R. 5532 some findings and conclusions he had reached on this proposed purchase.

(Again on June 20, 1962, Mr. Wilson amplified his earlier remarks in the Congressional Record.)

Following the date of Thursday, June 7, 1962, and on Tuesday, June 12, 1962, in a conference with Mr. Wilson and Mr. Bray, his colleague from Indiana and a member of the Armed Services Committee, this subcommittee at the direction of the chairman of the full committee, began an examination of the facts.

It has been decided that an open hearing should spread all of the facts and the seemingly conflicting conclusion upon the record.

The Secretary of Navy has suspended any action on the part of the Navy pending this inquiry. The public and the subcommittee may now have the benefit of the facts upon which the Navy relies for any action it ultimately may take.

Today was selected as the first possible date for all concerned. It is important that the inquiry proceed expeditiously.

Additionally, I want to call attention again to H.R. 5532 and the relevancy of this hearing to the bill. H.R. 5532 provides, if passed, that the determinations of the Secretary will not be final, as in the present law, but may be set aside when "clearly erroneous or not supported by substantial evidence."

This is the heart and guts of the bill—which, incidentally, bears my name:

Under the provisions of section 2310 of the present law, determinations and decisions made under the authority of section 2304(a), subsections 11 through 16, are final and, therefore, not subject to question. Section "i" of H.R. 5532 which has just been passed, amends that provision of the law.

Now, to come to matters in this particular hearing.

The subcommittee will have facts and conclusions from all available sources, including the Navy Department, and the contractors most intimately concerned with the decision which will ultimately be made.

It will in a sense be a "clinical study" of a pending procurement by the subcommittee, of the processes and procedures by which deci-

sions to negotiate exclusive contracts are arrived at, and determinations and decisions made under existing law.

The decision which the Secretary will make, will not be subject to challenge. It will be final.

Now, to keep things in focus, this morning's inquiry will disclose the origin, historically, of the article being purchased through its development, at least so far as its contractual arrangements are concerned, up to the point when the Marine Corps initiated the pending requirement. Thereafter, we will consider the necessity or urgency for the purchase in the manner proposed.

Collaterally, we will inquire from the Navy Department, as the purchasing agent for the Marine Corps, the contractual arrangements made for development and the results of those contractual arrangements in preparation for procurement in quantity.

We will consider the nature of the article which is being purchased. We will consider the materials employed; whether they are stock items patented or peculiar and exclusive to this article.

We will consider the state of the art as to whether or not any proprietary rights or information is involved. We will consider as it is reflected from these facts, the competence required to fill the purchase requirements. That includes technical competency, capacity, experience, and the potential ability to deliver on time.

As a first consideration, we want to know why this purchase could not have been made by advertised competitive bidding. After that evidence has been supplied, we shall want to consider the price provisions and this includes price analyses.

By no means do I exclude any other questions which may suggest themselves, but these broadly outline the interest of the subcommittee.

For this purpose, we will have original documents and the persons who initiated or authored the documents. There will be among others (but not exclusively) the requisitions, the determinations and findings, with supporting documents, the specifications, and the model.

The final judgment, as I have said, must be made by the Secretary of the Navy. The Secretary of the Navy is represented here in the person of the Assistant Secretary of the Navy for Materiel.

So, we will first hear from the Honorable Kenneth BeLieu, the Assistant Secretary of the Navy.

I want to break in at this point to express the subcommittee's concern for the personal anxieties which Mr. BeLieu has experienced because of family illness during the last few weeks; and to hope for him that the future will be more hopeful.

Secretary BELIEU. Thank you, sir.

Mr. HÉBERT. While the insistent demands of public office do not relax, I should like him to know we do have a genuine concern and sympathy for him in the added tensions of family illness.

The order of witnesses, therefore, will be the Assistant Secretary who will state the official position of the Navy Department, and add to it from documents and their authors and other responsible officials of the Department, the facts and representations that have been made to him and upon which he relies.

Sitting at the table with the Secretary will be the Commandant of the Marine Corps and the General Counsel for the Navy, and others who have supplied information to the Secretary.

Congressman William Bray, of Indiana, has been invited and his colleague, Congressman Earl Wilson, of Indiana, who has made available to the subcommittee information which he has gathered.

Now, my colleagues will understand that the responsibility for this proceeding is in the membership of this subcommittee, and, therefore, while we welcome their attendance, if our colleagues have questions which they desire answered, I will ask them to submit them to me for consideration by the subcommittee.

I am advised that the counsels for Collins Radio Corp. and Arvin are present.

May I say to you, as I say to my colleague members, that neither they nor you will interrogate witnesses during the course of proceedings; but you are privileged to submit any suggested questions to the counsel for this subcommittee for the consideration of the subcommittee.

This is a legislative inquiry; it is not an adversary process. It is to obtain information upon which the subcommittee can consider legislation, part of which I have referred to in the early portions of this statement.

I express my appreciation to the representatives of Collins Radio and Arvin for their cooperation in appearing with such information as may be later developed.

Both companies have submitted proposals in writing on this proposed purchase. We intend to discuss these in full detail at this hearing.

Moreover, there is in the room a model of the device which is the subject of purchase and we will have reference to it.

In this proceeding, because there may be many technical and complicated bits of evidence which will have to be brought out for an understanding of the subject, I will ask and direct that our special counsel shall first interrogate all of the witnesses.

But each witness shall first give his prepared statement without interruption as is the custom of the subcommittee.

A format of areas to be covered by Navy witnesses has been submitted to Navy, and I would ask that they be permitted to develop their presentation without interruption.

Whatever interrogation suggests itself will be led off by our special counsel, and then I will turn to the members of our subcommittee.

Now, Mr. Secretary, you may proceed with your prepared statement without interruption and, at the conclusion, the other prepared statements of Navy.

I think the members of the committee understand the ground rules, which are not new to us, but I want to bring them out for the special benefit of those who have not appeared before this committee.

To repeat, the witnesses will testify without interruption from any member of the committee or our general counsel. At the conclusion Mr. Courtney will conduct his interrogation, and at the end I shall recognize the members of the subcommittee for questioning.

We are very happy to have you here, Mr. Wilson. I am sorry Mr. Bray is not here.

I am sure you understand the rules as I have read them, and I am sure the gentlemen at the table understand them. There will be no interrogation except by counsel and members of the committee.

If any interested party has questions, submit them to me and I will decide whether they are pertinent.

Mr. Secretary, you may proceed.

(Biographical sketch of Kenneth E. BeLieu, Assistant Secretary of the Navy (Installations and Logistics) is as follows:)

Mr. BeLieu was born in Portland, Oreg., on February 10, 1914. He is the son of Ila Jean BeLieu and the late Perry G. BeLieu of Oregon. He is married to the former Margaret Katherine Waldhoff of Anoka, Minn., and has two sons, Kenneth E., Jr., and Christopher Michael.

He attended the public schools in Portland, and then was graduated from the University of Oregon in 1937 with a degree in business administration. He also attended the Harvard Business School (advanced management program, 1955).

After 3 years in business in Portland, in 1940 Mr. BeLieu volunteered for active duty with the U.S. Army and was commissioned a second lieutenant of infantry. His World War II service carried him from the Normandy landings through the campaigns in France, the Battle of the Bulge, and into Germany and Czechoslovakia.

He was awarded the Silver Star, Legion of Merit, Bronze Star, Purple Heart, and Croix de Guerre for gallantry in action.

He was discharged from the Army in 1945 with the rank of lieutenant colonel.

Shortly after returning to civil life, he was offered a commission in the Regular Army, which he accepted in July 1946. He was ordered to Washington, D.C., where he served in various assignments in Department of the Army headquarters.

In July 1950, Mr. BeLieu volunteered for action in Korea and, while there lost his left leg below the knee in November of 1950 and was returned to the United States.

While in Korea, Mr. BeLieu was decorated by both the United States and Korean Governments. From the spring of 1951 until his retirement in October of 1955, he served as executive officer to two Secretaries of the Army.

In November 1955, Mr. BeLieu became a professional staff member of the Senate Armed Services Committee. In January 1959, he assumed two principal responsibilities. First, he became staff director of the Senate Committee on Aeronautical and Space Sciences—the committee which has jurisdiction to survey and review all aeronautical and U.S. space activities and analyze all legislation dealing with the National Aeronautics and Space Administration.

Second, Mr. BeLieu became staff director of the Preparedness Investigating Subcommittee of the Senate Committee on Armed Forces.

This committee has broad authority to review, investigate, and make recommendations on all aspects of the Nation's military policies, programs, and operations.

Mr. BeLieu was confirmed by the U.S. Senate on February 6, 1961, and sworn in as Assistant Secretary of the Navy for Installations and Logistics on February 7, 1961.

Secretary BELIEU. Mr. Chairman, members of the committee, Mr. Wilson, it is a privilege to be here.

Before commencing on my statement I would like to thank the committee and express my sincere appreciation for the personal remarks and consideration and thoughtfulness evidenced here this morning.

It is a privilege to appear before this committee as usual and I welcome the opportunity to discuss with you the Navy's planned procurement of an item of electronic equipment which the Marine Corps for many years has badly needed.

I refer to a ground-to-air and limited ground-to-ground ultra high frequency transceiver called the AN/PRC-41. It is designed to be carried on the back of one man and is for use by tactical air control parties in controlling high performance aircraft during close air support operations.

It will be used in combat vehicles and, additionally, by naval gun-fire liaison teams in the coordination of direct support aircraft, naval gunfire, and guided missiles.

We expect much of this new equipment. Its potential is great. It is of vital importance not only to the Marines but to the Navy operational forces and the Army and Air Force as well.

I speak with considerable personal conviction on this matter first because, as a former combat soldier, I fully appreciate the urgent need for such equipment and, secondly, because I personally have had the opportunity to review the salient facts of this desired procurement.

It is my paramount responsibility, as Assistant Secretary of the Navy, to get into the hands of our operational forces the weapons and material which fully meet our requirements.

The history of the Marine Corps search to find a radio set of this type which would really meet its requirements goes back some time.

The corps is currently utilizing a four-channel transceiver called MAY-I. The MAY-I was conceived during World War II and became operational with the Marines in 1949.

It weighs 86 pounds and has to be carried by two men.

It was designed to talk with propellor driven aircraft. Use of jet aircraft has reduced this MAY-I equipment to marginal performance. In addition, as General Shoup will tell you, there is a critical shortage of MAY-I equipment in the Marine Corps right now.

The AN/PRC-41, which we desire to produce and to issue to troops as a matter of urgency, is a lightweight (41 pounds) ultra high frequency transceiver of advanced design.

It can be carried and operated by one man under combat conditions and will be able to transmit and receive on any one of 1,750 channels, as opposed to four in the other set.

Anyone who has ever had the responsibility of planning an amphibious operation with the required ship and aircraft support will understand the value and flexibility provided by the number of available channels. In addition, the new set will have approximately twice the broadcasting range of the MAY-I, a characteristic vitally important when working with jet aircraft.

The AN/PRC-41 is new equipment. We don't have any today. The proposed contract for this equipment will be its first production. We do have, however, successful development service test models called the AN/PRC-41(XN-2) developed under a 1958 research and development contract by the Collins Radio Co. of Cedar Rapids, Iowa.

These models have been thoroughly tested and evaluated over a period of 8 months, both in the field and Government laboratories. These development models, subject to certain modifications in the equipment specifications being made in the production equipment, have been approved by the Government.

The history of the development of this equipment has been time consuming, frustrating, and disappointing. At least three companies have failed to produce since 1949.

Meanwhile, our operational requirements have remained unfilled and the need to issue a communications set of this character to our troops in the field has increased with the passage of time.

These troops need this equipment now—today.

Obviously, we are unable to fill this need since the production equipment does not even exist.

Upon completion of the previously mentioned tests of research and development models, and upon determination of final modification made possible by the present state of art, the Navy had developed sufficient information to go ahead with a production contract.

Because of the urgency of time and because the Collins Radio Co. of Cedar Rapids, Iowa, could reasonably be expected to accomplish deliveries in the shortest possible time, it was determined that the initial production contract should be consummated with this company for approximately 641 sets of equipment.

The Collins Radio Co. was chosen because it is the development contractor. This, of course, would be a sole source procurement. As in all such cases, a determination and findings authorizing the negotiation of contract with Collins Radio was prepared early this year.

It was reviewed and approved by various echelons in the Bureau of Ships, including the Deputy Chief of the Bureau; reviewed and approved by various echelons in the Office of Naval Material, including the Chief of Naval Material; reviewed and approved again by my immediate staff; and, finally, reviewed and approved on March 22, 1962, by me.

Had not certain events transpired subsequent to this decision, the negotiated contract would have been consummated by now. However, on May 21, 1962, Arvin Industries of Columbus, Ind., apparently at the request of their Congressman, submitted a proposal to him; and he, in turn, for Arvin, submitted their unsolicited proposal to the Secretary of the Navy with a request that Arvin be given the contract.

While it was, and still is, our opinion that this procurement should now continue as a matter of urgency, nevertheless, because of the source of the challenge, I had the whole matter reexamined and re-evaluated once again.

As a result, my original conviction was reaffirmed and, in my opinion, the decision to authorize the contract with Collins still stood.

So, on June 9, 1962, I signed a new determination and findings, thereby bringing the early determination and findings up to date.

Mr. Chairman, my reason for this action was, and is, simply this:

Based upon the best technical and military advice available to me, only Collins Radio, the developer of this equipment, can meet the earliest possible delivery schedule. Any other company would take many months longer than Collins Radio to deliver this urgently needed equipment.

There are various reasons for this which a later witness will explain in detail. I do, however, wish to mention two facts which demonstrate why the Navy and Marine Corps believe that only the developer of the PRC-41 can fulfill the urgent time requirement.

First, is that we have no PRC-41 equipment today. There is nothing in existence from which Chinese copies can be made.

The service test models AN/PRC-41(XN-2), which the Marine Corps and Navy thoroughly tested, were only approved subject to numerous and substantial modifications being made in the production equipment.

Our technical and engineering personnel advise me that approximately 7 months would be required for a competent firm in the UHF field to become familiar with the service test models and to design and engineer these modifications into the equipment specifications.

Even Collins Radio, which has the experience and knowledge of having developed the service test models, would require 4 months to accomplish these modifications.

Second, is the difference in time required for Government test and evaluation. Since the development contractor has proved its ability to design and build development models of the PRC-41, Government tests of its preproduction and production models can properly be accomplished within 3 months. For any other firm, however, the period of test and evaluation would be at least 6 months.

In other words, production by the development contractor would avoid the time involved in repeating the tests and evaluations required in the case of any other company. I might add here that in testing this type of equipment for the use of marines, the Marine Corps insists on a very thorough job, and anyone who has been in ground combat will understand the necessity of testing man-pack radios. The set must stay on frequency when, in combat, he jumps into a hole.

Mr. Chairman, our case can be stated very simply. We have an urgent requirement for PRC-41 equipment which we believe only the developer of the equipment can meet.

Before I conclude, I want to say a few words about the delay in consummating the contract. I regret, as I know Secretary Korth and General Shoup do, that it has been necessary, despite this urgency, to delay the contract award.

But, in view of the unsolicited proposal we received from the Congressman for Arvin Industries, a well-known firm in the electronics industry, Secretary Korth and I felt it imperative to hold up any award so that we could reexamine this procurement in the light of Arvin's proposal.

We have done so, as I pointed out earlier in this statement.

Finally, we had reached a decision and were ready to proceed with the award when we learned last week of this committee's interest. Accordingly, we felt we would not make the award until we had a chance to discuss it with the committee.

Mr. Chairman, I am honored now to present to this committee the Commandant of the Marine Corps, Gen. David M. Shoup, who will speak to you about the operational requirement for the AN-PRC-41.

Following General Shoup's statement, we shall have several additional witnesses who will address themselves to the financial and technical aspects of this procurement. I think this will make for an orderly presentation of our case.

General Shoup—subject to the Chair's and committee's desire, General Shoup requests permission to leave after any questions, or after his statement.

As a member of JCS, he should go back soon. Thank you.

Mr. HÉBERT. Thank you very much, Mr. Secretary.

Mr. Courtney, before General Shoup testifies, I think it would be proper to put into the record the memorandum or format submitted to the Navy. The format for the request of detail in the presentation.

(The document referred to follows:)

JUNE 25, 1962.

Memorandum for: Capt. Horace V. Bird, Chief, Legislative Affairs, Room 4D-760, the Pentagon, Washington 25, D.C.

In re Navy proposed sole source procurement of AN-PC radio sets from Collins Radio Corp. following research and development contract.

This proposed procurement has been protested upon the floor of the House and to the chairman of the Committee on Armed Services, who has directed an inquiry by this subcommittee.

The hearing was first scheduled to commence on Tuesday, June 26. At the request of representatives of the Navy at a conference on Friday, June 22, it was postponed and set for June 28 at 10 o'clock in the afternoon.

On Friday, June 22, Secretary of the Navy advised the chairman of the full committee that action on this procurement would be postponed pending inquiry.

An informal conference between the following representatives of the Navy Department and subcommittees special counsel was held on Friday, June 22, at 2 p.m.

Assistant Secretary of the Navy Kenneth E. BeLieu; Vice Adm. George Beardsley; Cmdr. Wendell McHenry; Meritt H. Steger, general counsel; John J. Phelan, Jr., counsel; Joseph C. Cruden, ONM; Capt. Douglas C. Plate.

Informal conferences and exchanges had theretofore occurred between the Assistant Secretary of Navy for Material and the subcommittee concerning information contained in the Congressional Record in representations made by Congressman Earl Wilson, of Indiana, commencing on June 7, 1962, to and including June 20th, to which reference is made for identification.

The subcommittee has also received a presentation and bid dated May 21, 1962, from Arvin Industries, Inc.

It has been agreed that the Navy Department would present full information concerning the evaluation of this proposal and its official position.

The Assistant Secretary of the Navy for Material with his supporting witnesses, are requested to present the same to the subcommittee in a format which will cover a discussion of the materials required for performance, the technical aspects of assembly of the article, and the urgency therefor, together with the basic information leading to the determinations made or proposed to be made for the procurement of this article, with specific reference to the following:

1. Conclusions from an examination of the bill of materials contained in the bid documents of Collins Radio Corp. and the unsolicited bid of Arvin Industries, including the identification of any items therein which are not stock off-the-shelf items or are patented or proprietary to Collins Radio.

2. Identification of descriptive material for assembly of the article, including a specific of any portions or parts as to which the state of the art would prevent a competent electrical manufacturer from producing.

3. A comparison of these two bids and an analysis of direct labor costs, material costs, and other differences, if any, in the total bid gross amount and unit amounts.

4. A statement of the monetary value, the duration and conclusions and information supplied to the Navy on research and development contract of Collins Radio Corp. for this article, and whether or not this contract was fully completed.

5. A full explanation including documentation as to time of origin, requisition, and required delivery schedule of the proposed user, the Marine Corps.

6. Such other related and competent information as will enable the subcommittee to arrive at a conclusion from the facts.

It will be expected that the original sources of information will include the following:

- (a) The person who prepared the determination or determinations proposed to be signed or signed by the Assistant Secretary for Material.

- (b) The basic documents, including the persons authoring the same, concerned with the evaluation of the bids, price analysis; and the minutes of the negotiators, the decision of the Board of Review; and original contract files, together with minutes and reports of any bidders' conferences, discussions with Collins Radio Corp. or any other bidders.

The foregoing are not to exclude any information that may be relevant or competent in the circumstances but represent a statement of the minimum requirements for an adequate hearing on the subject.

Please be advised that Arvin Industries, Inc., and Collins Radio Corp. have been requested to attend the hearing and respond to questions of the subcommittee.

Your efforts in perfecting the requirements for the presentation of this matter and the coordination therein will be greatly appreciated.

This hearing will, until further notice, constitute the immediate subject of interest. There is, however, transmitted to you herewith a statement relating to eight so-called cases submitted by Congressman Earl Wilson of Indiana.

Coincidentally with this request, you are asked to supply such information as may be pertinent in answer to the facts recited in cases one through eight, inclusive.

By direction of the chairman :

JOHN J. COURTNEY, *Special Counsel.*

Mr. HÉBERT. General Shoup, we will be very happy to hear you this morning.

General SHOUP. Mr. Chairman, members of the committee, I appreciate this opportunity to appear before you and relate the Marine Corps' urgent requirement for an improved piece of radio equipment which we use as an essential link in our air-ground team.

As the gentlemen of the committee know, the Marine Corps places heavy reliance on the ability of our aviation units to furnish close air support to our ground units.

In order to make our system of close air support work, we place forward air controllers, who are Marine aviators, with Marine rifle companies to advise the commander on air support matters, and to request and control Marine aircraft in the execution of close air support missions.

Reliable communications between the forward air controller and the aircraft are vital if timely and accurate close air support is to be rendered.

The forward air controller must be in the front lines with the assault companies and platoons and to effectively control close air support he must be equipped with a manpack radio.

This radio must be of a UHF or ultrahigh frequency radio in order to work with the aircraft radios, all of which are UHF.

The Marine Corps has a second vital requirement for a man-pack UHF radio in connection with our concept of vertical envelopment by helicopter-borne troops.

Before the helicopter assault takes place, we must deliver Marine Pathfinder teams to the landing zone by parachute or helicopter, in order that they may direct the troop carrying helicopters to the proper landing sites.

This requires reliable communication between the Pathfinders on the ground and the incoming helicopters. But of even greater importance, among the elements of the helicopter-borne assault force itself will be landing zone control parties and various air liaison officers, artillery observers, and naval gun-fire spotters.

All of these individuals must be able to talk to the aircraft. Ordinarily they use a jeep mounted radio for this purpose. But in a helicopter assault they must have a man-pack set.

To accomplish these two primary purposes for which we use a man-pack UHF radio, we need 407 sets for our Regular forces. We need 194 for our Organized Reserves. We must hold 60 radios in protected stock, available for immediate issue to our forces committed to combat as backup for their initial allowance.

Our total immediate requirement for our peacetime forces therefore is 661.

Adding to this the requirement to support a full mobilization force of four Marine division wing teams, which amounts to another 154 sets, brings the total Marine Corps requirement to 815.

To meet these requirements, the Bureau of Ships, beginning in

World War II, developed for the Marine Corps a portable radio which would work with UHF aircraft equipment.

This radio is known as the M-A-Y. It was first placed in the hands of our troops in 1949 and has been in continuous use since.

It is the only man-pack air-ground UHF radio being employed in the military services.

Beginning in 1951, the Bureau of Ships, at our request, set about developing a replacement for the M-A-Y. Based on a normal service life of about 5 years, we intended to begin retiring the M-A-Y's in 1954.

Unfortunately, during the next 7 years three different companies attempted, and failed, to develop an acceptable replacement radio for the M-A-Y. In the meanwhile, the M-A-Y was wearing out in service. By 1960 the situation had become so critical we resorted to commercial rebuild of the M-A-Y.

Since then, 365 sets out of a total of 682 have been commercially rebuilt. But each year an increasing number of sets deteriorate beyond the ability of our military repair or commercial rebuild to put them back in service.

By April of this year, we reached the point where we only had 547 M-A-Y's in the Marine Corps, and of these 131 were unserviceable.

If the committee will recollect our requirements, you will remember that the 416 serviceable sets on hand are just enough to supply the immediate needs of our regular Fleet Marine Forces.

To meet these needs, which override all others, we have been forced to eliminate our protected stock, to take the M-A-Y away from all our Reserves, to reduce the number allowed for school maintenance training, and to allow none for mobilization requirements.

Our overall combat readiness is therefore reduced as of this moment as is our readiness to mobilize our fourth division/wing team on short notice.

But even more serious is the fact that if the current rate of unserviceability continues to grow, as is only to be expected with this old equipment, by January 1963 we will be hard put to fully equip our Regular Forces.

I can only predict further serious impairment of our readiness thereafter.

But of equal importance with the serviceability and total numbers of the M-A-Y, there are two vital operational considerations which I would like to mention briefly.

When the M-A-Y was introduced most of the aircraft with which it communicated were propeller driven. In the 13 intervening years we have shifted to jets with much greater speeds. A radio with increased operating range is therefore required; the M-A-Y capability for communication with modern jet aircraft is marginal.

The second operational consideration is that in the M-A-Y there are only four frequencies available to the operator. In other words, he can talk on any one of four different channels and no more.

If it is required to change the frequencies on which any M-A-Y must operate, the radio must be returned to a high echelon maintenance unit for replacement of crystals. In some cases grinding of new crystals is required. When committed to a combat operation, or embarked aboard ship, changes in the frequency plan for close air support are therefore largely impossible, and this is a severe restriction.

Finally, in 1958, a project to develop a replacement for the M-A-Y was awarded to the Collins Radio Co. Collins delivered service test models in 1961.

These test models, designated as Radio Set AN/PRC-41 (XN-2), are lighter than the M-A-Y; they have 1,750 channels instead of 4 immediately available to the operator; and their operating range of over 100 miles is double that of the M-A-Y. Extensive tests at the Marine Corps Development Center, Quantico, Va., proved this radio to be fully capable of meeting Marine Corps requirements, when modified to overcome certain deficiencies discovered during the tests.

Therefore, in October 1961, the Marine Corps requested the the Bureau of Ships to procure AN/PRC-41's as a matter of urgency.

We asked for delivery to the Marine Corps to begin in May 1962, which we determined was the earliest date we could expect delivery.

If this schedule were met, we could complete delivery to our field forces by March 1963.

The number we requested is sufficient to equip our Fleet Marine Forces, to provide protected stocks, to equip selected organized reserves, and to furnish some sets for school training.

No contract has as yet been awarded and we are now far behind this schedule. The earliest possible date we can now hope to complete placing the new radio in the hands of the Fleet Marine Forces is January 1964.

The M-A-Y is today the most critical item of communication equipment in the Marine Corps. We urgently need the AN/PRC-41 to replace it.

At this moment, the combat readiness of the Fleet Marine Forces in Thailand, on Okinawa, in the Mediterranean and the Carribbean, and in the United States is impaired for lack of adequate replacement for the M-A-Y.

The original schedule for delivery of a replacement radio cannot now be met—and the requirement becomes more urgent with each additional delay.

We are hopeful, Mr. Chairman, that we can soon get on with the procurement of this radio as a matter of priority.

This ends my statement.

Mr. HÉBERT. Mr. Courtney, do you have any questions?

Mr. COURTNEY. No questions, General. You stated the initiation of the requirement, and that would be the only question. Mr. Chairman, the commandant has duties to perform elsewhere and he may be tentatively excused, unless there are questions.

Mr. HÉBERT. Any questions?

Thank you very much, General. We appreciate your presentation.

Mr. BeLieu, you may continue with the presentation of the Navy.

Secretary BELIEU. At this time, Mr. Chairman, with the committee's permission I will ask the General Counsel of the Navy to introduce the next witness in accordance with the format of the committee for this particular inquiry.

Mr. HÉBERT. You may proceed, Counsel.

Mr. NORBLAD. Will you state your full name for the record.

Mr. STEGER. Meritt H. Steger, General Counsel, Navy Department.

Secretary BeLieu mentioned the determinations and findings that he signed on June 9, 1962, by which he authorized the negotiation of the contract for the procurement of the 641 units of the PRC-41 combination transmitter and receiver sets from Collins Radio, the developer of this equipment—

Mr. COURTNEY. Do you have a statement?

Mr. STEGER. I do not have copies. It is a very short statement.

Mr. COURTNEY. There are no prepared statements from Mr. Steger, Mr. Chairman.

Mr. STEGER. Now, the essential finding made by Secretary BeLieu is that no firm other than Collins Radio, the developer of the PRC-41 equipment, can meet the urgent delivery schedules of the Marine Corps, the Navy, the Army and the Air Force for this equipment, and that an award to any other firm would unduly delay the procurement of this vitally needed equipment.

Accordingly, Secretary BeLieu determined that procurement by advertising and competitive bidding would unduly delay procurement.

These are proper and necessary determinations and findings authorizing the negotiation of this contract under the authority of 10 U.S.C. 2304(a)14. This is commonly referred to as exception 14 of the Armed Services Procurement Act that was mentioned earlier by you, Mr. Chairman.

We will expect to prove the validity of these determinations as findings and demonstrate to you why the award of this contract must be made to Collins Radio.

General Shoup has given you the operational requirement of the Marine Corps for the PRC-41.

Maj. Richard Sudhoff of the Marine Corps will cover in detail the technical aspects of the complex PRC-41 transceiver. He will tell you why it is not an assembly job and show you why Collins Radio, the developer, can produce and deliver the equipment to meet our required delivery dates, and why any other competent manufacturer of ultra-high frequency radio equipment cannot do this.

Also Major Sudhoff will explain to you why the Navy is convinced that Arvin Industries cannot meet our required delivery schedules.

Then Mr. Joseph C. Cruden, of the Office of Naval Material, will discuss in detail the pricing aspects of the Collins & Arvin Industries proposals.

Major Sudhoff obtained his degree in engineering physics in 1951 at the Alabama Polytechnic Institute—

Mr. HÉBERT. That is Auburn, Mr. Counsel?

Mr. STEGER. Yes, sir.

In 1958 he received his master's degree in engineering electronics at the U.S. Naval Postgraduate School.

Major Sudhoff has been in the service since 1945.

He served with the 1st Marine Division in Korea and later with the 2d Marine Division and for the past 4 years he has been on duty as an electronics engineer in the Bureau of Ships.

Major Sudhoff, will you please come forward.

Major SUDHOFF. Mr. Chairman, members of the subcommittee, before I start into my formal statement I would like to say a few words about the equipment here, so that we will all be aboard on what we are talking about.

This [indicating] is the service test model of the PRC-41 which has been discussed earlier. This current service test model is in the nature of 41 pounds.

The production weight is expected to be similar to that. Included in this 41 pounds is everything that you see here [indicating], includ-

ing the ruck sack frame carrying device, hand set, directional antenna, the basic receiver-transmitter portion, and this [indicating] self-contained silver-zinc battery power supply.

The MAY which this radio set is intended to replace is illustrated over here [indicating]. This [indicating] is the basic receiver-transmitter portion. It weighs 42 pounds as you see it.

This does not include about 2¼ pounds of packboard, which it is carried with.

This [indicating] is the short antenna which is on the set, used for close-in tactical work. It also has a framed cage type of antenna we call a discone. It looks like the frame of a small umbrella when opened up.

This [indicating] is the auxiliary battery pack for the MAY.

This weighs 44 pounds, plus about 2¼ pounds for the packboard.

The two pieces of pack that you see here [indicating] basically weigh 86 pounds less packboard.

There are three batteries in this equipment.

The third one is contained in the bottom of this set.

The combination of these three batteries [indicating MAY] provide about 12 hours of useful life under combat conditions for operation.

One battery contained here [indicating AN/PRC-41 (XN-2)] provides 14½ or 15 hours—something in that area.

So that basically in operational configuration, this equipment [indicating AN/PRC-41] is comparable, or even more, from a standpoint of operational life, than these two [indicating MAY] packs.

The need to replace the World War II designed radio set MAY has been recognized for a long time. The MAY was designed to communicate from the ground to slow propeller-driven aircraft that covered much less airspace in a given period of time.

To provide greater communication range and to lighten the load to be carried into combat, the Bureau of Ships began in June 1951 a series of four consecutive attempts to obtain a satisfactory replacement for the MAY.

These attempts included two research and development efforts, an exact duplicate production attempt which in the trade is referred to as a Chinese copy—and a production improvement of an earlier development.

All these attempts were completely unsuccessful.

I would like to add at this point that the MAY which you see displayed is the one that has just been through this factory rehabilitation or rebuilt program.

We recognized in 1958 that the situation in ground-to-air ultrahigh frequency military pack radio sets was critical.

As a result, we surveyed competent ultrahigh frequency manufacturers to assess their capabilities to produce a successful radio set for us.

Collins Radio Co. was chosen because they had extensive successful experience in developing and producing military ultrahigh frequency radio sets, and since June of 1953 had been working on the development of the ARC-51 for the Bureau of Aeronautics.

The Bureau of Ships expected to gain significantly from this approach, since the basic effort on the ARC-51 was to achieve good performance with a lightweight transistorized equipment. This also was the basic aim of the PRC-41 development.

It was the Bureau's plan to use as much of the circuitry of the ARC-51 as possible to reduce development costs and speed delivery of the PRC-41.

On June 24, 1958, a research and development contract was awarded to Collins for development of the PRC-41. This contract proceeded through the development model phase and in February 1961 six service test models were delivered to the Government.

These equipments were tested by operational units of the Navy and Marine Corps, and evaluated in a Government laboratory.

I would like to add that this PRC-41 development contract cost to the Navy and Marine Corps was approximately \$869,000.

The PRC-41 is a lightweight—41 pounds—pack-set type ultra-high frequency transceiver, 225 to 399.9 megacycles, 3 watts output, AM, with rechargeable silver-zinc battery and transistorized power supply.

It also has a 115/230-volt, 50- to 400-cycle AC power supply. A mounting kit is provided for vehicular or fixed installation.

I would like to take this opportunity to submit these pictures for your consideration. It think it will describe in a little more detail the basic equipment as you see it and also the equipment, the complete equipment, which goes with the PRC-41.

The PRC-41 provides 1,750 voice communication channels from a small-size pack radio set. These channels are needed to enable the forward air controller or the landing zone control team on the ground to communicate with the pilot in the air on any one of the 1,750 channels available in the aircraft radio.

This provided flexibility and much greater utility to the set than is now possessed by the MAY.

The tolerances on channel spacing and frequency stability are extremely exacting and difficult to achieve. This set also makes use of every possible way of saving weight and reducing power consumption while continuing to work at peak design efficiency in a combat environment.

The PRC-41 must operate in the field for the longest possible time from a lightweight battery pack. This is essential to lighten the load of the individual radio operator and to reduce the logistic burden of carrying great numbers of batteries into the field.

Combat communication needs place severe stability and reliability requirements for both transmitting and receiving on a set of this size and weight.

The frequency-synthesis system employed to furnish full use of the 1,750 communication channels in this set is an intricate problem. Reliability is of the utmost importance.

The equipment must not only be reliable and of high quality, but simple to operate. It also must be easy to maintain under combat conditions. Plug-in subassemblies, called modules, must be used for ease of field maintenance.

This involves specialized and complex assembly techniques but these are necessary to provide greater operational availability of equipment by making it possible to interchange modules between sets.

This area of design, for ease of electronic maintenance under difficult conditions, is essential for military communication equipment.

I would like to demonstrate this, if I may, sir.

I have several modules removed from the equipment. Both of these modules, by the way, have been taken from a service tested model of ARC-51.

The ARC-51 is the Bureau of Aeronautics designed set.

These two modules are virtually identical to the similar two modules which appear in the PRC-41.

I think you will notice, or, you will observe—I would like to pass these around, by the way—some of the fine detailed work that goes into the construction and basic considerations of these modules.

The placement of screws that hold down the cover plates is even a rather critical feature in this because we have to avoid leakage of RF paths from one module to another or out of a set.

So these are all very important design considerations.

This [indicating] module, by the way, is the first and second intermediate frequency amplifier of the equipment.

Mr. COURTNEY. It is interchangeable with the ARC-51.

Major SUDHOFF. It is interchangeable, both mechanically and electrically.

I would like to clarify that for you, Mr. Courtney.

In this [indicating] module, the first and second intermediate frequency amplifier, and in this [indicating] module, are exactly interchangeable mechanically.

In this [indicating] module, the spectrum generator module, the only difference between the 51 module and the PRC-41 module is that the ARC-51, the airborne set, has an oven that covers the 18 crystals which are used on the spectrum generator.

In the PRC-41 we have to do away with the oven and use a much better crystal because we want to save power from the battery and not have the power taken up in heating the crystals, or keeping them at a stable temperature.

I would like also to call your attention to the turret tuner. You notice the different number of turns on some of these coil forms. You will notice also the varying spacing between individual turns on these coil forms.

These at times may look to you like rather sloppy construction since they vary, but all of these are hand-adjusted in order to get the proper range of frequency.

That [indicating] is the spectrum generator, the heart of the set, the unit that determines the injection frequency for the 1,750 channels.

Mr. Chairman, I notice it is getting close to 11 o'clock—

Mr. HÉBERT. Continue.

We will wait until the bells ring for the first rollcall.

Major SUDHOFF. This is the service-tested model of the airborne set which has been under discussion, to some extent.

I have loosened the pressurized cover. Those [indicating] two modules have come from this ARC-51.

The first intermediate frequency amplifier plugs into this [indicating] side of the chassis and the spectrum generator plugs into this [indicating] side here.

There are nine modules in the ARC-51. There are eight modules in the PRC-41.

Of the nine modules in the ARC-51, four of those are virtually identical to the PRC-41.

There are minor changes in those [indicating] two modules. The other two modules which are common to the PRC-41 is the third intermediate frequency amplifier, which is this module here [indicating], and also the guard receiver module.

This [indicating] is another receiver transmitter unit of the PRC-41.

We have the outer fiber glass case for the environmental protection aspects. We have what is called an interference shield which reduces spurious radiations from the equipment.

And this [indicating] is the main receiver transmitter of the PRC-41.

This [indicating] is a manually tuned set.

Any one of the 1,750 individual channels is selected by means of these three knobs [indicating]. You can select any one of 1,750.

The main gear train is down through the center with the modules plugging in from each side.

This [indicating] is the spectrum generator unit similar to what you see there [indicating] and the third and second IF amplifier.

These [indicating] are common to the third IF amplifier, common to the third IF in this [indicating] set.

The guard receiver, which is identical to the one in the set.

There are significant problems in designing and producing military UHF equipment which must be recognized. For example, in the commercial radio broadcast band it is necessary only to discriminate between radio signals that differ in length by about 3 or more feet.

However, in the military ultrahigh frequency radio band we must use techniques that allow us to receive and transmit radio signals that differ in length by as little as eight one-thousandths of an inch.

In producing equipment designed to transmit and receive on radio channels which have wavelengths measured in hundredths of an inch, it is essential that many components have values known to an extremely high degree of accuracy.

Varying the length or position of a wire or certain circuit components by as little as a fraction of an inch can make the the difference between satisfactory and unsatisfactory equipment operation.

Deviations in design, construction, and size which can be tolerated in the commercial broadcast band would make a military UHF radio set completely unsatisfactory and unacceptable.

Mr. HÉBERT. We will have to interrupt.

(House bells ring for vote.)

The committee will now stand in recess until 1:30.

(Whereupon, at 11:05 a.m., a recess was taken until 1:30 p.m. of the same day.)

AFTERNOON SESSION

Mr. HÉBERT. The committee will be in order.

When we recessed this morning, Major Sudhoff was testifying.

Will you please continue, sir.

Major SUDHOFF. Thank you, Mr. Chairman.

I would like to recap for just a moment, sir.

I reviewed the basic equipment characteristics of the equipment as displayed here.

I was trying to indicate the range of technical complexity in UHF equipment.

In regard to that, my comparison has been based to some extent on the broadcast radiofrequency range that most of us are familiar with.

This broadcast radiofrequency range is basically in the $\frac{1}{2}$ to $1\frac{1}{2}$ megacycles in frequency, whereas here in UHF we are talking about 225 to 400 megacycles for all intents and purposes.

This represents, striking the median or average of the frequency range, about a 300-to-1 sort of relationship. Related to wavelength, if you will apply the 300-to-1 in the relationship to wavelength, this really is about 1,000-to-1, speaking as regards the mechanical and electrical tolerances necessary in UHF. These tolerances apply to the wavelength consideration. You are really talking about 1,000-to-1 sort of refinement over the broadcast band.

I was trying to illustrate this by indicating the placement of wires on coils of these tuners and the modules that I passed around in this spectrum generator module, for instance.

I was making the statement that deviations in design construction and size which can be tolerated in the commercial broadcast band would make a military ultrahigh radio set unsatisfactory.

They have this 1,000-to-1 sort of relationship. These are the sort of deviations in design and construction to which I referred.

This UHF transceiver must be capable of being simply and rapidly set and reset to any one of 1,750 precise and accurate communication channels.

The mechanical and electrical tolerances on the frequency setting device in this equipment are most severe since we are determining such minute wavelengths.

This complete complex radio transmitting and receiving station must be produced in a pack that can be carried on the back of one man in combat. In order to obtain a minimum combat load, the radio set is designed to use miniaturized components and techniques.

The radio set is not only a receiver, but a transmitter as well, and the critical elements of the radio set must be protected and shielded from the high radiofrequency energy generated by the output stages of the transmitter. Failure to do this adequately will result in equipment which is inoperable or unsatisfactory for field use.

The high levels of engineering competence required to produce such a set and the levels of performance needed from such an equipment are significantly different from those needed from a medium frequency broadcast receiver.

EQUIPMENT MODIFICATIONS

A service test model is an equipment used for test under service conditions to evaluate its suitability and performance for operational use. It is a model closely approximating the final design, having the required form, and employing approved parts or their interchangeable equivalent.

This model is used in the last stages of testing and evaluating development communication equipment.

This item is fabricated by hand and is not of a production design that can be manufactured using production tools, jigs, fixtures and methods.

The service test model must be tested with a view toward assuring that production equipment will:

- (a) Be reliable in performance, both electrically and mechanically.
- (b) Be capable of being maintained by combat forces.
- (c) Be capable of being transported and operated by combat personnel.
- (d) Meet the performance requirements to support tactical operations.

The service test PRC-41 was tested extensively by the Marine Corps Equipment Board and the Navy Operational Test and Evaluation Force, and evaluated technically in a Navy laboratory over an 8-month period.

It was approved for service use subject to certain equipment modifications to be effected in production models. These are outlined in exhibit 1.

(The document referred to follows:)

EXHIBIT 1—EQUIPMENT MODIFICATIONS

As a result of Government operational tests and technical evaluations of the development AN/PRC-41, the following modifications will have to be made to produce a satisfactory production item.

1. Modifications in equipment configuration required as a result of operational tests:

(a) Frequency range of vibration testing was extended to 55 cycles per second (par. 3.5.1.2 of specification). This requires a design analysis to determine changes required to conform.

(b) Increase in humidity requirement of service conditions (par. 3.5.1.2) from 95 to 100 percent requires design review to determine necessary changes.

(c) Repackaging of receiver-transmitter case (par. 3.2.5(a)) to eliminate attaching battery power supply to R/T unit. Requires a modification of the interior stowage design and changes in case size.

(d) Requirement to anodize the antenna elements, and dye the antenna mast guy ropes to save equipment weight (par. 3.2.5 (b) and (c)).

(e) Improvement of seal between R/T units and battery pack (par. 3.2.5(d)) requires redesign of mechanical interface of base of R/T unit. This effort requires liaison with supplier of battery packs. First procurement of battery packs is in process and supplier is currently not known. Case hardware, locating lugs, and power connection require redesign and relocation.

(f) Increase in thickness of antenna mast tubing at the base end (par. 3.2.5(f)) is necessary to improve ruggedness for field use. This represents some additional mechanical redesign effort.

(g) The added requirement for a carrying device for the directional antenna elements (par. 3.2.5.6) is an additional design aspect which also imposes a change in design of stowage spaces in the accessory case.

(h) The reinforcement of the harness construction, required by par. 3.2.5(g), requires additional consideration over that accomplished in development models.

(i) Squelch control rewiring (par. 3.2.5(h)) is minor but requires follow-through effort to execution.

(j) Relocation of audio connectors (par. 3.2.5(i)) requires a redesign of control panel to accommodate change in center-to-center spacing.

(k) Repackaging of R/T transit case (par. 3.2.5(k)) imposes considerations of change in interior stowage design and possible change in case size.

(l) The requirement for an antenna mounting bracket (par. 3.2.5.12 and par. 3.2.5.18) is a new item requirement. The development model did not include this bracket; therefore, a suitable design must be originated for a bracket to support the antenna on a variety of combat vehicles. The bracket must provide for ready installation on these vehicles.

(m) Redesign of top and bottom of transit cases (par. 3.2.5(l)) requires mechanical design changes in cases after other case redesign requirements have been accomplished in order to specify case requirements to supplier.

(n) Pack harness design must conform to new issue of MIL-R-1619A (par. 3.2.5.13) and quick release feature, as indicated on page 12 of the RFP. A complete harness redesign is required.

2. Modifications required by the performance specification as a result of technical evaluations:

(a) Par. 3.5.3.6 and 3.5.3.8 of the specification require certain performance in image, spuri, and intermediate frequency rejection.

In the development model design the diode mixer between the outputs of the spectrum generator and radio frequency amplifier and input to first intermediate frequency stage requires basic redesign in order to correct a diode burnout problem when a large off-resonant signal is received. Protection to the mixer circuit must be provided.

(b) Par. 3.5.2.5 imposes certain tuning accuracies on the equipment design necessary to insure maintenance of power output requirements. The majority of the tuning accuracy is obtained in the mechanical differential, which in development models does not meet requirements of production specification. Vendor of development model differential is now out of business and redesign is required to improve that accomplished in service test. Redesign requires solving the relocation of gear centers, gear spacing, total space available for gear train, and locating a supplier of, or building a suitable differential.

(c) Par. 3.5.4.1 and 3.5.4.5 impose power output and spurious radiation reduction requirements not now met in the development models, but required in production models. Major redesign effort is required in the antenna filter circuit. The present insertion loss is too high for the transmitter output frequency but not high enough for the undesired radiated frequencies. This filter must operate satisfactorily across the frequency spectrum of transmitter output and provide high attenuation to high level spuri generated, in particular, by the spectrum generator injection frequencies.

(d) Par. 3.5.2.4 imposes certain requirements on the transmit-receive interval switch operation. In addition, the requirements of MIL-E-16400 impose certain part, maintenance, reliability, and testing requirements which the current T/R switch design does not meet. The present T/R switch is a dual wafer switch positioned by a rotary solenoid relay. This switch design malfunctions by relay sticking or presents a high resistance contact. Current design is also deficient in that no field maintenance is possible. Disassembly of the switch requires a watchmaker's skill and this is not in conformance with the requirements set forth in the specification.

(e) Par. 3.5.4.6 imposes certain frequency stability requirements on the radio set. Because the radio set specification prohibits the use of crystal ovens due to conservation of primary battery power, crystal tolerances in respect to frequency versus temperature must be more rigid. This requires determination of tolerance limits and a source of supply of special-cut crystals must be developed. Additional circuit design is required in temperature compensation of the crystal, particularly at the low ambient temperatures specified in service conditions.

(f) Par. 3.2.2 presents the design objective requirements for the radio set. In the development models, rotation limiting of the frequency-selector shafts is accomplished by stops built in the external knobs and the front panel. The limiting of shaft rotation must be accomplished within the main chassis independent of the control knobs and panel. In addition, it is necessary to add secondary stops to limit dial movement at the extremes of rotation.

(g) The development models presently utilize nylon bearings to support and align the frequency selector shafts. In order to meet the setability requirements of par. 3.5.2.5 and conform to requirements of accelerated life testing, as indicated in par. 4.3.4, it will be necessary to redesign the shaft, front panel, and bearings and substitute oilite bearings for the nylon.

(h) The AC power supply design is deficient in several areas, both electrically and mechanically. The test conditions of pars. 3.5.1.1 and 3.5.1.2 require operation of the radio set while being tested under the conditions specified. The current design suffers from poor regulation characteristics at the low supply voltage input point. This, in turn, produces nonconforming performance of the radio set. Redesign is necessary to produce a conforming power supply. The mechanical interface between AC power supply must be changed to conform to that required by battery pack design.

Major SUDHOFF. All of these modifications are covered by the Bureau of Ships request for proposal for PRC-41 production equipment. These required modifications are of two general categories. The first includes changes specified as a result of operational tests by the Navy and Marine Corps. The second covers modifications needed to provide improved performance as a result of Government technical evaluation.

This is the initial production contract for the PRC-41. It must make the transition from the laboratory hand-built research and development equipment phase to the mass-manufactured production equipment phase which requires special production tooling, assembly lines, test stations, and stringent quality and production controls.

This is the production design and engineering phase.

Before production can begin, design and engineering work similar to that outlined in exhibit (1) must be performed to effect required modifications.

One example of the type of effort required by exhibit (1) is the necessity to increase the equipment power output and reduce the spurious radiations. This requires that the PRC-41 produce full power out on all of 1,750 radiofrequency channels with a filter in the circuit to keep unwanted signals from interfering with adjacent radio sets.

The output stage of the ultra-high-frequency power amplifier must be redesigned to obtain greater power out in the deficient areas. This redesign is in one of the most critical modules of the set and involves basic design considerations.

In this module the placement or positioning of a wire or component is critical to a fraction of an inch. The insertion loss of the antenna filter must be reduced for the desired frequency and increased for the undesired frequencies.

Also, before production can begin, during the design and engineering phase, all portions of the design of the equipment, including the modifications noted, must be reviewed to incorporate military standard parts and fabrication techniques.

A complete thermal and reliability review of all parts is required. These reviews require analyzing each component as to its electrical and mechanical ratings, temperature, humidity, vibration, and shock characteristics.

After these production engineering tasks are done, the usual setting up of assembly line production, tooling design, and test station design can be initiated.

In the present service test model there are a total of about 2,100 parts. Of these, approximately 453 are vendor off-the-shelf parts, around 937 are vendor special order parts, and about 710 are contractor made.

In order to buy or make any of the parts required, it is necessary to have detailed knowledge of each part, particularly the special order or special made part. In order to conduct the thermal and reliability review, it is necessary to know first what the present parts will do and determine if there are inadequacies that must be corrected by more stringent parts specifications or new designs.

Since all the required redesign and engineering must be accomplished prior to assembly of a preproduction or production model, the PRC-41 production effort cannot be considered a mere assembly job.

LEADTIME ANALYSIS

We have analyzed the leadtime involved in having Collins do the initial production versus the time that would be required by any other competent ultra-high-frequency manufacturer whom we have hypothetically named the "XYZ Co."

We have given minimum and maximum estimates for the XYZ Co., based on the amount of difficulties they encounter in delivering the preproduction and production items and the amount of risk they are willing to assume in delivering the production items before Government tests and evaluations are completed.

(The table referred to follows:)

[In months]

Task	Time	
	Collins	XYZ Co. (other competent UHF manufacturers)
Learning time.....	0	3-3
Modify and engineer development model.....	4	4-5
Complete preproduction items.....	6	6-10
Government tests and evaluations.....	(1)	6-6
Complete 1st production items.....	1	2-10
Complete all production items.....	5	5-5
Total.....	16	26-39

¹ Government tests and evaluations will take 3 months beginning at the completion of the preproduction items. Production items will be assembled during this period.

The XYZ Co. would require significant time to indoctrinate, teach, and train its engineers on the specifics of the PRC-41 just to bring themselves to a level comparable to Collins today.

They would have to study all existing written material and reports in minute detail and learn the technical intricacies of the development models, modules, and components.

To bring themselves to a reasonable state of competency would take them at least 3 months to gain knowledge of the fundamentals of the PRC-41 Collins has learned over the past 4 years.

Production of the PRC-41 is not merely an assembly job since there is much modification and engineering design to be done to the development PRC-41 to convert it into a satisfactory production item.

Collins is most familiar with the detailed design of the development equipment, its capabilities and limitations, and those things which require modifications in tests and evaluations.

Collins already is producing radio set AN/ARC-51 and four modules of it are virtually duplicated in the AN/PRC-41.

This means that a significant portion of the PRC-41 production design already is accomplished. Collins also has designed and developed the 1,750 channel frequency synthesizer which is most difficult to produce, electrically and mechanically.

If this device is not manufactured to required close tolerances, the production equipment will be unsatisfactory as to channel spacing and frequency stability.

By virtue of their UHF background and experience and their design of the PRC-41 development models, we estimate that Collins can do the required modifications and engineering on the equipment in 4 months.

Once XYZ was able to bring themselves to a technical level comparable to Collins, they still would have to design modifications and engineer the equipment to meet all operating requirements set forth in the performance specification.

XYZ would have to do a complete production design of the PRC-41, including the difficult 1,750 channel frequency synthesizer.

Assuming that XYZ encounters no difficulties and unknowns in the modification and engineer stages, they could complete this in a minimum of 4 months. If troubles or problems arise, this could increase to 5 months.

Collins has significant background and knowledge gained from fabricating and research and development PRC-41 models and manufacturing the development and production ARC-51 units.

This gives Collins an ability to produce the PRC-41 rapidly. Collins already has tooling and assembly line facilities to produce four of the modules of the PRC-41. We estimate that it would take Collins 6 months to complete the preproduction items.

XYZ would take time to gain comparable background and knowledge to that already possessed by Collins in producing the ARC-51 and developing the PRC-41.

As a result, their assembly of the preproduction items would be slowed until they learned the detailed designs of the equipment modules.

If everything went reasonably well and no major difficulties were encountered, they might equal Collins' time of 6 months since they previously had had 7 months to modify and engineer the development model. However, it is much more likely that this would take XYZ a period of 10 months.

If time permitted, we would require complete Government laboratory tests and field evaluations on the preproduction PRC-41. However, because of the urgent military requirement, the Bureau proposes to do Government tests and evaluations in the Collins plant upon completion of the preproduction items.

We can do this because Collins has already demonstrated its ability to design and fabricate PRC-41 development models. These models were subjected to Government laboratory and service evaluations for about 8 months and were approved for service use subject to certain modifications necessitated by operational and technical requirements.

The Government tests and evaluations performed in the Collins plant will check the modifications in detail and insure that the end product meets the performance specification requirements.

These tests will take approximately 3 months and will be done while Collins is assembling the production equipment.

If Government tests and evaluations reveal shortcomings in the preproduction items, Collins will rework or retrofit all production equipment previously delivered.

The preproduction equipment delivered by XYZ would have to be subjected to complete Government laboratory tests and service evaluations.

This is necessary to determine in detail the quality of the first items of equipment delivered by a manufacturer who previously has not proved his ability to produce this particular equipment.

It normally takes even the best preproduction items a period of at least 6 months to pass Government laboratory tests and service evaluation satisfactorily.

By virtue of Collins' background and experience gained in developing the PRC-41 and in designing and producing the ARC-51, they can expedite the completion of the first production item. Collins is willing to do this by starting to fabricate the production models concurrently with the preproduction items.

XYZ would have to decide how much risk it was willing to take to complete the first production item at the earliest practicable time. The shorter the completion time the greater is the gamble involved, both for the contractor and the Government.

The risk for the contractor is financial in that he must freeze the production design and order parts before the adequacy and satisfactoriness of the preproduction item has been determined by the Government.

The risk to the Government is that of a significant loss of essential time if the contractor must do further modifications to the preproduction equipment and order and install new parts or components in the production items.

If Government tests and evaluations prove the preproduction items require major changes to meet the production performance specifications, the charges for labor and materials needlessly expended and duplicated will be substantial to XYZ and the Government would lose significant essential and vital time.

If XYZ were willing to assume his production design was completely adequate and to order all production parts shortly after the beginning of Government tests and evaluations, we believe he could complete his first production item 2 months after the completion of those tests and evaluations.

However, if shortcomings were found in the preproduction items, production equipments could not be accepted until they were reworked or retrofitted to a satisfactory operating condition.

If XYZ wishes to assume no risk and wait until Government tests and evaluations are completed before he settles on his final production design and orders parts for the production equipment, we consider that he could finish his first production item 10 months after completion of the Government tests and evaluations.

Beyond the point of completion of the first production item, we believe Collins and all other competent UHF manufacturers would take a period of 5 months to complete all production items.

Thus, it can be seen that we consider that it would take Collins 16 months to complete all production items, whereas it could take XYZ from 26 to 39 months to do the same job, depending on the risks he was willing to assume and the difficulties he encountered in completing the preproduction and production items.

XYZ suffers from its lack of detailed knowledge of the design and fabrication of the development PRC-41.

It also needs time to determine specifically the shortcomings and inadequacies of the equipment in meeting performance specifications.

After that, XYZ must design and engineer the equipment modifications necessary to provide satisfactory production items. XYZ needs time to bring itself to a comparable knowledge level with Collins on the PRC-41.

The Government cannot take the risk of accepting production items from a manufacturer other than the developer without a complete laboratory test and service evaluation cycle.

To do less would be taking unnecessary and undue gambles and risks with the quality of equipment to be delivered to combat units.

These, then, are the reasons why we feel that on initial production of the PRC-41 Collins can provide quality equipment at the earliest possible time.

ARVIN INDUSTRIES PRESENTATION

Arvin Industries submitted a presentation concerning their ability to manufacture production models of radio set AN/PRC-41.

At the invitation of the Bureau of Ships, they also sent representatives to Washington to discuss additional facets regarding this document.

You must recognize at the outset that the Bureau of Ships' request for proposal was based on a negotiated procurement from the firm which fabricated the development models.

No other company would be aware of the detailed engineering required to make the numerous modifications needed to manufacture a satisfactory production equipment.

A close and detailed lengthy study and comparison of the production and development specifications would have been required to reveal this to any newcomer. For this reason, we believe that Arvin did not appreciate fully and understand completely the magnitude of the modifications and engineering needed.

The following is a leadtime analysis of our estimates of the time required by Collins and our hypothetical XYZ company to complete various tasks, compared with the time schedule proposed by Arvin:

Task	Time (in months)		
	Estimated, Collins	Estimated, XYZ Co.	Proposed, Arvin
Learning time.....	0	3-3	?
Modify and engineer development model.....	4	4-5	?
Complete preproduction items.....	6	6-10	7
Government tests and evaluations.....	(1)	6-6	(2)
Complete 1st production items.....	1	2-10	2
Complete all production items.....	5	5-5	3
Total.....	16	26-39	12

¹ Government tests and evaluations will take 3 months beginning at the completion of the preproduction items. Production items will be assembled during this period.

² Not considered.

As a result of our analysis of the Arvin presentation and discussions, it appears that Arvin did not allow adequate time to teach, indoctrinate, and educate its engineering staff to a comparable position with Collins in the PRC-41 program.

We estimate that this would take Arvin at least 3 months to bring itself to a level of knowledge equal to Collins in this particular equipment.

Arvin also, apparently, did not allow adequate time to modify and engineer the development PRC-41 into a satisfactory production item.

In our opinion, Arvin did not have sufficient time to study the equipment, the specifications, and the test reports to be completely aware of the detailed engineering involved in modifying the equipment into an adequate production equipment.

We believe that any competent electronic manufacturer would take at least 4 months to accomplish these tasks.

Arvin's time to complete the production items, assuming they knew all the modifications and engineering required in the development model, is within our minimum and maximum estimates for such work, but is on the optimistic side.

Arvin did not know of the four additional preproduction items that would be required from a new manufacturer of an equipment and did not allow sufficient time for the Government to test, evaluate, and approve preproduction items.

With equipment of excellent quality, it normally takes at least 6 months of Government tests and evaluations to approve the first models of an item fabricated by a company other than the developer.

As we have indicated previously, we believe that a competent UHF manufacturer could complete his first production item in 2 months, but he would have to fabricate his production models concurrently with the preproduction items.

With equipment of excellent quality, it normally takes at least 6 months of Government tests and evaluations to approve the first models of an item fabricated by a company other than the developer.

As we have indicated previously, we believe that a competent UHF manufacturer could complete his first production item in 2 months, but he would have to fabricate his production models concurrently with the preproduction items.

This would be a significant risk for anyone other than the developer because the manufacturer would have to consider his production design was completely adequate before the beginning of Government tests and evaluations.

This would mean that he would risk ordering production parts and using labor that would be expended needlessly if the tests and evaluations required equipment rework or retrofit.

The Arvin estimate of 3 months to complete all production items also seems overoptimistic.

Based on a requirement of 3 months for learning time, 4 months to modify and engineer the development model, 6 months for Government tests and evaluations, and an additional 2 months to complete all production items, it appears that Arvin would take at least 27 months to complete all production items under this contract.

However, this still is considered a minimum estimate and Arvin could take as much as 39 months to deliver if they encountered unforeseen technical difficulties in completing and testing the preproduction and production items. We have no reason to believe that Arvin could produce the PRC-41 more quickly than other manufacturers who presently are highly competent in the military UHF field.

For these reasons, we believe that the Arvin proposal to deliver quality PRC-41 production units, beginning in 9 months after date of award, is unrealistic and could not be accomplished.

AN/PRC-41 DRAWINGS

One of the major questions raised prior to this hearing has been the lack of manufacturing drawings of the PRC-41. For this reason, I would like to outline for you the situation which existed in October 1961 when the request was received by the Bureau of Ships from the Marine Corps for the purchase of PRC-41 production equipment.

At that time, the drawings of the development item called for under the PRC-41 contract were approximately 90 to 95 percent complete.

The essentials of the drawings for the models as delivered by Collins for test and evaluation were completed, but certain indexing, format requirements, and bills of materials were not finished.

Under the terms of the development contract, title to these drawings is in the Government and the contractor is required to complete them or not as required by the Navy, and deliver them or hold them for the Government as directed by the Navy.

I shall outline why it was considered in the best interests of the Government not to incur the costs of having these drawings completed and to have the contractor hold the drawings for delivery to the Navy when it asked for them.

The primary purpose of these development drawings, like all drawings for development models, was to have them available for assistance in test and evaluation by the Navy and to serve as a part of the record of development.

They consist essentially of the drawings used in the fabrication of the model. Such a model is fabricated largely by hand, by bench and model shop methods, and a good deal of "cut and try" is involved.

Fewer and less detailed drawings are required for such fabrication than would be required for quantity production.

Complete details as to wiring, parts, pressures, and other manufacturing methods can be and properly are dispensed with. Each drawing of a development model is likely to be replaced or supplemented by several production drawings.

The development models having been approved subject to certain modifications being incorporated in the production equipment, the drawings for these models had essentially fulfilled their intended purpose.

These drawings of the development model would enable another manufacturer competent in the UHF field to fabricate a duplicate of that item, substantially as delivered by Collins, by bench and model shop methods.

Even though the Collins drawings are better and more detailed than the average drawings of development models, they would be inadequate to enable production by another supplier without the time-consuming production design and engineering on his part that is required to go from a development model to a production equipment.

Further, the drawings prepared by Collins under the development contract do not reflect the modifications that are required to be incorporated in the production equipments as a result of the Government's test and evaluation of the development models.

This test and evaluation proved that these models were excellent ones, superior to most development models.

The modifications required are such that can be incorporated in preproduction and production equipment without further effort under the development contract. In sum, the objective of the development contract was fully accomplished. Thus, the design and engineering effort to effect these modifications, and revision of the development drawings to reflect them, would be beyond the scope of the development contract.

You must realize that even if the 5 to 10 percent uncompleted portion of the drawings had been finished, they would still be development drawings and not production drawings.

The specification for the AN/PRC-41 production equipment, like all Bureau of Ships specifications for complex electronic equipment, is a performance specification.

It defines in engineering terms the minimum acceptable performance characteristics the equipment must have, the environment in which the equipment must be capable of operating, and the tests to prove such performance and capability.

It does not specify design or other details for combining mechanical and electrical features into an acceptable end product or otherwise specify how the manufacturer is to meet the requirements.

Whether or not completed, the development drawings would assist a new supplier in designing preproduction and production equipment to meet the performance specification and avoid the need for him to duplicate all the development time and effort of the development contractor.

But these drawings do not, and cannot, reflect and make readily available all the experience and knowledge of the AN/PRC-41 that the development contractor has acquired, particularly with respect to the required modifications.

Within the time frame of the required delivery of the production equipment, no firm other than the development contractor could meet a minimum delivery schedule because it would require many more months than the development contractor to prepare production drawings and complete preproduction models.

The Government also would need at least 6 months to evaluate the preproduction models of any firm other than the development contractor for the performance of service and operational tests already performed on models furnished by the development contractor.

In the light of the foregoing, in late December 1961, after the urgent delivery requirements had become known and after the Bureau of Ships Electronic Equipment Procurement Review Board had approved the production procurement for noncompetitive award to Collins, the development contract was terminated to the extent of all further work.

Essentially the only work then remaining to be done was to complete the approximate 5 to 10 percent of the drawings and such completion would have served no useful purpose.

Nor was there any point in having Collins deliver the drawings to Washington, only to be returned to Cedar Rapids for use under the proposed production contract.

The cost savings is relatively small compared to the total cost of the development contract but the fact remains that it would have served no purpose to have incurred this cost.

Complete production drawings are a requirement of the proposed production contract.

Mr. Chairman, that completes my statement.

Mr. HÉBERT. Thank you very much, Major.

Mr. STEGER. Mr. Chairman, at this time I would like to introduce in the record the two determinations and findings that have been mentioned previously in Navy testimony.

The first determination and finding is signed by Secretary BeLieu, and is dated March 22, 1962, and covers the procurement of the PRC-41 radio equipment under the authority of 10 U.S.C., 2304(a) (14), as I stated, commonly referred to as exception 14, permitting negotiation.

Mr. COURTNEY. Mr. Chairman, may that determination, which consists of two sheets, be marked as exhibit 2?

Mr. HÉBERT. Without objection it will be so marked.

(The document referred to follows:)

EXHIBIT 2—DETERMINATIONS AND FINDINGS

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT

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 advertising pursuant to the authority of 10 U.S.C. 2304(a) (14).

FINDINGS

1. The proposed procurement provides for the furnishing of approximately 641 AN/PRC-41 radio sets, approximately 187 accessory kits for AN/PRC-41 associated technical data, engineering services, repair parts, and reports.

2. The radio set AN/PRC-41 is a reliable UHF pack set, operating over the complete frequency range of 225 megacycles to 399.9 megacycles, 1750 channel selection by means of a stable frequency-generating synthesizer, powered by a transistorized power supply incorporating a 26.5-volt direct current silver zinc rechargeable storage battery.

3. The manufacture of this property requires detailed familiarity with the plans and specifications as well as substantial production engineering and physical preparation. Collins Radio Co. under contract NObsr-72821 designed and developed the AN/PRC-41 and produced two developmental and six service test models. Such development required approximately 2¾ years.

4. These AN/PRC-41 radio sets are required—556 for the Marine Corps beginning in May 1962 to provide a replacement for MAY-1, 14 for the Air Force for test and evaluation at the earliest possible date, and 69 for new construction ships beginning as soon as possible through October 1965. The earliest feasible delivery is 10 months after award of a contract, which only Collins Radio, the developer, can meet. Any other firm, however, would require approximately 33 months to begin deliveries as approximately 7 months would be required for design and engineering, 10 months for manufacture of a preproduction unit, 6 months for test and approval, and 10 months thereafter to acquire material and begin production deliveries. Accordingly, award to any other firm would unduly delay procurement.

DETERMINATIONS

1. The property to be procured is technical and specialized.
2. The property is such as to require an extended period of preparation for manufacture.
3. Procurement by advertising and competitive bidding will unduly delay procurement.

KENNETH E. BELIEU,
Assistant Secretary of the Navy
(Installations and Logistics).

Date: 22 March 1962.

Mr. STEGER. Also, Mr. Chairman, I would like to introduce in the record the determinations and findings under the same authority that I have mentioned in connection with the first determination and findings, also signed by Secretary BeLieu, and dated June 9, 1962.

Mr. COURTNEY. That will be marked "Exhibit 3," Mr. Chairman.

Mr. HÉBERT. Without objection.

(The document referred to follows:)

D.&F. No. 62-620A

EXHIBIT 3. DETERMINATIONS AND FINDINGS

AUTHORITY TO NEGOTIATE INDIVIDUAL CONTRACT

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 advertising pursuant to the authority of 10 title, United States Code, section 2304(a) (14).

FINDINGS

1. The proposed procurement provides for the furnishing of approximately 641 AN/PRC-41 radio sets, approximately 187 accessory kits for AN/PRC-41 associated technical data, engineering services, repair parts, and reports.

2. The radio set AN/PRC-41 is a reliable UHF pack set, operating over the complete frequency range of 225 megacycles to 399.9 megacycles, 1,750 channel selection by means of a stable frequency-generating synthesizer, powered by a transistorized power supply incorporating a 26.5 volt direct current silver zinc rechargeable storage battery.

3. The manufacture of this property requires detailed familiarity with the plans and specifications as well as substantial production engineering and physical preparation. Collins Radio Co. under contract NObsr-72821 designed and developed the AN/PRC-41 and produced two developmental and six service test models. Such development required approximately 2¾ years.

4. These AN/PRC-41 radio sets are required as soon as possible—556 for the Marine Corps as a replacement for MAY-I, 28 for the Air Force and 12 for the Army for test and evaluation, and the balance for new constructionships. The earliest delivery feasible is one beginning 10 months and ending 16 months after award of contract. No firm other than Collins Radio, the developer, can meet this delivery schedule. Accordingly, award to any other firm would unduly delay procurement.

5. On March 22, 1962, I signed a determination and findings (BuShips D. & F. No. 62-620) authorizing the negotiation of a contract for these radio sets. Recently, however, I have had the requirements of the Marine Corps, Air Force, Army, and Navy for this radio equipment reexamined and, on the basis of this reevaluation, find them to be as set forth in the preceding paragraph. I have also had reexamined the capabilities of Collins Radio and of other firms to meet the above delivery schedule and find, as stated above, that no firm other than Collins Radio can meet this delivery schedule. Accordingly, this determination and findings supersedes the determination and findings of March 22, 1962.

DETERMINATIONS

1. The property to be procured is technical and specialized.
2. The property is such as to require an extended period of preparation for manufacture.
3. Procurement by advertising and competitive bidding will unduly delay procurement.

K. E. BELIEU,

Assistant Secretary of the Navy (Installations and Logistics).

Date June 9, 1962.

Mr. STEGER. Normally it is the practice of the Navy, as required by the Armed Services Procurement Act, to forward copies of the determinations and findings, such as I have just introduced into the record,

to the General Accounting Office at the time we send them a copy of the contract.

As the committee knows, no contract has been awarded in this case as yet. However, we have furnished both of these determinations and findings to the General Accounting Office based on its request.

Mr. Chairman, Mr. Joseph C. Cruden, of the Office of Naval Material, will now present in detail the pricing aspects of the Collins and the Arvin Industries' proposals.

Mr. Cruden received his B.S. degree in business administration at Georgetown University in 1942 and received his master's degree from George Washington University in 1955.

He is a certified public accountant in the State of Virginia.

Mr. Cruden has had some 24 years of Government service, consisting of approximately 10 years with the Office of the Chief of Ordnance, Army, in contract clearance work.

The remainder of Mr. Cruden's Government service has been with the Navy.

He is now the head of the Contract Clearance Branch of the Office of Naval Material.

Mr. Cruden, will you please present your statement.

Mr. CRUDEN. Mr. Chairman, I have some preliminary remarks in addition to my prepared statement.

Mr. HÉBERT. You may proceed.

Mr. CRUDEN. Mr. Chairman, I have some preliminary remarks on the contracting aspect of this matter that I would like to present to the committee prior to reading my statement.

(1) In the event Arvin Industries reconfirms its price quotation previously submitted to the Navy on the AN/PRC-41, the price comparison I have prepared and will present in my statement will merely suggest the possibility of a loss to Arvin without attempting to fix the exact amount.

(2) In electronics procurement we frequently experience as much as a 400 percent or greater range of price quotations from low to high, and the low quotations which result in contracts are frequently loss contracts. If we think the company can absorb the loss and deliver quality equipment on time we award the contract on the premise that if a contractor knowingly takes a loss to obtain business such loss is taken as a calculated business risk. We generally reconfirm the price with the contractor in such cases and, if necessary, advise the prospective supplier of the possible loss to forestall subsequent claims against the Government.

(3) No reflection is intended by any of my remarks against Arvin Industries. They are a reputable company and probably could not have known that four additional preproduction models were necessary and may not have had the opportunity to learn the full extent of engineering modifications and assembly difficulties, which we think are involved in this complex and highly compact equipment. The request for proposals did not, in our opinion, specifically detail the technical requirements that should and would have been included had a competitive procurement been planned, and finally,

(4) The comparison I have prepared is not intended to represent or reflect the total financial risk to Arvin, if they were to produce the AN/PRC-41, but only attempts to identify some of the differences

we noted in comparing the proposals, taking into account other information available in the Navy.

(5) Subject to these remarks, I would like to proceed now with my written statement.

Mr. Chairman, I have a statement reflecting a price comparison of the Collins Radio and Arvin Industries proposals on the AN/PRC-41 radio sets.

The comparison and review which I have made was based on the information in the Collins proposal and in the Arvin proposal. I have had no discussion or contact with either company. The Bureau of Ships held limited discussions with Collins and Arvin.

The purpose of this price comparison on the AN/PRC-41 radio set is to—

- (a) discuss the completeness of the Collins and Arvin proposals,
 - (b) point out principal differences between these proposals, and
- to
- (c) review the Collins proposal for possible reduction.

The conclusions reached are that—

- (a) Arvin's proposal did not completely cover the job to be done,
- (b) major items were omitted or underestimated by Arvin and that the
- (c) Collins' proposal will require adjustments downward in negotiations leading to the definitive contract.

COMPLETENESS OF PROPOSALS

The overall dollar differences between the Collins and Arvin proposals is approximately \$1,118,721. Navy estimates were higher than the Collins estimate.

The Collins proposal was examined and covers the items required and provides the basis to negotiate a contract for the AN/PRC-41.

The Arvin proposal was examined and does not cover all items required. The items omitted or underestimated and our estimate of what they could cost are as follows:

	Man- months	Total amount
Engineering and design modifications.....	79	\$50,250
Preparation of manuals.....	16	32,000
Maintenance prints.....	5	13,500
4 additional preproduction models.....		22,928
Arvin engineering at test sites.....	21	17,500
Total.....		136,178
Arvin engineering overhead at 100 percent of items 1 and 5 only.....		67,750
Total.....	121	203,928

The above man-months estimates were prepared by Navy Bureau of Ships electronics engineers experienced in procurement of electronic equipment and the cost estimate for engineering and design modification was further confirmed by a separate Navy independent estimate. The dollar amounts were obtained by applying the pay rates in Arvin's proposal.

The Arvin estimate covering engineering and other preparation for the entire contract was 128 man-months as compared with the 121

man-months omitted as set forth above. This represents an apparent 95 percent underestimate.

In addition to the omitted engineering items, and preproduction models, the Arvin proposal also apparently underestimated assembly time, as follows:

	Hours	Dollars per hour	Dollars per unit	Total (642 quantity)
Radio set only:				
Navy estimate (for a producer other than developer).....	450	\$2.00	\$900	\$577,800
Arvin estimate.....	156	2.00	312	200,304
Difference.....	294	-----	588	377,496

The Navy assembly estimate of 450 hours for a competent producer other than the developer takes into account the fact that anyone other than Collins Radio would be faced with an extended learning period before reaching an efficient level on assembly hours.

Collins Radio also is currently producing, or about to, the ARC 51 radio set of which 4 modules representing a significant portion of the material cost in the AN/PRC-41 are substantially identical both to the AN/PRC-41 and the ARC-51.

This aspect affords Collins the advantage of a lower material cost on the common modules, as well as a labor learning or reduction in assembly and test costs. The Collins estimate for assembly hours is appreciably higher than Arvin, but lower than the Navy estimate of 450 hours for a competent producer other than the developer.

The Arvin proposal also contains no provision for overall performance time contingency notwithstanding the great margin of complexity previously mentioned by previous witnesses.

Arvin anticipates less time to perform than the developer. We anticipate that Arvin would require at least a year more than the developer for performance.

We find no amount in the Arvin proposal for this longer performance period and the cost to Arvin could be very substantial.

The omitted engineering and assembly costs already account for a substantial portion of the difference between the Collins and Arvin proposals.

These items may be summarized as follows:

Total difference between the Collins and Arvin proposals is (for 642 quantity of radio sets and related items) ¹	\$1,118,721
Less:	
Omitted engineering and preproduction models.....	203,928
Assembly underestimate.....	377,496
Total.....	581,424
Total.....	537,297
Increased cost to Arvin extended performance period.....	?
Remaining difference between proposals.....	537,297

¹The difference of approximately \$1,300,000 between the Collins Radio and Arvin proposals as referred to in the Congressional Record (87th Cong., 2d sess., vol. 108, No. 91, dated June 6, 1962, p. A4167) applies to a larger quantity of radio sets. The contemplated contract will cover 642 radio sets and related accessory kits and other items. The overall difference for the smaller quantity is \$1,118,721.

DIFFERENCE BETWEEN COLLINS AND ARVIN PROPOSALS

As previously indicated, the overall dollar difference between the Collins and Arvin proposals is \$1,118,721.

The quotations of Collins and Arvin were compared to the extent possible based on the information submitted. A cost breakdown was not submitted with the Arvin quotation; however, the major items were approximated from data submitted in Arvin's presentation.

The differences between the two proposals, on the radio set alone is \$912,924.

These differences may be categorized as follows:

Direct costs: (i.e., material, labor, engineering and special charges) --	\$238, 824
Overhead costs-----	464, 808
Profit-----	209, 292
 Total-----	 912, 924
Accessory kit, engineering services, and special items-----	205, 797
 Total-----	 1, 118, 721

The list of omitted items and underestimated items in the Arvin proposal previously discussed totaling \$581,424, represents those items which can be identified. The remaining balance of unidentified items of \$537,297 occurring in direct and overhead costs are believed to reflect to some degree Arvin's underestimate of the overall performance period of the contract. The impact of an additional year of performance time to Arvin could well exceed this amount of \$537,297.

REVIEW OF COLLINS' PROPOSAL

The Collins' proposal was examined and while the direct material and the labor estimates appear to be acceptable, such estimates will be subjected both to audit review and field inspector's review before the contract price is negotiated with Collins.

The Collins bill of material was obtained subsequent to receipt of the proposal and was reviewed both by Bureau of Ships electronics engineers and by the Bureau of Ships negotiator and were found generally acceptable subject to price negotiations.

The Collins labor and overhead rates as used in their quotation have recently been reviewed by Navy auditors and will be subject to adjustment in negotiations to agree with the Navy auditor's findings; however, the anticipated adjustments are not substantial.

Based on the overall review of the Collins' proposal certain reductions will be sought both in estimated costs and profit prior to negotiation of a definitive contract. These adjustments are subject to field audit and technical review and negotiations with the contractor.

The results of these negotiations will also be reviewed and approved, modified, or disapproved by the Office of Naval Material.

SUMMARY

This comparison is based on a review of the proposals and information available in the Navy. I have had no contact with Collins Radio or Arvin Industries on this comparison.

This price comparison and review has shown wide differences to exist between Navy estimates and the Arvin proposal, and between the Collins and Arvin proposals.

Examination of the Arvin proposal had disclosed apparent omissions and significant underestimates totaling approximately \$581,000, covering engineering and other preparation work as well as assembly time.

A comparison of the Collins and Arvin proposals on the radio set alone discloses differences totaling \$912,924, of the total difference of \$1,118,721.

These differences appear in direct material, labor, engineering, overhead, and profit.

We have identified approximately \$581,000 of the total of \$1,118,721 as omitted or underestimated items in engineering, preproduction models, and in assembly time.

This leaves a balance of approximately \$538,000 of unidentified differences. I think Arvin's underestimate of overall performance time accounts for some or all of the \$538,000.

An examination of the Collins proposal was made. Some reductions will be negotiated in price based on field audit and field technical inspector's findings and a specific liquidated damages provision will be included in the contract to assure timely delivery. The Collins proposal is believed to afford a proper basis for further negotiations and award of a fixed-price-type contract to Collins on the AN/PRC-41.

A letter contract is contemplated at this time with a maximum ceiling price which cannot be exceeded in the final definitive contract.

AN/PRC-41 radio set price comparison

Item	Quantity	Unit price	Total
Collins quotation: ¹			
Radio set.....	642	\$6, 187. 00	\$3, 972, 054
Accessory kit.....	185	1, 783. 42	329, 933
Engineering services.....			20, 630
Special items.....	642		50, 929
Total.....			4, 373, 546
Arvin quotation:			
Radio set.....	642	4, 765. 00	3, 059, 130
Accessory kit.....	185	967. 00	178, 895
Engineering services.....			16, 800
Total.....			3, 254, 825
Difference.....			1, 118, 721

¹ The figures have been approximated as Collins did not quote on the exact quantity of 642 radio sets. The total maximum dollar amount of the proposed letter contract is \$4,373,545.69.

Mr. Chairman, just before closing my statement, I would like to refer to the table attached to my statement, specifically the total of the part entitled "Collins Quotation."

This total reads \$4,373,546.

That is the maximum figure which would appear in the proposed letter contract and which could not be exceeded in the following definitive contract.

Mr. Chairman, that completes my statement.

Mr. HÉBERT. Thank you very much, sir.

Mr. STEGER. Mr. Chairman, it has been stated that Mr. Dan Weatherly of the Bureau of Ships in not furnishing Arvin Industries a copy of the request for proposals on the PRC-41 was not acting in accordance with the Bureau of Ships and the Navy policy.

Mr. M. E. Jones, Assistant Director, Procurement Division of the Office of Naval Material, will now explain to you briefly why Mr. Weatherly's actions were consistent with Navy policy.

Mr. Jones.

Mr. JONES. Mr. Chairman, it has been stated that in turning down the request of Arvin Industries for a request for proposals on the PRC-41 on April 5, 1962, Mr. Weatherly acted in direct violation of the policy of the Bureau of Ships as stated in April 1959. It has been indicated further that this was and continues to be the policy of the Bureau of Ships.

In April of 1959, Rear Adm. A. G. Mumma, in a reply to a report of the General Accounting Office, wrote to the Comptroller General to the effect that a new policy with regard to the availability of requests for proposals was being issued.

Admiral Mumma stated as follows:

This policy provides that even though the determinations and findings specifically state that only certain companies are believed to be able to meet requirements, other companies shall not be precluded from bidding.

As a result of difficulties encountered by the Bureau of Ships in the implementation of this policy, that Bureau in September 1961, initiated changes which were subsequently adopted as Navywide policy.

Under this revised policy, requests for proposals are not issued to sources which are not included in the determinations and findings or associated documents.

It is this revised policy which Mr. Weatherly was carrying out in the PRC-41 procurement.

Under this policy, any firm not named in the determinations and findings or associated documents which considers itself capable of performing and desires to establish that capability is given an opportunity to do so. In that event, a reevaluation of the determinations and findings is made in the light of that information.

As Secretary BeLieu has testified, this reevaluation was made in the case of the PRC-41.

Further, based upon the experience of the Navy's various procuring activities, the current policy as expressed above is considered to be sound and has the concurrence of the Deputy Assistant Secretary of Defense (Procurement).

Thank you, sir.

Mr. HÉBERT. Thank you very much, sir.

Mr. STEGER. Mr. Chairman, that completes the formal presentations of the Navy in this case.

Mr. HÉBERT. Thank you very much.

We will proceed now under the announced procedure of this morning.

Mr. Courtney will conduct his examination and then the members of the committee will ask any questions they may desire.

Mr. Courtney, I hope, in view of the presentation, that it will be developed whether we are talking about Chinese copies or Chinese walls between competitors.

So you can take it up from there.

Mr. COURTNEY. Mr. Chairman, let us vary the rule—let me take Mr. Jones, who has a short statement, first.

Mr. Jones, has the policy which you say was adopted with respect to giving information which would enable competitors to bid, which was adopted in September 1961, become a part of the Armed Services Procurement Regulation?

Mr. JONES. It has not, Mr. Courtney.

Mr. COURTNEY. So that no one would know what that policy was other than someone in the Bureau?

Mr. JONES. This is not quite so. We have discussed this matter among the bureaus and the Office of Naval Material, and I have recently, in conjunction with others, prepared a proposed set of instructions, which I have discussed with Mr. Bannerman of the Department of Defense, and it is, I think, in final form to be issued after certain approvals.

Mr. HARDY. Could we get a little clearer indication of just when these things took place, Mr. Chairman.

Mr. COURTNEY. I said September 1961, there was an announced change of policy which would exclude any prospective competitors from obtaining information upon which to bid, unless that person had been named in the determination and findings.

Now, I have two questions:

(1) How could such a person know whether he was or was not included in the determination and findings?

How could he be expected to be included in the determination and findings?

Mr. JONES. If he were included—

Mr. COURTNEY. And (3) how would he know of the policy that was developed?

How would any manufacturer in business know the policy that was developed and executed in September 1961 unless it was contained in an official publication of the Department?

Mr. JONES. In September of 1961 it was included in the official document of the Bureau of Ships.

Mr. COURTNEY. Was it published in the Federal Register?

Mr. JONES. I do not believe that it was published in the Federal Register.

Mr. COURTNEY. Was it put in the Armed Services Procurement Regulation?

Mr. JONES. No, sir; it was not.

Mr. HARDY. Where was it published?

Mr. JONES. It was published in the Manual of the Bureau of Ships.

Mr. COURTNEY. Who has access to the Manual of the Bureau of Ships?

Mr. JONES. All members of the Bureau of Ships, but it is not distributed as a public document.

Mr. HARDY. This is getting sort of ridiculous.

Mr. COURTNEY. How and in what manner was this regulation or policy, if you please—how was it adopted? Who adopted it?

Mr. JONES. Those individuals within the procuring activity who were responsible for carrying out the determinations which had been made either by the Secretary or by the contracting officer.

Mr. COURTNEY. Specifically. You are speaking of the policy of September 1961. Who signed off that policy?

Mr. JONES. This policy was issued by the Bureau of Ships and it is my understanding—

Mr. COURTNEY. Don't tell us your understanding. Let's have the facts.

Is there a paper on it?

Mr. JONES. There is a paper on it which I can submit for the record.

Mr. COURTNEY. Submit it for the record.

Mr. HARDY. What is the classification?

Mr. JONES. It is unclassified.

Mr. HÉBERT. Secret?

Mr. JONES. It is unclassified.

Mr. COURTNEY. Supply that paper for the record—at this point in the record.

(The document referred to follows:)

DEPARTMENT OF THE NAVY,
OFFICE OF NAVAL MATERIAL,
Washington, D.C., June 29, 1962.

Mr. JOHN J. COURTNEY,
Special Counsel, Subcommittee on Special Investigations, Committee on Armed Services, House of Representatives, Washington, D.C.

DEAR MR. COURTNEY: In accordance with your request at the hearings on June 28, 1962, there is enclosed herewith a copy of the Bureau of Ships Contract Division Procedures Manual Revision No. 48, dated September 14, 1961, and a copy of the draft SECNAV INSTRUCTION on availability of invitations for bids, requests for quotations, and requests for proposals, as written on June 28, 1962.

For your information, there are some minor changes which will be made to the instruction. However, I expect the substance will remain as written in the attached draft copy.

Sincerely,

M. E. JONES,

Acting Assistant Chief of Naval Material (Procurement).

103.44 REQUESTS FOR INVITATIONS FOR BIDS AND REQUESTS FOR PROPOSALS AFTER
DATE OF ISSUANCE

A. Invitations for bids (except those for ships and small craft purchased by code 1712):

Requests shall be referred to NPO, Washington, for issuance of the invitation for bids.

B. Requests for proposals (except those for ships and small craft purchased by code 1712):

1. If the procurement is publicized for the purpose of obtaining proposals, any request shall be referred to code 1740R for issuance of the request. These requests will be numbered with the PR number followed by the capital letter "Q."

2. If the procurement is publicized for subcontracting opportunities only, all requests shall be referred to the negotiator. The negotiator shall prepare a letter, denying the request, citing facts established in the authority to negotiate, for signature by the head or assistant head of the Purchase Branch.

NOTE.—Procurements publicized for subcontracting opportunities only shall be numbered with the number of the procurement request followed by the capital letter "S."

3. If the procurement is not synopsisized pursuant to an ASPR exception and is to be negotiated pursuant to the authority of a class determination and findings and supplementing memorandum prepared by Procurement Planning in accordance with procedure 129.43B3b, any request for a bid set shall be referred to the negotiator who shall forward the request to the head of the purchase branch for a determination in accordance with procedure 129.43B3bNOTE as to whether the request is to be denied or the procurement opened to competition.

(a) If the determination is to deny the request, the negotiator shall prepare a letter for signature by the purchase branch head or assistant, explaining why a request cannot be forwarded.

(b) If the determination is that other sources can comply with the terms of the request, takes such action as is required by the determination.

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington.

SECNAV Instruction 4295

From: Secretary of the Navy.

To: Distribution list.

Subject: Availability of invitations for bids, requests for quotations, and requests for proposals.

1. *Purpose.*—To provide additional policy guidance as to the distribution of invitations for bids, requests for quotations, and requests for proposals to firms and organizations not included in the original distribution of the solicitation, but who may request copies of the subject forms.

2. *Scope.*—This instruction applies to all elements and personnel within the Department of the Navy involved in the procurement cycle.

3. *Action.*

(a) *General.*—A copy of each unclassified invitation for bids, request for quotations, and request for proposals, and related specifications and other data, shall be made available for examination by the public at the issuing office or purchasing activity. In addition to issuance to firms, as outlined in (b) and (c) below, invitations for bids, requests for quotations, and requests for proposals may be issued for information purposes to other established organizations, such as publishers, trade associations, procurement information services, etc., which, although not potential sources in themselves, disseminate procurement information in a manner beneficial to the Government. Normally, related specifications, drawings and other data will not be furnished to information dissemination sources.

(b) *Invitations for bids (IFB's).*—In addition to the solicitation for bids as delineated by ASPR section II, a reasonable number of copies of IFB's, including specifications and other necessary information, shall be maintained by the issuing office. To the extent copies of unclassified IFB's are available, they shall be provided by the issuing office or purchasing activity to manufacturers, construction contractors, regular dealers, and information services.

(c) *Requests for proposals (RFP's).* (This term also includes requests for quotations (RFQ's)).

(1) *Research and development.*—(See ASPR 4-205.)

(2) *Other RFP's.*—(See ASPR 3-101.) Where multiple sources are being solicited and the secretarial determination and findings (D&F) or action of the contracting officer imposes no restriction on sources, a reasonable number of unclassified RFP's shall be made available for issuance upon request to other sources similar to (b) above. When determinations and findings under ASPR 3-200, or action of the contracting officer, approved by higher authority, cite only one or a very limited number of sources, copies of RFP's, generally, shall not be issued to other firms, since issuance of RFP's to sources incapable of performance can delay award, cause unnecessary expense to unqualified sources and to the Government and are inconsistent with the secretarial D&F, or approved action of the contracting officer, which authorized negotiation.

(3) *Approvals of source restriction.*—Approval of source restriction in connection with D&F's requiring secretarial approval will be given by the Secretary. Approvals of source restrictions under ASPR 3-210.2 subparagraphs (i), (xiii), and (xv) (sole source or where sources are limited for the reason that adequate data are not available or time cannot be allowed to permit broadening of the source base) shall be the responsibility of the Chief of Naval Material, where such procurements exceed \$300,000. Approvals of source restrictions covering procurements in excess of \$10,000, but less than \$300,000, which do not require approval by the Secretary or the Chief of Naval Material, shall be given by an authority at a level above the contracting officer. (See ASPR 3-102(c) and 3-210.3). In those instances where a sole source must be recognized on a continuing basis; i.e., in connection with a particular proprietary item, a class de-

termination, except for source restrictions requiring secretarial approval, may be granted by the Chief of Naval Material based upon an adequate presentation of facts by the procuring activity.

(4) *Revision of secretarial determinations and findings and decisions of contracting officers.*—If, prior to the time set for opening but subsequent to the making of a D&F by the Secretary or the rendering of a decision by a contracting officer which restricts sources, facts are presented which indicate clearly that another or other sources appear to be qualified to meet the procurement requirement, the determination to restrict sources shall be canceled and, if practicable, the procurement shall be formally advertised. If formal advertising is impracticable, a revised determination setting forth the facts and complying strictly with the ASPR and Navy implementing directives shall be made to properly authorize further negotiation. When a contractor not invited to quote initially requests an opportunity to do so and submits data in support of his purported ability to perform, a preliminary examination of his capability shall be made immediately. If the preliminary examination indicates that the source may have reasonable capability to perform, an expeditious, objective and comprehensive evaluation shall be made. If, as the result of this evaluation, it is determined that the contractor has the ability to perform, a request for proposal shall be issued and the determination and finding or contracting decision revised accordingly. Issuance of an RFP under these circumstances does not obviate the necessity of determining affirmatively a prospective contractor's responsibility prior to award. (See ASPR, sec. 1, pt. 9.)

(5) *Importance of decisions to restrict sources.*—Restriction of sources, except small business, labor surplus, and disaster area set-asides, will not be permitted unless such restriction is absolutely essential to fulfill reasonable requirements of the Navy. Personnel involved in developing information upon which source restrictions are based and those authorizing source restrictions will be held accountable in any instance where it is evident that such personnel should have known reasonably that, based upon information available to them at the time their decision or recommendation was made, the restriction was unnecessary or improper.

4. *Synopsis.*—All procuring activities shall comply fully with the letter and intent of directives applicable to the synopsis of individual procurements. This directive is not to be interpreted as in any way relaxing requirements for synopsis.

5. *Effective date.*—This instruction shall be effective upon receipt by addressees.

Mr. COURTNEY. Now, who was responsible, who specifically was responsible for the establishment of this policy?

Mr. JONES. This policy was established by the Director of the Contract Division of the Bureau of Ships.

Mr. COURTNEY. Who is he?

Mr. JONES. He is now Capt. George Wells.

Mr. COURTNEY. Who was he when the policy was established?

Mr. JONES. He was Capt. George Wells.

Mr. COURTNEY. Does he have authority to establish such a policy?

Mr. JONES. He does have authority to establish such a policy.

Mr. COURTNEY. On what recommendations, if any, was the policy established by him? His own initiative, or on recommendations within the Department?

Mr. JONES. I would say that the policy was established on his initiative and in conjunction with representatives from other bureaus and the Office of Naval Material as the result of difficulties which we had encountered in connection with the Bureau of Ships policy previously announced by Admiral Mumma.

Mr. HÉBERT. How do you know this? Are you testifying to what you know or to what somebody told you?

Mr. JONES. I know this from the position which I hold in the policy area of the Navy Department, the conversations which I had with people in the Bureau of Ships, and with other bureaus, in this connection.

Mr. HÉBERT. Mr. Courtney, is Captain Wells present?

Mr. JONES. Captain Wells is present.

Mr. HÉBERT. Is he present?

Mr. COURTNEY. Will you come forward, sir.

Your first name, rank, and official position, now and previously, when this document was issued?

Captain WELLS. Capt. George C. Wells, U.S. Navy, Director of Contracts, Bureau of Ships, since July 1960.

Mr. COURTNEY. Since July?

Captain WELLS. Yes.

Mr. COURTNEY. You have not left the position in which this directive, or from which, this direction was issued?

Captain WELLS. No, sir. I am now the Director of Contracts.

Mr. COURTNEY. Director of Contracts in the Bureau of Ships?

Captain WELLS. Yes.

Mr. COURTNEY. You are familiar with the policy statement which Mr. Jonas spoke of as having been issued?

Captain WELLS. Indeed I am.

Mr. COURTNEY. On what authority did you issue this policy directive?

Captain WELLS. On my understanding of instructions issued orally through the Office of the Chief of Naval Material, stemming from difficulties we had in an earlier case in which we were severely criticized for causing undue expense to firms found subsequently not qualified, and believed earlier to be not qualified, to carry out procurements.

Mr. COURTNEY. Orally from whom?

Secretary BELIEU. I believe this came from a conversation between myself and the Chief of the Bureau of Ships—if I may intrude.

I think so. We have had difficulty in attempting to do a judicious procurement exercise in areas of sole source procurement where we make a judgment that sole source is the best solution to some of the requirements of equipment we needed at that time.

Obviously, people are entitled to have business, and desire business. When they hear, either through the process of synopsis or through other sources, that a contract is in the offing, they quite often come in. Some are knowledgeable and some are not. Those who are knowledgeable and have what looks like proper qualifications, we obviously consider.

Many people sometimes bid and do not know—

Mr. COURTNEY. Let us ask specifically—

Mr. HARDY. I would like to stay on this point of policy.

Mr. COURTNEY. Yes. We know you, Captain Wells, issued the policy directive?

Captain WELLS. Yes, sir.

Mr. COURTNEY. Upon whom are we to rely as having been the author and director of the policy?

Captain WELLS. I believe Mr. BeLieu.

Mr. COURTNEY. Mr. BeLieu, do you take the responsibility?

Secretary BELIEU. Obviously, I take the responsibility for anything in my area, Mr. Courtney.

Mr. HARDY. I am a little sick of that kind of situation. Of course, I know then technically as Secretary, you have got the responsibility, but by golly, I think we should know who down the line did these

things, and if they were done without your approval, or on somebody's supposition you would approve it, I think we should know it.

Mr. HÉBERT. Now, I think Mr. Hardy has raised a very important point. That is, we appreciate the fact that you will take responsibility, but we are trying to get to the individual who did it. This has been a long struggle through many, many years. We are still trying. We will try in this case.

Did somebody tell you, or suggest to you, this be done, and that it be kept a secret?

Secretary BELIEU. No, sir.

Mr. HÉBERT. Just exactly what happened? Or did you devise this? As I say, we understand your position of wanting to accept responsibility.

Secretary BELIEU. I understand that.

Mr. HÉBERT. I wouldn't expect less of you, knowing you as I do—you will accept the responsibility—but we want the man who is actually responsible.

Secretary BELIEU. In this particular case, Mr. Chairman, it is my recollection at the present time that because of the lack of clarity of regulations and lack of standard procedure that would satisfy every person who came knocking at the door, or who was invited, we had several discussions on what the regulations should include; that is, should we go forward to the ASPR committee and attempt to change the armed services procurement regulations. At the same time there were discussions in the Office of the Secretary of Defense on similar subjects.

It takes time to change regulations.

It seemed to me logical at that time that people who were not considered qualified, even though we might make an error in judgment, should not be put to the expense—it is expensive to bid on equipment like this, or most equipment—I do not remember issuing any instructions—

Mr. JONES. I might be helpful, that back in March 1961 in reply to a congressional inquiry you said something of this nature:

The history of this procurement has indicated to me that our policy with respect to honoring requests for proposals from unsolicited firms in such cases should be examined and I have directed that this be done.

Following that you also indicated—

As I indicated to you in my letter of March 2, 1961—

Mr. HÉBERT. May we identify the document.

Mr. JONES. These are letters. The first letter was written to Mr. Cahill on the 2d of March 1961.

Mr. COURTNEY. Mr. Cahill, Member of Congress.

Mr. JONES. Yes, House of Representatives.

And the second was dated May 16, also to Mr. Cahill:

As I indicated to you in my letter of March 2, 1961, the history of this procurement has demonstrated to me that our policy with respect to honoring requests for proposals from unsolicited firms should be examined and I have directed this be done.

My own study of the case has been most searching, as I believe you are aware, from this.

However, I am convinced that the Bureau's actions and decisions in this case were made in the interest of giving every consideration to the company and of seeking the maximum practical competition.

Mr. COURTNEY. How does that lead to a conclusion which effectively excludes competition?

Mr. JONES. This leads to the conclusion that subsequent to having issued these letters we discussed this matter among the bureaus and in the Office of Naval Material in an attempt to—

Mr. COURTNEY. "We" is specifically whom?

Mr. JONES. This would be the Bureau of Ships.

Mr. COURTNEY. Who?

Mr. JONES. Office of Naval Material.

Mr. COURTNEY. Who?

Let's get down to who. You? Who else?

Mr. JONES. I would have to get the names of the people who attended these meetings. In one instance we discussed it in Mr. BeLieu's office with Mr. Farnham and Miss Brady, and the other instances we—

Mr. COURTNEY. Whom?

Mr. JONES. Mr. Farnham, Larry Farnham, and Miss Alice Brady. Secretary BeLIEU. We would be happy to furnish any records we have, Mr. Chairman. Mr. Farnham is a member of my personal staff in my own office. Including the papers pertaining to changes in ASPR—anything that is pertinent.

There has been no question in my mind this is a procedure which needs clarification. I will make no excuses for the length of time sometimes it takes to change or add to procedures.

As Mr. Jones testified, this action took place in September. Now, it looks like we may be in position to have some change in ASPR.

Mr. HÉBERT. Mr. Secretary, I don't think the committee is criticizing what you did.

Secretary BeLIEU. I understand.

Mr. HÉBERT. I personally subscribe to such order as you have issued. What I object to myself, and am concerned about, is that if you didn't tell anybody about it, how would somebody know about it?

If a firm wants to bid and spend money—it is their money. They should be allowed the opportunity of bidding. How do they know they can bid if you don't tell them they can?

The order is perfectly proper, as I see it.

However, if you keep it locked up in the manual, only put out to the people in your shop, how does the contractor know about it?

Secretary BeLIEU. I have no argument with the chairman's statement.

Mr. HÉBERT. That is the point.

Mr. HARDY. The question is, when did the policy become effective?

Mr. JONES. This particular procurement we are talking about was synopsisized, I might point out, and as a consequence anyone who read the Commerce Daily Bulletin would have knowledge that the procurement was being made.

Mr. COURTNEY. You are speaking about PRC-41. Was published in the Commerce Bulletin?

Mr. JONES. Yes, sir.

Mr. COURTNEY. At what time?

Mr. JONES. I don't recall the exact time.

Mr. COURTNEY. Was it after September?

Mr. JONES. This is March 23, 1962.

Secretary BELIEU. What the chairman is talking about is a different thing. It is true this particular thing was synopsized. That doesn't solve the policy question you asked.

Mr. HEBERT. That is right.

Mr. COURTNEY. The question is how would a prospective bidder know that you had adopted a policy in September 1961 which would exclude him from bidding if he had not theretofore been chosen as the sole source?

Mr. JONES. He would not unless he was aware of the procedures which were formalized in the Bureau of Ships, and had been used in the Bureau of Weapons in a similar manner. There was at that time, Mr. Courtney, no basic navywide policy which had been formalized, nor was there such policy which had been formalized in the armed services procurement regulation.

Mr. COURTNEY. So he could spend his money fruitlessly, without knowing whether or not he could get in the house?

Mr. JONES. I don't see how he would spend his money fruitlessly if he was unaware of the specifications and drawings and the invitation, because in these instances he would not have access.

Mr. COURTNEY. Then let me go back: Then would you say that this directive—which you will get for us—or policy statement, or whatever it is—would prevent you, and the prospective bidder would be told that he would not be given specifications and drawings?

Mr. JONES. But he would be told in this case.

Mr. HARDY. How?

Mr. JONES. If he was not included as one of those mentioned in the determination and finding, or considered to be qualified by the contracting officer, he could approach the procuring activity to indicate his qualifications.

The contracting officer at that activity would entertain the information which he submitted.

If that information appeared to indicate that the contractor had the capability of performing, a comprehensive and objective evaluation would be made of the contractor's plant facilities and other abilities.

If as the result of this evaluation it is concluded that he does have the capability, he will be given an invitation. This is the essence of the directive.

Mr. COURTNEY. I think, Mr. Chairman, we will have to pass this question for the moment, until we see what the directive does, or the policy statement does, precisely.

Mr. HARDY. Let's see what it does, and also see where it is, and how anybody would actually get to it.

Mr. JONES. It would be accessible.

Mr. HARDY. That is after it is published.

Mr. COURTNEY. Now, Mr. Cruden, just to go back for a minute, I have one question or two questions on your analyses here.

First, I understood you to state that the \$4,373,000 figure which is attributed to Collins in your analysis, is not a final figure; is that correct?

Mr. CRUDEN. That is correct. This figure would become a maximum ceiling in a letter contract. That figure would also become a maximum ceiling in a definitive contract to follow the letter contract.

Mr. COURTNEY. This is the upper limits of any cost, but does not necessarily represent the final negotiated figure.

Mr. CRUDEN. That is correct. We hope, and intend, to negotiate downward, below this figure.

Mr. COURTNEY. In your analysis you spoke of differences in the bill of materials. What were the differences in the bill of materials between the two contractors?

Mr. CRUDEN. I can answer that two ways—

Mr. COURTNEY. In dollars only.

Mr. CRUDEN. Mr. Courtney, I think I should make a general statement before I answer this question.

Mr. COURTNEY. I won't forget the question—I want to know the dollar difference.

Mr. CRUDEN. There is a general statement that I should make about the detailed comparison of the proposals of the company element by element. I stand ready to furnish this committee and to you every fact I know, and every opinion and conclusion that I know.

I understand from our Navy counsel that there is such a thing as a business confidential type of thing which we are obligated to protect.

The Collins Co. was contacted to ascertain whether they wished their information to be treated in a business confidential manner.

They said the details of their hours and rates they would appreciate being kept in that category.

I therefore wish to report this fact to the committee.

I would like to also state that we are in a somewhat peculiar position before the committee in that we are about to negotiate a contract, or take a look to another alternative, if the outcome of this hearing should be such that we should make the decision in the Navy Department to resolicit, which we now think is not a direct possibility but could happen, we think that the integrity of a resolicitation would be lost if we disclose the details of the Collins—all the Collins' hours, rates, and dollars.

Mr. HARDY. I don't think you asked for that.

Mr. COURTNEY. The question is, what difference is there in dollars between the two—the total?

That discloses none of the detail, but certainly the totals would have some relevancy.

The total difference between the two. You can express it in percentage of dollars if you cannot do it otherwise. Express it in percentage.

Mr. CRUDEN. I think that I can release that figure without violating this point that I made.

Mr. COURTNEY. Total, now.

Mr. CRUDEN. The difference in dollars is \$321,000, but I would like to qualify my—

Mr. COURTNEY. Wait—\$321,000 difference in the bill of materials?

Mr. CRUDEN. Yes.

Mr. COURTNEY. Difference?

Mr. CRUDEN. There is a difference—\$321,000 difference, yes. And by percentage this represents on the order of 14 percent—between 13 and 14 percent difference—and I would like to qualify—this is on the radio set only.

Mr. COURTNEY. Roughly 14 percent difference.

Mr. CRUDEN. Thirteen to fourteen percent difference.

Mr. COURTNEY. On the radio set only?

Mr. CRUDEN. On the radio set only.

Mr. COURTNEY. Have you made any computation in percentage which you may do on the other portions?

Mr. CRUDEN. I have not made such a computation.

Mr. COURTNEY. It was 14 percent difference in the bill of material.

Mr. CRUDEN. Approximately 14 percent.

Mr. COURTNEY. Between the two?

Mr. CRUDEN. Yes.

Mr. COURTNEY. I won't ask you to say which is which. Just 14 percent difference.

Mr. CRUDEN. Yes.

Mr. HÉBERT. Let me understand what you are talking about.

Are you talking about acquiring material?

Mr. COURTNEY. Yes.

Mr. HÉBERT. To make the set? There was a difference between the two companies of acquiring the same items?

Mr. COURTNEY. That is right.

The dollar difference turns out to be 14 percent of the total estimated.

Mr. HÉBERT. Both people were submitting figures on the same list of items?

Mr. CRUDEN. Mr. Chairman, I feel that is where the difficulty comes in.

As I remarked in my preliminary remarks, that single page that I talked from as I opened my formal statement, we were concerned that Arvin did not have the full type of request for proposals that they normally would have had if this had been planned as a competitive procurement, and I therefore feel that Arvin is in some measure not to blame if they have estimated a figure which is not a full bill of material.

Mr. HÉBERT. In other words, you are telling the committee that the proposal from Arvin did not include all of the list of materials?

Mr. CRUDEN. I can only conclude that that is so.

Mr. HÉBERT. How can you conclude unless you have checked it?

Mr. CRUDEN. I have checked it.

Mr. HÉBERT. Then you are telling the committee?

Mr. CRUDEN. I just want to explain what I meant by saying that.

There is a dollar difference and this is a major difference. There is a percentage difference, of course. When we count the items we find that there is also a large difference in the number of items.

Mr. HÉBERT. That is what I am getting at.

Mr. CRUDEN. And the smaller number of items was in the Arvin proposal. The reason I answered as I did—

Mr. HÉBERT. You don't have to go further. I understand.

Mr. COURTNEY. Your item count is different. Total quantities are different?

Mr. CRUDEN. Yes, sir.

Mr. COURTNEY. That is because Arvin did not have access to the same information that Collins had?

Mr. CRUDEN. That is my conclusion.

Mr. COURTNEY. It could not be anything else?

Mr. CRUDEN. In part that may be so.

Mr. COURTNEY. Couldn't be anything else, could it?

Mr. CRUDEN. Arvin had access to quite a lot of material, and if given time they might have been able to come up with a complete bill and an exact bill. It is my opinion, in the time they had available, I suspect that they did not have enough information.

Mr. COURTNEY. I would like to pass to the major here.

Mr. HARDY. Mr. Cruden, on page 3 of your statement you have a tabulation. Are these estimates Navy estimates or Arvin estimates, or what?

Mr. CRUDEN. The top of the page—top of page 3?

Mr. HARDY. On page 3.

Mr. CRUDEN. Yes.

Mr. GAVIN. Whose statement?

Mr. HÉBERT. Mr. Cruden's.

Mr. HARDY. You stated, or somebody did, that the cost estimates of Collins were below the estimates of Navy, I believe.

Mr. CRUDEN. That is correct, sir.

Mr. HARDY. Now, you are making a comparison here of Arvin's estimates with the Navy estimates?

Mr. CRUDEN. That is true.

Mr. HARDY. You do not tell me very much. You have already acknowledged that the Navy estimates were higher.

So how do we know that the Arvin estimates aren't more accurate than the Navy estimates?

Mr. CRUDEN. In our judgment the 156 hours—that is to say, the judgment of the electronic engineers in the Bureau of Ships—and my judgment on the matter is, as checked with qualified engineers at the Naval Research Laboratory, the Arvin estimate of 156 hours is low, very low.

Mr. HARDY. It is compared to the Navy's 450 hours, but you have acknowledged that your estimate is higher than Collins', and Collins would not come in with something stupid.

He has been in the development, he must have known what he was doing—if he was lower than you are. I don't have much confidence in your figures, that is what I am getting at.

Mr. CRUDEN. Collins has an advantage from being the developer.

Mr. HARDY. You don't have to sell me on that idea. I have been arguing that for years. The developer has the advantage.

Mr. CRUDEN. Having put it together, his costs would be less than a new man.

I have another point: the fact of the common four modules, the major pointed out. Collins is the only company that has that advantage.

They are producing four of these common modules. They are in production on another radio set. That cannot help but give them a significant advantage in assembly and test, not to speak of the purchase cost of those modules.

Our Navy estimates range up above Collins for those reasons for a producer other than Collins. This is the reason we have estimated a higher figure.

Mr. HARDY. So you deliberately put this higher than that you thought Collins ought to be?

Mr. CRUDEN. For the reason that Collins is producing four common equipments here.

Mr. HARDY. That being the case, you made these estimates only after you needed to come up with—I am trying to figure if this was done purely to rationalize.

When were these estimates made?

Mr. CRUDEN. Our estimate was made—the electronic engineering estimate was made after the receipt of proposals, but the confirming estimate—

Mr. HARDY. How long after the receipt of proposals?

Mr. CRUDEN. Within the past 4 weeks, I would say.

Mr. HARDY. Within the past week—how about that?

Mr. CRUDEN. No; I would say within the past 4 weeks. We did go, without disclosing the Collins or the Arvin proposal, to our Naval Research Laboratory and ask them what it would take.

Mr. HARDY. When did you ask them for that?

Mr. CRUDEN. I don't have the exact date, but it was within 2 weeks—June 19.

Mr. HARDY. Within 2 weeks. That is what I was getting at. When did this thing come up? In other words, you did that in order to try to rationalize what you had done; isn't that right?

Mr. CRUDEN. We did not furnish the Naval Research Laboratory a copy—

Mr. HARDY. I didn't ask that. You were trying to get something to hang your hat on here—to discuss what you had done in this situation.

Mr. CRUDEN. I wouldn't say that, Mr. Hardy.

We wanted to find the facts on an independent estimate. We felt that there was a challenge on this procurement and we wanted the result of an independent estimate. The Naval Research Laboratory is putting together pieces of electronic equipment of this complexity, and more.

Mr. HARDY. They ought to be competent to do it.

Mr. CRUDEN. Yes. And we are willing to take an honest independent opinion, and we sought that opinion. And their estimate came in far higher than the Collins figure.

Secretary BELIEU. I told these folks to get somebody outside of the Bureau to estimate it.

Mr. HARDY. That is real fine.

Secretary BELIEU. This came out this way: I am not a production expert. This is not necessarily a good production figure, I don't suppose. It certainly is an independent analysis outside of the Bureau.

I wanted to make sure we were right. This is about as far as we can go.

Mr. HÉBERT. Let's clear up what we are talking about. These figures that you got from an independent source are not Navy figures?

Secretary BELIEU. No. These are Naval Research Lab's figures, not the Bureau.

Mr. HÉBERT. We understand each other.

The estimate which the witness was talking about as the estimate that was higher than Collins was the estimate from your own shop?

Mr. CRUDEN. That is true.

Mr. HÉBERT. There are two different evaluations?

Mr. STEGER. I believe Admiral Fulton, Assistant Chief for the Bureau of Ships for Technical Logistics, wants to make a statement that will clarify this.

Admiral FULTON. I may be able to help. I requested the Naval Research Laboratory on the 16th of June to provide me with an estimate of what in their opinion was a measure of the engineering effort primarily associated with this redesign and production preparation, and also their estimate of cost to build.

We have with us Mr. Andrew, who is head of the Electronics Service Branch of that laboratory, whose branch functions in the area of model shopwork. He had prepared and submitted to me an estimate of the cost to manufacture one such device.

He also then estimated the cost to manufacture in production. But we recognize that Naval Research Laboratory is not a production shop. Within the Navy we have no shops to my knowledge, that are engaged in large-scale production runs.

So the Navy estimate, totaling some 450 hours, as Mr. Cruden has testified, should be looked upon in that light.

Mr. HÉBERT. I understand that.

But as to the other set of figures to which you referred—that the Navy estimate was higher than the Collins estimate—did not come from the same source as these figures as applied against Arvin.

Mr. HARDY. This is a third estimate.

Mr. HÉBERT. Yes.

Mr. CRUDEN. Actually, what we did was to try to develop a production run estimate which was lower than the Naval Research Laboratory estimate for use in this. This benefits, actually benefits Arvin, by this comparison, in that we have tried to develop a production run estimate which is lower than the Naval Research Laboratory independent estimate.

Mr. HARDY. What stage were your negotiations in when these estimates were requested?

Mr. CRUDEN. Mr. Hardy, we were about to award a letter contract.

Mr. HARDY. Then why did you go out and ask for these new estimates?

Mr. CRUDEN. All you would negotiate in a letter contract, generally speaking, is a set of standard terms, we put the standard clauses necessary to that instrument, a maximum ceiling, in this case a liquidated damages provision, within 90 to 120 days, we would negotiate price, get a proposal audit, and conclude negotiations.

Mr. HARDY. What was the immediate force which prompted this request for this estimate from outside the Bureau?

Mr. CRUDEN. We were considering the possibility of a definitive award. That was one question.

Mr. HARDY. That didn't cause you to go out and do it?

Mr. CRUDEN. That was one alternative. The other was a letter contract. The third was, obviously, a challenge had been made, a proposal had been submitted, with an estimate far lower.

Mr. HARDY. Didn't you get any prodding from any other source? That is the thing I am trying to understand.

Mr. CRUDEN. Pardon?

Mr. HARDY. You don't normally go out and ask another Navy Department to make an estimate for you; do you?

Mr. CRUDEN. I would say it is the exception.

Mr. HARDY. Didn't you have prodding from some other source that caused you to do this?

Mr. CRUDEN. I wouldn't say so. I think we do go for independent estimates quite often. I would say, however, that is an exception to the rule. We don't do it on the second and third and fourth production.

We have gotten a certain cost history there.

But on new production it is not unusual to get an independent estimate.

Mr. HARDY. You got this from whom?

Mr. CRUDEN. The Bureau of Ships, and the Naval Research Laboratory.

Admiral FULTON. I originally had the request for the estimate. I did it on my own, absolutely. There was no suggestion from any other source whatsoever. My first move was to call my successor in the Philadelphia Naval Shipyard—the commander has an electronic specialty—and ask him to provide me with some shipyard planners who were expert in estimating the cost of a product. I was doing this simply because of the questions that had been raised as to the validity and the accuracy of the estimate.

Mr. HARDY. Questions raised by whom, Admiral?

Admiral FULTON. Raised by the questions here, sir.

The matter was referred back to me by Mr. BeLieu. The question of the Arvin estimate was known. The question of the figure in the Collins estimate was known. We had met I believe at that time with Arvin and it was apparent to me that it was very important that we get the most accurate estimates that I could obtain and in situations of this sort most of our estimating of necessity is based on experience.

This is an attempt simply to go to naval sources.

Philadelphia told me the Naval Research Laboratory was the most knowledgeable source available to us and that is why I requested estimates of the Naval Research Laboratory.

Mr. HÉBERT. May I clear one thing—I want to point this out—I think this is significant of the difficulty that the committee is confronted with in trying to get who did what.

Just moments ago Mr. BeLieu testified he ordered the independent estimate. You, right behind him, say you did it on your own.

Secretary BELIEU. I didn't order it through the admiral here. I ordered it both through Mr. Steger and Admiral Beardsley some time back.

Mr. HÉBERT. I can recognize that, but now the admiral says he did it. That is why I am trying to place where it comes from.

Secretary BELIEU. I can't answer the chain of communications.

Mr. HARDY. I was hoping he might have gotten a prodding from you, but he didn't recognize it, if he did.

Mr. HÉBERT. He didn't recognize that you had just testified to it.

Mr. GAVIN. Let's get down to the facts: The contract was let to Collins to produce this particular—

Mr. HÉBERT. It has not been let.

Mr. GAVIN. The original, to create the PRC-41, which was not available, somebody must have let it to Collins.

Mr. CRUDEN. The development contract; research and development contract.

Mr. GAVIN. Yes, development and research for the project. They thought Collins was qualified to do that job and gave it to Collins, and Collins got this job and brought this product into being, which you are not satisfied with.

But I can't understand, after you had the plans and specifications and the development, that you did not permit outside contractors to come in and say "Here it is, here is what we want, exactly what we want, and you must be qualified, qualified people to submit a bid on the number required."

Why wasn't that done?

Mr. CRUDEN. I think the answer to this lies in the leadtime analysis and I think this would be a matter for Major Sudhoff to address himself to.

Mr. GAVIN. As the Commandant said this morning, he wanted them in October of 1961 and they could not be produced until March 31.

It is a question of time, that you did not give these other contractors an opportunity to bid, because of the anxiety on the part of the Commandant of the Marine Corps to secure the item as rapidly, or as quickly, as he could?

Mr. CRUDEN. It was a question of time, sir.

We are ready to discuss that in greater detail.

Mr. GAVIN. If you did submit to other contractors an opportunity to bid and they couldn't come within that—couldn't reach that production date—they would be out.

What I am concerned about is, after you had developed this PRC-41 you didn't call in these people that you thought were qualified—and I presume there can't be very much in the field that would produce this kind of material—they must be very few—but they should have been given an opportunity to bid—that is what we are concerned about—and able to produce them at the time the Commandant of the Marine Corps wanted them, and if they couldn't they were out.

Mr. CRUDEN. Mr. Gavin, the Navy felt only one company clearly could do this job, that no one else could do it in the time required, and we are prepared to discuss that leadtime situation more fully if you would like us to.

Secretary BELIEU. Sir, there is one thing—maybe I am wrong—but if I am correctly informed this is not the set we are buying. This is the research and development set.

Mr. GAVIN. Yes.

Secretary BELIEU. That Collins produced. But there are changes to be made in this. This is not the exact model. This is one of the things that complicates and makes it very difficult to understand on the surface.

The major can go into details on this if the Chair and the Congressman would like. Basically there are military characteristics in the new set that are not contained in this one.

Mr. GAVIN. In any event, may I ask this: If the contracts were let they were to be negotiated contracts anyway, you were not to accept the price that Collins may establish on the particular item?

Secretary BELIEU. That is correct, sir. They came in with an estimated price of four million three something, I believe.

Mr. CRUDEN. That is correct.

Secretary BELIEU. Under normal circumstances, based on the D. and F. that I signed in March and reaffirmed in June, 9th of June, we would have entered a letter contract with Collins with the maximum price payable to Collins, the four million three hundred seventy-three that is listed here, then subsequent to that time we would have refined the contract, after audit, down to the precise price that we would have paid. During the negotiations, however, we would also normally do this, try to negotiate downward. It becomes a bargaining session.

Mr. GAVIN. That is where I always differ with you. Say that the entire contract—what did you say it was—4 million?

Secretary BELIEU. This was their estimate.

Mr. GAVIN. Their estimate.

Secretary BELIEU. On the first go-round, yes, sir. Four million three hundred seventy-three.

Mr. GAVIN. You pay them four million three seventy-three. Why not pay them two million three seventy-three and hold back 2 million until you negotiate it, so you have the money, so you don't have to go back at Collins later on and insist on getting your money back—like we have on all these other contracts?

Mr. CRUDEN. We obligate 50 percent of the money on a letter contract.

Mr. GAVIN. I recall on our other hearings we held here, they were paid for and then negotiated, after the full amount was paid. We had to go back and try and get back, after the negotiation was completed, the money Uncle Sam had already paid these contractors, and who were using Uncle Sam.

We might get our money back, but wouldn't get it back at 6 percent interest.

Mr. CRUDEN. That does not occur here.

Secretary BELIEU. These are two different types of contract. On this they would not receive payment until the work was done.

Mr. GAVIN. If you give them 50 percent, that is all right, then negotiate. Don't give them the full amount and then negotiate.

Mr. HÉBERT. Mr. Courtney.

Mr. COURTNEY. Mr. Chairman, may we revert to the Commandant's statement, and let's take this procurement out from the time the requirements were established by the Commandant.

Major, do you want to come back up here to this chair.

The Commandant states that in October—he makes his case very clear as to the requirements of the Marine Corps—this is what the purchasing agent was to answer for—that he initiated a request in October 1961. Let's see what happened to that.

First of all, what request did he make of the Navy? Have you got the requisition?

Mr. STEGER. I believe Captain Wells is prepared on that.

Mr. COURTNEY. Yes. Let's put in the record the Commandant's requisition, what he states in it, and what his requirements were in October 1961.

Captain WELLS. If I may, Mr. Courtney, as Director of Contracts, I have prepared a control sequence outline, which is generally followed, and which was followed in this case. If I may introduce that

for the record, sir, then the supporting documents to it, as I can find them, I will put in if that will be satisfactory.

Mr. COURTNEY. We will start with the Commandant's requisition on this purchase, because that is where it starts, as I understand it.

If I am incorrect, correct me.

Captain WELLS. Yes, sir.

Mr. COURTNEY. Let's see what was done.

Secretary BELIEU. Mr. Courtney, this [indicating] is a chronological outline of all the steps starting from about the time the Commandant mentions, with, I suppose, the usual lapse of 2 or 3 days, down through some 11 control steps, ending the 22d of March.

The piece of paper just presented to Mr. Courtney by Captain Wells is a general outline of the sequence of events starting about the time the requirements were received from the Marine Corps by letter dated October 24, 1961. These are outlines, 11 control steps, running from that time down through and to the 22d of March when I signed the order.

Mr. HÉBERT. I think we should have those items.

You say these 11 control steps are applicable to this particular contract which was done?

Secretary BELIEU. That is correct, sir. They would be generally applicable to all types.

Mr. HÉBERT. We don't care what was generally applicable, but was done in this contract.

Secretary BELIEU. They address themselves to this one; yes, sir.

Captain WELLS. The following is a list in chronological sequence of control actions taken for this specific procurement.

Mr. HÉBERT. That is what we want.

Captain WELLS. A brief description of some actions is also included.

Eleven separate and sequential actions were taken in affirmative determination that only one source could produce to meet current requirements for AN/PRC-41. Nine responsible people took these control actions. They are control actions characteristic of all purchases of production equipment made by the Bureau of Ships from sole or very limited sources.

A. CONSTRUCTION OF THE PROCUREMENT REQUEST

Procurement requests for production material are generated under the direction of the Assistant Chief of the Bureau of Ships for Technical Logistics.

The work is accomplished by his Technical Materials Division. This Division coordinates numerical requirements, specifications, and funds availability and converts to a procurement request to be further acted on by the Contract Division.

Requirements for instant procurement were received from Marine Corps by letter dated October 24, 1961, quantity 556; from Air Force by letter dated June 20, 1961, quantity 14. Navy requirements for new construction and converted ships were developed by Technical Logistics Division personnel and found to be from 69 to 107.

(Subsequently requirements were received from Army (12) and Air Force (additional 14).)

Mr. HARDY. To be sure I understand, you gave an Air Force requirement there?

Captain WELLS. Yes, sir.

Mr. HARDY. Of what?

Captain WELLS. The initial Air Force requirement, Mr. Hardy, the first request that we received, was for 14.

Mr. HARDY. And that is of these same units?

Captain WELLS. Yes.

Mr. HARDY. That was dated when?

Captain WELLS. It was dated June 20, 1961.

Mr. HARDY. Then it predated the Marine Corps requirement?

Captain WELLS. Indeed it did.

Mr. HARDY. All right.

Captain WELLS. I can provide those for the record.

Mr. COURTNEY. Please do.

Captain WELLS. I do not have them here.

Specifications for equipment were complete and in hands of printers in December 1961. (Specifications in final form were dated December 22, 1961.) Initial engineering opinion concerning need for sole source was prepared on November 17, 1961, by Mr. W. Shaup.

B. FIRST CONTROL STEP

Requirements, funds, and specifications being available and sole source purchase being apparently required, the Electronics Equipment Procurement Control Board of the Bureau of Ships considered the case on December 22, 1961.

A basic responsibility of this Board, to the Chief of the Bureau of Ships, is to insure that no sole source procurement of developmental or operational electronics equipment which can be avoided shall be undertaken. Those present at the Board meeting considering instant case were—

Capt. E. H. Schantz, U.S. Navy, Chairman; Deputy Assistant Chief of Bureau for Technical Logistics.

Capt. G. W. Daly, U.S. Navy, alternate member; Assistant Director, Technical Materials Division.

Capt. J. W. Dolan, Jr., U.S. Navy, member; shipbuilding assistant to Assistant Chief of the Bureau for Design, Shipbuilding, and Fleet Maintenance.

Capt. R. R. Bradley, U.S. Navy, member; Director, Electrical-Electronics Programs, Office of the Chief, Bureau of Ships.

Capt. S. J. Major, Supply Corps, U.S. Navy, member and recording secretary; head, Procurement Planning Branch, Contract Division, Bureau of Ships.

The Board considered facts of the case presented by the record and by Captain Major, Maj. R. I. Sudhoff, U.S. Marine Corps, and Mr. Shaup. The Board, having heard facts of the case, determined on December 22, 1961, that requirement for procurement could be met only by Collins Radio Co. Procurement request was prepared and received in Contract Division on January 17, 1962.

Mr. HARDY. Captain, before you leave this Board action—

Captain WELLS. Yes, sir.

Mr. HARDY. What you are reading now, I take it, is an interpretation of these actions that have taken place along the line?

Captain WELLS. I have for the record the things that he did, sir.

Mr. HARDY. That is what I was about to ask. The finding of the Board—that met sometime in December, I believe?

Captain WELLS. Yes, sir.

Mr. HARDY. Were there minutes of that particular meeting that would—

Captain WELLS. There are records of the meeting, Mr. Hardy, which I can provide for the record.

Mr. HARDY. Thank you. That is what I wanted.

Mr. COURTNEY. Captain, while you are on that subject, those records would include, I would presume, and if they do not I would ask that they include, an initial engineering opinion concerning need for sole source, dated November 17, 1961, by Mr. W. Shaup.

Mr. HARDY. Was that mentioned in the list we had?

Mr. COURTNEY. Yes, sir. It is in the list.

Captain WELLS. I have that, sir.

Mr. COURTNEY. This is the second document then. You will supply the minutes of this Board, or the records of the Board's action?

Captain WELLS. Yes, sir.

Mr. COURTNEY. In addition.

Captain WELLS. I will, sir.

Mr. HÉBERT. This is where the decision of sole source was made?

Captain WELLS. This is the first control action taken after the engineering opinions that a sole source action was necessary, Mr. Chairman.

There had been earlier—this was December 22, 1961. The request was received on October 24 if you remember, sir.

Mr. HÉBERT. I remember.

Captain WELLS. As Mr. Courtney has indicated, on November 17 the first engineering opinion was furnished that sole source action was necessary.

This [indicating] is the letter. I can make it available for the record right now, sir.

Mr. HÉBERT. What is that letter?

Captain WELLS. November 17, 1961, sir.

Mr. COURTNEY. It doesn't have the supporting documents on it?

Captain WELLS. I can provide the entire documentation, sir, and perhaps it would be better that way.

Mr. COURTNEY. Yes. There is a form 500-something, that has certain specific questions which must be answered.

Captain WELLS. There is indeed.

Mr. COURTNEY. To make it complete, we should have that.

Captain WELLS. Yes, sir.

Mr. STEGER. We will provide all that for the record.

Mr. HÉBERT. We do understand this is where the sole source decision was made?

Mr. HARDY. There were a series of steps in there.

Mr. HÉBERT. The decision was made by this Board.

Mr. HARDY. Yes.

Captain WELLS. This is the first review of a sole source recommendation taken.

Mr. HÉBERT. It was made on whose suggestion that a sole source was apparent?

I think you used the word "apparent."

Captain WELLS. On the suggestion of the recommending technical section, which is responsible for the technical adequacy of the radio in question, sir.

Mr. COURTNEY. Who was that?

Captain WELLS. The man who signed the justification was Mr. Shaup.

Mr. COURTNEY. That is all contained in the document which you are to supply—November 17, 1961? Mr. Shaup furnished the technical engineering opinion with supporting documents and the form which is required to be answered with certain specific questions in it.

Captain WELLS. Yes.

Mr. COURTNEY. That is the recommendation which then goes up for consideration of this board?

Captain WELLS. That and the statement of requirements as evidenced through the various requisitions received from outside agencies.

Mr. COURTNEY. That is right. So you had the requisition of the Marine Corps of October and that of the Air Force of the previous June for a small quantity?

Captain WELLS. And the Navy estimate, which was developed in the procurement request proper.

Mr. COURTNEY. The next thing that follows is Mr. Shaup's engineering determination.

Captain WELLS. Indeed, sir.

Mr. COURTNEY. And then the Board takes over and renders its decision through these people on December 22, 1961?

Captain WELLS. Yes, sir.

Mr. COURTNEY. All right.

Captain WELLS. The second control step which then follows is this. On January 17, 1962, procurement request was considered by Mr. H. W. Garrard, small business assistant, Office of the Chief, Bureau of Ships, as to feasibility of performance by a small business concern. He concurred in procurement request as received by Contract Division.

INTERIM REVIEW STEPS

On February 2, 1962, Mr. J. M. Physioc, Electronics Materials Branch, re-reviewed and certified requirements. Those are requirements as to number and time, sir.

Mr. COURTNEY. Time of delivery?

Captain WELLS. Yes, sir. On February 2, 1962, Mr. S. D. Keim re-reviewed and certified technical accuracy of statement of need for procurement from Collins.

The evidence of that is in the record of our request for authority to negotiate, a copy of which will be made available.

Mr. COURTNEY. One question before we leave that.

The certification of requirements were the requirements indicated by the Marine Corps, were they not?

Captain WELLS. That certification, sir, is a certification of the requirements as they then appear in the request for authority to negotiate.

There has been a clerical process which has assembled all of these, sir.

Mr. COURTNEY. It is not the requirement of the users.

Captain WELLS. They are identified, sir. The basic documents are back in the file now and this begins to be a summary presentation of the case, sir.

This summary presentation is what was reviewed on February 2 by Messrs. Physioc and Keim, one for requirement as to number and time, the other for requirements for the technical accuracy of our statement of need.

Mr. COURTNEY. So we won't get lost, or I won't get lost, at least, what do you mean by the words "technical accuracy of the need"?

Captain WELLS. The statement contained in the request for authority to negotiate, which will be presented for the record, sir, are summary statements substantially, of the initial engineering recommendation made—this is November 17—made in November 17—summary statements of action of the electronics control board, sir, and having been made and written are then reviewed and certified by respectively—

Mr. COURTNEY. Mr. Keim?

Captain WELLS. By Mr. Keim in this case; yes, sir.

Mr. COURTNEY. What precisely does technical accuracy mean?

Captain WELLS. That our statements as to the difficulty of manufacture, and so forth, are correct.

Mr. COURTNEY. That the representations made as to the difficulties of manufacture are believed to be true, is that it?

Captain WELLS. Yes, sir.

Mr. COURTNEY. Is that what he decides?

Captain WELLS. He recertified that, sir; yes, sir.

Mr. COURTNEY. Does Mr. Keim decide that?

Captain WELLS. He did in this case, sir.

Mr. COURTNEY. All right.

Mr. HÉBERT. Before Mr. Keim issues this order, or certifies it, he merely reads the documents and signs his name?

He does not explore behind it, does he?

Captain WELLS. At this time this is indicated as a review step.

Precisely so, Mr. Chairman.

Mr. HARDY. He may not have even read it.

Mr. HÉBERT. Just put his initials on it.

Captain WELLS. I can't answer to that.

Mr. HÉBERT. We are trying to find out what these procedures are.

Captain WELLS. Mr. Keim, sir, in this particular review and certification, essentially is certifying the continuing accuracy of the recommendations made on November 17, 1961 by Mr. Shaup, sir.

Time elapses and things change.

Mr. HÉBERT. How can he certify an accuracy without conducting the hearing himself or discussing it with people?

Captain WELLS. I cannot answer as to how he makes up his mind.

Mr. HÉBERT. This is nothing but a system of initials. When it gets to the Secretary, the Secretary has to rely on what his people tell him.

Captain WELLS. This is not a control step, sir. It is simply an interim step to verify the accuracy of the presentation as it exists so far.

Mr. HÉBERT. How does he know it is accurate?

Mr. COURTNEY. The words are in there.

Mr. HÉBERT. If a man is persuasive in writing a memorandum, he persuades him it is accurate.

Captain WELLS. This same man has persuaded a number of other people already.

Mr. HÉBERT. That is what we are afraid of, that is what we are trying to find out, who is doing all this persuading.

Mr. COURTNEY. In other words, Captain, if the words are there the paper goes on.

Captain WELLS. It moves to the next control step, yes, sir.

Mr. COURTNEY. All right. Let's go on. Admiral Fulton.

Mr. HÉBERT. Do you want to put your initials on it?

Admiral FULTON. Both Mr. Keim and Mr. Shaup are in my organization. Mr. Shaup is the engineer, Mr. Keim is the supervisor. The review, in my opinion, was made by the originating section, as Captain Wells has indicated, after a passage of time.

That is a recertification to the fact as to the time that had elapsed.

Mr. HARDY. Do you have any personal knowledge, Admiral, as to what that review consisted of?

Admiral FULTON. I can only say what would be done.

Mr. HARDY. No; I mean actually.

Admiral FULTON. Not in this instant case, no, sir.

Mr. HÉBERT. We have got the Ten Commandments and we know how they are broken.

Mr. COURTNEY. We have had the interim step. The words are there.

Mr. Keim signed. We go to the third point.

Captain WELLS. On February 2, 1962, Captain Schantz, in his capacity as Deputy Assistant Chief of the Bureau for Technical Logistics, reviewed the case and approved earlier decision actions taken for procurement from Collins Radio.

That is evidenced only from the record of route sheets. I have personal knowledge, as will later develop, that he did, but I cannot say what he did on that day except as evidenced by his initialing of the route sheet.

FOURTH CONTROL STEP

In the period February 2 to February 15, 1962, Mr. Paul V. Snow, Deputy Counsel, Office of Counsel, Bureau of Ships, reviewed the case for the legality of the determination that Collins was only feasible source of supply. He found the case in order.

This, once again, is evidenced from the route sheet.

Mr. COURTNEY. Are you able to tell us what legal question was raised at this point?

Mr. STEGER. It would be that Mr. Snow passed on the legal sufficiency of the determination and findings under section 14, that I have outlined.

Mr. COURTNEY. He would review the facts that were represented; is that right?

Mr. STEGER. That is correct, Mr. Courtney.

Mr. COURTNEY. There is no legal question presented, is there, if the facts support a finding for sole source?

Mr. STEGER. If the facts support the time element, which is the factor that is involved in this case under exception 14, and it is demonstrated by all of the supporting evidence that the determination and finding under exception 14 is properly made, authorizing negotiation

with—in this case Collins Radio—then the counsel would certify to the validity of the determination and findings.

Mr. COURTNEY. In other words, if the evidence before him showed that time was concluded by the upper echelons to be the fact and factor and the papers demonstrated that time had been proven as the requirement?

Mr. STEGER. Yes, Mr. Courtney, and that the papers demonstrated that only Collins Radio could meet that time factor.

Mr. COURTNEY. All right, that is the question I had in mind. Let's go on.

Captain WELLS. Fifth control step. On February 15, Captain Major, in his capacity as head, Procurement Planning Branch, Contract Division, Bureau of Ships, again reviewed case for alternative competitive possibilities and found the procurement, as planned, proper.

Mr. COURTNEY. Is he here?

Captain WELLS. He is not, sir. He is no longer on duty in the Bureau of Ships.

Mr. HÉBERT. That has a familiar ring. The little man is not there when we want him.

Mr. COURTNEY. Is he in the Navy?

Captain WELLS. He is.

Secretary BELIEU. We can get him back if you want him.

Mr. HÉBERT. You are always cooperative.

Mr. COURTNEY. When we get the evidence tomorrow from the documents we will see whether or not a competitor had a chance. Let's go on, Captain.

Captain WELLS. Sixth control step.

On February 16 and 19, 1962, Capt. G. C. Wells, U.S. Navy, Director of Contracts, Bureau of Ships, considered and reviewed case for possibility of alternative competitive action.

Interviews with Captain Schantz, Captain Major, and Lieutenant Colonel Bowman in addition to case record were employed by Captain Wells in consideration and review of the case.

Mr. HÉBERT. Lieutenant Colonel Bowman, is he a marine?

Captain WELLS. Yes.

On February 19, Captain Wells determined that competitive alternatives were not feasible, and that the procurement, as planned, was proper.

I might say, sir, in supplementing the statement here that my actions on this case were ones of interview, developing, not in anything like the depth that has been presented this morning, sir, but in substantially the same fashion, and I came to the conclusion that we had no alternative but to purchase this from Collins.

It is one of my primary jobs from that review step to come to a conclusion, sir, that a competitive offering for procurement is not possible.

It is my job to see to it, to the limit of my ability, that everything we buy we buy competitively, sir. At least, this is a major portion of my job.

This I carry out to the best of my ability.

Mr. HARDY. Captain, in view of the fact that you are the first competent witness we have had in this particular line of discussion here, you have done a little bit better job in telling us what happened

in your situation, than you could do with respect to the others, whose initials you found on the documents, and you said you had conferences with several different people about that.

Captain WELLS. Yes, sir.

Mr. HARDY. How many were there? You had three or four.

Captain WELLS. These were separate interviews, sir. They were not conferences. They are caught at discussions at various times during the day as I can talk with the individuals, sir.

Mr. HARDY. These are people who had participated in the preparation of the documents that put this thing in line for sole source procurement?

Captain WELLS. Or who had supervised the participation of it, sir, yes, sir.

Mr. HARDY. I thought that there were some names I had not heard before there.

Captain WELLS. I believe, sir, the name you heard for the first time there was the name of Colonel Bowman. I would expect that, sir.

Mr. HARDY. I wasn't sure it might not have been another one.

Mr. COURTNEY. There is a Captain Major.

Captain WELLS. Identified as member and recording secretary. He first was in the action as member and recording secretary of the electronics procurement—sole source board, I call it.

Mr. HARDY. What did Colonel Bowman have to do with this?

Captain WELLS. He is the assistant head of the branch responsible for the engineering of this particular job, sir.

Mr. HARDY. What was the gist of your conversation with him?

Captain WELLS. Concerning, in the first instance, requirements with which he is familiar, although for which he is not responsible, sir, concerning the difficulty of construction of this unit, concerning the fact of the case, that this indeed is a unit still in research and development and has never been produced as a production unit, concerning the degree to which specifications at the moment are developed.

Mr. HARDY. Would he be qualified to discuss all those elements of this particular procurement?

Captain WELLS. Better qualified than I am, sir.

Mr. HARDY. I don't know what that amounts to.

Captain WELLS. I believe, sir, perhaps Colonel Bowman might speak for himself. To my knowledge, sir, he is an electronics engineer.

Mr. HARDY. I don't know. I am merely asking for information.

Captain WELLS. In my opinion, yes, sir.

Mr. HÉBERT. Colonel Bowman is from New Orleans, he is fully qualified.

Mr. HARDY. Then he is qualified in a lot of areas beyond this.

Captain WELLS. I am not sure you have the right Bowman.

Mr. HARDY. I pass on that one.

Captain WELLS. I consider him fully qualified and look to him as an expert.

Mr. HARDY. That may be. I am asking out of ignorance.

Captain WELLS. I am a qualified engineer. Not an electronics engineer, sir.

Mr. HARDY. Then your discussion with the other people that you discussed the subject with was along the same line, or was it in some specialized phase of this?

Captain WELLS. My discussions with Captain Major largely have to do—or did then have to do—with the depth in which this has been explored, as to the possibility of competition, sir, and by depth to which this has been explored—this is the nature of my conversations with Captain Major.

Captain Major is a qualified procurement expert, trained in procurement, sir.

Mr. HARDY. He was in the procurement side?

Captain WELLS. Yes, sir.

Mr. HARDY. That was the aspect that you discussed with him?

Captain WELLS. Yes, sir.

Mr. HARDY. Thank you.

Captain WELLS. My interviews with Captain Schantz, I might say, were on that same basis. Captain Schantz was then Rear Admiral Fulton's immediate assistant. He is the most senior man in the entire chain, responsible for the action of all of the people in determining both logistics requirements and the engineering lying back of the model, and my purpose of discussion with him is to insure he is familiar with the case and that he satisfied himself when sitting as a member of the Electronics Control Board, the sole source control board, that this was the straightforward only possible way of doing the job.

Mr. HARDY. So that was just a refreshing—your discussion with him—because he had sat through the Board?

Captain WELLS. He had sat through the Board. I looked to him as a combination of a board member and sitting at the apex of control for the responsibility of a large number of people who performed.

Mr. HARDY. Thank you, Captain.

Mr. COURTNEY. Let's take the next step down to the time it gets to Mr. BeLieu.

Captain WELLS. I can talk once more, sir, as a competent witness, sir.

On February 23, 1962, Rear Adm. R. L. Moore, Jr., Deputy Chief of the Bureau of Ships, reviewed case record and interviewed Captain Wells in respect of feasibility of alternatives of obtaining competition in procurement. He approved procurement as planned.

Admiral Moore's interview with me was one in which substantially I summarized things I had learned and knew and presented my conclusion that there was no alternative but to proceed as planned.

Mr. HARDY. His action was based entirely on your presentation?

Captain WELLS. On my recommendation, to the best of my knowledge. He may have talked with others, sir. I know that he talked with me.

On March 7, Mr. J. C. Cruden, head, Contract Clearance Branch, Office of Naval Material, completed his review of the planned procurement as to business and sole source aspects and approved action as planned.

I would suggest, sir, that I can't show that for the record. Mr. Cruden I am sure—he hasn't left.

Mr. HARDY. Got a live one here on that too.

Captain WELLS. On March 9 Comdr. R. A. Haase, U.S. Navy, Production Division, Office of Naval Material, completed his review of production feasibility and sole source aspects of the planned procurement and concurred in the procurement as planned.

I can speak to that only on the basis of certification, sir. I do not know Commander Haase personally. I know all others of this group identified personally.

On March 10 Vice Adm. G. F. Beardsley, Chief of Naval Material, completed his review of the case and recommended continuation of action as planned.

Mr. HÉBERT. We have Admiral Beardsley here——

Admiral BEARDSLEY. Yes, sir.

Mr. HÉBERT. You are another competent witness?

Admiral BEARDSLEY. Yes, sir.

As you can tell, there are two individuals in the Office of Naval Material who reviewed this particular case, Mr. Cruden, who is present, and Commander Haase, who is still in my office but is not available.

I look to these two individuals and the people under them in their particular branches to do a variety of things covering the whole spectrum of the decisions in this particular procurement.

In the case of Mr. Cruden, who is the head of the Contracts Clearance Branch, it is a question of getting the best business deal we can get. Can we get more competition, the type of contract, how good is the pricing, where do we go from here, so as to be sure that, when we get ready to negotiate, the Navy goes to the negotiating table in the best possible position to negotiate a contract.

I look to the representative of the production division—in this case it is Commander Haase, to reexamine requirements. I don't accept requirements that come up as necessarily final, even though signed by the Commandant of the Marine Corps. We check. I ask them to look behind the requirements. There is some give and take—has something happened in the interim?

As you can tell, this takes a period of time, plans do change.

I find that the only way we can be sure is to rechallenge, you might say, at the last minute—are all of the requirements firm, can't we have some give and take, can't we reduce a little here to give us a little more leadtime.

I also have them look at the production requirements, make the Bureaus bring in their requirements and production spread sheets, to see how these tie together.

I don't initiate these, or sign off on them, as a practical matter, and send them to Mr. BeLieu, until I am convinced that this is a proper course of action under the circumstances.

We are faced with different circumstances on every piece of equipment we buy, every hour of the day.

Mr. HÉBERT. In this particular instance did you go back to General Shoup and say "Did you mean it when you signed it?"

Admiral BEARDSLEY. I am sure I didn't go back to him.

Mr. HÉBERT. How do you challenge?

Admiral BEARDSLEY. I had the people look at the requirements, to see what the source was——

Mr. HARDY. You had to rely on them? You assigned it to your staff?

Admiral BEARDSLEY. Yes. I bring the Bureau people in, however, at my meetings. In addition to the staff, I go back to the contract people—as Captain Wells can tell you.

Mr. HARDY. You don't have any idea you talked about this, do you?

Admiral BEARDSLEY. I am not so sure if I do or not. I can tell you this, in all sincerity—

Mr. HÉBERT. Let's have those people in and we will find out what they did.

Admiral BEARDSLEY. All right, sir. I was convinced, in this particular case. Being an aviator, I know the importance of the ground to air support, and here was a requirement very urgently to be met. I was convinced, while there were a number of firms that, given some time, could produce it, it was completely illogical that the firm that was in the midst of development could not produce it and give it to us earlier. It is as simple as that.

Mr. HÉBERT. It is not as simple as that, because this was something new, no other company got a chance to speak to you and suggest they could produce it. This was all assumption from the beginning.

Admiral BEARDSLEY. No, sir.

Mr. HÉBERT. Why wasn't it? Was any other company called in and asked, "Can you convince us that you can conform to this leadtime"?

Admiral BEARDSLEY. I say, sir, that when you have a company which has developed something and is still in the process of refining the development, it knows all about the changes required, it has engineers who are fully competent, it has some tooling, that company, by and large, in the majority of cases, and generally, should be able to produce it and deliver acceptable equipment earlier than anyone else. I didn't say cheaper. I said earlier. Earlier.

Mr. HÉBERT. Then we are in this position, that whenever you order an R. & D. contract and select the person for the R. & D. you get a sole source from which you can't escape in the future.

Admiral BEARDSLEY. We do escape. There are difficulties, but we do.

Mr. HÉBERT. You see the advantage of this right now, we are faced with the policy of selecting a company, giving them an R. & D. contract that puts them in a continuous advantageous position. We have had that before here in other cases.

Secretary BELIEU. The chairman is quite correct, generally speaking, with most items of equipment like this the research and development—

Mr. HÉBERT. He is the man that will get it all the time.

Secretary BELIEU. Will get the first production model run, as a rule.

Mr. HARDY. If you have to have a second source one of the services will let the same contractor put up another plant.

Secretary BELIEU. We are limited by money plus the desire to get the best in the hands of the troops. There is a reason for some of this.

Mr. HARDY. It is a problem. We are trying to see if we can't help to make it more sensible.

Secretary BELIEU. If I could speak to the next step—

Mr. HÉBERT. We will get to you.

Captain WELLS. If I may, I will defer to Mr. BeLieu.

Mr. HÉBERT. We haven't finished with the admiral.

We find no fault—this is the system. That is what we are trying to develop here, Admiral—the general signs the paper but the sergeant makes the decision.

Admiral BEARDSLEY. That is not true, sir.

Mr. HÉBERT. The fellow way down the line gives his time to it, there is a good man down the line, so it is signed. "This is a good man, sign it."

I am sure I sign more letters in my office that I don't read than you do.

Admiral BEARDSLEY. I suspect you do, sir.

Mr. HÉBERT. So, we know the system—and we get caught, sometimes. But let's admit what the system is. That is what we are trying to find out—the individual who does it, Admiral.

Admiral BEARDSLEY. That is the reason I went in some detail, sir. Mr. Cruden is in the room, if you want to hear from him.

Mr. HÉBERT. Let's hear from him.

Captain WELLS. Before I leave, may I suggest, sir, that in introducing papers tomorrow, I should like to introduce the instructions under which our electronics equipment review board operates—the Chief of the Bureau of Ships' instructions. I will introduce it here.

Mr. COURTNEY. This was the one that was in existence at the time the action was taken?

Captain WELLS. This is the Chief of the Bureau of Ships' instruction in respect of the electronic equipment procurement control board. It was a step taken conscientiously in a most sincere effort to bring to the early attention of a highly senior group of officers responding to the Chief of the Bureau of Ships on what appeared to be a problem that could be met only by sole source purchase of equipment.

This order was designed to do that and it has been carried out, as evidenced in this case, since the time of the order.

Mr. HÉBERT. Let's have Mr. Cruden tell us what he did.

Mr. COURTNEY. Let me get this correct, Mr. Chairman.

Mr. HÉBERT. Yes.

Mr. COURTNEY. This will be exhibit 4. It is serial 1700-67, dated August 25, 1961.

BuShips Instruction 5420.14. May that be incorporated in the record, Mr. Chairman?

Mr. HÉBERT. Without objection it will be incorporated.

(The document referred to follows:)

DEPARTMENT OF THE NAVY

BUREAU OF SHIPS

Washington 25, D.C.

BUSHIPS 5420.14
Ser 1700-67
25 August 1961

Buships Instruction 5420.14

From: Chief, Bureau of Ships.

To: All Assistant Chiefs of the Bureau, Director of Contracts, and Comptroller.

Subject: Competitive procurement of electronics equipment.

1. *Purpose.*—To establish the means whereby the actions of present and future procurement of electronics equipment shall be taken in the maximum possible climate of competition.

2. *Background.*—Intent of Congress and policy of the Secretaries of Defense and Navy and of the Chief, Bureau of Ships, clearly are that opportunity for maximum competition shall be afforded in all procurements. Of things purchased by the Bureau of Ships, electronics equipment has been and is the most difficult material to purchase in a manner which carries out congressional intent

and secretarial policy. It is necessary, therefore, to take specific and extraordinary steps to improve degree of success in this regard.

3. Action.—

(a) *Establishment of Board*

There is established an Electronics Equipment Procurement Control Board. Membership of the Board shall be:

Code 105	Chairman
Code 610	Member
Code 670	Member
Code 360	Member
Code 406	Member
Code 1705	Member and Recording Secretary

(b) *Responsibilities of the Board*

The Board is responsible to the Chief, Bureau of Ships, to insure (1) that no sole source procurement of developmental or operational electronics equipment which can be avoided shall be undertaken. (2) That in cases where sole source procurement cannot be avoided full plan of action to introduce competitive procurement of the equipment be developed and made of record prior to undertaking the sole source buy.

(c) *Duties of the Board*

(1) Prior to undertaking any sole source procurements of electronics equipments to develop and submit to the Chief of the Bureau a list of planned sole source procurements of developmental and operational electronics equipment. This action shall be taken on a fiscal year basis (the fiscal year 1962 is the first year so affected). (2) For each item on the list:

(a) Review current specifications and certify as adequate or time they will be adequate, for sole source buys and certify as inadequate for any but sole source buys.

(b) Assure that funds are reserved for the buy or establish when funds will be available.

(c) Show full history of previous buys including R. & D. leading to them.

(d) Develop and state requirements in time and quantity (or range of quantity) for current fiscal year buy and apparent requirements for planned life of the equipment.

(e) Develop and state time necessary to bring in second source. Basis of the development to be direct engineering estimate of production feasibility of the item in question considering as a secondary factor past history of similar items.

(f) Develop and state time contract plans and specifications including model, if part of specifications, will be available to use in competition. Include the identification of the contract from which these things will be available or, as applicable, the Bureau Branch which is charged with development of plans and specifications in house.

(g) Include in the foregoing the carrying out of SECNAV Instruction 4120.12 of December 6, 1960, with respect to plans other than contract plans and specifications.

(h) Develop and state plan of action for future buys.

(i) Sign the foregoing study in approval.

(j) Submit the original of the approved item study with each applicable PR, the original to be made a part of the procurement planning file in code 1700. Copies of the approved planning study for each item to be delivered to codes initiating the PR and subsequently administering the contract as appropriate.

(3) For all items on the developed list:

(a) Establish a schedule for submission of purpose requests showing the consolidated results of the above action. Submit to the Chief of the Bureau for his approval as being the control document for sole source procurements of electronics equipment for the fiscal year concerned.

d. *The Director of Contracts shall—*

(1) Use the approved consolidated list as the purchase control document; and shall (2) report time variances from approved schedule to cognizant Assistant Chief for his corrective action. (3) Refer any sole source purchase request for electronics equipment not shown on the approved consolidated list to the Board for its action in modification of the consolidated list. No sole source electronics equipment purchase shall be undertaken in advance of full Board action. (4) Insure that follow procurement request for equipments in the con-

solidated list are consistent with initial plan of procurement developed by the Board, or (5) refer inconsistent request to the Board for Board action in modification of procurement plan.

e. Assistant Chiefs, Director of Contracts, and Comptroller responsible for obtaining the equipment involved shall provide whatever technical assistance to the Board is required for the Board to carry out responsibilities and duties assigned herein.

f. Assistant Chief for Administration shall provide to the Board on a permanent basis whatever clerical force is necessary for the Board to carry out its assigned responsibilities and duties.

R. K. JAMES.

Authenticated :

JOHN W. SHERMAN,
Directives Management.

Mr. HÉBERT. Tell us what you did.

You heard what the admiral said what he thought you did. Tell us what you did.

Mr. HARDY. You see how heavily he relies on you to keep him out of trouble when he signs something.

Mr. CRUDEN. On this particular action, I reviewed the proposed plan of procurement thoroughly, I satisfied myself that we were embarking on a contract plan that would incorporate price adjustment features so that we would not place a sole source procurement on an item that had never been produced on a basis of an improper price.

Mr. COURTNEY. You are dealing strictly with the matter of price.

Mr. CRUDEN. For this first point.

Mr. COURTNEY. Is that what you call the business clearance?

Mr. CRUDEN. That is the contract side. I look at both the contract-type of contract plan—

Mr. COURTNEY. Type of contract proposed plus price. What else?

Mr. CRUDEN. I also reviewed this proposed plan of procurement as to its sole source aspects.

Mr. COURTNEY. How did you go about that?

Mr. CRUDEN. I reviewed in this case the proposed plan, which consists of a five-page summary containing all of the signoffs by these prior people.

Mr. COURTNEY. You are sure all the initials were there?

Mr. CRUDEN. That is part of my review.

Mr. COURTNEY. And all the words were there.

Mr. CRUDEN. On a great many of these I do hold conferences with the Bureau. I did not hold a conference on this particular procurement.

Mr. COURTNEY. The documents then were in order?

Mr. CRUDEN. The documents were in order. I then passed this action to our production division, that reviews lead items and that kind of thing.

Mr. HARDY. How long did that take to do all that, Mr. Cruden?

Mr. CRUDEN. This was in my office for a period of about 10 days.

Mr. HARDY. How long did you hold this thing up, Admiral? You were waiting for him for 10 days?

Admiral BEARDSLEY. I read the time. Mr. Cruden signed on the 7th, Commander Haase on the 9th, and I was on the 10th. That is a total lapse time of 7 days—no. Admiral Moore signed on the 23d of February. I signed on the 10th of March. These papers go through anywhere between 5 and 14 days.

Mr. CRUDEN. Yes.

Mr. HARDY. Talking about to go through your office?

Admiral BEARDSLEY. My whole division, sir.

Mr. CRUDEN. From the Office of Naval Material to the Secretary and back is about 7, 14 days.

Mr. HARDY. All of these other steps were preliminary to that, Admiral?

Admiral BEARDSLEY. Yes, sir.

Mr. HÉBERT. Now, Admiral, you are walking into Mr. BeLieu's office with that paper in your hands—or did you do it, Captain?

Admiral BEARDSLEY. It goes from my office to Mr. BeLieu's office.

Mr. HÉBERT. Mr. BeLieu, you are here.

Secretary BELIEU. Thank you, sir.

Usually D. & F.'s come in as a routine paper flow to my office, some 500 pieces a month, I guess, or better. Not all D. & F.'s, but the important ones, the key ones that Admiral Beardsley and I have discussed ahead of time, which would fit into policy that we were trying to shape, he brings in in person.

Those that come in in a routine fashion, in other words, just through the regular paper routine, come in and come into my basket, that is the first time I see them.

They are staffed in my outer office for form and content, to make sure they have all the things that I should need to review them.

As is obvious by looking at this sequence of events, senior people cannot review every one of these things in detail, because there are other things one has to do. We also build ships, have installations, and things of this nature—and conferences and meetings.

Mr. HÉBERT. And testify on the hill.

Secretary BELIEU. Yes, sir.

Mr. HARDY. This is just a diversion.

Secretary BELIEU. This is a privilege, sir; always has been.

Now, again, obviously, any organization as large as the Navy must depend on mutual trust and confidence, and the esprit de corps of the organization involved, and we have a fine Navy, and the only time I ever get my dander up in any conference I have, or any meeting—this includes everywhere I go—is where I feel there is an aspersion made unduly on this Navy of ours, which has served the country so well.

I do not say we do not make mistakes. We try to analyze these D. and F.'s. We must have a policy for analysis.

The first is the requirement. I have them in front of me. I look for that quickly, because, as I indicated in my statement, my job is to put something like that in hands of a man like that [indicating] with combat ribbons on, so that it will work.

I do not challenge the requirement as to how they are going to be used in the field. General Shoup as Commandant of the Marine Corps, is my technician in that.

He tells me what he needs for that.

If I were the man in uniform and the country were paying my salary to do that, I would take that responsibility. He has it and he tells me the requirement. I challenge it only to make sure I understand it, that I do not have a doubt about it.

Then I take a look at the time. This is told me, basically, in the papers. We have D. and F.'s here, and we have the background sup-

porting papers. Obviously if it sounds reasonable I do not challenge any more—although we look at it closer and have over the last year since I have been aboard—not necessarily myself, this started before—but there has been great emphasis in the last year and a half, to attempt to get more competition.

So Adm. George Beardsley, who is my Chief of Staff and operates as such, does a bit more than he said. He forgot to say he also looks at production schedules, because it is quite possible that you have a D. and F. which says I must have this thing right now and the company that produces it can't put it out within that time from the assembly line.

We also look at what is happening to drawings, so we can get the competition as quickly as possible.

We send them back and say "You must put drawings in."

In this particular case I do not remember challenging it particularly. I remember the type of rating, because this was something we had great difficulty achieving in World War II, and did not have in Korea. We never had a manpack in World War II. In Korea we didn't even have a jeep relay system. It is criminal not to have these things in the hands of troops.

So I signed the D. & F. This is the process by which it comes to my office. I didn't send this back. I believe in it. I still do. You must trust your people.

That, sir, is the process of this D. & F.—also a little bit of dissertation on what happens to them.

We have done pretty well in the last year—not as well as we could, but remembering the conversations that were put before this committee last year, we have increased our competitive proposals by about 8 percent—so we are doing now about 50 percent competitively I believe—or, 47—which is an improvement. I hope next year we improve it further.

I would like to say one thing on the requirement here: When one challenges the time—this is the question in this whole procurement, the time—one takes a great responsibility to deny the time. If I felt that we were never going to deploy the Marines, or never have any possibility of combat utilization of the Marines, say, for the next 20 years; so that at the end of 20 years we were going to have this, we could stop all of this kind of procurement until, say, 2 years ahead of time—whatever it would take—but this is the uncertainty of the age we live in. While we are designed in my office to do the business management of the Navy in these contracts, as well as we can, our main purpose in life is to provide an effective fighting machine and once we lose sight of that and start buying lead pencils and radios and other items without that concept behind us, then all our flags and bunting, and so forth, will be of no avail.

Thank you, sir.

Mr. HÉBERT. Mr. BeLieu, you signed this first D. & E., as you call it, on March 22?

Secretary BeLIEU. Yes.

Mr. HÉBERT. What caused you to review it?

Secretary BeLIEU. When Congressman Wilson sent a wire—I have forgotten the sequence—wire and then a letter to the Secretary, he called me, but we missed connection, I called back and got word back

the matter had been taken care of, he then came into the Secretary's office, as I understand it, with a proposal from Arvin and asked us to look at it. Arvin is a responsible company.

Mr. HÉBERT. To get the sequence, let me interrupt: Was the first time it had come to your attention when Congressman Wilson came in with a proposal from Arvin that there was anything contrary to the presentation that had been made all the way up?

Was this the first indication?

Secretary BELIEU. I believe so, sir. There may have been some inkling a day or so before. I don't know when Congressman Wilson first raised the issue.

He did call me. I have forgotten the date.

Mr. HÉBERT. The first it came to your attention was when Congressman Wilson brought the Arvin proposal in?

Secretary BELIEU. This I believe was the first time I knew about Arvin.

Mr. HÉBERT. First time you knew somebody could possibly give a cheaper job at any time, the first time you knew of any interested company?

Secretary BELIEU. I heard Arvin had submitted a proposal that was roughly a million dollars lower. I talked this over. I was out of town temporarily for a couple of days. I remember talking on the telephone to Congressman Wilson. He called me. We both agreed that—because it is our policy to honor Congress where we possible can—I think it is a thing that one should do—that even though the urgency was great, that we should look at it again, because the request came from a responsible source.

So I instructed Admiral Beardsley to look at it. He agreed that we should examine it in all depth possible and if necessary that we get outside electronic advice—not that I doubted ourselves—but I wanted to make certain that this was correct—I said, let's take a look at the requirements again—everything.

I think any normal person would do that. That is proper. The process has continued from then until now.

We reviewed it. I would hope that I and my associates and members of the Navy I am so proud to represent would always have the guts and willingness and honesty and integrity to look at their past actions and if they made mistakes be man enough to correct them.

It was with this spirit that we took a look at the D. and F. which was signed on March 22.

Mr. HÉBERT. At this time you had the Arvin proposal before you?

Secretary BELIEU. I did. My people did.

Mr. HARDY. About when was that?

Mr. COURTNEY. May the records be clear. The written proposal of Arvin—which I have here in my hand—has on the frontispiece, "Date of Submission, May 21, 1962."

Secretary BELIEU. That is certainly correct.

Mr. COURTNEY. The proposal itself specifies that.

Secretary BELIEU. Congressman Wilson sent a wire, I believe, before the actual presentation of this.

Mr. HÉBERT. What did the wire say?

Secretary BELIEU. We have a copy somewhere here.

The letter was dated May 21.

Mr. HÉBERT. Congressman Wilson's letter?

Secretary BELIEU. Yes; to Mr. Korth.

Mr. HÉBERT. May 21?

Secretary BELIEU. Yes, 1962. It is a rather lengthy one.

Mr. HÉBERT. Put it in the record.

Secretary BELIEU. I will furnish a copy for the record.

Mr. HÉBERT. That is the first you knew of this transaction?

I mean, of the challenge to it.

Secretary BELIEU. This is about correct. I believe the Congressman called Mr. Korth. He called me a day or so before.

Mr. COURTNEY. Before you received the letter?

Secretary BELIEU. I received no letter.

This [indicating] may be it then; the letter from the General Accounting Office, May 15. It has no indication of being sent to the Secretary of the Navy. I do not know when we received it in my office.

Mr. HÉBERT. When did you get the General Accounting Office in the action now?

Secretary BELIEU. I am trying to get the sequence.

Mr. HÉBERT. I am trying to find out when this came to the attention of the Navy Department, or to your attention.

Secretary BELIEU. My personal attention, I can't say, but it must have come to the Navy somewhere around May 15, because here is a letter from the General Counsel, Mr. Hancock.

Mr. HÉBERT. General Counsel of whom?

Secretary BELIEU. General Accounting Office.

Mr. HÉBERT. What does that letter say?

Secretary BELIEU. May 10.

Wire apparently to the Chief of the Bureau of Ships.

WASHINGTON, D.C., 11:36 A.M., E.D.T.

Info Hon. EARL WILSON,
House of Representatives,
Washington, D.C.:

Navy GRNC BT unclas following received via WUTELCO:
COMMANDANT, U.S. MARINE CORPS,
Deliver by 1 o'clock, Navy Annex, Washington, D.C., under BuShips procurement
request 627D-26112 (S):

The Navy Department has attempted to justify a sole source award of contract to Collins Radio for radio set AN/PRC (41) production. This procurement request has come within the perimeter of an exhaustive study I have been making for the past year into the procurement practices of the Navy Department. In connection with this survey I some time ago requested the General Accounting Office to supply me with the Navy record of award to Collins for the development work, together with the interim and final technical reports. I have just completed a thorough review of all the documents I have been able to assemble on the AN/PRC (41) radio. In this review I have had the assistance of competent technical authorities. My conclusions are that the justification for sole source award to Collins Radio at this time appears to be not in the best interests of the United States and could be open to valid and serious question. It is respectfully requested that you withhold the award of any contract to Collins under negotiation 26112 until May 21 at which time I will be able to present the Secretary of the Navy with concrete information and findings I have been able to make. Please acknowledge receipt.

EARL WILSON, *Member of Congress.*

I remember this now. This did not come to me. It went to the Bureau of Ships or to the Commandant of the Marine Corps and an identical one was sent to the GAO.

Mr. COURTNEY. On what date?

Secretary BELIEU. Same date.

Mr. HÉBERT. How do you know it was sent to the GAO?

Mr. PINN. Mr. Chairman, my name is Samuel Pinn, Jr., counsel for the Bureau of Ships.

On or about May 10 the Office of the General Counsel of the General Accounting Office contacted me by phone and appraised me of the receipt by them of a telegram and which they furnished us promptly, I can't say whether it was May 10 or May 11 that they transmitted to me copies of that telegram.

Mr. HÉBERT. That is the first you heard of this in the Navy?

Secretary BELIEU. Yes; I believe that is correct. Then on May 15— I shall furnish to the committee, sir, a complete set of these communications in chronological sequence, which will probably clarify the record more than my oral testimony—

Mr. COURTNEY. May we withdraw these two exhibits. We will mark the supplement you are to give as "Exhibit 5"—chronologically as the letters and telegrams you received.

Secretary BELIEU. On May 15—

Mr. HÉBERT. Mr. Secretary, we are opening up a subject now which will demand a great deal of consideration.

Secretary BELIEU. Yes, sir.

Mr. HÉBERT. So I suggest now we recess until tomorrow morning at 10 o'clock and you come back with all those communications and orders and be prepared to read them to the committee and be prepared to testify to the contents.

Secretary BELIEU. Yes, sir.

Mr. HÉBERT. The committee stands recessed until 10 o'clock tomorrow morning.

(Whereupon, at 4:30 p.m. the hearing was recessed to reconvene at 10 a.m. Friday, June 29, 1962.)

NAVY DEPARTMENT PROCUREMENT OF AN/PRC-41
RADIO SETS (SOLE SOURCE—COLLINS RADIO CO.)

FRIDAY, JUNE 29, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., Friday, June 29, 1962.

The subcommittee met at 10 a.m., Hon. F. Edward Hébert presiding.

Mr. HÉBERT. The committee will be in order.

Yesterday when we left for the recess until today, Mr. BeLieu, you were asked to get in chronological order some communications to which you were referring.

Secretary BELIEU. Yes, sir.

Mr. HÉBERT. Are you prepared now with those communications?

Secretary BELIEU. Yes, sir.

(NOTE.—Letters and telegrams which follow are exhibit 5.)

Secretary BELIEU. I am not certain, Mr. Chairman, that we have all the communications pertaining to this case, because as we search our files we find that all letters were not addressed to the same office nor to the same bureau or to the same individual. So there may be those that have not percolated into my office yet, although I have asked for all.

Mr. HÉBERT. We are interested in the ones that got into your office.

Secretary BELIEU. Right, sir. I think I have all of this.

Mr. HÉBERT. Fine.

I think we had a telegram—the telegram was the first knowledge you had of this?

Secretary BELIEU. My office, if I may say so, sir, encompasses the Bureaus involved and is also a part of the Secretary's office in the Pentagon.

My office is not in the Pentagon. So letters addressed to him don't always get to me the same day that they are received there.

Mr. HÉBERT. All right.

Airmail doesn't get to New York until several days later.

Secretary BELIEU. I said yesterday that, to the best of my recollection at that time, the first I remember of this case was something around the 21st of May. I find that I did sign a letter to the Congressman the 8th of May. I do not have a copy of his letter. My letter says this:

Dear Mr. Congressman—

Mr. HÉBERT. You are referring now to Congressman Earl Wilson, of Indiana?

Secretary BELIEU. That is correct. [Continues reading:]

This is in reply to your letters of May 1, 1962, addressed to the Secretary of the Navy, requesting copies of two recent Bureau of Ships requests for proposals on procurements of electronics equipment.

I am sending one copy each of these requests for proposals—

And then I list the numbers and these numbers pertain I am told to the AN/PRC-41 procurement—

together with pertinent specifications as requested.

With kindest regards,

Sincerely yours,

My signature.

To the best of my knowledge, I did not identify the numbers with the specific procurement of the radio set at that time.

This was a routine request for information, if I remember it correctly, and we received many of these.

Then yesterday I read into the record the telegram of May 10, 1962, from Congressman Wilson to the Chief of the Bureau of Ships. If the Chair wishes, I shall repeat for the sequence.

Mr. HEBERT. Repeat it, so we will have it.

Secretary BELIEU (reading).

Under BuShips procurement request 627D-26112(S) the Navy Department has attempted to justify a sole source award of contract to Collins Radio for radio set AN/PRC-41 () production. This procurement request has come within the perimeter of an exhaustive study I have been making for the past year into the procurement practices of the Navy Department. In connection with this survey I some time ago requested the General Accounting Office to supply me with the Navy record of award to Collins for the development work, together with the interim and final technical reports I have just completed a thorough review of all the documents I have been able to assemble on the AN/PRC 41 () radio. In this review I have had the assistance of competent technical authorities. My conclusions are that the justification for sole source award to Collins Radio at this time appears to be not in the best interests of the United States and could be open to valid and serious question. It is respectfully requested that you withhold the award of any contract to Collins under negotiation 26112 until May 21 at which time I will be able to present the Secretary of Navy with concrete information and findings I have been able to make. Please acknowledge receipt.

EARL WILSON, *Member of Congress.*

Also on or about May 10, we received a copy of an identical telegram directed to the GAO.

On May 11, Admiral James, Chief of the Bureau of Ships, received a letter from Congressman Earl Wilson:

DEAR ADMIRAL JAMES: Confirming your telephone conversation of May 11, 1962, with my administrative assistant, Phil Cole, I have your personal assurance that no awards will be made to Collins Radio for the production of the AN/PRC-41 radios until after close of business May 21, 1962.

With kindest regards, I am

Sincerely yours,

EARL WILSON, *Member of Congress.*

On May 14, Admiral James in a letter to Congressman Wilson:

MY DEAR MR. WILSON: This will acknowledge receipt of your telegram of May 10, 1962 to the Commandant of the Marine Corps and to me concerning Bureau of Ships Procurement Request—

And he repeats the number of it—

You asked that the award of any contract under this procurement to the Collins Radio Corp. be withheld until May 21, at which time you would be able to present concrete information and findings on this proposed procurement.

The Bureau of Ships will carefully consider any information which you may furnish. This procurement is now in the negotiation stage. An award will not be made before May 21.

With kindest regards,
Sincerely yours,

R. K. JAMES,
Rear Admiral, U.S. Navy, Chief of Bureau.

On May 15, again a letter from Admiral James to Congressman Wilson:

DEAR MR. WILSON: This is in response to your request to the Director of Naval Publications and Printing Service for technical manuals and drawings on the AN/PRC-41 (XN-1) and (XN-2) UHF ground-air communications system.

This equipment was developed under a research and development contract with the Collins Radio Co., Cedar Rapids, Iowa. The original technical manual was prepared in manuscript form. We have only one file copy, but are reproducing a copy for you and will forward it promptly. I wish to point out that the enclosed technical manual for the AN/PRC-41 (XN-2) contains operation and maintenance instructions for a later version of this equipment. No manufacturing or other drawings were submitted by the contractor. The equipment is still subject to changes in design.

I trust that the attached manual will be sufficient for your needs.

With kindest regards,
Sincerely yours,

R. K. JAMES,
Rear Admiral, USN, Chief of Bureau.

On May 15, the Secretary of the Navy received a letter from Stephen P. Hancock, Assistant General Counsel, General Accounting Office:

DEAR MR. SECRETARY: We have received a telegram dated May 10, 1962, from the Honorable Earl Wilson, Member of Congress, protesting the sole source procurement of radio equipment pursuant to RFP No.—

These are the numbers I read before—

issued April 11, 1962, by the Bureau of Ships.

Please furnish us promptly with a full report on the matter, including copies of references to any relevant documents other than the proposal from the Collins Radio Co., a copy of which we have already obtained. Mr. Paul Snow of the Bureau of Ships was notified by telephone on May 11, 1962, of our receipt of the protest.

Sincerely yours,

STEPHEN P. HANCOCK,
Assistant General Counsel.

Then on May 21, the date we had promised to hold the procurement to, at least:

HON. FRED KORTH,
*Secretary of the Navy,
Department of the Navy,
Washington, D.C.*

DEAR MR. SECRETARY: As a Member of the U.S. House of Representatives now in my 20th year, and as a member of the Appropriations Committee, I have been concerned about the enormous budget requests submitted by the various branches of the military departments that purport to cover equipment required for our national defense. As a taxpayer as well as a Congressman, I fully realize that we must all carry our share of the burden, regardless of how heavy, to fulfill the requirements of the Constitution to provide adequately for the common defense. I am also in agreement with my colleagues in Congress who feel that it is better to be safe than sorry.

There is no denying the fact that Government business today is big business. Entire areas of the country are affected by the award of a single contract for a weapons system. Similarly, still other areas are depressed when this work does not come to them. Since Government business is big business, it is inevitable, as it is in any big business operation, that a certain amount of waste is to be expected. The bigger the business, the bigger the waste, but it is hard

for me to realize any private company would tolerate procurement practices such as those revealed in my past 15 months' review of military contracts and awards.

For many years I was simply an interested spectator, observing reports from the General Accounting Office and reviewing records of congressional hearings involving military procurement and waste. I tried to understand and comprehend what was going on and tried to make a sincere effort to have a comprehensive knowledge of the subjects, but this was difficult, if not impossible.

On every hand I would hear other Members complain about abuses of "authority to negotiate" military contracts without really understanding the whole complicated procedure. About 15 months ago, I decided to devote much of my time to a personal education in military procurement practices and to try to undertake a personal study of how the Armed Forces buy materials for use in connection with our national defense. With the help of the Comptroller General I began to ask questions and started receiving answers. I began to see just how contracts are awarded, and I also began to have some concrete realization as to how much of the taxpayer's money is being wasted.

During the ensuing 15 months, my inquiry has been penetrating and exhaustive. I have gone into many specific transactions in detail. The results, documented by General Accounting Office reports, complemented by information obtained from informal inquiry into the electronic industry, have been, to say the least, profoundly shocking to me, not only as a Congressman but as an American citizen.

During this study, I uncovered information that led me to believe the technical know-how of many valuable American industries was being bypassed. To confirm this I contacted officials of many electronic firms. I have been given enough information to conclude that fully qualified, talented, financially competent manufacturing facilities are daily being denied the opportunity to participate in certain procurement transactions covering electronic equipment.

The effects of this "closed door" policy are obvious—a virtual elimination of competition, the inevitable inflation of the uncontested selling price, and a loss of vital technical progress which results as a natural consequence of open competition. Much of my information points to the Navy Department, Bureau of Ships, as one of the prime offending agencies.

A review of reports from the General Accounting Office reveals a letter dated April 14, 1959, from the Chief of the Bureau of Ships to the Comptroller General, file L4 (110 ser. 110-1045)—which declared a policy to provide that "even though the determinations and findings specifically state only certain companies are believed to be able to meet requirements, other companies shall not be precluded from bidding."

That policy, Mr. Secretary, stated in a letter of April 14, 1959, has been subverted constantly since the very day of its existence and is still being subverted today by civilian employees in the Bureau of Ships.

To prove this to my own satisfaction and to gain documentation for my study, I sent my administrative assistant, Mr. Philip Cole, to the Navy Department, Bureau of Ships, on February 5, 1962, with instructions to ask for an opportunity to participate in the then current procurement for the AN/URC-32 (unclassified) and the AN/WLR-1 electronic countermeasures (classified confidential).

He went through normal procedures, stated that he was a "representative" but declined to specify which firms he "represented" until (he was told by me to say) he could review specifications to determine just which firms he wanted to participate in the procurement transaction then underway. This was an obvious and clear-cut test of the Chief of Bureau of Ships directive of April 14, 1959.

To put it mildly, Mr. Secretary, he was denied any information whatsoever, and was told by Navy Contract Negotiator Dean Young, if he wanted to do any business in that area, he would have to "level" with the Navy.

Now, I would like to ask a question at this point, Mr. Secretary. How is it possible for the Chief of the Bureau of Ships to declare a policy in a written statement to Congress, as in Admiral Mumma's letter of April 14, 1959, only to have this very policy bluntly ignored and subverted by grade 9 civil servants such as Mr. Young?

Another question, and an important one regarding the safety of this Nation—"What effect do civil servants of this type have on our national economy, not to mention our national security?"

To answer my own question, I would like to quote some "examples" that have arisen out of my 15-month study of Armed Forces procurement.

These "examples" are but a small portion of similar "examples" which I intend to take up with the Congress, the Navy Department, the Secretary of Defense, and the Department of Justice at a future time.

Example No. 1.—In the immediate future, I shall document, with the assistance of the General Accounting Office, the case of the AN/WLR-1 electronic countermeasures receiver. Sole source negotiations with Collins Radio Co., Cedar Rapids, Iowa, under terms of contract Nobsr 75710 covered a huge program of production which undoubtedly was "justified" by some Navy official, and which cost the American taxpayer in excess of \$60,000 as an average per system price.

When competition was introduced into subsequent procurement, the cost fell to approximately \$15,000 per unit with Sylvania winning the contract.

Later the unit price dropped even lower with additional awards to General Instruments. Without a doubt, your Department could inundate the Congress with material designed to establish that the \$60,000 price was both "justified" and "legal." This, however, is beside the point I wish to make, and the AN/WLR-1 is not an isolated illustration of my ultimate conclusion.

Example No. 2.—The General Accounting Office has already investigated the procurement methods followed in the case of the AN/SPS-10 radar. It has been established through documentary evidence that the Navy negotiated \$40,000 per system prices with Dumont and Sylvania, subsequently fell to less than \$12,000 when open competition was introduced. Daystrom, Inc., won the contract when the procurement was placed out in the open for unrestricted bidding. This again proves the practice—

The word here is "efficacy," but I imagine it is poor copy—

efficacy of open competitive practice.

Example No. 3.—This case is, I believe, among the more fantastic reports received from the General Accounting Office.

It covers procurement of the TR-152()/SQS-23 transducer which was completely documented by the Comptroller General.

It is not my plan to go into detail on this matter since you have probably already heard of it through my speech on it in Congress.

If you have not, I refer you to the Congressional Record of September 19, 1961, 1st session of the 87th Congress, which contains a rather detailed summary.

The results of Navy action in this instance are obvious. Mr. Secretary, Bureau of Ships' civilian employees obtained two bids—one from a "favored" firm and the other an entirely unwanted proposal from an "outside" manufacturer.

Since the unwanted firm's bid was low, a second bidding was "arranged" by the Navy Bureau of Ships' employees. It is clear to me that someone in the Navy Department then took it upon himself to reveal the competitive price to the "favored" firm, and on the second bidding, the "unwanted" firm restated its original quotation only to be underbid by \$20,000, which is a very small margin on a \$4.5 million procurement.

When this procurement was forced into open competition by a totally unwanted bidder, the price per unit on this equipment fell from \$100,000 to \$70,000, and subsequently even lower, thereby saving the taxpayer almost \$1 million on a single contract.

Again, the efficaciousness of open competition is demonstrated, but in this instance, the company responsible for saving the taxpayers \$1 million was completely shut out in the cold for their patriotic interest.

Mr. Secretary, there are literally dozens of other cases that I could mention. Some of them are not Navy procurement actions, although all Navy transactions under study follow this same pattern.

It appears to me, as a result of a long and arduous study, that some Navy civilian employees and some of the uniformed personnel use their Federal status as a staging area for subsequent lucrative employment outside the Government, if not for immediate gain while still in the Federal service.

When the taxpayer has to foot the bill for these efforts for personal advancement of one sort or another, the continued "administrative errors" and "oversights" become noxious and open to critical inquiry if not criminal prosecution.

To use Federal employment as a tool to create either an atmosphere which provides for subsequent commercial opportunity or a climate of immediate fi-

nancial gain, appears to me to be nothing short of a criminal conspiracy. When the Government is thus defrauded, the guilty should be punished.

Since the transactions I have mentioned previously have all been accomplished and completed, it might be concluded that they were, indeed, irregular or improper. It might also be contended that the lessons involved in these procurement actions have all been well taken.

It might further be stated that they will not reoccur in any form, and that in the future, the American taxpayer will derive more value for this tax dollar spent for defense and the American industry will no longer either be shut out or have to use devious methods to gain ingress into profitable Navy Department production contracts.

That would indeed be a laudable accomplishment, but unfortunately for everyone but the favored manufacturers and some Navy employees, such an accomplishment cannot be documented. In fact, and in truth, the same pattern of suspected duplicity and possible deceit is being followed in a current procurement transaction for equipment identified as the AN/PRC-41 radio set.

This history of this procurement is such that it is almost certain there is a criminal conspiracy to defraud the Government here. The actual sum of money has not yet been calculated and cannot be until after all the facts are reported by the General Accounting Office.

To begin at the beginning, there was a development contract issued for almost \$1 million to Collins Radio, sole source, without competition, for a radio that is curiously alined with a similar development of the AN/ARC-51 which was paid for both by the Navy and the U.S. Army Signal Supply Agency. In the brief time allowed for preparation of this presentation, it has not been possible to develop full details on the AN/ARC-51 development and production; however, this will be accomplished soon. Suffice it to say that some serious questions have been posed by even the most superficial of preliminary studies.

The current procurement for the AN/PRC-41 is now identified as a sole-source negotiation under Bureau of Ships Request No. 627D-26112(S) and is scheduled now for an award to Collins Radio Co. without any competition of any kind. The General Accounting Office has supplied to me, at my request, a complete report on the previous history of the development contract awarded to Collins, again, I would like to emphasize, without competition. This material reveals an almost unbelievable circumstance. After spending almost a million dollars for development of this radio, there are no manufacturing drawings available to the Navy Department to provide details necessary to obtain open competition for follow-on production.

The reason there are no manufacturing drawings available to Navy (which do exist and are currently in possession of Collins Radio) is even more astounding to me. This is a direct result of an order issued by an individual identified as H. Mullally, BuShips telephone number 62431, originally justified by S. D. Keim, extension 64065 and E. C. Aiken, Bureau of Ships code 675. This order is in the form of a letter, serial 1705.4-73, dated January 11, 1962. It instructed Collins Radio that "The Bureau has reviewed its requirements and it is now requested that the drawings not be delivered."

As you know much better than I, it now follows naturally that in production procurement action, your Department or some employee thereof can state with absolute authority that there are no drawings available to provide to the rest of the electronics industry with details covering the manufacture of AN/PRC-41. This fact alone would justify an award to Collins, but for the fact that my study has uncovered other facts which point a finger of criminal suspicion at someone in an ever-decreasing circle in the Navy Department.

Additionally, it has been learned in my study of documentation that the current procurement request (26112) is supported by an interdepartmental procurement request initiated by the Marine Corps. Identified as MIPR, this document stipulates several technical changes for incorporation into the production equipment. On the procurement request (26112), however, these changes do not appear. I repeat, they do not appear.

Based on circumstances and study of past procurement actions, this automatically sets the stage, after an award is made to Collins Radio for production on a sole-source basis, to allow and to "justify" subsequent "engineering changes" which will increase the cost of this unit to the Government even further and provide another opportunity for financial legerdemain similar to that of past cases.

Mr. Secretary, since starting my study of this particular procurement request, I have become increasingly appalled at the furtiveness under which it is being conducted. I determined that it might be very possible for a completely independent manufacturer to complete a study of this equipment and arrive at a price figure that would be competitive to the price per unit of the Collins offer.

A copy of the procurement request (26112), interim and final technical reports, technical manuals, specifications, and microfilms of manufacturing drawings of other allied equipment was submitted by me to Arvin Industries, Columbus, Ind., and they were asked to prepare a quotation. Arvin informed me they had already submitted a request to the Navy Department for an opportunity to participate in this procurement action and said the firm was denied the procurement papers by the Contracting Office of the Bureau of Ships, again in clear violation of stated Navy policy.

Regardless of the Navy Department's seeming determination to award a substantial—

Mr. GAVIN. Who was the contracting officer in the Bureau of Ships? Secretary BELIEU. There are several, sir. But the principal one was here yesterday—Captain Wells. [Continues reading:]

Regardless of the Navy Department's seeming determination to award a substantial contract to Collins Radio without even considering other highly qualified sources, I insisted that Arvin go to the expense of preparing an honest cost analysis and quotation.

I then requested the Chief of the Bureau of Ships to withhold any award to Collins Radio until the close of business Monday, May 21, 1962. I also requested the Comptroller General to observe the current quotation submitted by Collins Radio to the Bureau of Ships in response to request No. 26112. My purpose in so doing was to make sure a disinterested third party had full knowledge of the Collins bid and also to deter any overenthusiastic Navy employee from either modifying, altering, or even substituting another proposal for the now current quotation for this equipment.

Attached hereto is the proposal prepared by Arvin Industries for the production of the AN/PRC-41 radio set. This firm, one of the most reputable in the industry, warrants to me that they can not only deliver the end product, but can actually improve the current delivery requirements set forth in procurement request No. 26112, which is of critical concern to the Government in view of the statement to my office by Rear Adm. R. K. James, Chief of the Bureau of Ships, regarding the urgency of the delivery requirements.

Mr. Secretary, in view of the foregoing, I believe I have a right to expect that the award for production of the AN/PRC-41 production contract be made to Arvin Industries, Inc., Columbus, Ind., providing the price quoted by Arvin is in any degree less than that submitted by Collins Radio for this same production.

In view of the documented record of performance of Navy personnel in handling "negotiated" procurement of the TR-152()/SQS-23, I would strongly urge a great degree of caution in "revising" the current requirements to "justify" second bidding, or third bidding, as in the case of the TR-152. Additionally, since it is the pronounced "policy" of the Navy Bureau of Ships not to "auction" awards, negotiations should only be conducted with the lowest proven responsible bidder.

If the Navy Department intends to conduct negotiations with Arvin Industries for the award of contract for production of the AN/PRC-41, I wish to be notified accordingly before close of business, Tuesday, May 22, 1962.

In conclusion, I wish to inform you that I am today requesting the Comptroller General to supply me with a copy of the Collins Radio Co. quotation under No. 26112 covering the AN/PRC-41, and other data, which will, in the immediate future, make it possible to put an end to "administrative errors" and "inadvertent oversights." It will also make it possible that a single individual in the Navy Department be held responsible for examples of reckless waste of taxpayer dollars in military procurement for electronic equipment. This will be done either by removal from office or by prosecution through the Department of Justice, or both.

With kindest personal regards, I remain,
Sincerely yours,

EARL WILSON,
Member of Congress.

On May 22, 1962, from the Secretary of the Navy:

MY DEAR MR. CONGRESSMAN: I received yesterday your detailed letter discussing the Navy award of contracts to electronic industries, and am appreciative for this interest you have taken in our efforts to provide equipment for our forces in the most efficient manner.

I have directed the Bureau of Ships to postpone the award of the contract for the AN/PRC-41 equipment until I have the opportunity to have made a thorough evaluation of the circumstances surrounding the proposed award.

Thank you for your interest.

Sincerely yours,

FRED KORTH.

On May 22 a telegram from the Secretary of the Navy to Representative Wilson.

Let me first read—before this telegram—the telegram that occasioned the reply.

This is from Representative Wilson to the Secretary of the Navy, dated May 22:

[Deliver before 10:45 a.m.]

HON. FRED KORTH,
Secretary of the Navy:

In connection with Navy BuShips Procurement Request No. 26112 covering the production of "urgently" needed AN/PRC-41 radios and my presentation of May 21, 1962: Your report of a full investigation of this matter is appreciated; however, in the interests of our national defense posture and of economical procurement on behalf of the taxpayers of the United States I must insist the procurement of the AN/PRC-41 radios proceed as I have recommended by an award of this contract to the low bidder, Arvin Industries, thereby effecting a savings of well in excess of \$1 million on this single procurement action and accelerating delivery schedules of this equipment well ahead of Navy stated requirements. There is no reason why this contract should not be awarded at once, even while an investigation of an apparent fraud progresses, the two matters are entirely separate and distinct. The best interests of the United States dictates an immediate award of the contract, and a separate and full investigation. I must insist that your Department now proceed with an award of contract to Arvin Industries, unless, of course, the urgency of delivery and Navy procurement procedures are equally capricious and your report of investigation is merely a delaying action to afford Navy personnel new opportunity now to "justify" another route to channel this contract to Collins, and to deny the proper award to a manufacturer who has cooperated with my office to assure the economy of over a million dollars and to stimulate economic progress in the State of Indiana. Please acknowledge before the House of Representatives convenes at 12 noon this date.

EARL WILSON,
Member of Congress.

Now, the telegram that I started to read earlier.

In reply, Secretary of the Navy to the Honorable Earl Wilson, House of Representatives:

At 12:15 today, I personally received your telegram concerning AN/PRC-41 radios requiring an answer to you by 12 noon. Your telegram was received in the Navy Department at 11:06. I telephoned you immediately upon receipt. I advised that due to the gravity of your statements concerning the procurement of these radios, I was constrained to postpone award of contract for procurement for these urgently needed equipments pending a determination of the proper decision to be taken in the best interest of the United States.

I will advise you further.

FRED KORTH.

On May 23, a telegram to Adm. George Beardsley, Chief, Office of Naval Material:

In the spirit of cooperation that I set out to you during our conference this morning, I have today ascertained the answer to a question you asked about the UHF production experience of Arvin Industries. Please be advised that

Arvin Industries has shipped, in the recent past, approximately \$10 million worth of UHF equipment. Please acknowledge.

EARL WILSON,
U.S. Representative.

If my memory serves me correctly on this, Mr. Chairman, normally when a firm bids it indicates its experience in the area it is bidding on.

Arvin did not indicate any—I believe my memory is correct—any UHF experience, at least in the military field. Although Admiral Beardsley could answer this, I am certain that he probably discussed that with the Congressman. And this is the reason for this telegram.

Admiral Beardsley acknowledged the receipt of the telegram on the same date.

On May 29, a telegram to the Secretary of the Navy from the honorable Member of Congress from Indiana :

Hon. FRED KORTH,
Secretary of the Navy,
Washington, D.C.:

On Monday, May 21, 1962, I made a written presentation to you concerning a review of procurement procedures of the U.S. Navy and of my inquiry and conclusions specifically in connection with the current procurement of the AN/PRC-41 radio set under Bureau of Ships negotiation No. 26112. On Tuesday, May 22, you will recall you telephoned me, and in our final conversation of the date I recall your statement that you intended to withhold the award of contract for the AN/PRC-41 for 1 week to allow time to make a determination as to the Navy course of action in this regard.

In order to eliminate any confusion and/or misunderstanding I would like at this time to repeat what I told Admiral Beardsley in my office, Wednesday, May 23, 1962—that was that all our material is documented and supported by written inquiry, coupled to and joined with written answers. Conferences lead to confusion, and telephone conversation forms a very poor record for future review unless recorded.

In order that there can be no misunderstanding in the case of the AN/PRC-41, it is respectfully requested that my office be supplied with a written statement before 4:30 p.m., Thursday, May 31, 1962, advising the Navy's decision to award a contract under BuShips procurement request 26112 for the AN/PRC-41 radio set that is considered by the Navy to be in the best interests of the United States. I would appreciate it if your advice of award of contract in this best interest would include: (1) Name of the successful contractor; (2) number of radio sets to be awarded; (3) the number of accessory kits to be awarded; (4) the amount of spare parts involved; and (5) the total number of dollars to be obligated.

EARL WILSON (Indiana).

On May 31, Secretary of the Navy wrote two letters to Mr. Wilson. The first one :

MY DEAR MR. WILSON: Yesterday I received your telegram requesting that you be advised today of the Navy's decision in regard to the award of the current procurement of the AN/PRC-41 equipment.

You will recall that pursuant to your telegraphic request of May 10, 1962, award of this procurement was held up through May 21. Additionally, as I advised you in my letter of May 22, I directed the Bureau of Ships to postpone award of any contract for this equipment until I could have a thorough evaluation made of the basic factors involved in this procurement. This evaluation, although well underway, has not been finally completed. When it is completed and our final determination made, I shall be glad to advise you.

Although those radio sets are urgently needed by our operational forces, I intend to apprise myself of the facts in this case and to assure that whatever action is taken is in the best interests of the Government.

Sincerely yours,

FRED KORTH,
Secretary of the Navy.

The other letter, of May 31, 1962:

MY DEAR MR. WILSON: In your letter of May 21 and in other more recent communications, you have informed me of your suspicions that some Navy personnel have engaged in duplicity, deceit, criminal conspiracy, and other misconduct, which you say is open to critical inquiry, if not to criminal prosecution. You have not identified the persons to whom you refer, and except for the AN/PRC-41 procurement, you have not specified the acts which constitute the alleged misconduct.

I appreciate your concern that the defense funds appropriated by the Congress be spent prudently and honestly. I fully share this objective and I am determined to take every reasonable action to assure that it is achieved. I take with great seriousness any suggestion of irregularity on the part of Navy personnel who are engaged in procuring the material required for national defense.

I have accordingly directed that the charges that you have made be thoroughly investigated to the end that they may be confirmed or disproved.

During my telephone conversation with you on May 22, you stated that you would allow my representative to review the material in your file which you indicated supported the statements in your letter. I thereupon instructed Vice Adm. George F. Beardsley, U.S. Navy, Chief of Naval Material, to call upon you the following morning for the purpose of reviewing this material.

I am informed that you would not allow Admiral Beardsley to see the material in your file but that you offered to answer specific questions concerning it. Admiral Beardsley stated that he would review the Navy files on the AN/PRC-41 procurement and would return with specific questions.

An attempt was made by Admiral Beardsley to meet with you for this purpose on May 25; however, he was informed that you would be out of the city until June 4.

Without knowing what evidence of misconduct you have, and having no independent knowledge of the wrongdoing to which you have referred, we have had no way to date to conduct an adequate investigation and no basis on which to take corrective action, if any should be required.

Inasmuch as you have made special reference to the AN/PRC-41 procurement, we have paid particular attention to this matter.

This procurement is covered in a separate letter to you today, but I can tell you now that our inquiry has thus far disclosed no evidence of wrongdoing.

I think it is imperative to get to the bottom of these charges promptly. This can be done only if we have specific facts to investigate. It would be of great assistance if you would furnish me with the names of the persons whom you suspect of improprieties, the acts which you think constitute such misconduct, and any other information which you consider pertinent to the subject. Since Collins Radio Co. is mentioned in your letter as the beneficiary of some of the alleged improprieties, I would appreciate also being informed if you have any evidence of improper conduct on the part of this company. I assure you that we will investigate any specific information that you furnish promptly and thoroughly, with the assistance of the Federal Bureau of Investigation, if this should be required.

If you are not willing to provide me with specific information, I request that you furnish such information directly to the Federal Bureau of Investigation in order that the matter may be investigated by that organization.

I am confident that the great mass of Navy personnel are sincere, honorable, and dedicated public servants. If we have any person in the Department of the Navy who is not worthy of the trust that has been imposed in him, I want to find it out as quickly as possible, and you may be sure that we will take prompt and appropriate action. However, until such time as I have evidence of misconduct by Navy personnel, I believe that they have a right to expect me to support them in the performance of their duties, even as I expect their support in the performance of mine.

Sincerely yours,

FRED KORTH.

That, sir, I believe, completes the basic correspondences on the AN/PRC-41 procurement.

There are other items mentioned in that correspondence. There are other letters here pertaining to those.

Mr. HARDY. Mr. Chairman, if I might, since we are talking first about this particular correspondence, and since that correspondence does make reference to a number of telephone calls, I wonder if you have memorandums with respect to the content of those telephone calls?

Secretary BELIEU. I do not; no, sir.

In partial answer to your question, sir, in addition to the letters and documents I hand Mr. Courtney, I called Congressman Wilson and in effect said similar things that are in the letter that I just read.

I did not keep a memorandum of the telephone call. It is not my normal practice to keep telephone call memorandums, excepting the dates of calls.

Mr. HARDY. I wasn't thinking about verbatim memorandums. I was thinking more in terms of a summary, of some indication as to what was discussed.

Secretary BELIEU. There are undoubtedly aide memoirs in the Department on some of the phone calls, I am certain, sir.

I did not gather them together, sir. I will be glad to search the files.

Mr. HARDY. As a matter of fact, one subcommittee up here thinks you keep verbatim records of all conversations with members.

Secretary BELIEU. We don't, sir. Sometimes I think we should, but we don't.

In addition, I asked the liaison man from the FBI to the Pentagon to come to my office and representatives of the Office of Naval Intelligence and some of my staff to see what we could do to pursue the charges made in the letters and the correspondence from Mr. Wilson.

The FBI would have to speak for themselves on this.

I would not attempt to.

Obviously, when charges are made, no one welcomes news of this nature, but we are happy to have any tangible evidence of wrongdoing.

I think there is only one way this country can survive, and that is for us to talk frankly and freely with each other, as always has been the case with this committee and my office, either on the Hill or where I now am. This is the only way we can mutually help each other correct our mistakes.

But an allegation made or a charge made without supporting evidence, given to some bona fide law enforcement agency or to the institution of the U.S. Government which has, I believe, an equal interest in the survival of this country with anybody else, allows no concrete action to be taken.

And I view it actually as sort of an antithesis of the things that I personally fought for in World War II and in Korea and would fight again for, and gladly.

A man is entitled to face his accusers. He is under our Constitution presumed innocent until proven guilty.

These to me are things that are fundamental and far more precious than so many things we have discussed here.

Now, it had not been my intention, Mr. Chairman, to burden this committee with the charges that were made, because I knew the jurisdiction of this committee in the legislative field, as stated by the chairman at the opening yesterday, and it had been our intention to present the procurement factors as they stood and let the committee decide on the merits.

Whichever the committee decides is fine with us.

However, serious charges have been levied in these letters and on the floor—not on the floor of Congress. They were extension of remarks.

As I can see them, they were not made openly on the floor but were placed in the Record, against four or five employees, including myself, of the Navy.

And, therefore, it is obvious I am not insensitive to these things.

It is a standard axiom in any organization that has morale that you are loyal to your employees, and they to you in turn, and I am loyal to the Navy employees.

If there is evidence, sir, of wrongdoing that you have knowledge of I think, sir, you are doing the Navy and the country a dishonor every day you hold it back. Because we also want to cut every bad apple that is there out of the box, and will do so with your help.

However, I hope I never sink so low as to accuse people without just cause, or without giving them the proper trial under the things that we hold dear in this country.

I admire your desire for better government. This we share in common.

I admire your desire to achieve better procurement practices in our Government. I share that, too. In fact, I work every day at it, and not alone.

I plead with you, sir, to help us to do this job in the best possible way.

Mr. HÉBERT. Mr. Secretary, I don't want to interrupt you.

Secretary BELIEU. Well—as I say, I am not insensitive. I had not planned on talking about this, sir.

Mr. HÉBERT. I appreciate your feeling and your emotion on it.

Secretary BELIEU. Right, sir.

Mr. HÉBERT. But this is not the proper forum at this time.

Secretary BELIEU. All right. Thank you. These are the pieces of correspondence that the chairman requested, sir.

Mr. COURTNEY. Mr. Chairman, the Secretary has furnished the documents which are identified now as exhibit 5 and have been read into the record.

I ask that the formal documents themselves be included as an exhibit.

Mr. HÉBERT. Without objection, it is marked for exhibit.

(The documents referred to were marked "Exhibit 5.")

We will have them for the committee's information, but not part of this record.

Mr. STEGER. That's right, sir.

It is not related to the case.

Mr. HÉBERT. It is not related to the case.

Secretary BELIEU. That is right.

Mr. HÉBERT. Now this concludes the Navy's presentation?

Secretary BELIEU. Yes, sir, unless the committee has questions.

Mr. COURTNEY. Now, Mr. Chairman, yesterday we requested some official documents, which I believe Captain Wells has.

Captain WELLS. Mr. Courtney, they are in preparation. I would expect to have them completed by the time of next recess. I do not have them here at the present time, and they have not been completely assembled, sir.

We have done the best we could. They are not completely assembled.

Mr. COURTNEY. Well, we can proceed with a few questions, then, Mr. Chairman, with your permission.

Major, I wonder if you could come back over here—Major Sudhoff? I had a few questions here, Major. Now, Major, in the course of your presentation you have presented some figures with reference to the time element involved and your appraisal of the time element involved in the performance of a production contract on the 41.

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Those figures are also in your printed statement and in the record, but they are also, for quick reference, on the board in duplicate.

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now, I would like to ask you as a first question, Major, when were those figures prepared in time?

Major SUDHOFF. The actual ones that appear on the chart, sir?

Mr. COURTNEY. And the ones in the exhibit, which I believe are the same.

Major SUDHOFF. Yes, they are.

Well, we prepared a number of charts and presentations to determine how best to articulate the case.

The ones that were actually prepared, that you see on the chart, were prepared approximately 3 to 4 weeks ago, although these are the same figures that we have used throughout our presentations from the standpoint of presentations to our subordinates, all the way on up to Secretary Korth's office.

And the actual numbers—the date before the date of registration of protest, if I may use that term, which to my knowledge was about May 10.

Mr. COURTNEY. Well, can you tell us, Major, whether in the processes of decisions which were described here yesterday as control points—the figures which you have presented to the subcommittee and have discussed in your testimony—were available—let us begin with the first control date, namely October 24, 1961.

(Major Sudhoff nods.)

Mr. COURTNEY. What is your answer?

Major SUDHOFF. As to whether or not these figures were prepared then?

Mr. COURTNEY. Yes, sir; the figures that have been given to the subcommittee.

Major SUDHOFF. No, sir.

Mr. COURTNEY. Were they in existence and were they considered then on November 17, 1961—the second date or control point?

Major SUDHOFF. And November 17: What control point was that, sir? I can't recall.

Mr. COURTNEY. This was an engineering opinion by Mr. W. Shaup.

Major SUDHOFF. That is right, sir. They originated prior to that time, since November 17 is the date that is on the memorandum, I believe.

Mr. COURTNEY. Well, now, what is your answer? Were these figures which you have presented to the subcommittee in the hands of Mr. Shaup when he made his determinations on November 17, 1961?

Major SUDHOFF. The same overall time estimates were. However, it was articulated differently.

Mr. COURTNEY. Mr. Chairman, for the record, let it appear that all of the content of that chart appears under the heading "Leadtime Analysis" in his prepared statement?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. With the exception of the red numbers?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. So we have a convenient printed reference point.

Mr. HARDY. Could I understand here now: Is it your testimony, Major, that these computations—calculations of the time element involved both with respect to Collins and somebody other than Collins were computed way back there?

Major SUDHOFF. Yes, sir; they have to be, sir.

Mr. HARDY. Well, that is what I wanted to find out.

(Major Sudhoff nods.)

Mr. COURTNEY. So these figures were before Mr. Shaup on November 17, 1961?

Major SUDHOFF. Yes, sir. We prepared them mutually.

Mr. COURTNEY. You prepared them—

Major SUDHOFF. Mutually, sir.

Mr. COURTNEY. You mean yourself and Mr. Shaup?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Prepared the figures?

Mr. HÉBERT. Mr. Courtney, may I interrupt here to emphasize the very pertinent and important question that Mr. Hardy has asked.

I understand your reference yesterday to the XYZ company was not in relation to Arvin at all?

Major SUDHOFF. No, sir. XYZ—

Mr. HÉBERT. The chart was prepared prior to November—

Major SUDHOFF. The 17th. XYZ is an imaginary composite of UHF qualified companies.

Mr. HÉBERT. And that was prepared in the presentation before this Board that was going to decide whether it would be a sole source or not.

That is a control, too, isn't it, Mr. Courtney?

Mr. COURTNEY. Yes, sir. I haven't come to that, Mr. Chairman.

Mr. HÉBERT. Oh, you have not.

Mr. COURTNEY. The major has now testified, as I understand it, that the XYZ company was a hypothetical company, without name and not existing excepting for discussions as a potential supplier?

(Major Sudhoff nods.)

Mr. HÉBERT. And was prepared prior to any protest.

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. And that that set of figures—the 26 months and the potential 39 months, figures, were in being prior to November 17, 1961?

Major SUDHOFF. Not in that exact form, sir.

You see, when we determined this, it is necessary to indicate, for any supplier other than the one to which you are considering, our estimate of the time it would take them to produce.

Now in here, in this chart—this is a matter of articulation—we have completion of all production items. Now this figure is not taken into consideration when you talk about how long would it take someone else to produce.

You usually base this on when is first item delivery.

So this figure—excuse me. This figure, then—the five or five, in this case—would be left out of the consideration.

It would be up to the completion of first production item. Which would then be in effect—if you delete this—21 to, in this case, 34 months. Remembering also that this first column is under the assumption that the company is going to take all risk. And this is what we consider more of a normal production procurement.

Mr. COURTNEY. Yes.

Mr. HÉBERT. I just want to get it very clear what we are talking about now.

These figures were prepared with the mythical XYZ company in November; is that correct?

Major SUDHOFF. Well, I could say either late October or November. I think November is a better date.

Mr. HÉBERT. All right. Were they prepared prior to your appearance before this review board to make the determination of sole source?

Major SUDHOFF. Yes, sir. Because you have to have this figure to present to the board.

Mr. HÉBERT. I just want to know. Never mind the cause. I want to know whether they were or were not.

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. They were prepared.

Was this chart—we are not to the meeting, yet, Mr. Courtney, the meeting of the review board?

Mr. COURTNEY. I was trying to develop for the information of the committee whether or not the first control point had these figures before it when its decision was made as part of the chain of events.

Mr. HÉBERT. And that control point was the decision of sole source or not.

Mr. HARDY. No, it went back beyond that.

Mr. HÉBERT. That is what I am trying to clear up.

Mr. COURTNEY. Mr. Chairman, let me see if we can straighten out the record and what we are interested in developing.

On October 24, 1961, the Commandant of the Marine Corps requested the purchase of these units.

The next thing that appears in the order of action is an engineering opinion, which we do not have before us now but which will be supplied with a department form, I presume, which requires the answers to certain specific questions.

That is an instrument which is dated November 17, 1961. And it was signed by Mr. Shaup.

And it is the second in the series of documents which go through these processes, up to the Secretary of the Navy.

(Mayor Sudhoff nods.)

Mr. COURTNEY. My question then is what information of the character contained on this tab and in the prepared statement which you made did Mr. Shaup have when he signed the engineering opinion of November 17, 1961?

Major SUDHOFF. As regards leadtime?

Mr. COURTNEY. Yes, sir.

Major SUDHOFF. For other producer.

Excuse me. It is necessary to complete a form for negotiated procurement, which is called in effect a request for negotiation.

The form number on that is NavShips 4494-2(8-60).

Mr. COURTNEY. And that is the form which the subcommittee will be supplied with.

Captain WELLS. Yes, sir.

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Before noon, is that right?

Major SUDHOFF. Now this form requires a significant amount of information as regards the intended procurement.

Item No. 7 of the form, on page 4 of 5 pages, asks the question:

"Manufacturing leadtime for a new producer." And they break this into four elements for consideration, and then an indication of the total delivery time.

The first element is called design and engineering. That is represented by our chart here [indicating], through a variety of our presentation we have been calling this production design and engineering.

I believe I referred to it in my presentation that way.

In that element we have put in 7 months, as an estimate. You will notice that is the minimum—

Mr. COURTNEY. Now, this is 7 months for a new producer?

Major SUDHOFF. For a new producer, yes, sir.

Mr. COURTNEY. All right.

Major SUDHOFF. Now, the second increment is—

Mr. COURTNEY. Before we leave that, I notice that the figure 4 months is the same for Collins as it is for a potential producer under one set of circumstances presumably, and you also include the figure 5 months.

Where does that come from?

Major SUDHOFF. Well, this, if you remember my presentation of yesterday was under the assumption that this man in 3 months could learn everything that in this case Collins Radio had learned over the 3½ or 4 years—

Mr. COURTNEY. Well, let's see if we can get this into the record so somebody can read it. You attribute to a new manufacturer 3 months for a learning time?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. All right. Then you say he or Collins—whoever he may be—would have an additional 4 months for modifying an engineering development?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Is that right?

Major SUDHOFF. The actual performance.

Mr. COURTNEY. At this point they are equal—the potential and the selected contractor?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now, where and what relationship has the 5-month period to this undertaking?

Major SUDHOFF. In this case, sir, where we have attributed 4 months for the modifying and engineering of the development model in our hypothetical XYZ co., we have in effect given him the benefit of every doubt as regards being equal to Collins, who has already had all of this prior knowledge and experience.

The 5 months I would consider much more likely and perhaps even longer as being likely.

Mr. COURTNEY. In other words, the worse that could happen to this potential manufacturer, if he didn't know his business, would be another month to get to the second stage?

Major SUDHOFF. At the very least; yes, sir.

Mr. COURTNEY. Is that right?

Now what does the question mark mean?

Now, let the record show that in addition to the figures in the major's prepared presentation, he has now a heading which he calls the Arvin Proposal and after it is a question mark.

Now, what does that indicate, so the committee will understand your presentation?

Major SUDHOFF. All right, sir. The question mark indicates that in the proposal submitted to the Honorable Earl Wilson on May 21 and then further submitted to the Secretary of the Navy on that date we could find no indication of an allowance of time for either learning time or production engineering modification.

Mr. COURTNEY. So, therefore, you could not assess these figures which you had already predetermined against the information contained in the Arvin proposal?

Major SUDHOFF. That is correct, sir.

Mr. COURTNEY. Of May 21.

That is what this question marks mean, is that right?

Major SUDHOFF. That is right. Yes, sir.

Mr. HARDY. Could I—now, just talking about those question marks I just happened to note that they are apparently stuck on a piece of paper pasted over the top.

Does that mean that you had a different evaluation of what they said at one time?

Major SUDHOFF. We did, sir. However, we thought the question mark would probably be a little more appropriate for purposes of the presentation.

Mr. HARDY. You mean you were not satisfied that you had evaluated their time element?

Major SUDHOFF. No, sir. We did have underneath this piece of paper the phrase "not considered".

I can remove that if you would like me to.

Mr. HARDY. That chart was actually made up for your presentation to the committee, was it not?

Major SUDHOFF. Yes, sir.

Mr. HARDY. And so you first put down there "not considered" and then decided you would put a question mark over it?

Major SUDHOFF. Yes, sir.

Mr. HARDY. Thank you.

Mr. COURTNEY. Now, then, would the same answer and the same explanation hold true right on down to the very last item?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Which is the completion of all production items.

Now as to that—

Major SUDHOFF. This is not included in the material that we normally present or work up.

Mr. COURTNEY. That is right.

So the last figure of the six figures on this board was not before Mr. Shaup on November 17, 1961?

Major SUDHOFF. That is right, sir.

Mr. COURTNEY. And I notice in that figure that you give Collins an estimated 5 months for performance.

Major SUDHOFF. Right, sir.

Mr. COURTNEY. Any other potential manufacturer 5 months?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. But that you attribute 3 months to Arvin?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now that is taken from the documents and information available to you?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now the 5-month calculation was made—again I repeat—after November 17 and approximately at what time?

Major SUDHOFF. The 5 month?

Mr. COURTNEY. Yes, sir.

Major SUDHOFF. Figure?

Mr. COURTNEY. Yes, for complete production.

Major SUDHOFF. The 5 months I believe—I am trying to remember.

On production estimates of total production time, which goes to quantities capable of being produced per month, we usually refer to our production experts in the Bureau of Ships as to what is the most economical rate or advantageous rate in order—in this case, if you have to hit a high rate in order to get the equipment in a hurry and in the hands of troops, they can usually strike some sort of considered balance as to the facilities of the assembly lines and the number of personnel.

I believe that this 5 months that appears on this chart actually comes from the return bid of Collins, which indicates that in 5 months they are going to complete all production items.

Our original request for proposal, if I remember correctly—I am not in the contract section, but I believe—correct me if I am wrong—that we had a 5- or 6-month production total delivery requirement.

Didn't that start 10 months?

Captain WELLS. That is right.

Major SUDHOFF. And I think the last 16 items finished up the 16th month, which, to all intents and effect, was about 5 months delivery.

Mr. COURTNEY. Now, let's be crystal clear about it. Five months is a period of time which is selected by the Navy Department or by you as the time within which the production items—the first items will be completed, that is right; isn't it?

Major SUDHOFF. Well, I don't quite understand. I think—

Mr. COURTNEY. Well, my point is you attributed to Collins and to your hypothetical XYZ company the same period of performance; didn't you?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now you attribute to Arvin, after examining its documents, a 3-month performance?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now, how do you arrive at that figure?

Major SUDHOFF. At the five and the three?

Mr. COURTNEY. At the three—no, at the three.

Major SUDHOFF. The three was arrived at by this method. There is what you may call a bar chart of production scheduling included within the Arvin proposal.

It indicates, broken into weeks—however, for all intents and purposes we use 4 weeks equal to 1 month, although in other figures you could use 4.3.

Mr. COURTNEY. Yes.

Major SUDHOFF. But there is a total time elapsed from the first production item delivery indicated at the end of the 36th week, I believe it is, after date of award of contract—the bar extends out to the 48th week. And on that basis of 12 weeks and 4 weeks to the month, that is 3 months.

Now there has been some question as to whether or not the 48th week was complete cutoff, because the bar chart only went out to 48 weeks. There was no extension to it.

But on the basis of information furnished to us, we had to anticipate the 36 to 48 weeks was the total production delivery, and therefore 3 months.

Mr. COURTNEY. And you accepted that in good faith?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. In making your evaluation?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now, in doing up the chart, let us take the item "Completion preproduction items."

Major SUDHOFF. Right here, sir [indicating].

Mr. COURTNEY. There is only one additional month attributed to Arvin in your evaluation over the minimum acceptable or possible by either Collins, the developer, or a potential manufacturer, isn't that right?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. So that is 1 month's difference.

Now all the other figures seem to be either above or at or below, isn't that right?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. Now, of course, you couldn't evaluate the 6-month test period against any manufacturer?

Major SUDHOFF. No.

Mr. COURTNEY. Who had not been in the business?

Major SUDHOFF. That is right.

Mr. COURTNEY. Because the Commandant testified that field testing requires approximately 6 months?

Major SUDHOFF. Yes, sir; and often longer.

Mr. COURTNEY. Often longer?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. And 6 months is somewhat less than the actual period of testing of this model by the Marine Corps?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. As the Commandant testified.

Now, I had another question. Please be seated.

Major SUDHOFF. Thank you.

Mr. COURTNEY. I want to be clear on this one subject, as to what these figures represent.

So this was before, then, all—all of these figures, then, the figures that you described, were before all of the individuals who dealt with this subject prior to November 17, 1961?

Major SUDHOFF. The figures for hypothetical XYZ; yes, sir.

Mr. COURTNEY. Yes. That is what I want to know. Now yesterday you were talking—and I want to be clear on it.

You had quite an explanation at the close of your prepared statement with reference to the \$14,000 which was saved on drawings which were not required.

And in the course of your remarks, if I interpret them correctly—at least let me say to you this is what I heard.

You said that the drawings if supplied by Collins on the model which we have here in the room would be valueless. That is the way I understood you to come through, that they would be of no use, and it would be unnecessary or superfluous for them to be produced.

Now, is this what you intended to convey, or what precisely did you intend to convey as to the usefulness and utility of drawings on the model which was in this room?

Major SUDHOFF. I think that in relation to your question, or rather your statement as to your interpretation of my remarks—I am looking for the—

Mr. COURTNEY. That is the very last of your discussion.

Major SUDHOFF. Right.

Mr. COURTNEY. And we must be very clear about this.

Major SUDHOFF. All right.

Mr. COURTNEY. I have a pencil mark at three and four.

Major SUDHOFF. Pages 3 and 4?

Mr. COURTNEY. Yes.

Major SUDHOFF. Now, I think my remarks in the context of being valueless were in the relation of the time frame involved and the relationship of the intended procurement reaction. They would have been of no use to the Government at that time because we had already taken steps and been cleared by the Proprietary Procurement Control Board or the negotiated procurement had been approved by the Proprietary Procurement Control Board on December 22, 1961.

There would have been little reason in anticipation of a negotiated procurement from Collins to have Collins deliver those drawings to the Government when it was already anticipated that the drawings

would be supplied for guidance to Collins on an intended production procurement.

Mr. COURTNEY. Well, had the drawings been completed—and this is the question that addresses itself.

Now, had the drawings been completed and the model in existence, would it have been possible in your opinion for a potential manufacturer to do the model, examine the model and the drawings, and successfully and honestly bid—now, let's put it "honestly bid" on the production of the instrument which is in model form here?

Major SUDHOFF. Yes, sir.

Mr. COURTNEY. So that the absence of the drawings, then, is a significant omission which would prevent successful competition on a fairly equal basis.

And is that the reason why the—somebody can answer this—the information contained in the Commerce Bulletin of May—or March—

Major SUDHOFF. Twenty-third—

Mr. COURTNEY. March 22, 1962, specifically makes reference to the lack of these drawings, isn't that right?

Major SUDHOFF. I am not familiar with the publication.

Mr. COURTNEY. Well, who can answer that question?

Captain WELLS. I can answer the question.

Mr. STEGER. Mr. Pinn, can you answer the question on the drawings?

Mr. Pinn is counsel for the Bureau of Ships.

Mr. PINN. I would like to remind the committee that Major Sudhoff had testified that the drawings were 90 to 95 percent complete.

Mr. COURTNEY. True.

Mr. PINN. He further testified that the drawings—title to the drawings was in the United States, that the Navy could have required Collins to have completed the drawings or not.

Major SUDHOFF. That is right.

Mr. PINN. In the Navy discretion.

And could have required the drawings to have been delivered or not to be delivered in the Navy discretion.

It was further testified to that the drawings were in fact essentially completed, that the incomplete portion of the drawings dealt with indexing, with format arrangements, and bills of material, but not with respect to the showing of the equipment.

The point of all of this was that certainly if the drawings were made available and they could have been made available, they would have been practically of as sufficient use in the then completed condition as if 100 percent complete. That is, the drawings were essentially complete. Had they been made available with a bid package, they would not and could not have enabled an honest bid to be submitted to meet the time frame of the procurement requirement which was, if you will recall, 10 months delivery. The figures prepared by Major Sudhoff and that have been shown on this index, clearly show that the additional time for performance that would have been required by an honest bidder, could not have enabled him in good faith to meet the short time frame requirements of the invitation.

In other words, it would have been a waste of time for any other firm to have bid on this bid package, bearing in mind the drawings were available essentially in completed form—had they been made available

it would have tended only to mislead an honest, bona fide bidder, who would have believed that he could meet the time frame requirement of the procurement when in fact by reason of the additional factors shown in the second column, it could not have been done.

Mr. COURTNEY. Well, I guess your answer means that there was not enough available information by deliberate action on the part of the Navy in not completing the drawings so that you were in a position where the time element foreclosed you on the one hand and the incomplete drawings foreclosed you on the other, from having an accurate competitive bid of any kind—is that the fact?

Mr. PINN. Yes.

Mr. COURTNEY. That is what you mean to say, sir?

Mr. PINN. That is correct, sir.

Major SUDHOFF. I am not sure that I understood—

Mr. PINN. Would you, Mr. Courtney—

Mr. COURTNEY. Well, you always get a chance to answer yes or no, and then you explain.

Mr. PINN. Mr. Courtney, would you repeat the question?

Mr. HÉBERT. You lawyers get together. You leave me way out in the middle of the stream.

Major SUDHOFF. May I make an attempt at it, sir.

Mr. HÉBERT. Yes, I would like you to do it, Major, without all these words.

Mr. COURTNEY. Go ahead.

Major SUDHOFF. We had a situation, as I have indicated before, that began in 1951, when we tried to get a replacement for the obsolescent MAY.

We have tried many times, as I have testified yesterday, to replace this equipment.

We finally, beginning in 1958, had a very, very successful research and development effort in the XN-2-PRC-41.

This situation has been before us not since October 24, 1961, when we received the Marine Corps procurement request, but it has been before us all these years.

It is a very urgent requirement. It is getting more critical every day, as the Commandant of the Marine Corps testified to yesterday.

Now, from the documentary side of it, when we received the procurement request, in October 24, 1961, it transmitted to us the necessary funds and requested that we in effect procure production models of the PRC-41.

We started all of the necessary action to enable us to get into production, starting the specification for the production equipment—

Mr. HÉBERT. I want to ask this question. Now, let's see what we are talking about.

Is it envisioned that this is the last order for these items?

Major SUDHOFF. No, sir, it is the first order.

Mr. HÉBERT. This is the first order?

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. And the whole point revolves around the urgency for this immediate order?

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. Now, what is going to allow a legitimate and honest competitor to bid on the next allotment if he does not have the drawings in his possession and all these facts?

In other words, you have built up a Chinese wall now between competition and sole source.

Major SUDHOFF. No, sir. You see the drawings to which we are referring are those drawings that are made to enable the R. & D. contractor, the research and development contractor, to handmake the particular research and development model.

Now, a requirement of the first production procurement is always complete manufacturing drawings of a production type.

On this particular piece of equipment, I think there exists somewhere in the neighborhood of 670 to 680 drawings. This may seem like a lot. It really isn't.

To try and get some feel for the difference between research and development drawings and production drawings—

Mr. HÉBERT. Now, we are wondering a little bit, Major.

All I want to know is this: On a future procurement, can a legitimate and honest competitor bid honestly in the absence of a complete set of drawings?

Major SUDHOFF. For the PRC-41?

Mr. HÉBERT. Well, we are not talking about the helicopter that just flew out here.

We are talking about this item.

Mr. CRUDEN. Mr. Chairman, may I add a remark—

Mr. HÉBERT. No, let me get the answers now.

What I am saying is: Can a future honest and legitimate competitor come onto the table to bid in the absence of a complete set of drawings?

Now, he can or he can't.

Major SUDHOFF. Yes, sir. In 90 to 95 percent of the cases, he can, if he is given enough time to view the model and look over technical manuals.

Mr. HÉBERT. Now, what is the use of having these drawings at all, then, if you don't need them?

Secretary BELIEU. Here is the problem, sir. Yes, he could. Any reputable manufacturer could take the piece of equipment, if it were a production piece, without drawings and tear it apart and reconstitute it. But there you get into the time bind.

Now, if we need something quickly, you don't have time to let him do it.

So you have got to produce production drawings as fast as you can, with your first—normally your first production run, if you want to get competition as quickly as possible.

Mr. HÉBERT. We are not talking about an urgency now. We are talking about a future contract. Of course, it may be declared urgent to get under this exception, I admit that.

And I also make this observation now. The exercise that we are going through in this committee is what under the law the General Accounting Office cannot do.

We understand and we have said before—as I said in my opening statement—you understood the law right now can let this contract on your own determination that this is a sole source procurement and nobody can go behind that determination.

That is what the bill now before the Senate, which was passed unanimously by the House, provides, that somebody else can make a review.

(Secretary BeLieu nods.)

Mr. HÉBERT. Now, we recognize that. And that is the legislative intent of the hearings now.

Secretary BELIEU. That is right, sir.

Mr. HÉBERT. It is to buttress our previous opinion that this is wrong.

Where there is no review, where the determination is made of a sole source without benefit of review in negotiated contracts, which in contrast is allowed in competitive bidding under the law.

That is simply what we are doing now.

Secretary BELIEU. I understand, and I compliment the committee on its interest in this, sir.

Because I feel equally sensitive. And I think it is desirable that there be review. It is not good necessarily—

Mr. HÉBERT. I understand by that statement the Department will support the amendment offered to the bill which I have?

Secretary BELIEU. I didn't say that, sir.

Mr. HÉBERT. Well, now. Well, don't let's blow hot and cold here. Don't let's blow hot and cold.

Secretary BELIEU. If I could attempt to answer your specific question—

Mr. HÉBERT. I know. But now you tell us we are right, there ought to be a review. If there ought to be a review, let the Department support it instead of resisting it.

Secretary BELIEU. Well, a review is fine, sir. I think we welcome it.

Mr. HÉBERT. You don't welcome it when you oppose it. It is a very valid point.

If there are no production drawings—if we continue down this road without production drawings—now we haven't had any production yet, so there is a reason for not having production drawings to date.

Secretary BELIEU. But if we don't ever get them, obviously competition is stifled, because it is very difficult to compete, although a reputable manufacturer could take a piece of equipment apart—

Mr. HÉBERT. Almost impossible to compete as a matter of fact.

Secretary BELIEU. I think so, yes, sir.

Mr. GAVIN. The time element is concerned.

Secretary BELIEU. However, I have issued instructions—and I am sure they are being followed—but there will be production drawings just as quickly as possible on this first production run. This is part of our program, to get to the position of more competition.

Mr. HÉBERT. Anticipating—

Secretary BELIEU. Competition.

Mr. HÉBERT. A new contract and a competitive contract.

Secretary BELIEU. That is right.

And there is a requirement in the contract, whenever it is signed, requiring drawings. Now, I do not know the specific details on this, but this is a hard and fast policy that we hope to make work.

Mr. HÉBERT. Without benefit of legislation.

Secretary BELIEU. Without the benefit of legislation, yes, sir.

Major SUDHOFF. May I add, sir, that I have in my 4 years of experience in the Bureau of Ships—I have not known of any production contract for the first time that has not had a requirement for delivery of complete production manufacturing drawings.

Secretary BELIEU. That is correct. They always haven't been delivered as rapidly as we need them.

Major SUDHOFF. That is correct.

Mr. HÉBERT. Let us see if we can get through. Have you any more questions, Mr. Courtney?

Mr. COURTNEY. I have a few more questions, Mr. Chairman.

Now, in your thinking and in your planning you have excluded any other competitor successfully from bidding for the reasons which you have assigned—time and the absence of the technical information.

Now, on March 22, Commerce Bulletin invited small business—and this is the purpose of the bulletin—to consider a sole source procurement to Collins Radio Corp. of this gadget, advising that there were no drawings.

I am wondering how a small businessman or the manufacturer of any component of this article would be able to satisfy the requirements of this procurement, and in the circumstances in which the information was insufficient for the whole article how could it be sufficient for its parts?

Major SUDHOFF. You mean in relation—

Mr. COURTNEY. Yes.

Major SUDHOFF. To some other organization being the prime contractor. Or a subcontractor.

Mr. COURTNEY. Well, I am speaking of the supply parts.

Secretary BELIEU. Subcontractor.

Major SUDHOFF. You are talking about a subcontractor?

Mr. COURTNEY. Yes, sir.

Major SUDHOFF. Well, in that circumstance, sir, the subcontractor—well, in order to get into the position of a subcontractor he would have to have a subcontract with Collins Radio Co., or approach Collins Radio Co. on the possibility.

Mr. COURTNEY. Well, I don't want to be cynical about it, but how could these subcontractors who are potential sources of supply invited to participate by announcement in the Commerce Department Bulletin—how could they have bid on any component of this article in the circumstances and in the state of the development which you have indicated?

Mr. JONES. Mr. Courtney, if I could reply to that? The purpose of this, where we have a sole source of this nature, is to give small businesses and other potential subcontractors the opportunity to approach the prime contractor.

(Major Sudhoff nods.)

Mr. JONES. For the purpose of being considered as a subcontractor. This is the sole purpose of the synopsis in this instance.

Mr. COURTNEY. Well, but I am wondering how, if he were new to the enterprise—if he were new to the development, a good efficient, honest, earnest, and anxious subcontractor could produce anything that Collins could use?

Mr. JONES. I would say that in the subcontract field there are probably many components of a type which Collins could obtain competitively. This is something we are consistently attempting to do, to generate greater competition in the subcontract area.

Mr. COURTNEY. Well, still my question persists, as to how a new individual could get into the business to make the parts when you couldn't make the whole.

Mr. JONES. Because there are certain parts that are not of the same complexity. Therefore, certain of the components could be subjected to competition whereas others could not.

Mr. COURTNEY. So, then, the subcontractor goes out and finds out for himself—is this it?

Mr. JONES. Yes, sir.

Mr. COURTNEY. And takes his chance?

Mr. JONES. Yes, sir.

Mr. COURTNEY. Not knowing whether or not the production parts, or the parts will be acceptable as components.

Mr. JONES. The subcontractor will know his capabilities and he will present his capabilities to the Collins people in this case and the Collins people will make a determination as to his capability.

Mr. COURTNEY. Well, now, in point of time, wouldn't the same time element that you hold here as essential for the performance of this contract and which indicates, as you have said, the reason why Collins was selected as the exclusive producer—wouldn't that same time element apply to the suppliers?

Mr. JONES. Only to the extent of the complexity of the item. If the item—

Mr. COURTNEY. Well, would it or wouldn't it? There is either a time element or there isn't.

Mr. JONES. There is a time element and it applies—

Mr. COURTNEY. Well, doesn't it apply equally—listen to the question.

Mr. JONES. Doesn't it apply equally to the subcontractors?

Secretary BELIEU. I don't believe it does, Mr. Courtney. Although I think this information could best be obtained from Collins, because in their presentation—they obviously have a proposal. They have a time element involved. For example a plat of this nature could be stamped out by probably any man, I don't know. Collins could get it the cheapest way possible.

They must have figured this in their production schedule. Now, they talked with Captain Wells. But we, of course, have not signed the contract. I do not know how deep the negotiations have gone, and perhaps we should not talk too deeply about that openly, for business confidential reasons.

Mr. COURTNEY. Well, I don't want to get into any confidential business, Mr. Secretary.

I am just trying to find out for the information of the committee and this record what the position of a small businessman would be when he read the Commerce Bulletin of March 22.

Secretary BELIEU. He wouldn't know until he went to Collins and got the information from them, I imagine. If you want someone to produce hubcaps for this radio set; you would go to a competent firm and say, "Hubcap producer, what price will you give us?" and that we need them at a certain date; then he would be in business if he won the contract.

Major SUDHOFF. May I—

Mr. COURTNEY. You want to add something?

Major SUDHOFF. May I quote from my testimony of yesterday, sir?

Mr. COURTNEY. That's right.

Major SUDHOFF. In the present service test model, PRC, there are a total of about 2,100 parts.

Of these, approximately 453 are what you could term vendor off-the-shelf parts.

Now, if these same 453 parts appeared in the production item, the producer, or prime contractor, would be able to go out to vendors and say "I want X number of these particular stock off-the-shelf type of parts."

In addition to those, there are approximately 937 vendor special order parts. Now these are the type of parts that a particular or a variety of vendors can usually have made up special for them.

The prime contractor would have to go to the vendor, however, and give complete detailed specifications on the type of part, the number, how a stock off-the-shelf part may be altered—something like this.

But the information on the details of the part requirement has to come from the prime contractor.

Now, in the present service test model there are also 710 contractor-made parts—in this case Collins Radio Co.

I feel reasonably certain that they made these parts themselves because they were only building six service models. They were hand-made by Collins. I feel that a lot of these contractor-made parts, when you get into volume production, will in turn go into some sort of vendor special order part.

Some of these may even be off the shelf. We do have design and modification we have to go through.

A lot of these parts will change. We do have what are called non-standard parts—in other words, those that currently are not approved for use in service equipment.

A lot of these parts are going to change, but basically, the non-off-the-shelf parts do have to be specified in an order by Collins to a potential number of vendors.

Mr. HÉBERT. We will recess now, members of the committee, until 2 o'clock this afternoon.

(Whereupon, at 11:53 a.m., the hearing was recessed, to reconvene at 2 p.m. of the same day.)

AFTERNOON SESSION

Mr. HÉBERT. The committee will be in order.

Mr. Courtney.

Mr. COURTNEY. Mr. Chairman, I have a further question of Major Sudhoff.

We got a little bit diverted this morning. And coming back to this chart.

Major, when you were preparing this information, part of which is on this chart, which was in the hands of the control people commencing back in November, November 17, 1961, did you in evaluating your source determine whether or not your potential source had a record of performance which would enable it to comply or conform to the schedule you had set out, and did you ascertain whether or not the company had other business for any department of the Govern-

ment, any military department of the Government, and whether or not it was on schedule as to any of those contracts, if they had any?

Major SUDHOFF. My, or our estimates, rather, that appeared on the—or the time estimates, that you are considering, in a manner of speaking, did take into consideration all of the factors that you mention in this regard.

Mr. COURTNEY. Let me ask you the specific question.

In November, or prior to the assembly of the information which is in the November 17 finding, did you know and specifically what would be your answer to the question as to whether or not Collins had failed to meet its schedules in any respect on any of the work it had had in its shop, if it had any?

Mr. STEGER. If I may interrupt, sir?

Captain Wells has a complete delivery schedule of Navy contracts with Collins and also the Marine Corps contracts with Collins Radio.

If you would like to have that.

Mr. COURTNEY. Do you have that, Captain?

Captain WELLS. I have a summary of it available, Mr. Counsel.

Mr. COURTNEY. Are you prepared to present it?

Captain WELLS. I am, sir.

Mr. COURTNEY. May we have it, then, Captain?

Major SUDHOFF. Excuse me.

Mr. COURTNEY. This is Captain Wells resuming the stand. Captain, do you have the record of information concerning the state of performance by Collins as sole source producer on other contracts?

Captain WELLS. I do, Mr. Counsel.

It is a summary of performance on production contracts held by the—or performed by the Collins Radio Co.

The information has very recently been collected for me by my staff.

And this summary, which I have here, sir, is a summary—a result of their work.

Mr. COURTNEY. Well, we would like to have that, but I would also like to know, and the committee I think should know for the record, whether this type of information, or this particular information, or any part of it, was available to and considered by the various control officers as these papers progressed, from November through to March?

Captain WELLS. I can't answer for any control officer except myself, sir.

Mr. COURTNEY. Can you answer for yourself, then?

Captain WELLS. I can answer for myself, that I had no specific awareness of any of the information contained in this document. It was accessible to me had I asked for it. I did not ask for it.

I operated in the premise of the high prestige of Collins, in respect of prompt deliveries on production contracts, sir.

Mr. COURTNEY. Then you did not rely on the contents of this sheet—which will be exhibit 6. But you relied on independent information?

Captain WELLS. Yes, sir.

Mr. COURTNEY. Of your own?

Captain WELLS. Yes, sir.

Mr. COURTNEY. And, of course you are not answering for any others in the echelon.

Captain WELLS. I am not answering for any others.

Mr. COURTNEY. But you finally, and at some point here in January, became the person to finally sign off as responsible head of the Contracts Division?

Captain WELLS. Indeed, sir.

Mr. COURTNEY. On the qualification of this company?

Captain WELLS. Yes, sir.

Mr. COURTNEY. Uninfluenced by whatever may be shown on this sheet?

Captain WELLS. Yes, sir.

Mr. COURTNEY. That is exhibit 6.

Mr. Chairman, I would ask that this exhibit be introduced into the record at this time.

(The document furnished, and marked "Exhibit 6," is as follows:)



EXHIBIT 6

COLLINS RADIO CO.

SUMMARY OF DELIVERY AND PERFORMANCE

Equipment production contracts, 1958 to June 25, 1962, Navy Department, Bureau of Ships

Contract No.	Contract date	Quantity	Equipment	Contract schedule		Actual performance	
				Start	Complete	Start	Complete
N Obsr-75183	April 1958	833	CU-691/U antenna couplers	December 1958	July 1962	February 1959	May 1962
N Obsr-75279	June 1958	365	CU-692/U antenna couplers	do	June 1961	do	August 1961
N Obsr-75279	do	10	COL-51/4 receivers	October 1958	November 1959	January 1959	January 1960
N Obsr-75180	February 1959	339	COJ-522-1298-00 transceivers	do	April 1960	October 1958	May 1960
N Obsr-75690	April 1959	144	AN/SLR-1-ECM receivers	March 1960	May 1961	April 1960	August 1961
N Obsr-75834	May 1959	63	AN/SLR-2 and AN/BLR-1 ECM receivers	June 1960	September 1960	March 1960	January 1961
N Obsr-81039	August 1959	6	Model 156H3 high frequency receiver	November 1959	November 1959	January 1960	January 1960
N Obsr-81220	January 1960	12	AM-2374/URT amplifiers	June 1961	June 1961	June 1961	July 1961
N Obsr-81258	April 1960	47	CU-791/URT antenna couplers	do	do	August 1960	October 1961
N Obsr-81494	June 1960	580	AN/URC-32 transceivers	August 1960	April 1961	March 1960	May 1961
N Obsr-85097	November 1960	201	R-388 radio receivers	March 1960	March 1960	March 1960	March 1960
N Obsr-85379	April 1961	12	Proposher seat system	July 1960	July 1960	July 1960	July 1960
N Obsr-85396	May 1961	17	TS-407/ULR radio test sets	December 1960	January 1961	December 1960	January 1961
N Obsr-85565	June 1961	1	COL-32RS-1C transceivers	December 1961	December 1961	January 1962	February 1962
N Obsr-87207	December 1961	37	KWM-2A transceivers and antenna couplers	June 1961	June 1961	July 1961	July 1961
		1	AM-2374/URT linear amplifier	March 1962	March 1962	August 1961	October 1961

Total dollar value of all Collins-Buships contracts:

Fiscal year 1959	\$20,208,582
Fiscal year 1960	10,644,391
Fiscal year 1961	1,686,354
Fiscal year 1962	10,484,930

Total

43,024,257

Uncompleted production contracts, Marine Corps

Contract No.	Contract date	Quantity	Equipment	Contract start	Scheduled complete	Actual start	Performance complete
N Om-71001	Feb. 16, 1959	995 181 541	Radio sets, AN/TRC-75. Communications central, AN/TSC-15 AN/MRC-83 AN/GRM-82	May 1959 January 1962 December 1960	March 1962 July 1962 April 1962 May 1960	May 1959 January 1962 December 1960	May 1962. 33 due. April 1962. May 1960. June 1960.
N Om-71331	Sep. 11, 1959	5	Multiplex converters, 3657-2	January 1961	October 1960	January 1961	July 1962.
N Om-71363	May 3, 1960	2	Converter-multiplexers, CV-976/U	October 1961	January 1962	October 1961	January 1962.
N Om-72000	Oct. 13, 1960	181	Radio sets, AN/PRC-38(XN-2)	March 1962	December 1962	March 1962	On schedule.
N Om-72271	September 1961	2	Communications central, AN/TSC-15	August 1962	September 1962	May 1962	Do.
N Om-72320	Aug. 8, 1961	78	{ Radio set, AN/TRC-75, Communications central, AN/TSC-15	do. do.	November 1963	September 1962	October 1961.
N Om-72360	Nov. 20, 1961	512	Radio sets, AN/PRC-47	July 1960	December 1960	September 1960	February 1962.
N Om-72362	Dec. 15, 1961	1,423	Test equipments	February 1962	February 1962	February 1962	
N Om-72388	Dec. 22, 1961	2	Antenna and associated equipments				
N Om-70976 ¹	Mar. 8, 1960	35					
N Om-72368	Jan. 5, 1962	4					

¹ Alpha Corp., division of Collins Radio, delayed due to GFE and strike.

Collins Radio Co. BuWeps contracts, fiscal year 1956

Contract No.	Contract date	Quantity	Equipment	Contract schedule		Actual delivery		Remarks
				Start	Complete	Start	Complete	
NOas-62-0231	May 1962	160	AN/ARC-94(618T-2)	June 1962	May 1963	June 1962	Complete	
NOas-56-798	June 1956	(1)	AN/ARC-27	October 1956	May 1957	October 1956		
NOas-55-821r	June 30, 1955	169	AN/ARC-38	April 1956	December 1956	July 1956		
		160	AN/ARR-41	do	do	May 1956		
NOas-57-438r	Dec. 27, 1956	2,500	AN/ARC-38	July 1957	July 1958	July 1957		October 1957
		1,165	AN/ARR-41	do	do	September 1957		September 1958
NOw-61-1017	Feb. 28, 1962	179	AN/ARC-38	December 1961	April 1962	January 1962		Will finish in
NOas-58-634	June 25, 1958	24	FRW-2	April 1959	August 1959	April 1959		July 1962
NOas-58-211	Dec. 12, 1957	254	ARW-56	August 1958	March 1959	August 1958		August 1959
NOas-59-8023	Mar. 17, 1959	476	ARW-56	July 1959	May 1960	September 1959		April 1969
NOas-57-478	June 4, 1957	100	ARC-52	February 1958	August 1958	May 1958		September 1960
NOas-59-0165	Jan. 8, 1959	184	ARC-52	June 1959	January 1960	July 1959		March 1959
NOas-59-0232	Apr. 15, 1959	40	C-2791/ARC	December 1959	do	February 1960		March 1960
NOw-61-0516	Feb. 23, 1961	20	ARC-52	January 1961	February 1961	February 1961		April 1960
NOas-59-0278	June 12, 1959	33	CNI ²	November 1959	April 1960	December 1960		February 1961
NOas-60-0100	June 30, 1960	131	CNI ²	September 1960	May 1961	December 1959		August 1960
NOw-61-0034	June 30, 1961	23	CNI ²	May 1961	October 1961	September 1960		September 1961
NOw-61-0574	Feb. 20, 1961	86	CNI ²	August 1961	December 1961	do		September 1961
NOw-62-0212	Nov. 7, 1961	190	CNI ²	April 1962	March 1962	August 1961		do
NOas-59-0199c	Dec. 8, 1958	17	ASQ-62	Aug. 30, 1960	June 30, 1961	March 1962		January 1962
NOw-62-0567	May 11, 1962	51	ASQ-62	Sept. 30, 1962	July 30, 1964	Feb. 30, 1961		Still de-
								livering
								Sept. 30, 1962
								10 systems delivered to date.

¹ Varied.² Includes ASQ-19, ASQ-56, ASQ-57, ASQ-58, where applicable.

Mr. STEGER. Mr. Courtney, yesterday you asked Captain Wells to bring to the hearing today a number of other papers connected with this particular procurement. I believe you have those papers, Captain Wells, do you not?

Mr. HÉBERT. May I ask what does the summary reflect? Does it reflect a favorable delivery schedule?

Captain WELLS. In my opinion, it reflects very favorably on Collins' performance, Mr. Chairman.

Mr. HÉBERT. I don't want the details. The record will show the details. But I just want to be sure.

All right, Mr. Courtney.

Captain WELLS. I have additional copies, sir, if you should require them. [Handing documents.]

Mr. COURTNEY. Now let us come back, Captain, to our discussions of yesterday and get the basic papers with which we are to be concerned. The first of these would be the Commandant's requisition of October 1961—

Captain WELLS. If I may, sir, I have attempted to collect these into three packages, which I believe are in logical sequence.

Mr. COURTNEY. Very good.

Captain WELLS. I shall read the list of contents of the first package, sir.

Mr. COURTNEY. All right.

Captain WELLS. Which primarily concerns itself with requisitions, which are the basis—

Mr. COURTNEY. Basic documents.

Captain WELLS. Basic documents.

Mr. COURTNEY. Very good.

Captain WELLS. The package, sir, contains documents Air Force MIPR M-1281 dated June 20, 1961; Air Force MIPR, dated May 21, 1962; a further MIPR, dated May 23, 1962. The effect of these is to generate an Air Force requirement as of this time, sir, of a total of 28.

This contains further: Headquarters, U.S. Marine Corps, MIPR, 2724031, of October 24, 1961, with amendments dated November 3, 1961, December 7, 1961, January 4, 1962, and January 26, 1962. This series of MIPR's establishes the Marine Corps statement of requirements of 556 units, sir.

Mr. COURTNEY. This is the basic series of papers—that generated this or start this whole proceeding?

Captain WELLS. This indeed is, sir.

Mr. COURTNEY. Very good.

May we mark that, Mr. Chairman—

Captain WELLS. I have further in that, sir. A statement in the list of contents to the effect that the Bureau of Ships' requirements, rather than being in this series of papers, is attached to a justification signed by Mr. Shaup, dated November 17, 1961, which I subsequently shall offer, sir.

Mr. COURTNEY. Very good.

Captain WELLS. I have also the Signal Corps MIPR's of February 20, 1962, as amended on March 14, 1962, which establish an Army requirement of a total of 12. That is this total package, sir.

Mr. COURTNEY. Thank you very much, Captain.

Now this will be marked "Exhibit 7," Mr. Chairman.

Mr. HÉBERT. Without objection, we will receive the exhibit.

(The document referred to, marked "Exhibit 7," is as follows (Air Force, Army MIPR's retained in committee files):)

MARINE CORPS PROCUREMENT REQ
FORM NO 280-PS

CSG-6-200

Quartermaster General of the Marine Corps (CSG-6), Headquarters, U. S. Marine Corps,
Washington 25, D. C. (Miss J. A. Bittner OXFord 42375)
TO Chief, Bureau of Ships (Code 616)
Department of the Navy
Washington 25, D. C.

(a) PWO 24031 Dtd 11 Aug 1961

HEADQUARTERS COMMITMENT AUTH. NO. 27-24031	AMENDMENT NO. Basic	APPROPRIATION AND SUBHEAD 17X1109.2733 PMC	
THIS AUTHORIZATION \$5,560,000.00	BUDGET PROJECT 62	ALLOTMENT NO. 721	
PREVIOUS AUTHORIZATION None	OBJECT CLASS 31	EXPENDITURE ACCOUNT 57000	
NEW TOTAL \$5,560,000.00	BUREAU CONTROL ACTIVITY NO. 27		

DESCRIPTION (Specifications, Items, Quantity, Estimated Costs and Additional Instructions)

In accordance with Ref (a), Funds are provided for the procurement of the Items as enumerated below.

ITEM	QTY	UNIT	ARTICLE	EST U/C	EST T/C
1.	556	Each	RADIO SET AN/PRC-41 in accordance with specification Ships-R- 3445 (as modified per Note #1)	\$10,000.00	\$5,560,000.00
2.	185	Each	Accessory Kit for Radio Set AN/PRC-41 in accordance with specification Ships-R-3445 (As modified per Note #1)		Cost of Item #2 through Item #11 included in the cost of Item #1.
3.	556	Set	Equipment Repair Parts for Item #1 in accordance with Specification MIL-M-17993D(MC) or in accordance with the provisions as set forth in Note #2.		
4.	185	Set	Equipment Repair Parts for Item #2 in accordance with specification MIL-M-17993D(MC) or in accordance with the provisions as set forth in Note #2.		
5.	1482	Each	Repair Parts List for items 1 & 2. as supplied by the contractor (See Note #2)		

Copy to:

CG (AC-01) MCSupCen Albany Ga (6)
CG (AC-02) MCSupCen Barstow Calif (6)
CG (460) MCSupActy Phila Pa
CG (580) MCSupActy Phila Pa
CG (820) MCSupActy Phila Pa
CG (834) MCSupActy Phila Pa
CG (840) MCSupActy Phila Pa
CG (AS)
CG (CSL)

CMC (COS-3)
CMC (CSX-3)
CMC (CHC)
CMC (AO4C) (2)
AFSSC Munitions Bld Washington 25 D.C.

11047465-61

SIGNATURE *Chester R. Allen* TYPED NAME AND TITLE CHESTER R. ALLEN MAJGEN USMC OMSGC DATE 24 Oct 61

By dir. of CHESTER R. ALLEN

86236 264 6090

25 OCT 1961

Note #8: It is requested that the Commandant of the Marine Corps (Code CSY-3) be notified when and where preproduction inspection will take place.

Note #9: It is requested that the contractor supply the Commandant of the Marine Corps (CSY-3) two copies of all applicable contractor prepared specifications and test procedures within ninety days after approval of the preproduction model.

Note #10: DELIVERY: If delivery schedule cannot be accomplished by the Procuring Activity, it is requested that the Quartermaster General of the Marine Corps (Code CSG-6), be notified immediately so that action can be taken to revise the existing schedule or take other steps to satisfy the requirement.

Note #11: EQUIPMENT: The Purchasing Activity is not authorized to deviate from the particular equipment model specified by the Joint Communication Electronics Committee Nomenclature as cited on this Purchase Request without prior approval from the Quartermaster General of the Marine Corps (Code CSG-6). Authorized deviations will be confirmed by Amendment to the Purchase Request.

Note #15: JUSTIFICATION FOR EXPEDITING PROCUREMENT: The Radio Set AN/PRC-41 is urgently required to fulfill the operational requirements of the Marine Corps Fleet Marine Forces due to the critical shortage of Radio Sets, MAY-1 which will be replaced by the AN/PRC-41.

The refurbishment program conducted by the Marine Corps for the Radio Set MAY-1 will support the Marine Corps requirement for about a period of 1 year. The Marine Corps capabilities for controlling Close Air Support Aircraft is seriously impaired due to the inadequate range and poor performance of the Radio Set MAY-1. Present day Close Support Aircraft requires that the Forward Air-Controller contact them at a much greater range than was common 16 years ago when the Marine Corps adopted the Radio Set AN/MAY-1. These Radio Sets AN/PRC-41 are required to meet operational needs as stated above on the following schedules:

<u>May 62</u>	<u>June 62</u>	<u>July 62</u>	<u>Aug 62</u>	<u>Sep 62</u>	<u>Oct 62</u>	<u>Nov 62</u>	<u>Dec 62</u>	<u>Jan 63</u>
10	21	25	50	50	100	100	100	100

Radio Set AN/PRC-41 was developed by Collins Radio Company, Cedar Rapids, Iowa. Because of the techniques involved in its manufacture and the "know how" already available at Collins Radio Company, it is felt that it would be uneconomical to attempt to train another source in the manufacture of this item in the short time frame available.

ESG-6-ebo

FROM

Quartermaster General of the Marine Corps (CSG-6), Headquarters, U. S. Marine Corps,
Washington 25, D. C. (Miss J. A. Bittner OX-42375)

TO

Chief, Bureau of Ships, (Code 616), Department of the Navy
Washington 25, D. C.

REFERENCE

QUARTERS COMMITMENT AUTH. NO. 2724031	AMENDMENT NO. 4	APPROPRIATION AND SUBHEAD 17X1109.2733 PMC	
THIS AUTHORIZATION No Change		BUDGET PROJECT 62	ALLOTMENT NO. 721
PREVIOUS AUTHORIZATION \$5,560,000.00		OBJECT CLASS 31	EXPENDITURE ACCOUNT 57000
NEW TOTAL \$5,560,000.00 No Change		BUREAU CONTROL ACTIVITY NO. 27	

DESCRIPTION (Specifications, Items, Quantity, Estimated Costs and Additional Instructions)

MCPR 27-24031 for the procurement of 556 each Radio Sets AN/PRC-41 and related equipment is amended to modify notes 1.(a), 1.(c)d. and 1.(c)e. and to add a new note 1.(c)s (*denotes change).

NOTES TO THE PROCURING ACTIVITY:

1. (a) CONSIST OF LIST: Radio Set AN/PRC-41 shall consist of the following items:
- | | |
|--------------------------------------|--------------------------------|
| 1 ea Radio Receiver-Transmitter Case | 2 ea Repair Parts List |
| 1 ea Omnidirectional Antenna Unit | (To be furnished as GFE) |
| *1 ea Rucksack Frame w/waist strap | 1 ea Receiver-Transmitter Unit |
| (to be furnished as GFE) | 1 ea Equipment Repair Parts |
| 1 ea Pack Harness | * Deleted |
| *1 ea Handset H-33E/PT | |
| (to be furnished as GFE) | |
| *3 ea Battery Power Supply | |
| (to be furnished as GFE) | |
| 2 ea Technical Manuals | |

Copy to:

CG (AC-01) MCSupCen Albany Ga (6)
CG (AC-02) MCSupCen Barstow Calif (6)
CO (460) MCSupActy Phila Pa
CO (580) MCSupActy Phila Pa
CO (820) MCSupActy Phila Pa
CO (834) MCSupActy Phila Pa (3)
CO (840) MCSupActy Phila Pa
CMC (COS-3)
CMC (CSX-3)
CMC (CSL)
CMC (CHC)
CMC (AO4C) (2)
CMC (CSY-3)
CMC (CSY-9)
AFSSC Munitions Bldg Wash 25 DC

SIGNATURE

J. C. FETTERS
By dir. of CHESTER R. ALLEN

TYPED NAME AND TITLE

CHESTER R. ALLEN
MAJGEN USMC QMGMC

DATE

26 Jan 62

(c) CHANGES TO SPECIFICATION SHIPS -R-3445:

It is requested that the following be included in the Specification for the AN/PRC-41:

- a. Extend the frequency range of the vibration testing to 55 cps.
- b. Increase humidity test to 100% relative humidity.
- c. Repackage the Receiver-Transmitter Case so that the DC Power Unit is not attached to the Receiver-Transmitter Unit when they are stowed in the case.
- *d. add the rucksack frame, in accordance with MIL-R-1619, as Government furnished equipment.
- *e. Add the Headset H-33E/PT, in accordance with the applicable specification, as Government furnished equipment.
- f. Paint directional antenna units with dull green paint.
- g. Dye antenna Mast guy ropes dull green.
- h. Improve seal between Receiver-Transmitter Unit and DC Power Unit.
- i. Insulate metal strips on interior of battery case.
- j. Increase thickness of Antenna Mast tubing on base end.
- k. Add lightweight carrying bracket to protect fragile Directional Antenna elements.
- l. Reinforce pack harness stitching.
- m. Reverse leads 1 and 3 to squelch control R5.
- n. Relocate audio connector for ease of operation of set
- o. Include brush with one-inch bristles in tool kit to facilitate cleaning of antenna connector.
- p. Repackage Receiver-Transmitter Case to include stowage of all items listed in first paragraph of this note.
- q. Include a vehicular antenna mounting bracket in the Accessories Kit.
- r. Modify transit cases to provide ridges on top with mating ridges on bottom to facilitate "nesting" in stocks.
- *s. Shoulder straps and back straps (Pack Harness) as supplied by the Contractor should conform to MIL-R-1619A, particularly in respect to the quick release strap.

All other provisions and fiscal data remain unchanged.

Mr. COURTNEY. Now this next exhibit is 8, which will be the next series of data.

Captain WELLS. I have, sir, tracing in sequence the control sequences that I presented yesterday afternoon, the request for authority to negotiate, which is actually the document which assembles all of the facts as presented eventually for further consideration up the chain.

This is a paper, sir, having the number NAV EXOS 2750, which is a form document used in the presentation of all proposed determinations and findings.

This request for authority to negotiate, sir, will identify through its route sheet attached and through its contents most of the persons that I was speaking to yesterday afternoon.

I have further, sir, the electronic equipment review board approval dated December 22, 1961, together with the minutes of that meeting, and the working papers of that meeting, which are supported here—which are enclosed here, sir.

I have also, sir, the memorandum——

Mr. HÉBERT. May I interrupt there, Captain? That is the minutes of the board which determined that sole source would be authorized?

Captain WELLS. Yes, sir.

I have also here, sir, the memorandum, serial 675-803, of November 17, 1961, which is the basic engineering opinion as to the necessity for sole source, supported by the required forms which are forms you mentioned in discussion yesterday afternoon, Mr. Counsel. They were enclosures to that particular letter and are as here submitted.

Mr. COURTNEY. And are attached.

Captain WELLS. Yes, sir.

Mr. COURTNEY. That will be exhibit 8. (See earlier testimony of Captain Wells.)

EXHIBIT 8



DEPARTMENT OF THE NAVY
BUREAU OF SHIPS
WASHINGTON 25, D. C.

IN REPLY REFER TO

PR-627D4-26112
Ser 675-803

MEMORANDUM

From: Code 675E
To: Code 1700
Via: Code 627D

Subj: Procurement Request 627D4-26112 for Radio Set AN/PRC-41;
Justification for Proprietary Award

Ref: (a) USMC P.R. No. 27-24031 of 24 Oct 1961 to BUSHIPS

Encl: (1) Completed form NAVSHIPS 4494-2(8-60) "Justification for
Negotiation for Proprietary or Restricted Production
Procurement"

1. The subject procurement request requires expeditious Bureau of Ships procurement action in order to provide the Marine Corps with urgently needed AN/PRC-41 Radio Sets to meet scheduled field requirements specified in reference (a).
2. Radio Set AN/PRC-41 is the first and only UHF ground-to-air portable radio set developed, service tested and approved by the Marine Corps Equipment Board as a suitable replacement radio set for the obsolete MAY.
3. The Marine Corps is currently using MAY equipments from both a Raytheon stop-gap procurement, and also a Raytheon rehabilitation program of cannibalizing and rebuilding unuseable and field worn equipments as an interim expedient pending availability of the AN/PRC-41.
4. Attention is invited to the following unhappy history of the totally unproductive effort expended, not only in broadening the base for an alternate source of the MAY, but also in the unsuccessful attempt by two other companies to develop an acceptable MAY replacement:
 - a. Goslin Electric and Manufacturing Company, Burbank, California was awarded a contract for a quantity of 125 MAY production equipments to be "Chinese copies" of the Raytheon MAY. Three years later the contract was terminated, and no deliveries were made to the Marine Corps.
 - b. A development contract was awarded Designers for Industry for the development of a hand-held portable UHF Radio Set AN/PRC-27. This contract resulted in an equipment unuseable in its final state of development.

c. A production contract was awarded to Lewyt Manufacturing Company, New York City for a quantity of 832 Radio Sets AN/PRC-22 which would basically be the AN/PRC-27 modified for back-pack operation and an increased power output. This contract was terminated on a "no-cost-to-the-Government" basis, again resulting in no deliveries to the Marine Corps.

5. When it became evident that Lewyt's progress was not indicative of the type of performance required to produce a radio set meeting specification requirements, a development contract was awarded Collins Radio Company for the concurrent development of the AN/PRC-41. Collins was selected for this development because of (1) their preeminent performance in the UHF communications field, having successfully developed, produced and delivered such accepted equipments as the AN/ARC-27 and AN/GRC-27, and (2) to utilize to the maximum, transistorized development of the AN/ARC-51, which at that time was being developed to replace the sub-miniaturized AN/ARC-52.

6. All phases of the AN/PRC-41 development have been very closely coordinated with the Marine Corps Equipment Board insuring that all recommendations were incorporated in both the developmental and service test models. The service approved AN/PRC-41 production equipments will provide the Marine Corps with a reliable UHF pack-set, operating over the complete frequency range of 225 mc. to 399.9 mc., 1750 channel selection by means of a stable frequency generating synthesizer, powered by a transistorized power supply, incorporating a 26.5 volt d.c. silver-zinc rechargeable storage battery. The radio set has been primarily designed for back-pack mounting (rucksack frame with harness), the weight having been kept at the minimum possible by maximum transistorization to present day state of the art.

7. Certain incompleted design changes, required to incorporate recommendations of the Marine Corps Equipment Board into the production AN/PRC-41 equipments, have not been accomplished under the current development contract NObsr-72821 due to non-availability of funds. Collins has submitted to the Bureau a complete proposal for an equipment improvement program which is to be a part of the production engineering effort and is to be included in the production contract. It is absolutely necessary that this additional engineering effort be successfully completed and approved before actual production is authorized.

8. Attention is invited to the status of the AN/PRC-41 drawings. Since funds were not available to complete these drawings under the development contract, they do not include the necessary additional design effort required for the production AN/PRC-41, nor do they include a complete bill of material necessary for bid purposes to

any company without the complete equipment development background.

9. The following pertinent factors are summarized as justification for a continuation of the equipment improvement program and production of the AN/PRC-41 by Collins Radio Company:

a. Adequate technical information such as complete manufacturing drawings and complete bill of material are not available for bidding purposes.

b. The Bureau of Ships is not in a position to make available sufficient complete and accurate technical information for an invitation for bid prior to the completion of the equipment improvement program.

c. Collins is the only company capable of completing the manufacturing drawings, incorporating all of the Marine Corps Equipment Board recommendations necessary for service approval of the production AN/PRC-41 equipments; also, establishing a complete bill of material based on their background experience with both the developmental and service test model equipments. No approved preproduction model AN/PRC-41 is available for bidders.

d. Collins is the only company capable of establishing accurate production costs based on Navy audited, known development costs of both parts and labor involved in the manufacture of the six service test model AN/PRC-41 equipments.

e. Collins designed and developed the AN/ARC-51 and is currently in limited production of this equipment. Maximum development cost savings and technical advantage have been realized in the AN/PRC-41 from the applicable identical and modified design of the AN/ARC-51. Cost reduction of such portions of the AN/ARC-51 used would be possible only from a Collins production contract for the AN/PRC-41.

f. The 1750 channel frequency synthesizer in the AN/PRC-41 was developed and perfected by Collins for the AN/ARC-51. This "heart-of-the set" assembly is extremely difficult to produce, requiring far above average technical know-how and manufacturing experience to achieve the electrical and mechanical perfection necessary to provide the 100 kc. channel spacing and \pm 12 kc. frequency stability.

g. Attention is invited to the Marine Corps "Justification for Expediting Procurement" described in the subject Marine Corps Procurement Request under Note #15. Collins is the only company with a proved capability and performance in the UHF portable radio set field

of the AN/PRC-41 type that is tooled and geared to produce and deliver the AN/PRC-41 with the least delay in meeting Marine Corps scheduled operational requirements. Collins has successfully produced AN/PRC-41 Service Test Models which have been tested and evaluated by the Marine Corps Equipment Board and approved for Marine Corps use.

10. Based on the foregoing, enclosure (1), and the Armed Services Procurement Regulation, paragraph 3-210, it is requested that in the best interest of the Government, the subject equipment be obtained by procurement proprietary to Collins Radio Company, Cedar Rapids, Iowa.

W. M. Shaup

W. M. Shaup

JUSTIFICATION FOR NEGOTIATION
FOR
PROPRIETARY OR RESTRICTED PRODUCTION PROCUREMENT

Has the equipment been tested and approved for service use (OpNavinat 4720.9 of 18 March 1. 1955 - NPD 3-108)?

Yes No

2. If answer to question 1 is "NO", attach copy of CWO waiver. In event waiver is classified higher than Confidential, cite reference below, including file locations: Service test models AN/PRC-41 have been tested and evaluated by the Marine Corps Equipment Board and approved for Marine Corps use on the basis that certain specific required modifications be incorporated in the production equipments. OPTEVFOR test report on service test models AN/PRC-41 has not been available for this procurement.

3. Navy Procurement Directive 3-306.52 (a)(4)(e) requires specific information as to the following:

(a) DATE REQUIREMENT ORIGINATED IN OR WAS RECEIVED BY THE BUREAU.

(b) DATE FUNDS WERE OR ARE SCHEDULED TO BE MADE AVAILABLE.

25 October 1961

25 October 1961

(c) Whether the procurement represents all quantities for which requirements are known and funds, in whole or in part, are available. Where requirements exist but the material purchase is to be delayed, or ordered in increments due to the non-availability of funds, the purchasing plan for the entire requirement shall be furnished including a schedule covering the release of funds. The activity curtailing the use of funds will be identified. This procurement comprises quantities required by the Marine Corps to meet scheduled operational requirements, Navy for new construction and Air Force for test and evaluation. Funds are available in the Bureau for all quantities required.

(d) Subsequent purchases of the same or similar equipment are planned. Not at this time. Yes No

(e) Where lack of technical data is restricting the proposed procurement to less than a reasonably competitive number of qualified suppliers, brief information shall be furnished as to date of availability, and action being taken to assure availability of such data at the earliest practicable date, including cases where there is a delinquency in contract performance with respect to such data. The lack of manufacturing drawings and a suitable model for guidance represents the basic restriction in competitive procurement. This first production procurement will provide complete manufacturing drawings and a representative production equipment for future procurement.

(f) Delineate the Bureau's plan for obtaining manufacturing drawings and specifications for purposes of obtaining competition, including time schedule for receipt, preparation and issue. Item 12 requires additional specific information relative to drawings.

Manufacturing drawings will be completed under the production contract and delivered with the production equipment as soon as all revisions resulting from the preproduction tests can be incorporated.

(g) Will Government furnished facilities be required? Yes No. If Yes, explain:

If procurement is in excess of \$50,000, Navy Procurement Directive 3-104.2 requires specific information 4. as to the following:

(a) Positive and qualitative evaluation of the specifications and drawings available.

No manufacturing drawings are available. Specification SHIPS-R-4083 for Radio Set AN/PRC-41 and Specification SHIPS-B-4071 for the Battery Pack are available. Both specifications are performance type. MCEE required design changes to the serviced test models are included in the specification for production equipments.

- b) List of possible sources, normally the Bureau's complete bidders list for the commodity. If this list is applicable, so state. If the Bureau does not have a bidders' list for the commodity, list all potential sources.

Collins Radio Company, Cedar Rapids, Iowa, developer of the AN/PRC-41 is recommended as the only possible source for the equipments of this procurement to meet urgent operational requirements established by the Marine Corps in MCPR 27-24031

- (c) Availability and identification of competition. Section 13 of the Procurement Request normally constitutes such a list. If Section 13 does not list all available competition, list the sources excluded and explain. Because of the lack of manufacturing drawings and a suitable equipment model, and based on past experience of Code 675 in the development of an approved replacement for the MAY-1, it is considered impossible for any other source to deliver in accordance with the requirements stated in MCPR 27-24031.

- (d) Production capabilities, including available capacity of those companies selected for solicitation and, where appropriate, caliber of technical or scientific personnel to be employed on the work. This information must be based upon current knowledge obtained as the result of dealing with source or sources currently performing under a contract or through inquiry to the firm or firms recommended.

Collins Radio Company has demonstrated performance capabilities in development of the AN/PRC-41, possesses one of the finest production facilities in the electronic industry, is now in need of production type work with adequate plant capacity and experienced UHF production personnel available.

- (e) Explain basis for cost estimate as shown on PR. This can be derived from present and past contracts, present or past market prices, knowledge obtained from industry, etc.

The estimated unit cost shown on PR is Collins estimated cost based on known audited costs determined during the manufacture of the delivered service test models and includes material, labor, overhead and profit.

- (f) Legal considerations. This goes to patents, copyrights, licenses which may be limiting competition to firm or firms recommended.

No proprietary data to be acquired in this procurement.

- (g) Origin and basis of urgency representations. What is needed here is not a reference to an urgency requirement, but the reasons generating the urgency. The fact, for example, that an activity states that a requirement is urgent is not enough. The Bureau must obtain from the activity, reasons leading it to classify the requirement "urgent". Letters and dispatches supporting urgent requirements should be cited and a copy attached. (Unless classified higher than Confidential).

The Marine Corps has established an "urgent" requirement and states a "Justification for Expediting Procurement" in MCPR 27-24031 based on the non-availability of a replacement for the MAY-1 approved for Marine Corps use. The Bureau of Ships has attempted to develop such a replacement by three previous contracts which resulted in failure of the contractor to perform.

5. List requirements for total quantities (including options) of principal items covered by the PR:

QUANTITY	VESSEL	STOCK	OTHER	CPSS DATE
See attached sheet				

6. List recommended firms with data to support its ability to meet required dates.

FIRM	PRIOR CONTRACT NUMBER	VALUE	QUANTITY	ACTUAL TIME REQUIRED FOR INITIAL DELIVERY	EST. DELIVERY POTENTIAL FOR THIS PR
Collins Radio Company Cedar Rapids, Iowa	NObsr-72821 (RDT & E) AN/PRC-41	\$839,219.00	8 (2-Dev.) (6-Serv. Test)	2-3/4	10 mos. from date of contract.

7. MANUFACTURING LEAD TIME FOR NEW PRODUCER:	
a. DESIGN AND ENGINEERING	<u>7</u> MONTHS.
c. TEST AND APPROVAL	<u>6</u> MONTHS.
b. PREPRODUCTION MODEL	<u>10</u> MONTHS.
d. ACQUIRE MATERIAL AND FABRICATE	<u>10</u> MONTHS.
E. TOTAL DELIVERY TIME <u>33</u> MONTHS.	

8. Would procurement from sources other than the source/sources recommended require a substantial duplication of costs (in excess of 13% of PR) already borne by the Government: Yes No

9. IF ANSWER TO #8 IS YES, COMPLETE THE FOLLOWING.

SOURCE	CONTRACT NUMBER	DATE	VALUE	EST. DUPLICATED COSTS FOR DESIGN, ENG. TOOLING FACILITIES, ETC.
The AN/PRC-41 is a recent development, service test models have been tested and evaluated and this is the first production procurement for this equipment. It is considered that any company that has a proven capability for performance in producing UHF radio pack sets could manufacture the AN/PRC-41 if adequate manufacturing drawings and suitable equipment models are available.				\$300,000 (minimum)

10. Set aside for small business. Yes No If no,

Can offers be expected from small business firms that will insure award at a fair and reasonable price? Yes No If No, explain: Based on past documented experience of Code 675E in the UHF radio pack-set field, it is considered unwise, impractical and unjustifiable to limit this procurement to small business. Marine Corps urgent delivery requirements for the AN/PRC-41 make it necessary that expeditious performance be assured from a source of unquestionable comprehensive experience and capability in this particular field. These requirements are considered to be over and above the capabilities of small business.

11. Any special background information which establishes the need for this procurement and supports the requirements for limited or restricted competition.

See attached sheet.

12. Additional specific information relative to drawings required.

(a) State the specific nature of the drawings (indicating their type and class under specification MIL-D-70327) to be acquired under the proposed procurement. NPD 9-202 applies.

Manufacturing drawings are required per MIL-D-17419A, Type I, ~~Ext~~ Class B. Delivery of drawings will be concurrent with delivery of first production equipment.

(1) If the drawings to be acquired do not fully comply with specification MIL-D-70327 or deviate from the instructions of NPD 9-202 (BuShips Inst 4120.12), the reason for such non-compliance or deviation should be clearly set forth.

Manufacturing drawings are to be furnished as set forth in the procurement request in accordance with BUSHIPS Inst. 4120.12 which permits deviation from MIL-D-70327.

(b) State the drawings' delivery schedule to be required by the contract, and the delivery schedule for revision drawings.

Item 17, preliminary drawings are to be delivered concurrently with first production equipment. Final drawings are to be delivered 90 days after approval of preproduction ~~model~~ model equipment.

(c) State whether the drawings will be adequate for competitive procurement and when evaluation thereof is expected to be completed.

Manufacturing drawings from the first AN/PRC-41 production procurement will be suitable for future competitive procurement.

(1) If the drawings will not be adequate for competitive procurement, explain fully why drawings adequate for competitive procurement are not being procured and when it is expected that drawings adequate to obtain competition will be secured, evaluated, and available for issue.

Not applicable.

(2) If the drawings, though adequate for competitive procurement, will not be usable for the next procurement of the item(s) concerned, explain why it is not feasible to effect delivery and evaluation of the drawings in time to permit their use for competitive procurement on the next buy.

Not applicable.

11. The following pertinent factors are summarized as justification for a continuation of the equipment improvement program and production for the AN/PRC-41 by Collins Radio Company:

- a. Adequate technical information such as complete manufacturing drawings and complete bill of material are not available for bidding purposes.
- b. The Bureau of Ships is not in a position to make available sufficient complete and accurate technical information for an invitation for bid prior to the completion of the equipment improvement program.
- c. Collins is the only company capable of completing the manufacturing drawings, incorporating all of the Marine Corps Equipment Board recommendations necessary for service approval of the production AN/PRC-41 equipments, also, establishing a complete bill of material based on their background and experience with both the developmental and service test model equipments. No approved preproduction model AN/PRC-41 is available for bidders.
- d. Collins is the only company capable of establishing accurate production costs based on Navy audited known development costs of both parts and labor involved in the manufacture of the six service test model AN/PRC-41 equipments.
- e. Collins designed and developed the AN/ARC-51 and is currently in limited production of this equipment. Maximum development cost savings and technical advantage have been realized in the AN/PRC-41 from the applicable identical and modified design of the AN/ARC-51. Cost reduction of such portions of the AN/ARC-51 used would be possible only from a Collins production contract for the AN/PRC-41.
- f. The 1750 channel frequency synthesizer used in the AN/PRC-41 was developed and perfected by Collins for the AN/ARC-51. This "heart-of-the set" assembly is extremely difficult to produce, requiring far above average technical know-how and manufacturing experience to achieve the electrical and mechanical perfection necessary to provide the 100 kc. channel spacing and \pm 12 kc. frequency stability.
- g. Attention is invited to the Marine Corps "Justification for Expediting Procurement" described in the subject Marine Corps Procurement Request under Note #15. Collins is the only company with a proved capability and performance in the UHF portable radio set field of the AN/PRC-41 type that is tooled and geared to produce and deliver the AN/PRC-41 with least delay in meeting Marine Corps scheduled operational requirements. Collins has successfully produced AN/PRC-41 Service Test Models which have been tested and evaluated by the Marine Corps Equipment Board and approved for Marine Corps use.

Based on the foregoing, enclosure (1), and the Armed Services Procurement Regulation, paragraph 3-210, it is requested that in the best interest of the government, the subject equipment be obtained by procurement proprietary to Collins Radio Company, Cedar Rapids, Iowa.

ELECTRONICS EQUIPMENT PROCUREMENT REVIEW BOARD

1. PR# and brief description of product and use: 627DL-26112
556 for MC, 107 for N/C vessels & 1L AN/PRC-41 for A. F.
2. Person presenting case to Board: Capt Major - Sudhoff - Schaefer
3. Results of Board review of subject PR follows:
- a. Specifications have been reviewed and are certified to be:
Inadequate
- b. Funds are reserved: Yes
Raytheon original mfr. D&F of 8 models have been
- c. History: purchased. Other contracts have been terminated
through failure to meet requirement. Collins only firm to
come up with model - meeting OPEDEV for requirements
- d.1. Requirements for current fiscal year are: _____
- d.2. Requirements for planned life of equipment are:
This procurement only.
- e. Time necessary to bring in second source is: 15 months.
- f. Time contract plans and specifications will be available to
 use in competition: 10 months after date of contract.
- g. Data requirements meet ~~(as prescribed)~~ criteria established by
SECNAVINST 4120.12 of 6 Dec 1960;
- h. Plan of action for future buys is: This is total planned
buy for Marine Corps. Additional new construction planned.
Will be able to go competitive for subsequent buys.

Board inquired into possibility of breakout
 but decided this impracticable.

APPROVED by Board
 for Sole Source 12/22/64

Copy to:
 Orig to PR file

S. J. MAJOR

JUSTIFICATION QUESTIONS TO BE ANSWERED FOR PROPOSED SOLE
SOURCE PROCUREMENT PRESENTED TO THE ELECTRONICS EQUIP-
MENT PROCUREMENT CONTROL BOARD ESTABLISHED BY
BUSHIPS INSTRUCTION 5420.14 Ser-1700-67
OF 25 AUGUST 1961

1. This P.R., #62704-26412 initiated by Naval Air Station Code 7774
Ext. 66756 is recommended as a sole source procurement for a quantity
of 275 equipments.
2. A brief summary of this P.R. is as follows:
 - a. The AN/PRC-41 equipment is a VHF radio pack lot 225-399.9 mcs
1750ch and 100 watt transmitter with two 100 watt power supplies and
silver zinc battery pack.
 - b. The reason for this sole source P.R. from the Collins Radio Company
Company is because no manufacturer drawings are available and copies
in the only contract with the Government for this equipment are
being made with all necessary changes to meet the current requirement of MCPK 27-24021.
 - c. The requirement was first known on 25 October 1961.
3. Were there previous buys? When, from whom, and how many?
no
4. What are the plans for buys in future years and will we go competitive?
It is planned that future buys will be competitive if possible by availability of manufacturer drawings which will be delivered from this first production contract. These drawings will include all changes necessary resulting from extensive pre production model tests required.
5. Do we have a technical package? i.e.
 - a. Performance specification SHIPS-B-4071 or detail specification _____
 - b. Manufacturer drawings None _____
 - c. Model service test Model available but without any test data required for ACEB in production equipment _____
6. If none of question 5 are available, when will they be? (If there is no requirement for manufacturers' drawings and/or technical data, insert the requirement in the P.R. for manufacturers' drawings and/or technical data to be available 60 days after the delivery of first equipment).



DEPARTMENT OF THE NAVY
BUREAU OF SHIPS
WASHINGTON 25, D. C.

IN REPLY REFER TO
Ser 1705-M24
22 December 1961

MEMORANDUM

Subj: Minutes of Meeting #17 of Electronics Equipment Procurement
Control Board

Ref: (a) BUSHIPSINST 5420.14 of 25 Aug 1961

1. The Board met at 1400 this date with the following members present:

Captain E. H. Schantz, Chairman
Captain G. W. Daly, Alternate for Captain Clegg
Captain J. W. Dolan, Jr., Member
Captain R. R. Bradley, Jr., Member
Captain S. J. Major, Recording Secretary.

In addition, various representatives of the Bureau of Ships were in attendance for discussion of matters under their cognizance.

2. The Board considered and approved for sole source procurement, the following procurement requests:

26545.4 - AN/SYA-1(V) NTDS
26547 - AN/USQ-20(V) Computer
27696 - LOARAL Electronic Set
27693 - 35 Modifications of AS-962/BLR Antenna
26112 - 556 for MG-107 for N/C vessels - 14 for AN/PRC-41 for AF
26036 - Modernization Kit for AN/URC-32 SMO
26593 - AN/SPA-33 off center radiation Indicator

S. J. Major
S. J. MAJOR
Recording Secretary

DISTRIBUTION LIST:
600 (Capt Schantz)
610 (Capt Clegg)
105 (Capt Bradley)
360 (Capt Combs)
406 (Capt Dolan)
1705 (Capt Major)

Prepared by S. J. Major, Ext. 63746
Typed by RAShepard, 12/27/61

OP AND OFFICE MEMO
4 PB-1 (REV. 1-57)

DO NOT DETACH FROM OFFICIAL CORRESPONDENCE
WRITE OR PRINT LEGIBLY IN INK

ORIGINATING CODE 1705-2 NAME R. J. Kates EXTN. 66294 DATE 2/2/62

ROUTE TO CODE	ACTION*	RELEASED			*INDICATE ACTION BY USING APPROX. I.E. NUMBER					
		INITIAL	MONTH	DAY	YEAR	1. APPROVAL	2. COMMENT	3. INFORMATION	4. PREPARE REPLY	5. SIGNATURE
1705-2	RJK	2	2	62	Procurement will be specialized on basis limited to Collins Radio, which is only firm considered qualified to meet delay. Data available at adequate for other sources to meet reqs per 675-803 of 11/7/61 signature of RJK (1705-2) Code 6270 For authorized signature, etc. 2/2/62 on original and one copy of 2759 Form					
6270	JMP	2	2	62	Uniform containing					
675E	WMA	2	2	62	- in file					
675B	SK	2	2	62	The bid of 1/18/62 requested approval to proceed in advance of receipt of signed O&A obtained from Ches					
20	SK	2	2		RJK (1705-2) 2/2/62					
600	SK	2	2							
1705-2	RJK	2	5	62						
* 151	SK	2	15	62						
1705-2	SK	2	16	62	Has been approved by E&P&B -					
1705	SK	2	16	62	has an history to ONMR contemplated col- - some time for 5/62 for by 1705					
1700	N	2	9	62	I have reviewed this procurement and find no reasonable question as to the possibility that BuSips D & F 62-620 will not be signed by the Secretary.					
101	SK	2	23	62	23 FEB 62					
R. L. Moore, Jr. Deputy Chief of Bureau	SK	2	23	62	Done 2-23-62 R. L. Moore					
1705-2	SK	2	23	62	REVERSE SIDE					
1705-2	SK	2	23	62	SERIAL NO. BR 12-1000					
					P.P. 627D-26112 DTF 62-620					

REQUEST FOR AUTHORITY TO NEGOTIATE
NAVEIGOS 2750 (1-58)FEB 26 1962 Memorandum
Office

CLEARANCE NO. SR(s) 12,442

BUREAU OF SHIPS
UNDER THE AUTHORITY OFREQUEST FOR AUTHORITY TO NEGOTIATE
10 U. S. Code

DISTRIBUTION D&F NC. 62-620

P.R. 627D-26112

DATE 31 January 1962

FOR THE REASONS SET FORTH, IT IS RECOMMENDED THAT AUTHORITY BE GIVEN TO NEGOTIATE THE PURCHASE OF:

Approximately 641 (including 2 preprods) AN/PRC-41 radio sets, approximately 187 (including 2 preprods) accessory kits, associated technical data, engineering services, reports and repair parts.

DELIVERY REQUIREMENTS - TO COMMENCE (Date) 10 mos after award TO FINISH (Date) 15 mos after award

MATERIAL TO BE USED FOR

Marine Corps; New Const. & Conv. and Air Force (Test & Eval.)

REFERENCE IN TECHNICAL SECTION (Name)	PHONE EXT.	SECTION	ROOM NO.
Major R. J. Sudhoff	61210	675E	3325

JUSTIFICATION:

1. Estimated Cost

The estimated cost of the work set forth in D&F 62-620 attached is \$5,253,125.

2. Technical and Specialized Nature of Property

The radio set AN/PRC-41 is a reliable UHF pack set, operating over the complete frequency range of 225 mc. to 399.9 mc., 1750 channel selection by means of a stable frequency generating synthesizer, powered by a transistorized power supply incorporating a 26.5 volt d.c. silver zinc rechargeable storage battery. This property has been expressly described as technical and specialized by Navy technical specialists.

3. Urgency Representations and Basis Therefor:

The Marine Corps has requested deliveries of 556 AN/PRC-41 radio sets beginning May 1962, in accordance with the following schedule, to meet scheduled field operational requirements:

May 1962 - 10	Sept. 1962 - 100
June 1962 - 21	Nov. 1962 - 100
July 1962 - 25	Dec. 1962 - 200
Aug. 1962 - 90	Jan. 1963 - 100
Sept. 1962 - 90	

NECESSARY REPRESENTATIONS AND ENDORSEMENTS SHALL BE PREPARED IN ACCORDANCE WITH NPD 2-20:

(Additional pages without signature spaces may be added as required)

APPROVED AND FORWARDED: <i>[Signature]</i> Special Agent in Charge	(Phone Ext.) 66298 (Date) 1/31/62	APPROVED: I. G. CRUDEN Head Contract Clearance Branch, M38	(Date) 3-2-62
APPROVED AND FORWARDED: <i>[Signature]</i> Special Agent in Charge	(Phone Ext.) 6533 (Date) 2/5/62	APPROVED: <i>[Signature]</i> Director of The Chief of Naval Material	(Date) 23 FEB 1962

W. L. HARRIS, JR.
Supply Chief of Bureau

The Marine Corps is currently using MAY equipments which are obsolete and also is rehabilitating equipments by cannibalizing and rebuilding reusable and field worn equipments as an interim expedient pending the availability of the AN/PRC-41. The quantity of 69 equipments for the Bureau of Ships is required to meet the following component percentage shipping schedule dates:

Ship	Qty	CPSS	Ship	Qty	CPSS
DD 887-FRAM I	1	Past	DD 862	1	8/15/62
DDG 23	1	2/1/63	DD 864	1	8/15/62
DDG 24	1	6/1/63	DD 866	1	9/1/62
DE 1040	1	1/1/64	DD 884	1	8/15/62
DE 1041	1	5/1/64	DD 885	1	9/15/62
DLG 26	1	12/15/63	DE 1043	1	4/15/64
DLG 27	1	5/1/64	DE 1044	1	11/1/64
DLG 28	1	9/15/64	DE 1045	1	3/1/65
AG(DE)-1	1	1/1/64	DEG 1	1	8/15/64
DD 710 FRAM I	1	5/15/62	DEG 2	1	1/2/65
DD 716	1	5/15/62	DEG 3	1	5/1/65
DD 718	1	7/1/62	DLG 29	1	2/1/65
DD 787	1	7/1/62	DLG 30	1	6/1/65
DD 789	1	11/1/62	DLG 31	1	7/15/65
DLG 32	1	8/1/65	DLG 8	1	Past
DLG 33	1	9/1/65	CVA 64	5	Past
DLG 34	1	10/1/65	DLG 13	1	Past
DLGN-35	1	8/15/65	CG-10	3	Past
LPH-9	5	3/15/64	DDG 20	1	Past
DDG 21	1	Past	DDG 22	1	Past
CVA 66	5	11/11/63	DD 717(FRI)	1	Past
DD 763	1	Past	DD 785	1	Past
DD 788	1	Past	DD 823	1	Past
DD 339	1	Past	DD 843	1	Past
DD 346	1	Past	DD 850	1	Past
DD 853	1	Past	DD 865	1	Past
DD 869	1	Past	DD 872	1	Past

Fourteen have been requested by the Air Force for test and evaluation by January 1962, although the earliest feasible delivery is 10 months after award of a contract.

4. Selection of Firm and Basis Therefor:

The Bureau proposes to negotiate with Collins Radio Company for the following reasons:

(a) Prior Contract Experience

Radio Set AN/PRC-41 is the first and only UHF ground-to-air portable

radio set developed, service tested and approved by the Marine Corps Equipment Board as a suitable replacement radio set for the obsolete MAY.

The Navy's effort to broaden the base for an alternate source of the MAY and to develop an acceptable MAY replacement with two companies was totally unproductive as set forth in the following history:

(i) Goslin Electric and Manufacturing Company, Burbank, California, was awarded a contract NObser 64186 (\$199,875.00) for a quantity of 125 MAY production equipments to be "Chinese copies" of the Raytheon MAY. Three years later the contract was terminated and no deliveries were made to the Marine Corps.

(ii) A development contract NObser-63367 (\$166,251.42) was awarded to Designers for Industry for the development of a hand-held portable UHF Radio Set AN/PRC-27. This contract resulted in an equipment unseable in its final state of development.

(iii) A production contract NObser 71140 (\$446,402.29) was awarded to Lewyt Manufacturing Company, New York City, for a quantity of 832 radio sets AN/PRC-22 which would basically be the AN/PRC-27 modified for back-pack operation and an increased power output. This contract was terminated at "no cost to the Government," again resulting in no deliveries to the Marine Corps.

(iv) When it became evident that Lewyt's progress was not indicative of the type of performance required to produce a radio set meeting specification requirements, a development contract NObser-72821 (\$839,219) was awarded to Collins Radio for the concurrent development of the AN/PRC-41. Collins was selected for this development because of (i) their preeminent performance in the UHF communications field, having successfully developed, produced and delivered such accepted equipments as the AN/ARC-27 and AN/GRC-27 and (ii) to utilize to the maximum transistorized development of the AN/ARC-51, which at that time was being developed to replace the sub-miniaturized AN/ARC-52.

The model of the AN/PRC-41 designed and developed by Collins has been tested and evaluated and approved by the Marine Corps Equipment Board and approved for Marine Corps use on the basis that certain specific modifications be incorporated in the production equipments.

This equipment has been approved for Navy use by CNO letter 208P41 of 26 January 1962

(b) Advantageous Lead Time Position of Collins

(1) The 1750 channel frequency synthesizer in the AN/PRC-41 was developed and perfected by Collins for the AN/PRC-51. This "heart-of-the-set" assembly is extremely difficult to produce requiring far above average technical know-how and manufacturing experience to achieve the electrical and mechanical perfection necessary to provide the 100 Kc. channel spacing and \pm 12 Kc. frequency stability.

(11) These radio sets are required to meet the Marine Corps operational requirements beginning in May 1962, at the earliest possible date to meet component percentage shipping schedule dates for ships of new construction and conversion programs, and as soon as possible for the Air Force for test and evaluation. In view of Collins' previous experience, such firm can begin deliveries approximately 10 months after award which is the earliest possible delivery date. It is estimated that any other firm, however, would require approximately 33 months to begin deliveries as approximately 7 months would be required for design and engineering, 10 months for manufacture of a preproduction unit, 6 months for test and evaluation and 10 months thereafter to acquire material and begin delivery of the first production equipment. Accordingly, award to any firm other than Collins would unduly delay procurement.

(c) Government-furnished Property

Service test model of AN/PRC-41(IN) will be utilized as guide by contractor during production.

5. Previous Contracts

NObsr-72821	\$839,219	Collins (R&D)
		2 Dev. Models
		6 Service Test Models

6. Data Required by NPD 3-306.52 as implemented by ONM:

- (a) The requirements originated 25 October 1961.
- (b) Funds were made available 25 October 1961.

(c) This procurement represents all presently known and planned requirements and funds to cover the entire quantity are available.

(d) No subsequent purchases are presently planned.

(e) The procurement request was received in the Contract Division on 17 January 1962.

(f) Information re drawings and specifications.

(i) No manufacturing drawings are available. Specification SHIPS-R-4063 for radio set AN/PRC-41 and Specification SHIPS-B-4071 for the Battery Pack are available. Both specifications are performance type. The Marine Corps Equipment Board required design changes to the service test models are included in the specification for the production equipments.

(ii) Manufacturing drawings, Type I Class B in accordance with MIL Spec MIL-D-17419A are being procured under this proposed procurement. Preliminary drawings are to be delivered concurrently with first production equipment and final drawings are to be delivered 90 days after approval of the first production equipment. Such drawings and a representative production equipment will provide adequate data for future competitive procurement.

(g) Possible sources when adequate data and lead time are available are:

Portable UHF transmitter receiver bid list.

(h) Collins has demonstrated performance capabilities in development of the AN/PRC-41 and has adequate plant capacity and experienced UHF production personnel available to meet the requirements of the procurement.

(i) Estimated cost is based on previous procurement history.

(j) There are no known legal considerations limiting competition.

7. Synopsis of Proposed Procurement

The proposed procurement will be summarized in accordance with ASFR 1-1003.1.

CERTIFICATION

It is certified that the facts and representations under my cognizance which are included in this Request for Authority to Negotiate and attached Determination and Findings are accurate to the best of my knowledge and belief.

S. O. Kamin
Technical Cognizance
Date 2/2/62

J. M. Phylace
Requirements Cognizance
Date 2-2-62

Captain WELLS. I have one other thing: The evidence, sir, of CNO approval of the AN/PRC-41 as developed for service use—their letter of January 26, 1962, which is appended as a part of this element.

Mr. COURTNEY. Captain, these are greatly in excess of our expressed requirements, but I am sure they make the complete folder.

Captain WELLS. There are these more, too, sir.

Mr. COURTNEY. All right.

Captain WELLS. I have here, sir, a copy of the basic procurement request 627-D-26112 of December 29, 1961, which is the first working document identified in my presentation yesterday, sir, that is in the form of a request to the Contract Division to make a procurement.

It is associated with those papers.

I have, together with that, the request for proposal which we sent out incident to that request, on March 23. And I have also in this package, sir, the specification in that request for proposal. Also, sir, the naval message of synopsis.

Mr. COURTNEY. Very good, now.

Now, that is exhibit 9, Mr. Chairman.

Mr. COURTNEY. May these documents, then, be in the record.

Exhibit 9 is retained in subcommittee's files. (No part of contents are relevant to testimony.)

Mr. COURTNEY. Independently of these documents and quickly for the record, can you tell us, Captain, whether or not the request for proposal included the changes recommended by the Marine Corps as a result of its test?

Captain WELLS. To the best of my knowledge and belief, they did. I am not proficient in the reading of specifications, sir.

However, the specifications which are appended hereto, I am advised, contain the changes recommended as necessary by the Marine Corps in its test and evaluation of the equipment, as indeed they do, the changes found necessary in laboratory test and in OPDEVFOR work, sir.

The specification is complete as it stands for the equipment intended today, sir.

Mr. COURTNEY. Very good.

Now, Captain—thank you very much for that.

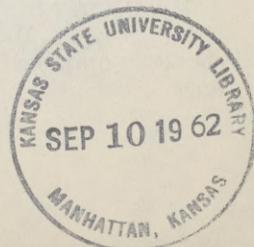
I have one further question, Mr. Chairman, and I suppose it goes to either the Secretary or Mr. Steger.

I will ask whether or not in the course of this procurement you have had occasion to or whether you did at any time request an advisory opinion or any information from the General Accounting Office with respect to anything that may have occurred.

Mr. STEGER. Yes, Mr. Courtney, we have had conferences with representatives of the General Accounting Office.

You will recall this morning that Secretary BeLieu read into the record the letter from Mr. Haycock, assistant general counsel of the General Accounting Office, in which letter the General Accounting Office requested a report of the Navy in regard to this procurement.

In view of that letter, and also because of the charges that had been



made by Congressman Wilson in the letters to the Navy and the telegrams to the Navy, that were also read into the record this morning, I personally, on June 11, made an appointment with Mr. Robert Keller, general counsel for the General Accounting Office, for Navy representatives, including myself, to meet with representatives of his office and also of the Audit Division of the General Accounting Office.

We had that meeting on June 11, which was attended by Mr. Keller, Mr. Haycock of Mr. Keller's office, Mr. Hammond of the Audit Division of GAO, and Mr. Sullivan of the Audit Division of GAO, and other GAO representatives.

The Navy representatives briefed the General Accounting Office representatives completely on this procurement.

And I asked Mr. Keller personally whether the General Accounting Office had any evidence of wrongdoing on the part of any Navy personnel in connection with this procurement, any evidence that GAO might have of its own or any evidence of this sort that might have been furnished by Congressman Wilson.

Mr. Keller assured me that they had no such evidence.

I again checked with Mr. Keller on Wednesday of this week, which was June 27. Again Mr. Keller assured me that they had no evidence whatsoever of wrongdoing on the part of any Navy personnel in connection with this procurement.

Therefore, as it now stands, and based on investigations that other offices have made in the Navy, we in the Navy have no evidence in the Navy of any wrongdoing on the part of personnel involved in this procurement.

Representatives of the Office of Naval Material have checked with representatives of the FBI, and they found that there was no evidence in FBI of wrongdoing on the part of any Navy personnel in connection with this procurement.

I have mentioned the meetings with the General Accounting Office representatives.

Mr. COURTNEY. But no advisory opinion was requested, or were requested?

Mr. STEGER. We have not requested an advisory opinion of the General Accounting Office on this procurement, which we propose to negotiate with Collins Radio under exception 14 of the Armed Services Procurement Act.

I am reasonably sure that the General Accounting Office doesn't intend to give us an opinion indicating whether we may properly make the contract or not.

Mr. COURTNEY. This, of course, is because——

Mr. HÉBERT. They can't, because of the law.

Mr. STEGER. I understand, yes, sir.

Mr. COURTNEY. The limitations which place the final determination in the hands of the Secretary of the Department.

Mr. STEGER. Yes.

The determination of the Secretary, under exception 14 and certain other exceptions, is final under the present act.

Mr. COURTNEY. Under the present law?

Mr. STEGER. Mr. Keller informed me that his office has not rendered an opinion formally or informally on this procurement to anyone.

Mr. COURTNEY. Well, thank you very much.

Mr. Chairman, that is all I have.

Mr. HÉBERT. I would like to ask the major a few more questions.

Major SUDHOFF. Yes.

Mr. HÉBERT. Now, Major, when you appeared before the panel which decided that this was sole procurement, you made the presentation with the recommendation that this be sole source based on certain figures which you had assembled, is that correct?

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. Did you use a chart of that nature before the committee?

Major SUDHOFF. No, sir. We used a two-page form, which is necessary to go before the committee for the purposes of the committee only, and those figures appear on that form.

Mr. HÉBERT. Each member of the committee had a copy of that form?

Major SUDHOFF. I believe there is only, usually one copy prepared, sir.

The recorder, in presenting—the secretary has that and passes it around to the committee.

Mr. HÉBERT. In other words, the members—how many members on this panel?

Major SUDHOFF. I believe there were five that time, on that day.

Mr. HÉBERT. And they did not have the benefit of individual perusal of these copies, except in their own initiative, if they wanted to look at it.

But you are reading from memorandums, as you testify here.

Major SUDHOFF. It was verbatim, sir.

Mr. HÉBERT. It was verbatim.

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. The same presentation?

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. And you set up the argument in favor of sole source procurement?

Major SUDHOFF. Yes, sir.

Mr. HÉBERT. And you set up these figures, which are the strawman which you knocked down yourself.

In other words, you asked yourself the question and then answered them why it should be the sole source?

Major SUDHOFF. I asked the question as regards, sir, how long it would take a competent UHF manufacturer to do the necessary things that he had to do for first production delivery.

Mr. HÉBERT. That is right.

Major SUDHOFF. And then I answered those questions.

Mr. HÉBERT. You raised the questions and answered the questions in their favor, or in favor of sole source procurement?

Major SUDHOFF. Not necessarily. I answered the questions as honestly as I could by virtue of my 4 years in dealing with R. & D. and production contracts.

Mr. HÉBERT. I didn't say you were dishonest in answering them. I say you did answer them.

Major SUDHOFF. Yes, sir, I did.

I wanted to get the context there—

Mr. HÉBERT. It is no impugning your motives or challenging your accuracy or veracity at all.

Major SUDHOFF. I didn't mean to imply that, sir.

Mr. COURTNEY. It is a good way to get the right answer, though.

Mr. HÉBERT. That is right.

Major SUDHOFF. I don't like to ask myself questions that I can't answer.

Mr. HÉBERT. I don't expect you to.

You have demonstrated that you know how to handle yourself. Did anybody challenge your statements?

Major SUDHOFF. They were—let me put it this way, sir.

As regards to leadtime specifically—the leadtime statements—

Mr. HÉBERT. Anything.

Did they challenge what you say, or just listened to you?

Major SUDHOFF. You mean at the proprietary board, sir?

Mr. HÉBERT. At the board that made the determination to be sole source.

Major SUDHOFF. Yes, sir. This was completely argued.

I am afraid that the review by this Board is rather comprehensive. And if you don't present—a very good reasoning process by which you have arrived at these figures, you can't satisfy the members of the Board, sir.

Mr. HÉBERT. Well, was it a very comprehensive review and argument in this case, or did you present such a persuasive argument they did not want to ask you many questions?

Major SUDHOFF. I don't consider myself that persuasive a presenter, sir. If my recollection serves me correctly, I had what I might consider a reasonably hard time.

Mr. HÉBERT. Well, the minutes will reflect how hard that time was.

How long did this Board meeting last?

Major SUDHOFF. They take cases in sequence, sir.

Mr. HÉBERT. Excuse me.

But, now, how long did this meeting last?

Major SUDHOFF. Well, sir, the Board usually convened at 2 o'clock in the afternoon.

Mr. HÉBERT. I know what time—

Major SUDHOFF. Every Friday.

Mr. HÉBERT. How long did it last?

Major SUDHOFF. As regards the PRC-41 situation, I believe we were the second case to be presented. And if my memory serves me correctly, we were there approximately 20 or 25 minutes presenting the case—arguing its merits, and that sort of thing. So it was about 20 to 25 minutes.

Mr. HÉBERT. That is what I want.

In 20 minutes it was decided this was a sole source procurement.

Major SUDHOFF. By the Board, sir; yes.

Mr. HÉBERT. I know, "by the Board."

But you were the one presenting to the Board to make the case. And here we have been searching this thing here for 2 days now, trying to get all the facts. Yet this Board made the recommendation on 20 minutes' time.

Did anybody argue—was any other name mentioned, any other company mentioned except Collins, or this hypothetical “XYZ”?

Major SUDHOFF. No, sir. It was put in the form of any other supplier—

Mr. HÉBERT. That is right.

Major SUDHOFF. I believe.

Mr. HÉBERT. But Collins was mentioned.

Major SUDHOFF. Oh, yes, sir.

Mr. HÉBERT. Twenty minutes it took the Board to decide this—and on a \$4 million contract—and sole source.

I think the record speaks for itself.

That is all I want to know about that.

Now, Mr. Secretary—

Secretary BELIEU. Yes, sir.

Mr. HÉBERT. We went into great detail now as to whether the Board—whether any of these so-called recommendations—I may come back now, so I will have this record complete. So the record as it stands before us is that the major is the man who made the decision. And he made that decision, or that recommendation—which ever words you want to use—and that was sustained throughout the entire procedure, until signed by the Secretary?

(Secretary BELIEU nods.)

Mr. HÉBERT. Nobody appeared except the major in favor, and nobody appeared in opposition at all.

Now, I ask you, Mr. Secretary, in connection with making these awards and signing these papers, which come to your desk, and the reviews which are provided, do you have any record of having ever rejected any recommendation of a sole source?

Secretary BELIEU. Yes, sir.

Mr. HÉBERT. In how many instances?

Secretary BELIEU. Well, we searched this out not too long back. I again asked the questions yesterday as a result of our presenting to the committee the sequence of these control steps.

As I indicated yesterday, the only way really that a Secretary or a top admiral or a man at the head of a large division of a department the size of the Navy, with 7 or 8 billion worth of procurement a year and over a million people in it, can exercise control is through policy control and by projecting the past data and the trends and using your influence on these.

So we have collected data on past D. & F.'s, determinations of findings.

Mr. COURTNEY. Determination of findings?

Secretary BELIEU. Now, I can provide precisely the figures that we have. But in my memory, going back 3 years before I was there, about 4.5 percent of the D. & F.'s went back.

Mr. HÉBERT. About 4 percent—

Mr. COURTNEY. Rejected, you mean.

Secretary BELIEU. Rejected.

Mr. HÉBERT. Rejected.

Secretary BELIEU. Yes.

We were running about 8.5 percent now.

Mr. HÉBERT. How many—I didn't get—

Mr. COURTNEY. 8.5 percent now.

Mr HÉBERT. Rejects now.

Secretary BELIEU. About that.

Now, Mr. Cruden has the precise figures. Now, sometimes we stop it completely. Obviously, sometimes you review it and decide to go.

Sometimes it will show two outfits, or two organizations, and maybe one, and you will say "This is not broad enough, I just don't believe that only one person can do this, let's go back and see if more can't be brought into competition."

It may have to be—

Mr. HÉBERT. Sole source.

Secretary BELIEU. A negotiated contract, because sometimes there are only three or four organizations in the country that make a given item.

Mr. HÉBERT. But the committee is to understand that you have—your predecessor had a 4.5 reject and you got about an 8 percent.

It is all right. I just want to know in general.

Secretary BELIEU. This is in general what statistics show.

Mr. HÉBERT. That is all right. We don't need the accurate figures.

Secretary BELIEU. We can provide the committee—we took some random samplings of typical—not typical, but those that came out of this survey.

And I would be glad to provide them for the record, sir.

Mr. HÉBERT. Put it in the record, Mr. Courtney.

Secretary BELIEU. Do you have those precise figures there, Mr. Cruden—

Mr. COURTNEY. Well, if you don't have them now—

Mr. HÉBERT. Then you can supply them for the record.

Mr. COURTNEY. Supply them for the record.

EXHIBIT 10
 NAVY DEPARTMENT
 SECRETARIAL DETERMINATIONS AND FINDINGS, FISCAL YEAR 1962
Examples of actions by Assistant Secretary of Navy, Office of Naval Materials

Description of equipment	Exemption No.	Dollar value (estimate)	Action initially proposed by Bureau	ASN/ONM action
TS-1100 A/U transistor testers, repair parts, etc. (SR (S) 12340).	14	\$230, 207	Sole source.	Bureau was advised that with a model of predecessor item and the performance specification for the new item, it should be able to secure at least limited competition on the procurement.
HU2K air-sea rescue helicopter		1 2, 100, 000	do	Returned to Bureau disapproved and advised not necessary to procure at this time. Should add quantity to fiscal year 1963 buy for better pricing.
ASA-20 recorder group for ASW aircraft		1 29, 600	do	Returned to Bureau disapproved and advised not necessary to procure at this time. Should add quantity to fiscal year 1963 buy for better pricing.
APG-53A radar sets	14	275, 000	do	Bureau was advised to defer the small quantity involved and to add it to the larger fiscal year 1963 procurement, which was to be advance funded and competitive.
R. & D. on restricted band-width signal processing equipment.	11	145, 645	do	Bureau was advised that proposals should be requested from companies having technical capability to do the work involved.
Design, develop, and fabricate IF band-division signal isolators.	11	191, 316	do	Bureau was advised to effect procurement through broad competition.
Investigate nuclear weapons effects on shipboard electronics systems	11	150, 000	do	Action disapproved.
Detectors type DT-103/ASR-3, controls type C 2293/ASR-3.	14	225, 114	3 sources only	ONM returned for broader competition among 19 sources under exception 12 (classified). Quantities meanwhile increased. Value, including spare parts, became \$603,678.
Submarines classification and tracking devices.	14	297, 500	Sole source.	ONM deferred pending outcome of test and evaluation. Design disclosure package is being completed and all but small quantity to be procured through formal advertising with a 50 percent small business set-aside.
Thermal batteries for Sidewinder (NOW 11439)	14	99, 485	do	Bureau was advised that not less than half of the batteries should be the subject of competitive procurement.
Research to bring Aircraft Flight Control Systems Manuals up to date.	11	160, 286	do	Request for sole source was disapproved. Request was resubmitted with additional justification. Request then approved on basis that procurement first be synopsized.
C-3657/ARC-27A radio set controls.	14	496, 975	do	Request for sole source was returned for additional justification. Request was resubmitted and approved for 3/4 of requirement to sole source and 1/4 for formal advertising.
Error recorders—Used in fire control system for testing guided missiles, gun fire control computers and power drones.	14	152, 500	do	Request for single source procurement returned without action, since it appeared possible, through acceleration of time for data authentication and administrative leadtime, to effect the procurement on a competitive basis.
Automatic degaussing systems	14	339, 290	3 sources only	Formal advertising, which is being accomplished.
60-kw., 440-v., a.c., motor generator sets	14	68, 000	do	Formal advertising determined feasible with suitable provisions placing a premium on delivery.
Mk 7, mod 1 torpedo directors, spares, and repair parts.	14	945, 000	Sole source	Bureau proposed to procure entire quantity sole source. Was advised that 3/4 of the quantity might be procured from sole source with balance to be procured competitively.

¹ Berlin buy.

Examples of actions by Assistant Secretary of Navy, Office of Naval Materials—Continued

Description of equipment	Dollar value and exception	Action initially proposed by Bureau	ASN/ONM action
ARC () : Design and development of radio set, VHF-SSB for use in Marine Corps helicopter and VMO-type aircraft.	\$350,000, exception 11.	Sole source.	Returned to Marine Corps disapproved and Marine Corps advised that must get broad competition on the proposed procurement.
Target detecting devices MK 7 Mod. 1: Miniature radar device used to detect the missile target and initiate the sensitive explosive element in the S & A device which detonates the missile warhead when in position to inflict maximum damage to target for Tartar missile.	\$1,827,597, exception 14 and 12.	Partial sole source; partial competitive.	Returned to Bureau of Weapons without approval. Entire quantity must be competitive.
TRC 27 (modification): A modification kit to improve maintainability of TRC 27 radio set.	\$715,000, exception (10Z) ONM did not get a D & F or RAN on this.	Sole source.	Advised Marine Corps that this proposed procurement must be subject to broad competition.
Talos (GC & A) missile: Guidance and control package for Talos missile.	\$31,950,000, exception 14.	Scheduled fiscal year 1963 order (quantity and delivery classified).	Returned without action to Bureau of Weapons due to current conditions which reflect reduced quantities and cost estimates.
AM 215 D/U amplifiers: Amplifier used aboard ship to transmit voice communication to various stations aboard ship.	\$177,800, exception 14.	2 sources.	Returned to Bureau of Ships without approval and advised that additional companies must be added to proposed sources.
ARA-25: Airborne direction finder.	\$220,000, exception 14.	Sole source.	Returned to Bureau of Weapons disapproved and advised that approximately 50 percent of quantity should go competitive.
SSQ-18 and SSQ-46 transponder buoys: Buoys used to align sonar systems aboard ship.	\$532,200, exception 14.	do	Returned without action to Bureau of Ships and advised that 50 percent of total quantity must be competitive.
Halcyon-Argus concept: Classified, R. & D. project.	\$340,717, exception 14.	do	Returned to Bureau of Ships without approval.
ASA-16 indicator group: Indicator set for ASW aircraft.	\$11,800,000, exception 14; 2 D. & F.'s.	do	Returned to Bureau of Weapons without approval and advised that a portion must be broken out for competition (as a result of a 40-percent breakout Navy saved approximately \$1,700,000).
ASN-16: Indicator set for ASW aircraft.	Berlin buy.	2 sources (Berlin buy).	Returned to Bureau of Weapons disapproved and advised not necessary to procure at this time. Should add quantity to fiscal year 1963 buy for better pricing.
ASN-30: Computer display for ASW aircraft.	\$6,000,000, exception 14 and 12 (1 sole source D. & F.).	Partial breakout.	Returned to Bureau of Weapons without approval and directed that the competitive quantity be increased by 35 percent.
ASN-30: Computer display for ASW aircraft.	\$292,000 (Berlin buy).	Sole source.	Returned to Bureau of Weapons disapproved and advised not necessary to procure at this time. Should add quantity to fiscal year 1963 buy for better pricing.
APN-130: Doppler navigator for ASW aircraft.	\$562,432 (Berlin buy).	do.	Do.

Mr. HÉBERT. Now, we will have to go and vote.

And when I return, we will have the representatives—I am finished with these witnesses.

Mr. COURTNEY. We finished with them.

Mr. HÉBERT. Now when we return, we will have the representatives of the Arvin Co.

However, before you leave I do want to make this comment and want to demonstrate exactly what we are concerned with, Mr. Secretary.

The major took more than 20 minutes yesterday to present his paper to us.

He probably took 30 or 40 minutes to present a very adequate paper, a very persuasive paper.

And yet the entire procedure was disposed of by this board in 20 minutes' time. And he says he had a hard time.

Secretary BELIEU. This, if I may, sir, was at that particular step.

Mr. HÉBERT. Well, that step should have been as thorough as this step was.

Because this is the thing that concerns us most.

Secretary BELIEU. I well understand the committee's concern and completely concur in it.

In my opinion, this young man has demonstrated his technical proficiency.

Mr. HÉBERT. I know—

Secretary BELIEU. And his thoroughness.

Mr. HÉBERT. "A man from Auburn couldn't be wrong." "The Tiger of the Plains always roams."

Secretary BELIEU. May I say one thing on my previous figures here.

In 1960, there were 779 such actions, a substantial number of which were competitive, 4.9 percent of the noncompetitive actions were returned.

In 1961, 765 actions and 6.4 percent went back.

Our figures on 1962, to date: 829—this is an estimate, now, because the year is not quite over.

In fact, I got three or four I am holding up right now.

Mr. HÉBERT. I would imagine.

Secretary BELIEU. Yes, sir.

And the percent returned for fiscal year 1962 is 8.4 percent, and not 8.5, sir.

Mr. HÉBERT. All right.

Thank you very much, Mr. Secretary, and thank your staff that appeared.

You have been very helpful to us.

Now the committee will stand in recess until we can get over to the House.

And we will come back here.

Secretary BELIEU. Thank you, sir.

Mr. HÉBERT. That will be about 20 minutes, at which time we will have the representatives of Arvin appear.

The committee is recessed.

Major SUDHOFF. Thank you, Mr. Chairman.

Secretary BELIEU. Do you want us?

(Whereupon, the committee arose at 2:32 p.m. to go to the floor.)

(The committee resumed as follows:)

Mr. HÉBERT. The committee will be in order.

Mr. COURTNEY. Mr. Chairman, we have Mr. Robert G. Nau, the vice president and general manager of the Electronics Systems Division of Arvin Industries, Inc., of Columbus, Ind., and his counsel—in the center, and his cocounsel on his right and to your left facing him, Mr. Harold Pomerantz.

Mr. Chairman, these gentlemen have been invited to be present and discuss their interest in the bid which they have filed with the subcommittee.

Mr. Nau has a prepared statement, Mr. Chairman. I would like to have him read it under the rules without interruption.

Mr. HÉBERT. Thank you very much.

You may proceed.

And it will be noted, again, that the gentlemen are here at the invitation of the committee.

(Mr. Pomerantz nods.)

Mr. HÉBERT. You did not seek us out; we sought you.

Mr. POMERANTZ. Yes, sir.

Mr. HÉBERT. You may proceed.

Mr. POMERANTZ. May I say that was the only statement I was going to make.

Mr. HÉBERT. What?

Mr. POMERANTZ. The only statement I expected to make is that we are here at the request of the committee.

Mr. NAU. Mr. Chairman and members of the committee, in the beginning of our presentation I would like to state that Arvin Industries appreciates the courtesies and considerations extended by the Navy and the Marine Corps subsequent to the presentation of our proposal for the AN-PRC-41 transceiver.

The officers and personnel of the Navy and the Marine Corps whom we met impressed us most favorably with their sincerity and dedication to their responsibilities.

We have great respect for the capability of the Collins Radio Co., who, like Arvin, were pioneers in the radio field.

During the latter part of March 1962, Arvin made a request to the Bureau of Ships for an opportunity to submit a proposal on a quantity of the PRC-41 transceiver. This planned procurement was synopsised in the Department of Commerce Daily.

We received a letter response dated April 5, 1962, which declined our request. Although we were disappointed, we accepted this reply.

On May 8, 1962, we received an unsolicited inquiry from Congressman Earl Wilson of our home district in Indiana asking if we cared to submit a proposal on this unit.

He indicated that the request for proposal was available and that additional information represented by interim development reports, technical manuals, and final engineering reports were available for us to review.

Without having determined whether we would bid or not, we came to his office to review this information on May 9, 1962.

We studied the formal request for proposal which stated the following pertinent points of interest to us:

1. An approved service test model would be supplied by the Government to the successful bidder.
2. A set of Government-owned service test manufacturing drawings would be supplied to the successful bidder.
3. First production of 40 units not required until the 10th month after the award.
4. Preproduction sample not due until 12 months after award of contract.

In addition, we were attracted to the request for proposal by the following factors:

1. Being ultrahigh frequency communication equipment, it met with our long-term plans.
2. The modular design and construction offered an obvious flexibility for production planning, especially from a subcontracting viewpoint.
3. It appeared that we might have an opportunity to examine the equipment.
4. We were also told by Congressman Wilson that, based on an opinion from the General Accounting Office, we have a legal right to submit an unsolicited proposal.
5. It appeared that four of the eight modules used in the PRC-41 were in production as part of the ARC-51, which indicated the reproducibility of those important modules.
6. We were given a set of microfilms for the ARC-51.
7. We were given a technical manual containing a comprehensive list of identifiable major components.

So, on the basis of what we read and heard, a decision was made to construct a proposal, never for a moment anticipating this investigation, but with an honest desire to make a competitive bid and to comply with a request from the Congressman representing our district.

Upon our return to Columbus, we immediately began the preparation of material lists from the available documentation and began the arduous task of contacting possible sources of supply.

The response and cooperation from our potential vendors and subcontractors were most gratifying.

Plans were formulated and contacts made to evaluate the possibilities of subcontracting certain modules wherein special disciplines were needed, such as the spectrum generator.

An outstanding producer of crystals and crystal control devices is available to us for this purpose.

A nearby producer of military ultrahigh frequency tuner devices indicated its prospective cooperation. Gear train specialists have been consulted. A wealth of well managed, highly skilled, agile and economical small- and medium-sized companies exists in this field—that is, in all of the fields that we are talking about here.

On May 16, 1962, we examined the equipment at Quantico, Va. Our observations of the modular construction and the enthusiastic reaction of the personnel at Quantico relative to the performance of the service test models encouraged us to assume that the equipment was ready for production.

On May 20, 1962, we completed our study and on May 21, 1962, which was the deadline date given us, the proposals were delivered to Congressman Wilson's office.

On May 31, 1962, Arvin received a telephone call from the Vice Chief of the Bureau of Ships inviting the president and members of the Electronic Systems Division of Arvin to attend a briefing in the Chief of the Bureau of Ships' Office.

In this meeting, which took place on Monday, June 4, 1962, the Navy pointed out—

1. The need for the equipment in the field.
2. Past R. & D. efforts to obtain more adequate equipment.
3. That Arvin would be required to have an approved preproduction model before starting production.
4. That production drawings and production models were not available.
5. That some 19 engineering points, not mentioned in the proposal, would have to be corrected before production.
6. That, in their opinion, it would take Arvin at least 21 months to deliver.
7. That as far as the Navy was concerned we had not made a bid.
8. That the award would go to Collins.

In spite of their comments we did not withdraw our bid. We did agree that if our proposal was to include these additional and previously undisclosed requirements, we would have to amend our proposal accordingly.

The Navy stated that no such action on Arvin's part was required because, in the opinion of the Navy, Arvin had not made a proposal that would be considered by them.

On returning to Columbus, we reviewed what we had learned. We considered building a preproduction sample—or a model—on our own. However, in view of a required expenditure of \$250,000 to \$300,000, without prospects of receiving an order, we decided this would not be in the best interests of the company.

Accordingly, I made arrangements to visit the Bureau of Ships to determine what our actions should be in order that the best interest of the Defense Department could be served. On June 7, 1962, I visited the Vice Chief of the Bureau, Admiral Fulton, Captain Wells, and Colonel Aiken.

I explained it was apparent to us that the verbal postbid requirements given us that were not stated in the request for proposal, a procedure which we felt was not in accordance with our understanding of the usual conduct of Government procurements, would require a modification of our proposal.

I told them that it was evident that further pursuit on our part perhaps was not compatible with their objectives, and accordingly, we were there for advice on how we should proceed.

We were again advised that since we had not made a bid that nothing further was required from us.

The Navy stated that their calling us in was a courtesy only.

I would like to state that our consideration of the Arvin proposal in the committee's possession was based solely on the specifications contained in the request for proposal.

We did not have the benefit of Navy and Marine Corps briefing until after our proposal was in the possession of the Navy and the General Accounting Office. Accordingly, we would have to amend

our proposal both in terms of time and dollars, only because of the revised specifications.

No course of action has been pursued by us in connection with this proposal since the June 7 meeting with the Navy other than preparation for this investigation.

In connection with the AN/PRC 41 transceiver, we believe that there are a number of companies in the United States that have demonstrated capabilities in accomplishing needed modifications to service test models and in successfully placing them in production.

While Arvin would like very much to have this contract on a revised basis and feels that it can perform to the satisfaction of the Navy, our feelings now are the same as they have been from the beginning of our work on this proposal.

We want whatever is best for the taxpayers and Armed Forces of our country.

Mr. HÉBERT. Thank you very, very much.

May I ask just one or two questions there?

Mr. NAU. Surely.

Mr. HÉBERT. From the beginning and to the end, I am reminded of the very, very old story of the guy who was dying and was asked to renounce the devil on his deathbed and said he couldn't make any enemies in the situation which he found himself. I am sure that was not Arvin's position or is not Arvin's position now, is it?

In other words, if I want to be explicit, it is good business not to fight the Navy in a situation like this.

You have a current contract with them, don't you?

You expect to get more contracts, don't you?

Don't answer that. I will just make the statement.

Don't answer that. It is all right.

I just want the record to show we think of some things.

During your conversations with the Navy, they told you it was only a courtesy that they called you in, as the courtesy to Congressman Wilson, that it was just merely a mental exercise, and nothing could be gained.

Isn't that a fact? They just had you down as a courtesy?

(Mr. Pomerantz nods.)

Mr. HÉBERT. You said it, I mean—

Mr. NAU. He is answering the question.

Mr. HÉBERT. I am answering the question.

But I want more than a nod from you.

Mr. POMERANTZ. Mr. Chairman, we prefer to stand mute.

Mr. HÉBERT. Stand mute or take the fifth, either one of the two.

Mr. POMERANTZ. We will stand mute on those questions.

Mr. HÉBERT. All right.

Now, at any time during these procedures, have you ever felt that you were being threatened by any person in the Navy Department or suggested it would be a pretty good idea to keep your mouth shut?

Mr. NAU. No, sir.

Mr. POMERANTZ. No.

Mr. HÉBERT. At no time.

You feel this is a free and easy operation.

Mr. NAU. Yes.

Mr. HÉBERT. The frank admission you are just down there as a courtesy, and the door was already closed and the Chinese wall was being built and you weren't even being allowed a chance to climb over. That is the position in which you found yourself.

Now, you submitted these bids or this proposal. Who gave you the specification and the documents?

Mr. NAU. Congressman Wilson.

Mr. HÉBERT. The Navy gave you nothing.

Mr. NAU. That is right.

Mr. HÉBERT. Congressman Wilson gave you all the specifications, including the microfilm?

Mr. NAU. Right.

(Mr. Pomerantz nods.)

Mr. GAVIN. Did you require anything from the Navy—ask them for any?

Mr. NAU. No, sir.

Mr. HÉBERT. You asked them previously and they told you—

Mr. NAU. Had asked previously.

Mr. HÉBERT. Asked previously, and they said no. Congressman Wilson obtained the information and gave it to them.

Mr. NAU. I might add, sir, that we did not—after we received the refusal from the Navy, that we made no further attempts from anyone to proceed with this, because we had been refused on other occasions.

Mr. HÉBERT. I think it might be well at this time if you read that letter that accompanied that document that Mr. Courtney has in his hand.

Mr. Courtney, will you give it to the gentleman to read it.

Mr. COURTNEY. Yes, sir.

Mr. HÉBERT. This is part of the bid submitted by you through Mr. Wilson, and in turn I understand submitted a reply in the letter submitted by Mr. Wilson.

Mr. COURTNEY. This is the document which bears the date May 21, 1962.

Mr. NAU (reading):

This presentation embodying a proposal PR 627D-26112(S), is being submitted by Arvin Industries, Inc., of Columbus, Ind., at the request of our Ninth Indiana District Member of Congress, Hon. Earl Wilson.

It should be pointed out that Congressman Wilson, who has represented our district for over 20 years, is well aware of Arvin's capabilities, its past performance as a defense contractor, and its future plans.

He knows that Arvin is financially capable of fulfilling a contract of the scope contained in this proposal and that our management has sufficient depth, as evidenced by past performance, to make a substantial contribution to the Department of Defense both technically and from a production standpoint.

By the same token, we have been aware of Congressman Wilson's constant attention to procurement costs as a result of his membership on the House of Representatives Appropriations Committee.

At this point we would like to state that we are in no way anxious to become embroiled in the political aspects of military procurement.

We did, at one time, request an opportunity from the Navy to bid on this requirement for the AN/PRC-41 and were refused an opportunity. This we accepted.

However, when Congressman Wilson wrote to us after we were refused, asking our cooperation, we felt an obligation to him in support of his work to comply, since the equipment would be within our capability and along the lines of our long-term corporate objectives.

Accordingly, this proposal is the result of the analysis of the following information furnished by Congressman Wilson as well as the results of analyzing the production model AN/PRC-4(XN-2) at the Marine Corp Equipment Board in Quantico, Va.

1. Interim equipment reports numbering nine different reports covering a period from August 1, 1958, to November 1, 1960.

2. Final engineering and preproduction test report of August 1, 1961.

3. Manuscript technical manual for radio set AN/PRC-41(XN-1) contract NOBSr-72821.

4. Manuscript technical manual for radio set AN/PRC-41(XN-2) contract NOBSr-72821.

5. Descriptive specifications and complete microfilms of radio set AN/ARC-51, AN/ARC-51X, AN/ARC-51(XN-3).

6. Specifications ships R-4083, December 22, 1961, radio set AN/PRC-41.

7. Specifications ships B-4071, December 15, 1961, covering battery pack, silver zinc alkaline.

8. Various commentary notes relative to modifications to be incorporated in production units but not reflected in the models now available.

The information which has been given to us in the preparation of this presentation and proposal was more than adequate for the submission of a comprehensive and intelligent cost submission.

The work entailed is in a field in which we are competent, since Arvin Industries is today the sixth largest manufacturer of radios in the United States.

The units on which we are preparing our proposal embody technical levels we are currently operating in, and are in no way pushing the state of art.

To quote from CER-1434 final engineering and preproduction test report AN/PRC-41(XN-2) dated August 1, 1961:

The development of radio set AN/PRC-41 has been a successful attempt to use advance components and techniques with conventional circuitry.

This means that there are no basic new circuitry techniques employed which could in any way result in the program being delayed, since Arvin Industries would not have to develop a capability in a new state of art.

With the information presented to us by the Congressman Wilson and, in addition, the information which we will receive according to PR 627D-26112(s) (namely an incomplete set of manufacturing drawings) the schedules outlined herein are extremely realistic.

The schedules contain within them adequate safety periods allowing for engineering and manufacturing contingencies.

We quote from IDR-463-9 interim development report for radio set AN/PRC-41(XN-1) covering the period August 1, 1960, to November 1, 1960, page 7, paragraph (12) drawings:

Effort was continued on drawings during this report period. The drawings are approximately 80 percent complete and Collins expects the remaining to be completed early in the next report.

We further report from the same manual paragraph (9) instruction book page 6:

The instruction book was revised during this report period and includes the BuShips changes and the design modifications discussed in this report.

This effort is being applied toward the manuscript copies of the service textbooks and is also applicable in the final development handbooks.

The above quotations indicate that the information which we have, plus that which is evidently available, since the development program was a Government sponsored and paid for project with its normal clauses taking title to models, manuscripts, and incomplete drawings, is more complete information than that upon which the various branches of the Department of Defense normally place contracts.

We are submitting this presentation under the assumption that we are in no way acting contrary to the wishes of the Department of Defense or to its ultimate goal of maximum defense at minimum cost.

Were we to feel in any way that we could not meet the requirements of PR 627D-26112(S) from both a production standpoint and delivery standpoint, the effort expended in the preparation of this presentation would not have continued.

The further we proceeded in the preparation, the more we realized that the continuation of this effort was definitely in accordance with, not only the wishes of Congress, but the expressed policy of the Department of Defense.

There are many advantages to be gained by the Department of Defense from an award for AN/PRC-41 radio sets to the Arvin Industries. To name only a few, we list the following:

1. The UHF field is rapidly being concentrated in the hands of a few companies. In the event of mobilization, the concentration of requirements within the few hands would tax their facilities and, furthermore, would make the Department of Defense vulnerable within this highly concentrated area.

2. A research and development contract when completed by a commercial establishment makes that establishment an available source, as a result of the know-how and familiarity with the equipment and the manufacture of both engineering test samples and field test samples. An award now to Arvin would represent the establishment of a second source at no cost to the Government. In fact, we hope that the enclosed proposal will represent, in addition, a considerable saving to the Government.

3. Arvin Industries has utilized the services of various small businesses located in highly distressed labor areas in the preparation of this proposal, and it is anticipated that approximately 50 percent of the work to be done in this Arvin Industries effort, if awarded a contract, would be done by small business in high labor distressed areas.

4. Arvin Industries radio business has been seriously imperiled by the increase of both Japanese and German imports. An award to Arvin Industries would put Arvin Industries in a more favorable competitive situation in the worldwide market. In line with the stated fiscal policies to attempt to stem the flow of U.S. dollars abroad, an award to Arvin Industries of a contract on this piece of radio equipment would actually be an implementation of the President's policy. The burden absorption and the increased productivity of our radio division that a contract resulting from this proposal would represent would mean

a more level employment rate in our radio division. As a result, we can visualize a possible lowering of our prices on our commercial line and thereby making us more competitive with foreign manufacturers.

5. If awarded a contract, as a result of the proposal enclosed, our capability in the UHF field would be immeasurably increased. This would have the effect of making available to the Department of Defense an additional source for UHF research and development as well as production. Since Arvin Industries operates within corporate-owned facilities only, and since Arvin Industries does not propose to request any Government-owned facilities other than those listed in PR 627D-26112(S), this additional facility becomes available to the Department of Defense without a single dollar expenditure for capital, plant, or equipment.

We cannot stress too strongly our desire not to become embroiled in any form of politics. As explained to us by Congressman Wilson in his letter requesting this proposal, we are submitting this presentation for the purpose of aiding him in the studies which he is making.

Mr. HÉBERT. Now, let me ask you this one question—Mr. Courtney, before you start.

When you prepared that document and that bid at the request of Mr. Wilson, you believed you had a chance to get this contract?

Mr. NAU. Yes, sir.

Mr. HÉBERT. If you had known you were only going to be given a courtesy call attention, would you have prepared that?

Mr. NAU. I doubt it.

Mr. GAVIN. Not when it cost \$250,000, you wouldn't have.

Mr. NAU. Well, that is the model.

Mr. GAVIN. You thought you would—

Mr. NAU. A model would cost that much.

Mr. GAVIN. Yes—say—

Mr. NAU. It would cost that much.

Mr. GAVIN. There wouldn't be any use of your going ahead with a model that was costing you a quarter of a million dollars when you didn't think you had a chance for the job.

Mr. NAU. That is right.

Mr. GAVIN. That's what I am trying to point out.

Mr. HÉBERT. Now, as I understand it, the specification given to you by Mr. Wilson lacked 19 items which would be very important in the final figure.

Mr. NAU. This is what we were told, yes, sir.

Mr. HÉBERT. And you say in your statement that you would revise your figures as to time and cost?

Mr. NAU. That is right.

Mr. HÉBERT. Are you prepared—and if you are not, say you are not. Are you prepared to indicate what the cost raise would be, now that you have knowledge of these 19 missing items?

Mr. NAU. I am not prepared to.

Mr. HÉBERT. Would it be a substantial raise in time and money?

Mr. NAU. The first inkling that we had of these changes was in the meeting I believe in Admiral James' office, which at that time were not detailed.

They were broadly stated.

I believe that the testimony we saw yesterday brought more in detail the specific points that needed work.

Mr. HÉBERT. Do you feel that if you had been in possession of these comments which were presented in this extensive hearing before the board lasting some 20 minutes, that you would have been able to knock down the argument for a sole source, if you had been given the opportunity for rebuttal?

Mr. NAU. I would think it would have been helpful.

Mr. HÉBERT. Maybe you would have needed more than 20 minutes to be more persuasive.

Mr. NAU. Oh.

Mr. HÉBERT. But do you think you could have overcome this XYZ Co. presentation?

Which was a hypothetical company, they referred to as XYZ.

It wasn't your company. This was the hypothetical company.

Mr. POMERANTZ (aside to Mr. Nau.)

Mr. HÉBERT. You read the testimony of yesterday, I presume.

Mr. NAU. Yes.

Mr. HÉBERT. Well, they referred—the major referred to the XYZ Co. And then set forth why the Collins Co. had to be given this contract as a sole source.

There is no adversary at these proceedings at all. It is all pro. This is one side of the story, and nobody to refute it.

If you had been given an opportunity to sit in on that meeting, do you think that you could have been successful in convincing these people in 20 minutes' time, or a little more time if they had given it to you, that you could perform according to time?

Mr. NAU. If we had had sufficient time to review what these modifications were, I think, and to review the drawings and specifications, yes, sir.

Mr. GAVIN. Did you get a chance, when they were producing the first model, to have an opportunity to bid on the first model that was produced?

Mr. NAU. No.

Mr. GAVIN. Or was that under contract, or was that just—the Navy gave it to Collins to produce certain plans and specifications for a certain type of radio.

Mr. NAU. That was done—that contract was let in 1958, and at that time my company had no aggressive plans for entry into this particular field.

Mr. GAVIN. You didn't enter into it then at that time at all.

Mr. NAU. No, sir.

Mr. GAVIN. You just come into the picture later on, after this whole thing has been developed.

Mr. NAU. That is right.

Mr. GAVIN. And the Government paid several hundred thousand dollars, I presume, to the Collins Co. to develop this particular model. And then is when you should have been given an opportunity to bid. And if you wanted to bid and the plans and specifications and all details given to you—

(Mr. Nau nods.)

Mr. GAVIN. So you could bid on the job. But you weren't given those.

Mr. NAU. That is correct.

Mr. COURTNEY. May I ask, Mr. Nau, how it was or how it occurred that you solicited an opportunity to bid upon this article, as you say in the statement of May 21, 1962, from which you have just read—you state at one time:

We did at one time request an opportunity from the Navy to bid on this requirement.

(Mr. Nau nods.)

Mr. COURTNEY. Now, can you tell us the circumstances and approximately when you made the request to bid?

Mr. NAU. Well, I think that is covered—it was in the latter part of March, on the basis of information we read in the Department of Commerce Daily, yes.

Mr. COURTNEY. March 1962?

Mr. NAU. Yes.

Mr. COURTNEY. In other words, you saw the Commerce Department data?

(Mr. Nau nods.)

Mr. COURTNEY. You noticed that the bid was a sole source—

Mr. NAU. That's right.

Mr. COURTNEY (continuing). Bid?

(Mr. Nau nods.)

Mr. COURTNEY. But you proceeded from there, with request for an opportunity to bid?

Mr. NAU. Yes.

Mr. COURTNEY. And at that time, did you visit the Navy Department?

Mr. NAU. No, sir.

Mr. COURTNEY. Did you write the Navy Department?

Mr. NAU. Wrote the Navy Department.

Mr. COURTNEY. And what followed?

Mr. NAU. On April 5 we received a mimeographed letter from the Navy Department, stating that drawings—that production drawings and models were not available, and that the award was going to Collins, and that if we cared to discuss subcontracts, that we should do that.

Mr. COURTNEY. Discuss subcontracts with Collins; is that right?

Mr. NAU. That is right.

Mr. COURTNEY. Did you do so?

Mr. NAU. No, we did not.

Mr. COURTNEY. You were interested in the whole operation?

Mr. NAU. Yes, that is right.

Mr. COURTNEY. Had you known at any time that there was a Navy Department policy directive, or rule or whatever you want to call it, for rejecting any opportunity for unsolicited bids in these circumstances?

Did anyone tell you that?

Mr. NAU. Not until—we were told this by Congressman Wilson at the time when we came to Washington to look at the information which he had.

Mr. COURTNEY. Did the form letter which you received in March make reference to any policy which would forbid the Navy Department from giving you any proposal, papers, documents or other things upon which to bid?

Mr. NAU. No.

Mr. COURTNEY. The first information, then, is what you got from Mr. Wilson, as you have indicated?

Mr. NAU. Yes, sir.

Mr. COURTNEY. On that subject.

(Mr. Nau nods.)

Mr. COURTNEY. Now, another question.

Did you examine the production model, which is here in this room?

Mr. NAU. Yes, sir.

Mr. COURTNEY. And did you examine the 51?

Mr. NAU. The ARC-51, no. We did not examine the model, of the ARC-51, no, sir.

Mr. COURTNEY. Now, where did you see it and under what circumstances—the 41?

Mr. NAU. Our representative went to Quantico and examined the equipment at Quantico.

Mr. COURTNEY. At Quantico?

Mr. NAU. Yes.

Mr. COURTNEY. And I think you said it took him some 3 or 4 days?

Mr. NAU. Oh, he was at Quantico 1 day.

Mr. COURTNEY. One day.

Now, you did not see any drawings, any preproduction drawings, did you?

Mr. NAU. No, sir.

Mr. COURTNEY. Or did your representative?

Mr. NAU. No, sir.

Mr. COURTNEY. You never had them at any time—

Mr. NAU. No.

Mr. COURTNEY (continuing). In the preparation of this proposal?

Mr. NAU. No.

Mr. COURTNEY. Would these drawings have been of any use to you or any bidder in like circumstances in your field, in preparing a bid?

Mr. NAU. Yes, sir.

Mr. COURTNEY. Would the fact that they were incomplete be any handicap?

Mr. NAU. It would have been very helpful.

Mr. COURTNEY. Would they have assisted any bidder—and I am speaking now in a technical way, of people in your profession—and I assume you must be acquainted with them.

(Mr. Nau nods.)

Mr. COURTNEY. It would have assisted in your opinion any other bidder to compete on an article of this sort?

Mr. NAU. Yes, sir.

Mr. COURTNEY. Is that right?

Mr. NAU. That is right.

Mr. COURTNEY. But there were none such made available to you?

Mr. NAU. That is correct.

Mr. COURTNEY. Now, in the absence of these drawings and having made the examination which you did of the model, as a technical man, as a professional man, are you able to state whether or not you could form an opinion and present a bid which would represent technical competence and sound business from the examination of the model itself?

Mr. NAU. An examination of the model itself, in order to be real precise, would take longer than a day's time.

In this respect, experience certainly has to be a basis of judgment in analyzing the modules and the unit itself, to be able to come up with some opinions as to labor costs that would be involved, based on experience factors.

Mr. COURTNEY. Well, now, this is a handmade model, I think it has been described.

(Mr. Nau nods.)

Mr. COURTNEY. As a handmade or a benchmade model, exclusive for this purpose, as distinguished from a production model.

But from an examination, were you willing to stake your company's—as apparently you did—reputation and its dollars in the production of the proposal to produce from this model?

Mr. NAU. Yes, sir.

Mr. COURTNEY. And you feel that you had adequate information upon which to do it, on the schedule suggested to you?

Mr. NAU. I felt that we had—we felt that we had adequate information, based on what we had seen and heard, and knowing of the competence of Collins Radio Co. and the statements in the request for proposal, that these drawings and the results of the R. & D. effort and the service test model would be made available for assistance.

Mr. COURTNEY. To a manufacturer.

Mr. NAU. That is right. We also felt that an important part of this would certainly have to be the comparative and willing efforts on the part of the customer—

Mr. GAVIN. Mr. Counsel, at that point.

When the Navy gave you this opportunity to make this courtesy call, as you call it—you were called to come in—did you request from them at that time why you were not being given an opportunity to bid on this job or did you request the plans and specifications and all the details in connection with an opportunity to bid, or did you—what did you do when you went up there, on this courtesy call that you made, that you talked about?

Mr. NAU. Well, we listened to about the same presentation that you folks heard yesterday.

Mr. GAVIN. Yes.

Well, did you say “Well now, wait a minute, here, you can't cut us out of this entirely, we want to bid on this job”? Did you tell them that?

Mr. NAU. Not in those words, sir. No, sir.

Mr. GAVIN. Well, why not?

Mr. HÉBERT. They are not the Congressman from Pennsylvania.

Mr. GAVIN. It doesn't make any difference if they are the Congressman from Pennsylvania or the Congressman from Louisiana.

They have a right to ask for plans and specifications if a job is being let.

And if you were there and they called you in, I can't see or understand why you didn't say “We want to bid on this job and we want all the plans and specifications and details in connection so we can submit our bid.”

But you evidently went up there and had a nice visit and left, and that was the end of that.

So I can't understand why you didn't request of them to give you the information necessary to submit a bid.

Mr. NAU. Sir, I have been in sales most of my life.

Mr. GAVIN. Right.

Mr. NAU. And we still must have a willing customer in order to do business with them.

This is a business proposition.

Mr. GAVIN. Well, I don't know.

"Willing." If I was in business and there were seven or eight competitors and I knew there was a job to be let, believe me, I would say "I want an opportunity to bid on it."

Then, if you didn't get the opportunity to bid, then you ought to go to the proper authorities and ask why you were not given the opportunity.

Mr. HÉBERT. They want to come back next week, Mr. Gavin, and bid again on some other proposition.

Mr. GAVIN. OK. I want to take a matter up here just as soon as you are through with it.

Mr. HÉBERT. We will get to it.

Mr. NORBLAD. May I ask how much Defense Department do you now have or have you had over a period of time?

Mr. NAU. Well, basically, our major military effort has been during World War II and the Korean War.

It has certainly become evident to us during the past few years that the major customer for electronics is the U.S. Government. And so our company established a new directive, in order to develop a capability in this field—to expand our latent capability in this field.

Mr. NORBLAD. But you are not answering.

My question is, Do you now have Defense Department contracts or have you had them in recent years?

Mr. NAU. We now have some Defense Department contracts.

Mr. NORBLAD. Substantial?

Mr. NAU. Totaling—a total of around \$1,200,000.

Mr. NORBLAD. And you are anticipating contracts in the future, as Mr. Hébert has indicated?

Mr. NAU. Yes, sir.

Mr. NORBLAD. So you and the Navy are all getting along very well.

Mr. NAU. Fine.

Mr. HÉBERT. All right, Mr. Courtney—

Mr. NORBLAD. The taxpayers also have a stake in competitive bidding, you know.

Mr. HÉBERT. Not for the corporations, in dealing in competitive bidding.

Mr. COURTNEY. Mr. Nau, I have in my hand a document which has been introduced here as exhibit 1. This is a list which Major Sudhoff prepared of the additional requirements in the building of a production model which were imposed by the Marine Corps as a result of field tests.

Now, I will ask you to take a look at those, and I would ask two things:

1. What influence—I think you have already expressed yourself—it would have on your bid as it is presented here in this document, and
2. Whether or not you desire to present or would you at the invitation of the subcommittee present—if it does not impose too great a

burden on you—your estimates of the cost of accomplishing these changes and including them in a production model.

MR. POMERANTZ. (Aside to Mr. Nau.)

MR. NAU. I would want to—

MR. COURTNEY. I recognize you have some responsibility to your directors whose money is now in jeopardy.

MR. POMERANTZ. If I may—off the record?

MR. HÉBERT. Off the record, if the gentleman wants off.

MR. POMERANTZ. Because this may be a matter for an executive committee to decide, rather than Mr. Nau himself.

MR. HÉBERT. We appreciate that.

MR. COURTNEY. Recognizing the fact—

MR. HÉBERT. You don't have to answer the question.

MR. POMERANTZ. It involves the policy of the firm.

MR. HÉBERT. It is perfectly all right.

MR. POMERANTZ. I don't want him to feel that he is in a position—he may not be in a position to commit the firm.

MR. HÉBERT. It is perfectly all right.

MR. COURTNEY. If it is consistent, consistent with your position—

MR. POMERANTZ. I just want it understood that it may be that Mr. Nau is not in a position to commit industry in respect to this new modified program.

With that understanding, if he could answer it, why—

MR. COURTNEY. Yes.

MR. NAU. I would just like to say this, that I would like to know if there would be a chance of actually getting the business, before going through it.

MR. HÉBERT. You wouldn't do what you did before—again what you did.

MR. COURTNEY. This is the wrong place.

MR. NAU. I realize that.

MR. COURTNEY. That would be for the information of the subcommittee.

I would have no intention of imposing the request on you, unless it were consistent with the policies of your corporation and with your superiors.

MR. NAU. Thank you.

MR. COURTNEY. Recognizing that you were trying to keep up as a profitmaking corporation.

Now, if you will turn, please, with me to this board here, which contains some figures which have been discussed this morning—and I assume you have heard them all.

MR. NAU. Yes.

MR. COURTNEY. I would ask for your comment on whether or not in your opinion, knowing what you do of this model and the other information that was given you, short of course of the changes that were required in it as a result of field tests which were not given to you, what have you to say as to whether or not it would require you 3 months' learning time in order to prepare to go into engineering and development?

MR. NAU. Well, I can say this, that we wouldn't have a bunch of engineers sitting around for 3 months just looking at papers, that they had better be accomplishing something during that period of time.

MR. COURTNEY. Well, you think the time would be shorter?

Mr. NAU. I think that there would be a concurrence between these areas here.

It could not be broken down right in specific areas.

Mr. COURTNEY. In other words, you would learn while working?

Mr. NAU. Why, sure. Some of these circuits are conventional circuits, that you would immediately—you could immediately have a man starting to work to do productive effort on the situation.

Mr. COURTNEY. Well, now, how many of these circuits—what percentage or what proportion of this model which you have seen here is what you call conventional circuitry?

Just a guess. Your best judgment.

Mr. NAU. I would say that certainly the spectrum generator is something that would require familiarization with. There is no question about that.

Mr. COURTNEY. Now, that is one of the modules?

Mr. NAU. Yes.

Mr. COURTNEY. And what else would you think would require specialized attention?

Mr. NAU. I might have to call on—I might in this case have to call on some people who are certainly more familiar with this than I am.

Mr. COURTNEY. But in accomplishing your bid which is here did you experience anything or deal with anything in the way of a technical requirement or of a production model which was unfamiliar to the people in your business?

Mr. NAU. Nothing that was not answerable to us.

Mr. COURTNEY. In other words, is your company in the business of producing ultrahigh frequency radios, I guess it is—radios and receivers?

Mr. NAU. Not military, sir.

Mr. COURTNEY. Not military?

Mr. NAU. Not military.

Mr. COURTNEY. But commercial?

Mr. NAU. But we have been—I might state there that we developed a UHF—a TV-UHF tuner which was in the frequencies from 400 to 890 megacycles, which incidentally are higher than the frequencies of this particular unit. This was built around the induct tuner, as such, which is a technical term but I am sure the major will understand.

That our chief engineer had originally UHF background going back to the UHF devices in World War II pertaining to the Mark 4 IFF system, where he was the project manager for this initial system.

We also developed a combination UHF and VHF tuner for use in television.

Mr. COURTNEY. Now you have net sales—I don't suppose you won't mind a little commercial—of \$73 million, according to your last statement.

About how much of that would be in ultrahigh—UHF?

Mr. NAU. Nothing for approximately 6 years, I would say.

Mr. COURTNEY. Six years?

Mr. NAU. Yes.

Mr. COURTNEY. Now, let us go back to the chart, if we may.

In your opinion, then, the items under learning time and the model—modified engineering development, which is posted there at 7 months, would be compressed into a lesser period, if I understand your testimony correctly?

Mr. NAU. No. I am saying that in the 7 months which we have allocated for this, that there is sufficient time for that.

Mr. COURTNEY. In other words, you have said that to get down to the point where you would have a test model—is that right?—would be in your opinion a period of 7 months?

Mr. NAU. This comes down here to—and I would have to refer to our milestone chart.

Mr. COURTNEY. Yes, sir.

Mr. NAU. Which is in—may I borrow your—

Mr. COURTNEY. Yes, sir; that is yours. If you would like to keep it. (Hands volume of documents.)

Mr. NAU. According to the projection which we made here on the basis of our bid, we would have that completed at the end of the 20th week.

Mr. COURTNEY. Well, in my simple method of calculation, that should be about 5 months?

Mr. NAU. Right.

Mr. COURTNEY. And during which time of course you would have learned something about the gadget, is that right?

Mr. NAU. Yes, sir.

Mr. COURTNEY. According to your statement.

Now, then, how about your ability to complete—by the way, were you ever asked a question on this subject, or did you have an opportunity of discussing your abilities, as you have just answered in response to my question, when you were discussing this matter with the Department of Navy?

Mr. NAU. We were invited in to listen to the Navy.

When we arrived there, we were given an opportunity.

However, we were not prepared with any formal presentation as such in that regard.

So we said we came there to listen.

Mr. COURTNEY. Which seemed the most prudent to do at that time, isn't that right?

Mr. NAU. Yes, sir.

Mr. COURTNEY. But you did never at this meeting, or any of your prior meetings—and this last meeting of which I am talking about is May 31—discuss your abilities, competence, or capability, as you have answered in response to my question?

Mr. NAU. Sir, let's check that date again.

Mr. COURTNEY. It is the last date of our meeting.

Mr. NAU. May 31, yes. Would you restate your question, now that I am reoriented here?

Mr. COURTNEY. My question was—I have asked you a question with reference to your competence and capabilities. In your discussions with the Navy Department, did you ever discuss with them—were you ever asked or given an opportunity to present your information, the answers that you have just given in answer to my question that you could be to the first production model within 5 months?

Mr. NAU. Sir, that meeting was on June 4.

Mr. COURTNEY. I am sorry.

Mr. NAU. Yes.

Mr. COURTNEY. Well, June 4.

Mr. NAU. June, June 4, that is right.

Mr. COURTNEY. The last meeting.

Mr. NAU. Not at the last meeting. The last meeting was at my request.

Mr. COURTNEY. Yes, well at any meeting.

Mr. NAU. At the meeting when we were called by the Navy to attend, the invitation was to come in and talk this thing over to see where this will lead us.

Mr. COURTNEY. Oh—

Mr. NAU. Or where this will lead you.

Mr. COURTNEY. Lead you, meaning the company?

Mr. NAU. Yes.

Mr. COURTNEY. Well, what did you determine from what you listened to?

Mr. NAU. We were told it was not a negotiating session. So we came to listen, as such.

Mr. COURTNEY. Yes. Now what did you find out?

Mr. HÉBERT. He found out he couldn't get the contract.

Mr. NAU. We found out, among other things, that the service test model was available, but that it was not a production model, that drawings were available, however, they were not production drawings, that we would not be permitted the same privilege of production concurrent with preproduction sample building, that was mentioned in the request for proposal, and that he would of necessity have to incorporate in this model the revisions which were told were quite extensive from an electrical standpoint, in switches and other areas.

Mr. COURTNEY. And that is all?

Mr. NAU. Well, there are—I think—that it would take us at least 21 months to deliver, and that they did not consider that we had made a bid, and that the award would go to Collins, yes. Those were the points.

Mr. COURTNEY. Now did you at any time have access to a document which I hold in my hand here called the "Manuscript, Technical Manual, for Radio Set, PRC-41 (XN-2)"?

Mr. NAU. I got to go back here and see what I got.

Let's see, I believe you removed this one section of this.

Mr. COURTNEY. That is the introduction, the introductory section, yes. [Handing document.] That goes to the reporter, Mr. Nau.

Mr. NAU. Yes, sir.

Mr. COURTNEY. You did have it.

Mr. NAU. Yes, sir.

Mr. COURTNEY. And is the information in there of assistance to a manufacturer in your business, in preparing a bid for which you would—for which you would pledge the assets of your company?

Mr. NAU. Yes, sir.

Mr. NORBLAD. The present contract you have with the Defense Department—did you get it on open bidding or was it negotiated with some people in the Defense Department?

Mr. NAU. No. They were not sole source negotiations.

Mr. NORBLAD. Were not sole source?

Mr. NAU. They were not sole source negotiations.

Mr. COURTNEY. Now did you ever see at any time, and if so, will you fix the time, a proposal by Collins Radio Co., which is dated April 11, 1962?

(Exhibits book of documents.)

Mr. NAU. Yes, sir.

Mr. COURTNEY. When did you see it?

Mr. NAU. I saw it on the day after we delivered our proposal to Mr. Wilson, which would have been March 21—

Mr. HÉBERT. May 22—

Mr. NAU. May 22.

Mr. COURTNEY. May 22.

Mr. NAU. That was the first time I would have seen it.

Mr. COURTNEY. Did you examine it?

Mr. NAU. Yes, sir; most certainly.

Mr. COURTNEY. And as a result of the examination which you made, did you or did you not make any changes in your proposal or suggest any changes in your proposal?

Mr. NAU. No, sir.

Mr. COURTNEY. Mr. Chairman, I think those are the only questions I have to ask of Mr. Nau, unless Mr. Nau has something further.

Mr. HÉBERT. Thank you.

Mr. NAU. I have nothing further.

Mr. HÉBERT. Thank you very much.

Mr. NAU. I thank the committee for their courtesies, and the chairman.

Mr. COURTNEY. Mr. Chairman, we would like to have the full text or so much as pertinent of the proposal presented for the record.

Mr. POMERANTZ. We have no objection.

(Exhibit 10, the Arvin proposal documents, May 21, 1962, are retained in subcommittee files.)

Mr. POMERANTZ. Mr. Chairman, thank you so much.

Mr. HÉBERT. It wasn't very bad now, was it?

Mr. POMERANTZ. What was that?

Mr. HÉBERT. It didn't hurt too much, did it?

Mr. POMERANTZ. Not at all. We just wanted it to appear that we came here at your request, Mr. Chairman.

Mr. HÉBERT. We made that very definitely clear. You didn't make anybody mad.

Mr. POMERANTZ. And may I say also that we are very pleased to note that in your opening statement, you said this is a legislative inquiry and it is not an adversary process or proceeding.

Mr. COURTNEY. That is right.

Mr. HÉBERT. All proceedings in this committee are legislative—none are adversary. They may develop into that, of what people think.

All right, Mr. Courtney.

Mr. COURTNEY. All right.

Mr. Chairman, the representatives of the Collins Radio Co. are here in the room.

Mr. HÉBERT. They have been invited too. They come at our invitation.

Mr. COURTNEY. And I have a letter from the Representative of their district, dated June 28, Mr. Bromwell, who was here yesterday and can't be here today, and who asked it be made a part of the record.

Mr. HÉBERT. Your Congressman wanted to present you, gentlemen, he can't be here today, so he left a certificate of good behavior for you. (The letter is as follows:)

JUNE 28, 1962.

Hon. F. EDWARD HÉBERT,
Chairman, Subcommittee for Special Investigations, Committee on Armed Services, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: By reason of my absence from the city, I shall be unable formally to present to your subcommittee currently sitting, certain of my friends and constituents who have come here at your invitation to testify. I have asked my assistant, Lewis Veghte, Jr., to do this in my behalf by this letter.

I should like to present Mr. David Foster, Mr. William Graham, and Mr. John McElroy. They represent the Collins Radio Co. This company was founded and its main offices are presently located in Cedar Rapids, Iowa, and it is the largest employer in the congressional district which I have the honor to represent. I present this company and these gentlemen to you because of the pride which is felt by our community and the State of Iowa in general in the Collins Radio Co. I personally remember its establishment in 1933 by Mr. Arthur Collins, its present president, a holder of the Distinguished Service Medal for his contributions to the electronics field.

From the time Collins equipment was carried to Little America by Admiral Byrd until its instruments were carried into outer space by our astronauts, the company has been a source of great pride to our community at large.

Not only in the field of its primary endeavor but in meeting its civic responsibilities and in the field of labor-management relations, the Collins Radio Co. has been a pace setter.

I realize that the fine work and standing of this leader in its field perhaps needs no introduction. Nevertheless, I take personal pleasure in so doing.

Sincerely yours,

JAMES E. BROMWELL,
Member of Congress.

Mr. COURTNEY. Mr. Chairman, at the table, Mr. William Graham in the center, the director of contract administration of the company; John C. McElroy on his left and your right, the director of development; and Mr. D. H. Foster, counsel on the end.

Gentlemen, the committee would like to hear from you any comments that you desire to make in view of the fact that your name has been mentioned more than once in the last 2 days.

We have no questions to ask of you.

Mr. HÉBERT. If you have no comment, it is acceptable, too.

Mr. COURTNEY. Whatever your position may be.

Mr. HÉBERT. I just want to give you the opportunity of appearing.

Mr. FOSTER. Fine. We appreciate that opportunity. I do not have a written statement prepared.

I would like to make a just few comments.

Mr. HÉBERT. Very well, sir.

Mr. FOSTER. If acceptable. Collins Radio is not a well-known concern.

Mr. HÉBERT. It is after this.

Mr. FOSTER. I think so.

Mr. COURTNEY. Today you have arrived.

Mr. FOSTER. Largely because we don't make anything that the average consumer is apt to see around his house or in his automobile.

Thirty years ago Arthur Collins founded a firm in his basement dedicated to the proposition that there is a place in American industry and particularly in the electronics industry for a company devoted to excellence.

Since that time Collins has grown into a large corporation. But it has never compromised its standards of quality and reliability.

As a result, it has never found it profitable to manufacture household radios or televisions or electrical appliances or similar consumer products.

Mr. HÉBERT. You mean you must compromise a company, to manufacture those things.

Mr. FOSTER. You have to compromise your quality.

Mr. HÉBERT. Oh, I see.

Mr. FOSTER. Collins' customers have been limited to those who expect and demand the very best—the Armed Forces, the Federal Aviation Agency, NASA, the commercial airlines, and others who must communicate reliably under stringent conditions.

Collins is proud of its record of accomplishments as a supplier for the Armed Forces and for the other agencies of the Government.

Perhaps never more so than when the voices of Shepard and Grisom and Glenn and Carpenter came back to earth loud and clear over Collins-designed and manufactured radio.

More pertinent to this inquiry, Collins is a pioneer in the field of ultrahigh frequency radio.

It has invested millions of its own dollars in research in this field.

Collins has designed and manufactured 35 different models of ultrahigh frequency radios.

It has produced over 55,000 high quality ultrahigh frequency radios.

Collins is somewhat unique in this field, in that it does not manufacture any products which it has not designed in its own laboratories.

I would like to introduce these gentlemen, if there are any questions—John McElroy, director of our development division, is a graduate engineer, has a B.S. degree from Purdue University.

He is in charge of an engineering department of 2,000 people, of which approximately 600 are professional engineers.

He is personally responsible for the design of many of the ultrahigh frequency radios which Collins has built.

Mr. Graham also has a bachelor of science degree, although his efforts are in the field of contract administration.

So there won't be any possible comment on conflict of interest, Mr. McElroy and Mr. Graham and I are all former employees of the U.S. Navy.

Mr. COURTNEY. By request.

Mr. FOSTER. Mr. Graham and Mr. McElroy were both commissioned officers during World War II, and I was a seaman first class.

Mr. COURTNEY. Well, I kind of had you figured out.

Mr. FOSTER. Now, I would like to say one more word about this particular contract and this particular hearing.

When this whole thing came up we thought seriously about withdrawing our quotation so that the Navy could feel free to move whichever way it wanted to on this thing.

After considerable soul searching, we decided that would be violating our obligation to the Navy.

They gave us a contract to develop it. We did develop it. They liked the radio. They want to buy it. After producing all of these ultrahigh frequency radios, we think we know how much they cost and how to make them.

We submitted a quotation to them which we think is honest and fair and accurate.

I think with that, that will conclude my introductory remarks. If there are any questions, these gentlemen can answer them.

Mr. HÉBERT. I have no questions. We just wanted to give you an opportunity—the same forum as the others. And no charge for the commercial.

Mr. FOSTER. We get so few chances.

Mr. HÉBERT. Thank you, gentlemen, very much.

Now, members of the committee, the committee will stand in recess until 10 o'clock on Monday morning, at which time Mr. Wilson will appear.

I have extended to Mr. Wilson the courtesy we extend any Member of Congress, and particularly in this case to have an opportunity to say whatever he desires to say.

He informed me that he will prefer to prepare a statement, which he will have ready on Monday morning, at which time we will hear from Mr. Wilson.

Now, I will ask the Navy people—Secretary BeLieu, Admiral Beardsley, and is Admiral Fulton here?

Mr. COURTNEY. Admiral Fulton is here.

Mr. HÉBERT. The procurement people to remain, to remain here. And as far as this hearing now, this hearing is recessed now until 10 o'clock Monday morning.

(Whereupon at 3:54 p.m. the hearing was recessed, to reconvene at 10 a.m. Monday, July 2, 1962.)

(NOTE.—The following statements were submitted at the close of testimony by leave of the subcommittee:)

**STATEMENT OF HON. EARL WILSON, OF INDIANA, CONCERNING
PROPOSED PURCHASE OF UHF RADIOS BY THE NAVY DEPARTMENT
ON A SOLE-SOURCE BASIS, JULY 3, 1962**

Mr. Chairman and members of the subcommittee, I should first like to thank this subcommittee for taking its valuable time to look into what I believe to be the first "before the fact" sole-source contract award that has been challenged in this manner. In my opinion, Mr. Chairman, members and counsel have done an excellent job in obtaining information that will lead to future legislation. As you said last Thursday, "This is a legislative inquiry." Although its purpose has not been to prove the contemplated sole-source production of the AN/PRC 41 undesirable, I think it has done just that. I shall develop this theme as I progress. But I want to state my conclusion first. The AN/PRC 41 radio production should not be even now carried out on a sole-source basis. The facts simply do not back up the desire.

When I first opposed this procurement, I said I intended to oppose it as "not being in the best interests of the United States." I have done just that, and I have been profoundly shocked to learn that so many Navy people in high positions of trust have endorsed what appears to me to be a tragic series of blunders that, if allowed to stand, will: (1) Penalize the American taxpayer, (2) deny the capability and efficiency of American industry, and (3) justify the continued use of wartime emergency regulations for sole-source procurement during periods of nonemergency.

It is my opinion this subcommittee has brought out enough facts to show that (1) in deciding this production must be on a sole-source basis, the Navy was altogether too superficial in its study; (2) the Navy's actions before and since deciding to sole source this procurement have been considerably less than ethical; (3) American industry, represented here by a single firm appearing under something less than ideal circumstances, has made an excellent case against sole sourcing of this product; (4) the American taxpayer stands to be penalized over \$1 million in this and other instances that can be documented, and, most important of all, (5) the legislative correction possible under terms of the Hébert amendment to the Armed Forces Procurement Act will correct future situations of this sort for the military, which certainly shows little inclination to correct them itself.

I wish to develop these points at this time. I hope others will be developed by this subcommittee in study of the other eight cases I referred to it in June. In connection with this, I want to state that I have a number of other cases which follow the same basic pattern. All lead to the conclusion that the military is penalizing the taxpayer to a degree that should not be tolerated.

Before discussing the points I want to cover, I find it necessary to recognize that last week Under Secretary of the Navy Kenneth M. BeLieu appealed to the sympathies of the committee and others during an emotional appeal in which he practically wrapped himself in the flag. Let me make this clear. I do not question Mr. BeLieu's valor in behalf of his country. His record speaks for itself. But I should like to ask when it was established that an outstanding war record be a prerequisite for a good Under Secretary of the Navy? When have medals been made qualifications for a high role in our national defense agencies? Medals, war records, are for wartime heroics, which all of us admire and applaud. I am the first to warmly congratulate the Under Secretary for his contribution to his country. I must say, however, that had he been as diligent, as searching, and as industrious in the procurement of the PRC-41 radio set as he was in his role of a man serving his colors, we probably would not be here today, because the PRC-41 would be made by American industry after competitive bidding.

That is not the case. The Under Secretary is the highest of the officials we have heard here. He has done as have the rest—given sole-source procurement entirely too superficial a look. He has been the victim of inefficient and incompetent staff work, but he still supports them and their judgment. Poor judgment can be just as criminal as a felonious act itself, and the way such judgments as these are penalizing the taxpayer are certainly criminally wasteful.

This subcommittee has uncovered sufficient facts to indicate to me that this contract should not be sole sourced to any one company. It has unmasked inefficiency and incompetently masquerading as the exact opposite behind a facade of initials and signatures on documents not worth the paper upon which they're printed. Almost all these redtape documents have been given only cursory inspection before being routinely authorized.

For these reasons I say to this subcommittee and to the Under Secretary of the Navy that his war record, impressive and appreciated as it is, cannot and does not excuse the inefficiency of him and his sub-

ordinates, for whom he takes full responsibility and whose actions are too costly to be tolerated.

What has this committee brought out? What has it developed during these hearings? I think it has established beyond the shadow of a doubt the need for the Hébert amendment to the Armed Forces Procurement Act. It has won a victory for its own legislation even before it is finally enacted. I am happy to have had a small part in this, and I am sure it will result in saving billions of dollars of the taxpayers' money. This committee, I think, has established with the Under Secretary's own statements that while the Navy and other armed services say they welcome reviews and investigations, they also resist legislation which will cure the ills that are under study. Mr. BeLieu's statements and Mr. Hébert's unchallenged statement that his amendment is already being resisted by defense agencies bears out my belief. What the Armed Forces say they want and what they really want are two different things. What they really want, it seems to me, is to be judge, jury, prosecutor, and witness for themselves with no outside interference.

The Hébert amendment will make it possible for an independent agency to place a checkrein on the reckless waste in military procurement. This hearing has proven the amendment should be made law.

I think it's been established that Navy policy is rooted in sandy soil. It can be changed capriciously, with only the Navy's knowing of the change. These changes can be hidden until the Navy thinks the time opportune. In this case, however, the Navy has outsmarted itself. The hearing has brought out that the 1959 policy of the Bureau of Ships I quoted in submitting my presentation to Secretary of the Navy Korth was changed in September 1961. I refer to this as the Bureau of Ships "open door policy." It said any contractor could submit a bid on any procurement, sole source or not. From May 21, when I submitted my presentation to Secretary Korth, until June 28, when Eugene Jones, of the Office of Naval Material, made his statement about the policy change, neither the General Accounting Office, Earl Wilson, nor Arvin Industries were told the policy had been changed. No one ever called or wrote to say I was mistaken. Mr. Jones did not state this in a conference in my office—yet on June 28 he quoted the new policy which, in effect, closed the "open door."

The committee, as I remember it, tried to pinpoint this new policy. Who signed it? What led to it? How was it arrived at? To this moment, there has not been a word of concrete testimony on this matter. When asked questions, Navy said it would have to go back and get the answers. It appears to me that in such an important matter as this, the documents should be available. Certainly, little trouble was encountered in finding the policy had been changed. Why is it so hard to find out who, when, why, and how? We still do not know the answers.

It should be made clear, however, that the committee has at its disposal documents indicating that the Navy Bureau of Ships "open door policy" was being violated as early as September 1960, a full year before any policy change—if one was really made. There are documents in a colleague's office and in possession of a manufacturing firm I can pinpoint that will show direct violations of stated Navy policy such as I have charged in the case of the PRC 41. This can, and should, be inspected.

Time and again in this hearing we hear mentioned the words "time frame" which translate in civilian English into "time factor." Briefly, the Navy says only Collins can build the radio and deliver it in the time frame it has set up. This is not Collins' fault. The Collins Co. is a good company, and I bear no ill will toward it. As I said on the floor a year ago, it plays the game by the rules the Navy sets up.

Returning to the time factor, interrogation by this subcommittee has established that the Navy's time estimate has been higher than either Arvin or Collins. If we really expect Navy's figures to be accurate, the cost is going to be even more, and so is the time of delivery going to be longer.

This so-called time frame appears to me to be a judgment made at a subordinate level in the Navy Department. Once made, it was agreed to at every level and if questioned at all was questioned only superficially. In this time frame matter as in others, a judgment made at a subordinate level stood for all. The same is true for the technical complexity of the equipment. Despite the control points, interviews, board meetings, and all the redtape, this subcommittee has yet to hear any concrete testimony that will prove anything more than a superficial study was given this matter once a first decision had been made somewhere in the lower echelons of the Navy Department. This, I think, adds grist to the mill for the Hébert amendment. When a procurement agency is its own judge, jury, prosecutor, and witness, it has absolute power—and absolute power corrupts absolutely. So-called after-the-fact examinations, reviews, and hearings are too late. They are like locking the barn door after the horse is gone. Only if sole-source procurement can be stopped before it hits the taxpayer in the pocketbook, can we expect some relief, and this is what the Hébert amendment will make possible.

Now let us further examine the Navy's diligence in justifying this sole-source award. Lengthy interrogation by the subcommittee proved it took a naval board only 20 minutes to make the decision that the production of the PRC-41 was to be sole source. In fact, Major Sudhoff said he had considerable trouble persuading the board that the radio should be produced sole source—yet it took only 20 minutes. I want to tell you that I have read the documents which should have been present at that meeting, or which I would expect to have been there, and it took me 30 minutes to read them without discussing them afterward, and I am not a slow reader. Think of it! In 20 minutes a decision was made and then was rubberstamped all the way to the top. And remember, in this one, the PRC-41, the major said he encountered considerable resistance. I shudder to think how our money is being wasted if this is any indication of Armed Forces efficiency! What happens when there is no resistance? Other sole-source actions, probably more questionable than this, must take minutes or seconds to set up for the rubberstamp brigade that awaits.

At the risk of becoming repetitive, Mr. Chairman, here, again, is a place where the Hébert amendment will prove a corrective and will save the taxpayers further financial blood letting.

As a corollary to this, do you recall that Mr. BeLieu testified that about 825 sole-source actions crossed his desk in the last fiscal year with all but 8 percent approved? Few were questioned as much as the PRC-41. I hardly think this makes a case for efficiency in the Navy Department.

I would like to turn now to two documents submitted by me to the subcommittee—the Arvin and Collins proposals. Both came from the General Accounting Office and are now in the hands of the subcommittee.

We have heard much here of 19 engineering changes that must be made. We heard Arvin representatives say these changes would require more time for the end product. The facts are, and they were not brought out here, it is going to take Collins longer to finish the radio due to these changes, too. The Navy has already recognized this by adding 2 months to the initial delivery schedule it proposes for Collins.

I want to point this out—it was never brought out by the subcommittee—Arvin and Collins prepared their bids on the same request for proposal. The same requirements were stated, the same words, the same numbers used—yet Arvin's bid was 34 percent lower. The engineering changes couldn't have been reflected in Collins' bid because they weren't incorporated in the request for proposal.

Arvin was told of these verbal, postbid changes during its "courtesy call" at the Bureau of Ships. These changes, I repeat, were not in the original RFP. Neither Arvin nor Collins bid on them, and the delay in delivery is not reflected in these original bids.

Documents I have provided to the subcommittee prove beyond a shadow of a doubt that the Navy was prepared to extend the initial delivery date for Collins to take care of these changes. The truth of the matter, Mr. Chairman, is that the Navy had started changing this contract even before it was signed. It inferred in its presentation that it will take Arvin longer to perform than Collins, and it inferred the changes were incorporated in the Collins proposal. It never said it—it inferred it, because it knows allowance for the changes is contained in its own proposal to sign a letter contract for the PRC-41 with Collins.

I have stated the way in which this procurement was justified for sole source. The prime reason is time of delivery of the equipment. I think we have a right to expect that any manufacturer who gets this contract should perform excellently and should have a sterling record of delivery. Yet the subcommittee is in possession of documents I received from the General Accounting Office through the Bureau of Ships which shows that out of 66 line items for delivery under previous contracts, Collins has been delinquent in 40, with delinquencies as high as 13 and 14 months. I don't mention this to disparage Collins, but simply to show the superficial manner in which this procurement was examined by the Bureau of Ships before being lined up for the rubberstamp brigade.

Mr. Porter Hardy, of Virginia, summed up Navy's case succinctly on Thursday when he said Navy came here to try to rationalize its position. The Navy's own testimony has shown it didn't start to compile a detailed analysis until it learned of my interest and later of the subcommittee's interest. What would happen if procurement people in industry acted accordingly? I think the Navy simply tried to explain away its own inefficiency and incompetency. To the credit of the committee and its counsel, that did not happen.

In my opinion, the Navy's case boils down to time of delivery and technical nature of the product. Testimony I have heard disproves both contentions. In my opinion, this subcommittee, while pursuing a course that has proven the desirability of the Hébert amendment, has also proven that (1) had the development contract for the PRC-41 been pursued and model and drawings delivered, (2) had engineering changes been noted, and (3) had American industry been given a chance, this radio could have been built and delivered on time and on a competitive bidding basis with a consequent huge saving to the taxpayers.

In his straightforward statement, Mr. Robert Nau, of Arvin Industries, said Arvin still warrants it can build this radio and deliver it in accordance with Navy wishes. This is no fly-by-night manufacturer talking, Mr. Chairman. This is a pioneer in the field—one of the six leading producers of radios in the Nation, a company with an outstanding performance record in the UHF field. This is an industry which does near \$100 million of business a year and which is renowned for its conservative approach and excellent performance.

Mr. Chairman, the record speaks for itself. Had the Hébert amendment been law, Navy would have had to justify this sole-source procurement in a similar manner as we have experienced in this hearing. It could not have done this. It could not rationalize under intelligent inquiry. This subcommittee has proved that.

With the Hébert amendment as law, and the General Accounting Office looking over its shoulder, the military will be much more cautious in trying to erroneously justify sole-source awards. The result will be a better, more economical purchasing system and savings to the taxpayers that will amount to billions a year. I repeat what I have said many times today—the Hébert amendment should be passed by the Senate and signed by the President at the earliest possible time. We are just starting a new fiscal year, and it is never too early to begin saving money.

To my knowledge, Mr. Chairman, this is the first time a sole-source award has been challenged before the fact in this manner. There are many after-the-fact cases. The subcommittee has eight from my files, and I will shortly turn over several others. All show that sole-source procurement is a luxury we cannot afford.

In this case, however, we have a chance to prove the theory of the Hébert amendment as opposed to the Navy position. Navy says only Collins can meet its schedule, and I say American industry can perform alongside Collins. My suggestion is simply this: Take the planned procurement and divide it between Collins and Arvin. Call the firms in, give Arvin a model and complete drawings, split the award and tell them to go to work. If Arvin fails to produce, the Navy position is right, and Collins can assume the uncompleted portion of the work. There will be no delay. If Arvin produces, then the position I have taken is right and the Hébert amendment would have been used to stop sole sourcing of this award. To add to that, if both produce, the Government will have a double source of supply to take care of future orders. I propose this in all sincerity, even though

I know it has little chance. The Navy will welcome this suggestion even as it is welcoming the Hébert amendment right now.

In conclusion, Mr. Chairman, I would again like to thank the subcommittee and its staff for its cooperation in this matter. I think it has proven what it set out to prove—that the Hébert amendment is needed and needed now.

I would like to close by predicting a similar case that is coming up in the near future. The statement has been made, "Wilson is out to get the Navy." I am not, and I never have been. I have great admiration for the Navy and what it has accomplished, even as I have admiration for the great majority of Navy employees who are honest, hard-working Americans.

The Navy isn't the only defense arm that abuses the sole-source method of procurement. The Army is another. It is already planning to sole-source the AN/ARC-54 radio set on an urgency-of-delivery basis, and that sole-source award will go to Collins Radio Co. unless there is a change, now that I have made this statement. I invite the subcommittee's attention to this matter when it becomes pertinent.

I thank the chairman, the subcommittee members, and counsel for their kind attention and consideration.

STATEMENT OF COLLINS RADIO CO.

COLLINS RADIO Co.,
Cedar Rapids, Iowa, July 3, 1962.

HON. F. EDWARD HÉBERT,
*Chairman, Subcommittee for Special Investigations,
Committee on Armed Services,
Washington, D.C.*

MY DEAR CONGRESSMAN HÉBERT: This is in response to your letter of July 3, 1962, requesting certain comments from this company relating to the statement of Hon. Earl Wilson, of Indiana, to the subcommittee on July 3, 1962. On page 6 of his printed statement, Congressman Wilson refers to a report from the General Accounting Office which "* * *" shows that out of 66 line items for delivery under previous (BuShips) contracts, Collins has been delinquent in 40, with delinquencies as high as 13 and 14 months." Although we are not certain as to which report the Congressman refers, we understand that the delinquencies refer to Contracts Nos. NObsr-75183, 75710 and 81220. We have reviewed our records pertaining to these contracts and have the following comments:

1. *NObsr-75183*.—This contract covered, among other things, a quantity of 523 antenna coupler, CU-691 and 75 antenna coupler, CU-692. Our records indicate no production delays on this contract. All couplers were completed by Collins 1 month ahead of schedule. In September 1961, a short, temporary delay occurred when units of CU-691 were held in shipping per instructions of INSMAT pending Bureau approval of certain components.

2. *NObsr-75710*.—This contract covered a quantity of 144 AN/WLR-1 ECM receivers. Certain production delays were experienced,

largely as the result of a 6-week economic strike of production workers at Collins' Dallas plant where this equipment was manufactured. This strike began on May 1, 1960, and ended on June 5, 1960. However, the Dallas plant did not return to full production capacity until July 1, 1960, when the final agreement with the union was reached. Comparisons of scheduled and actual deliveries are shown:

Date	Units contract	Actual	Date	Units contract	Actual
February 1960.....	1	1	November 1960.....	11	16
March 1960.....	2	-----	December 1960.....	7	15
April 1960.....	5	2	January 1961.....	7	17
May 1960.....	10	2	February 1961.....	7	10
June 1960.....	16	5	March 1961.....	3	18
July 1960.....	20	6	April 1961.....	4	1
August 1960.....	18	6	May 1961.....	6	11
September 1960.....	14	13	June 1961.....	-----	10
October 1960.....	14	8	July 1961.....	-----	4

In the case of certain items, delinquencies appear somewhat greater than shown above because of priority assignments as between items. These priorities were established by BuShips in the form of shipping instructions.

3. *NObsr-81220*.—This contract was for a quantity of 580 AN/URC-32 transceivers. We understand that 28 of the 40 items identified by Congressman Wilson as being delinquent relate to this contract. We are somewhat surprised that this contract should have been selected for comment, as we feel that it is an outstanding example of Collins' ability to meet and surpass production schedules for highly complex electronic systems. For example, items 1, 3, 4, 6, 7, 46, 47, 48, 49, 50, 51, 68, 73, 75, 77, and 80 were delivered on or as much as 3 months ahead of schedule. Items 5 and 9 were 1 month late due to delay from BuShips for shipping authority. Items 10, 11, 66, 67, 69, 70, 74, 79, and 81 involved delays of short duration. Item 5 was 90 days late but this delay was made up on item 49 which was an identical article. In summary it may be said that contract production schedules for all major equipment items were met.

We are completely unable to substantiate the report that certain items on this contract were 10 to 14 months delinquent.

We have examined the copy of exhibit 6 which you provided us this week and, although we have not yet examined all of the pertinent contract records, we find it to be a generally correct appraisal of our performance record with respect to timeliness. We will be happy to discuss any of these contracts with the subcommittee and disclose the reason for any apparent delays. We would particularly welcome a comparison of Collins' performance record on these contracts with that of other concerns manufacturing the same equipment or equipment of comparable complexity.

We trust that this information will enable the subcommittee to complete its record in this matter.

Very truly yours,

D. H. FOSTER, *General Attorney.*

CONCLUDING STATEMENT OF HON. KENNETH E. BELIEU, ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS), IN CONNECTION WITH PROPOSED PROCUREMENT OF AN/PRC-41 RADIO SETS, JULY 5, 1962

Mr. Chairman and members of the subcommittee, I wish to thank the committee for having conducted these hearings on the current procurement of the PRC-41 ultrahigh frequency radio transceiver sets. I also thank the committee for allowing me to make this concluding statement. These hearings afforded the Navy the opportunity to present to you and to the general public the basic facts in this case. We welcomed that opportunity and have presented responsible and knowledgeable witnesses from the Navy and Marine Corps. You have heard not only their testimony but that of management officials of Arvin Industries and of Collins Radio.

In my view, this evidence confirms the judgments we had previously reached in the Navy that our requirement for the PRC-41 is most urgent and that only the developer of that complex UHF equipment, Collins Radio, can meet the delivery schedule to fill the urgent requirements of the Marine Corps and of the Navy, Army, and the Air Force.

As the Commandant of the Marine Corps, General Shoup stated:

We urgently need the AN/PRC-41 * * *. At this moment, the combat readiness of the Fleet Marine Forces in Thailand, in Okinawa, in the Mediterranean and the Caribbean, and in the United States is impaired for lack of adequate replacement for the M-A-Y. The original schedule for delivery of a replacement radio cannot now be met—and the requirement becomes more urgent with each additional delay.

The Marine Corps has been trying since 1951 to develop a replacement for the M-A-Y transceiver, intending to retire the M-A-Y's beginning in 1954. Unfortunately, three attempts to develop a successful replacement failed and, by 1960, the Marines' situation had become critical necessitating commercial rebuild of M-A-Y sets. Not only has the M-A-Y become obsolete due to its marginal capability for communicating with modern jet aircraft, but there is an ever-increasing shortage of serviceable units. Thus, the need of Marine Corps for the PRC-41, the first and only acceptable replacement for the M-A-Y, is an urgent one of long standing.

The Marine Corps witnesses pointed out the complexities of the PRC-41. They analyzed the time (16 months) it would take Collins Radio, the developer of the PRC-41 and of some 34 other military UHF radio equipments, to make delivery of these equipments. They also analyzed the time (26 to 39 months) it would take any other electronics firm competent in the military UHF field to complete deliveries of the same equipments. Moreover, they explained the reasons why we concluded that only Collins can meet the required delivery schedule and that Arvin's proposal to complete deliveries in 12 months cannot be accomplished by it.

This Arvin now seems to recognize also. Arvin's vice-president testified that it would have to amend its proposal both in terms of time and dollars. From his testimony (Tr. 305), it also appears that when Arvin prepared its proposal it did not realize that although a service test model was available, it was not a production model, and similarly that the drawings that were available were not production drawings.

We realize that the Request for Proposal that Arvin received from Congressman Earl Wilson covered the equipment requirements of the developer, Collins Radio, and did not, therefore, specify the four additional preproduction models and the extensive test and evaluation that necessarily would be required of any company other than the developer, Collins Radio. The Request for Proposal and its enclosed performance specifications did in fact require the accomplishment of all of the modifications to the service test model even though they did not specifically spell out the particular modifications that had to be made. Moreover, contrary to Mr. Wilson's contentions, Collins Radio did agree in its proposal to accomplish all such modifications in furnishing the production equipments to the Navy. We realize that any company other than Collins Radio would have difficulty in determining the differences between the performance specifications and the actual performance of the service test model and in identifying all the modifications required thereby without a more detailed "road map" of what these specific modifications were. Collins Radio, on the other hand, had representatives present during much of the test and evaluation of the service test models and, accordingly, knew the exact changes in these models the performance specifications required. These are some of the reasons why Arvin's proposal would have to be amended both in time and price.

We appreciate Arvin's long-range plans to develop a capability in the military ultrahigh frequency radio field and welcome their interest in Navy procurements. Although Arvin did some work in the commercial ultrahigh frequency field over 6 years ago, it is not doing any such work now and it has never produced any military ultrahigh frequency radios. Although Arvin has obviously been put to some expense in preparing its proposal, the record does show that the information which Arvin received concerning this procurement and upon which it acted in preparing its proposal came from Congressman Wilson and not from the Navy.

I agree completely with this committee that all Government procurement policies should be set forth in writing and available to Congress, to industry and to the general public as well. There is no excuse for the failure to publicize the revision in Navy policy that was discussed here last Thursday, June 28. Instructions have been issued designed to assure that this does not occur in the future.

Mr. Chairman, I wish to make it clear that I believe in the Navy's system of checks and balances and that I have faith both in the integrity and capability of our engineering and technical personnel. As indicated by the testimony, there were many separate control actions before the proposed Determination and Findings, authorizing negotiation of a contract for the PRC-41 equipment with Collins Radio, reached my desk. The first control steps were taken in the Marine Corps, where the major requirement for the PRC-41 originated. Within the Bureau of Ships there were additional control steps. The personnel involved in these steps, both officer and civilian, are highly knowledgeable concerning the development of the PRC-41 equipment, familiar with the procurement history of equipment of related design and complexity, and thoroughly qualified to examine into the technical, production and procurement aspects and to determine the validity of the recommendations made. Additionally, there

were other separate control steps in the Office of Naval Material culminating in the recommendation made by the Chief of Naval Material to me. Mr. Chairman, these people are conscientious, dedicated and capable public servants. Their recommendations I value highly. In addition, I personally reviewed the facts before I signed the Determination and Findings and authorized negotiation of a contract with Collins Radio.

Furthermore, when Mr. Wilson submitted the Arvin proposal and made his serious charges to Secretary Korth, we had the entire case reexamined and reevaluated. I personally participated in this review and concluded that the original decision to negotiate only with Collins Radio was sound.

I do not claim we are free from human error, but I do assert that our judgments are always made in good faith in the interest of the United States and, specifically, that in this case the correctness of our decision to award this contract to Collins Radio, the developer of this complex UHF radio set, as the only source which can meet our urgent need, has been proven by your hearings.

Mr. Chairman, the Navy and the Marine Corps agree with the committee that competitive procurement, rather than sole source, should be employed whenever possible. Understandably, however, there will always be situations where sole source procurement must be used to meet military requirements. So long as we are striving, as we must in this cold war, to push ahead with more and more advanced weaponry, these sole source situations will arise. Our aim is to increase competitive procurements to the maximum and to break away from initial sole source situations at the earliest possible time. The concentrated efforts of the entire Department of Defense, from Secretary McNamara down, are to achieve this goal. As Mr. Gilpatric, Deputy Secretary of Defense, put it recently—

* * * we must stress full and free competition with equal opportunity to all interested qualified suppliers, and we must continuously seek to minimize sole source procurements for end items, major subsystems, spare parts and supplies.

Mr. Chairman, I am fully conscious of the obligation to conserve the taxpayers' dollars. At the same time, I am equally conscious of my grave responsibility to the sons of those same taxpayers, who are now or in the future may be in the service of our country. Their success in battle and their lives depends on the quality, reliability and superiority of the weapons we give them. Fully aware of all these responsibilities, I feel very strongly that I can fulfill them in this case only by authorizing the award of the PRC-41 equipment to Collins Radio.

I am deeply disturbed that the personal motives of myself and other Navy personnel have been impugned by Mr. Wilson. Secretary Korth, in his letter to Mr. Wilson of May 31, 1962, urged Mr. Wilson to give the Navy the facts on which he based his accusations, and if he were not willing to give the Navy such facts, to give them to the FBI. To date Mr. Wilson has given no information either to the Navy or to the FBI. In fact, he has not replied to Secretary Korth's letter. Because Mr. Wilson has stated that some of his statements can be backed up with documentation by the General Accounting Office, we have checked with GAO to see if they have any evidence of wrongdoing in connection with this procurement. We have been assured by representatives of GAO that they have no evidence of wrongdoing on the

part of Navy personnel in connection with this procurement and that Mr. Wilson has not furnished them any such information. We have inquired within our own Department for any evidence of wrongdoing in this procurement. We have found none. We know, of course, Mr. Chairman, that despite the fact Mr. Wilson requested you to hold these hearings and, further, sat with you and the members of the committee and heard all the evidence, he chose not to testify. We have read the statement he filed with you on July 3, 1962, and find no evidence in it of wrongdoing on the part of Navy personnel in connection with this procurement. We understand also that your subcommittee, either in or apart from these hearings, has received no evidence from Mr. Wilson of wrongdoing on the part of Navy personnel in this procurement and that your subcommittee has no such evidence of its own. In sum, Congressman Wilson has not submitted any evidence whatsoever of wrongdoing on the part of Navy personnel, and the record in this hearing at its close is completely devoid of any evidence in such regard.

In conclusion, Mr. Chairman, I believe that we have firmly established in this hearing (i) This is an urgent requirement. As the Commandant of the Marine Corps stated:

We urgently need the PRC-41. * * * and the requirement becomes more urgent with each additional delay.

And (ii) Only Collins Radio, the developer of this complex UHF equipment, can meet the urgent delivery schedule. Collins, a pioneer in military UHF radio equipment, having successfully developed and built the service test models and being thoroughly familiar with the many modifications that must be made in the production units, can produce many months quicker than any other company.

Mr. Chairman, the best interests of the United States will, in my judgment, be served by a prompt award to Collins Radio for the PRC-41 equipments that are so urgently needed. I know of no reason why the Navy should not now do this.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS,
Washington, D.C., July 16, 1962.

HON. CARL VINSON,
*Chairman, Committee on Armed Services,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: I herewith hand you the unanimous report of the Subcommittee for Special Investigations, together with its recommendations in the inquiry which you directed into the procurement by the Navy Department of the AN/PRC 41 radio transceiver.

Respectfully,

(Signed) F. EDW. HÉBERT, *Chairman.*

REPORT

THE MARINE CORPS AN/PRC 41 ULTRA-HIGH-FREQUENCY TRANSCEIVER

On June 7, 1962, on the floor of the House, in connection with the debate on H.R. 5532, authorized by the chairman of this subcommittee, Representative Earl Wilson of Indiana drew the attention of the House to and requested this subcommittee to inquire into the prospective purchase by the Navy Department, on requisition of the Marine Corps, a radio set designated "No. AN/PRC 41." It was fully described during the hearings by an expert on the subject. For a thumbnail identification, it is a set which sends and receives field radio messages between ground and air.

The design requirement was for a set with a wide choice of communication bands so that wavelengths could be frequently changed while communicating with jet aircraft and highly mobile ground units in the style of warfare adopted by the Marines for their assigned missions.

This radio is to be a replacement set so that one man can transport it on his back. It will supplant the M-A-Y communication set which among other disadvantages, requires two men to carry, and is limited to four bands or frequencies, as well as range in communicating with jet aircraft.

The designation "radio set" may suggest a simple device. It is far from that.

This set avails itself of all the improvements of ultrahigh frequency. It is an expensive article. It demands a high degree of technical competence in its construction, and extreme competence to achieve full flexibility and versatility in use.

A full explanation of the set was given by Maj. Richard Sudhoff, of the Marine Corps, in the course of his testimony, as well as an explanation of the use to which it is to be put.

The set has no resemblance to, nor is there any commercial counterpart.

The Marine Corps Commandant fully explained the uses to which this set is to be put. While the testimony did not dwell on failures in development, the written record shows that when the requirement was put out for development in 1951, two companies literally walked away from the announced requirements. Finally, Collins Radio Co., of Cedar Rapids, Iowa, was awarded a development contract in 1959. Not until the end of 1960 did its development reach the point where a model was constructed within the perimeter of weight and versatility. The model was tested by marines in the field for 6 months under simulated battle conditions. Flaws or failures in the models were noted, and a number of changes of varying degrees of importance were required in the finished product.

In October 1961, the Marine Corps requested the purchase of 556 sets to be built from the model, with the modifications shown by the test to be necessary. The Commandant testified to the need for his corps having an ability to communicate with its air support and ground units with an ultrahigh frequency apparatus light enough to be transported by helicopter-borne troops who are capable of maintaining reliable communication with the aircraft, helicopters, and troops in operations called vertical envelopment.

The Commandant specified that the Marine Corps had a total requirement of 815.

The M-A-Y system now in use by the Marine Corps, was put with troops in 1949, and has a serviceable life of about 5 years. The Marine Corps intended to begin retiring M-A-Y in 1954, but the Commandant testified that—

during the next 7 years (from 1949), three companies attempted and failed to develop an acceptable replacement (and), in the meanwhile, the M-A-Y was wearing out—

so that in 1960 the Marines had to have "a commercial rebuild" of the M-A-Y. About half of the units now in use have been rebuilt. Since 1960, he testified, deterioration has continued to the point where some units have passed beyond the repairable stage. In April 1962, 131 were unserviceable. There were barely enough of the old M-A-Y units to equip present troop strength, and none in reserve for replacement through loss or deterioration.

The importance of the improvements in communication is indicated by the fact that the M-A-Y has only 4 channels of communication whereas the new model has 1,750 channels and a range twice that of the M-A-Y.

The Commandant testified that because of the difficulty of the development of this unit and the fast deterioration of the M-A-Y, the combat readiness of the Fleet Marine Forces in Thailand, Okinawa, the Mediterranean, the Caribbean, as well as in the United States, is impaired. It was the Commandant's opinion that delivery should have begun in May 1962, the earliest foreseeable date for delivery, and that the requirement for this replacement becomes more urgent daily.

The Commandant's first requisition was October 1961. The subcommittee will deal with the processes which followed thereafter both in point of time and with reference to the complaints that have been made concerning these processes.

It is observed that the Marine Corps requisition requested that Collins Radio Co. be given a production contract. It will be noted also that there were smaller requisitions from the Air Force and the Army also pending.

For the purpose of this report, it will be noted that the Navy Department's Bureau of Ships is the assigned purchasing agent for these requirements; and that the technical adviser and manager for the procurement of the Marine Corps was Maj. Richard Sudhoff.

The final determination to procure this article sole source under exception 14 of section 2304(a) of title 10, is the Assistant Secretary of the Navy for Material, whose determination and finding (exhibits 2 and 3) is final.

We have examined the documentary evidence in the process of reaching this final determination; although all of them were not called, every person connected with the documents, their contents, or their use, was consulted or was present in the hearing room. The written record, however, is the best evidence of the actions taken.

To begin with the processes: Marine Maj. Richard Sudhoff was the "project manager" throughout.

A proposed letter contract with a fixed amount was agreed upon between Collins Radio Co. and the Navy, with a maximum amount of \$4,373,546 specified. It must be understood that this is the gross value of any contract or an "upset price." The proposed contract will include in that price the modifications required by Marine Corps specified in its requisition of October 1961.

This total amount, however, is subject to negotiation downward but not upward. This means, of course, that there is no fixed price in the proposed contract at this time.

On March 22, 1962, the Assistant Secretary of Navy for Material having filed written determinations and findings, as required under section 2304(a)(14) of the Armed Services Procurement Act, title 10, United States Code, notice of a proposed sole source procurement from Collins Radio Co. was published by the Commerce Daily Bulletin, issued by the U.S. Department of Commerce. This bulletin specified the article as the AN/PRC 41, and advised subcontractors to make application to the Collins Radio Co. as the prime producer.

Between October 1961 and March 22, 1962, the following steps had been taken. The Navy designates them as "control steps." Each was covered by supporting documents. Boiled down, the steps are:

1. The Marine Corps requisition of October 1961 specified the modifications required by field testing and initiated a request that Collins Radio Co. be given a production contract "sole source" because of urgent time requirements.

2. Maj. Richard Sudhoff, "project manager," a description we give to him, then began shepherding the paperwork through the Bureau of Ships.

3. The next control point was an engineering evaluation and recommendation made by W. M. Shaup on November 17, 1961, exhibit 8.

Testimony discloses that the major presented what amounts to a "case" for the proposed requirement to Mr. Shaup and others, Shaup having the responsibility for "signing off."

The major prepared from his own source a comparative time schedule which Collins Radio Co. as the developer could meet as

against what the hypothetical competitor, designated as the XYZ company, could be able to make. The differences, roughly between 16 months and 26 to 39 months for the first article delivery, showed Collins in the favored position. Sudhoff's conclusions on this and other matters were concurred in by Shaup, who passed on written recommendations.

The next action step was Capt. C. G. Wells, who turned out to be the contracting officer. Captain Wells presented as exhibits, the essential parts of which are reproduced, the forms and other collateral paper making up the file.

Captain Wells, after consultation with Navy officers, concurred in the recommendations and the report of Shaup.

The papers examined by the captain did not contain any information on the delivery schedule of Collins Radio Co. on other Government contracts. He says, however, that he did consult others in the Bureau, and determined independently of any written material (exhibit 6) that Collins had a satisfactory record of delivery and was considered to be a reliable and responsible contractor.

The next step was a board of officers and civilians (Wells was a member) and Major Sudhoff, the advocate. Although Major Sudhoff described the decision as difficult and complicated for the board, he was able to persuade them in a 20-minute presentation—a remarkable record when compared with the time it took him to explain the subject to the subcommittee.

Anyway, the board concurred. Other intermediate steps of less importance followed, and technical opinions were given, all culminating in the Chief of the Bureau of Ships endorsing the documentation on to the Office of Naval Material where the "business" aspects, as they are described, were reviewed by Mr. Joseph C. Cruden. "Urgency" was considered from the written record, and costs were reviewed. This process is detailed in the record. Finally, the Assistant Secretary of Navy for Material approved a sole source award to Collins on March 22, 1962.

It is to be observed at this point that nowhere in the written record or the actions taken was there any dissent or difference of recorded opinion as to either (1) time requirements, (2) the total requirement, (3) the estimated time of delivery from the sole source producer, (4) or is there any indication that any company other than the hypothetical competitor was ever considered at any stage.

Such is the history of most development contracts. That observation is not intended in any way as a criticism of Collins Radio Co.

What went on within the Navy Department was of Navy's own doing. Collins did not urge its competence. It performed a development contract satisfactorily, and was paid in full. Like it or not, seek it or not, Collins was in the best position as a production source.

Now to return to questions before the subcommittee.

Arvin concluded (141) since it had a model and the other data to look at, and "based on an opinion from the General Accounting Office," which was produced by Mr. Wilson of Indiana, that it had a "legal right" to submit a proposal. Armed with documents, the technical manual, and data supplied by Mr. Wilson of Indiana, Arvin complied with what it called a "request" of Mr. Wilson and submitted a bid.

Mr. Wilson of Indiana submitted Arvin's proposal to the Navy.

Thereafter, a telephone call from the Chief of the Bureau of Ships invited Arvin by telephone to a meeting. At this meeting Arvin says it was advised of the development efforts and the requirement for a preproduction model (minimum 6-month test), lack of drawings (a debatable point), and the 19 engineering changes required by the Marine Corps which were not contained in any documents coming into the hands of Arvin.

Navy representatives then advised Arvin that its proposal would not be considered.

Nevertheless, Arvin did not withdraw or change the bid it gave Mr. Wilson which he gave to the Navy.

Arvin never knew of any Navy policy directive or rule which forbade consideration of unsolicited bids.

Arvin admits it had not manufactured ultra-high-frequency radio sets for 6 years. It testified that it could have been ready for production in 7 months as compared to the time assigned to the XYZ company.

The circumstances of the Arvin bid are somewhat of an enigma. But it will not be necessary for this subcommittee to resolve it.

FINDINGS AND CONCLUSIONS

Our legislative concern is with the second of the two alternatives authorizing negotiations under subsection 14 of section 2304(a) for "technical or special property * * * (when to do otherwise) * * * would unduly delay the procurement of that property."

The PRC 41 is marked "urgent." In subcommittee reviews over the years the words "urgency" and "emergency" have been so overworked that they have almost lost their meaning. The first instinctive approach is to ascertain what is being covered up.

I. This procurement is pressed upon us as "urgent." Therefore we examined the record with a "jaundiced eye."

The facts are that two forces pressed for the action proposed.

1. The M-A-Y is wearing out. This new set replaces an inventory which is depleted beyond the danger point.

2. The time within which the developer, or any other, would require to produce the article and get it in the hands of troops is critical. It will not admit of failure, experiment, or delay. Estimate ranges from 7 months to 10 months.

The subcommittee recognizes that there are circumstances when a reasoned choice favors proven ability over an unproven but competent source.

II. In the chairman's opening statement it was made clear that this inquiry concerns legislation and was not to be an adversary proceeding. We do not pit Collins versus Arvin nor Mr. Wilson versus the Navy.

Questions in the exchanges between Mr. Wilson of Indiana and Navy officials remain unanswered.

The subcommittee desires to make it clear, beyond doubt, that any conclusions expressed in those exchanges or upon the floor of the House or in official correspondence are made on individual official responsibility; and, therefore, are for resolution between the principals concerned. This subcommittee hearing is not the proper forum for the same.

III. The selection of this sole source producer appears to have followed proper procedures. All of the required words were present. No step was bypassed in the movement of the papers from the request of the Commandant through to the findings and determinations of the Secretary.

However, this subcommittee is not impressed with heavy reliance placed upon such statements as "drawings were not available," "details were not available," "specifications inadequate," "model not available," and the many other stock conclusions.

It may be easier (and perhaps safer) to overemphasize what is missing and thus make it appear more difficult for another source to compete.

Emphasis was placed upon the lack of drawings. "Production drawings" mean exactly what the words imply: i.e., the drawings used to produce in quantity. They are distinct and different from preproduction drawings. Production had, at this point, not been commenced.

The subcommittee has an undated printed "technical manual" for this article fully indexed with components, diagrams for wiring, and pictures. Arvin was satisfied to use it in bidding.

There is a dispute as to whether all 19 modifications requested by the Marine Corps appear in this manual, but it would be difficult to add any supplemental information wherever it may in fact be missing.

While the papers are correct the same tired phrasing leaves a little chill behind it.

With model, technical manual, drawings, and performance requirements established the subcommittee is of opinion that competent manufacturers could have submitted negotiable proposals.

Arvin testified that, on its experience and on data available, together with the model, it would have made a firm bid. We have no reason to doubt that statement.

In such circumstances, a bond and a contract for liquidated damage have proven uses.

Arvin would have to revise its proposal of May 21, 1961, to make up for the difference in price resulting from added modification costs. Arvin expressed its reluctance to go to that length. Therefore, a true price differential comparison cannot be made.

IV. The name of Collins Radio Co. has, of necessity, been used in the course of this hearing. Collins is the successful sole source awardee.

However, there is no evidence that any act on its part other than the satisfactory performance of its development contract resulted in the determination to make an award to it.

The subcommittee on principle opposes sole source procurement. Nevertheless it recognizes that in some instances a sole source is necessary.

The subcommittee offered Collins Radio Co. an opportunity to testify. It submitted a statement. The subcommittee observes that Collins' actions were not called into question nor had any criticisms of its contract performance been made.

The atmosphere created about this procurement action was Navy made.

The recommendations of the subcommittee will, it is believed, be of as much value to Collins in the future as it will be to other contractors.

V. In plain black print in page 171 of the Armed Services Procurement Regulations there appears the two following paragraphs:

PART 10—PUBLICIZING PROCUREMENT ACTIONS

1-1001 GENERAL POLICY. It is Department of Defense policy to *increase competition by publicizing procurements which offer competitive opportunities for prospective prime contractors or subcontractors*, thus assisting small business and labor surplus area concerns and broadening industry participation in Defense procurement programs.

1-1002 AVAILABILITY OF INVITATIONS FOR BIDS AND REQUESTS FOR PROPOSALS. A reasonable number of *copies of invitations for bids and requests for proposals publicized in the Commerce Business Daily, including specifications and other pertinent information*, shall be maintained by the issuing office. To the extent that unclassified invitations for bids and requests for proposals are available, they shall be *provided at the purchasing office to manufacturers, construction contractors, and regular dealers and to others having a legitimate interest therein, such as publishers, trade associations, procurement information services, and others who disseminate information concerning invitations for bids and requests for proposals*; otherwise the purchasing office may limit the availability of invitations for bids and requests for proposals to *perusal at such office*. [Italic supplied.]

Such is the stated policy. Before the interpreters take over, the subcommittee notes that the purchase of the AN/PRC 41 was not classified.

We also wish it noted that persons authorized to receive documentation in the foregoing statement are not limited to such as get their information in the Commerce Daily Bulletin, nor to subcontractors, nor to persons or firms selected as "sole source" producers.

In addition to the regulations on April 14, 1959, the Chief of the Bureau of Ships specifically requested the Comptroller General to advise the Congress that it was Bureau of Ships policy "even though" companies had been designated in determinations and findings that "other companies shall not be precluded from biddings." On May 19, 1959, the Comptroller General so reported to the Congress in opinion B-133-184.

On June 28, 1962, it was learned for the first time, publicly, that on September 14, 1961, Navy policy had been changed, without notice, without any public record of the fact, and without any change in the Armed Services Procurement Regulations.

Here is the policy now:

Paragraph 2. If the procurement is publicized for subcontracting opportunities only (which was done on March 23, 1962), all requests shall be referred to the negotiator and (note this) the negotiator shall prepare a letter denying the request, citing facts established in the authority to negotiate, for signature by the head or assistant head of the purchase branch.

In September 1961, it was included in the official Manual of the Bureau of Ships, access to which is limited to members of the Bureau of Ships. It was not distributed as a public document. It was adopted by—

those individuals within the Bureau of Ships who were responsible for carrying out the determinations which had been made either by the Secretary or by the contracting officer (sic).

So the story is in the bottom drawer of the last desk in the Bureau of Ships.

We are asked to believe that this policy expresses a compassionate interest in saving prospective bidders from spending money on unsolicited proposals, which would never be considered because it had been internally determined not to do so.

The subcommittee denounces the action of the Bureau of Ships in attempting to set up this new policy and for following it without notice to anyone, including the Secretary of Defense and the other military Secretaries. These officials are charged, under the law, with the content of the procurement regulations.

This Bureau policy, in our opinion, is contrary to the regulations. We can only condemn it because of the finality which section 2310 of the act gives to decisions made under the authority of exception 14 in section 2304 under which this particular purchase is to be made.

A secret policy, of doubtful legality and irregular in its origin, has caused the Navy to be publicly criticized. It has caused embarrassment to some of its officers and employees.

But parties to such irregular actions invite, provoke, and encourage the reaction which inevitably follows. And the warning signals should always be up on sole source purchases.

VI. The eight purchases referred to by Mr. Wilson on June 7, 1962, and submitted by him to the subcommittee, are matters in which the purchase has been complete. Therefore, the subcommittee regards the disclosures therein as cumulative. Each points to abuses arising because of the use of negotiated sole source procurement.

VII. Two additional matters deserve attention:

(a) A means must be found to introduce "light and air" into development contracts so that the conclusion of a successful development will not coincide so perfectly with an urgent requirement, leaving the developer to inherit production on the sole source basis. When the United States has paid almost a million dollars for the results, it should have been in a position to obtain a competitive price. And, because of superior information and opportunities, the best price should come from the developer.

The knowledge of prospective competition should be a healthy influence of costs of development; and, moreover, a look at the state of development might spur malingerers to complete their jobs.

The subcommittee will endeavor to explore ways and means for making the knowledge of the completion or expected completion of development contracts known to industry.

(b) As we have earlier pointed out, the bid documents submitted by Arvin were not comparable with the document of April 11, 1962, submitted by Collins. At page 114, paragraph 7, and elsewhere in the testimony, it will appear that the Collins' proposal encompassed 19 modifications recommended as a result of testing. Arvin's proposal did not.

Although no protest has been lodged on the record, the subcommittee is concerned that Collins' proposal of April 11, 1962, got into the hands of the Arvin Co. The details of a proposal are matters between the Government and the bidder. When the final negotiated price has not been agreed upon, as in this instance, the dissemination of this infor-

mation is highly prejudicial to both Government and bidder. In the circumstances revealed in this case, no apparent harm was done. But the situation is fraught with hazards which must not be repeated. No agency of the Government should permit such action.

RECOMMENDATIONS

1. The subcommittee again recommends the enactment of H.R. 5532 to curtail the unlimited and unrestricted authorization to negotiate sole source procurement.

2. The subcommittee recommends that the Secretary of the Navy and the Secretary of Defense initiate administrative action which will prevent the unauthorized enactment of rules and regulations affecting the bidding processes within the Military Establishment unless the rules with respect thereto are a part of the Armed Services Procurement Regulations, and knowledge thereof is available to the bidder from the time the invitation or request is issued.

Respectfully submitted.

JULY 16, 1962.

SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS,

(S) F. EDW. HÉBERT, *Chairman*.

(S) PORTER HARDY, JR.

(S) A. PAUL KITCHIN.

(S) LEON H. GAVIN.

(S) WALTER NORBLAD.

Approved July 16, 1962.

(S) CARL VINSON,

Chairman, Committee on Armed Services.

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