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PROCUREMENT OF EQUIPMENT FOR MARINE CORPS TACTICAL AIRFIELDS

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HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS

SECOND SESSION

MARCH 10 AND 11, 1964

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PROCUREMENT OF EQUIPMENT FOR MARINE CORPS TACTICAL AIRFIELDS

TUESDAY, MARCH 10, 1964

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

The subcommittee met, pursuant to notice, at 10 a.m., in room 1501-B, Longworth Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

Present: Representatives Chet Holifield, Edward A. Garmatz, William S. Moorhead, William J. Randall, R. Walter Riehlman, and Frank J. Horton.

Also present: Herbert Roback, staff administrator; Paul Ridgely, and Robert McElroy, investigators; and Raymond T. Collins, minority staff.

Mr. HOLIFIELD. The subcommittee will be in order.

The purpose of the hearings today and tomorrow is to discuss certain procurement and management problems identified by our staff in a review of the Short Airfield Tactical Support Program, usually called by the abbreviated term, SATS. The Marine Corps is the user, and the Navy is the buyer of the equipment. Other agencies also are involved in particular aspects.

We have today before us representatives of the Bureau of Naval Weapons, the Marine Corps, the Air Force, the Army, and the Defense Traffic Management Service. We will try to make this hearing as informal as possible, and let me say in behalf of the subcommittee, that I appreciate the help and cooperation which you gentlemen and others have given us in developing the subject matter and identifying the problem areas.

We have no ax to grind, and we are not pleading any case except that of the U.S. Government. We want to be sure that the Government's interests are properly protected, and that, in line with President Johnson's approach to defense spending, we are getting full value for the substantial dollars invested in this program.

The staff has prepared a preliminary report of its investigation and has formulated some findings and recommendations which are before the subcommittee as proposals. As I stated in my letter giving notice of these hearings, we welcome any suggestions in the interests of accuracy and clarity, and, of course, we want to present to the Congress a sensible, balanced report. I believe this is the first time that the SATS program has been reviewed in some detail by a congressional group.

I understand, Admiral Fawkes, that you have a brief opening statement and some comments or suggestions which you wish to make on the staff report. Perhaps that will be a useful way to commence the hearings.

The testimony today and tomorrow will be considered by the subcommittee in preparing our final report. We hope that witnesses will testify to the facts frankly and completely. If, for security or other reasons some data is sensitive and cannot be discussed in open session, we will expect you to so indicate and we will decide whether later executive sessions are necessary.

Admiral Fawkes, you may proceed.

STATEMENT OF REAR ADM. EMERSON E. FAWKES, ASSISTANT CHIEF FOR RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, BUREAU OF NAVAL WEAPONS; ACCOMPANIED BY CAPT. DANIEL K. WEITZENFELD, DIRECTOR, NAVAL AIR ENGINEERING LABORATORY, NAVAL AIR ENGINEERING CENTER; CAPT. HERBERT N. HOUCK, SHIP INSTALLATIONS OFFICER, BUREAU OF NAVAL WEAPONS; COMDR. CHARLES L. GILLIS, CONTRACTING OFFICER, NAVAL AIR ENGINEERING CENTER; THOMAS P. WILKINSON, TECHNICAL DIRECTOR, SHIP INSTALLATIONS OFFICE, BUREAU OF NAVAL WEAPONS; AND MAJ. GEN. LOUIS B. ROBERTSHAW, DEPUTY CHIEF OF STAFF FOR AIR, U.S. MARINE CORPS; ACCOMPANIED BY COL. JOSEPH L. WARREN, AVIATION LOGISTICS AND MATERIAL BRANCH, HEADQUARTERS, U.S. MARINE CORPS; AND LT. COL. RUSSELL L. STONEMAN, SHORT AIRFIELD FOR TACTICAL SUPPORT PROJECT OFFICER, U.S. MARINE CORPS

Admiral FAWKES. Mr. Chairman, members of the subcommittee, I am Rear Adm. Emerson E. Fawkes, Assistant Chief for Research, Development, Test, and Evaluation in the Bureau of Naval Weapons.

I have with me this morning Maj. Gen. L. B. Robertshaw, USMC, Deputy Chief of Staff for Air; Capt. D. K. Weitzenfeld, Director of the Naval Air Engineering Laboratory (Ship Installations), Philadelphia; Col. Joseph Warren of the Marine Corps; Capt. H. N. Houck, Ship Installations officer of the Bureau of Naval Weapons; Comdr. C. L. Gillis, contracting officer for the Naval Air Engineering Center, Philadelphia; Lt. Col. R. L. Stoneman, SATS project officer in the USMC; and Mr. T. P. Wilkinson, Plans and Programs Assistant in Ship Installations Office at the Bureau of Naval Weapons.

We are pleased to appear before you this morning in response to your request to discuss the history of the development and procurement of the short airfield for tactical support, commonly known as SATS.

This is a very high-priority program designed to produce a support system for the Marine Corps that will provide all-weather tactical aviation support in advanced base areas.

The Bureau of Naval Weapons has lead technical cognizance under my direction.

The research, engineering, development, test, and procurement is done at the Naval Air Engineering Center, Philadelphia, under the direction of Captain Weitzenfeld.

The Marine Corps is the ultimate user of the equipment and works closely with the Bureau of Naval Weapons and with the Engineering Center at Philadelphia to insure that our developments will fulfill operational requirements.

We expect successful completion of the basic system this year.

This will provide the Marines with a major weapon support system for limited war and will improve significantly our military capability for quick reaction to threat or use of force.

The SATS concept is not new. It is basically the provision of a carrier flight deck ashore, using the carrier technique of catapulting and arresting to compensate for restricted runway length. The landing aids, navigational aids and other ancillary equipments are adaptations of shipboard items and techniques.

Landing on a carrier or on SATS involves the same basic pilot skills and disciplines so that retraining is minimal. Although its predecessors were called by other names, attempts to implement this concept have been underway for years. The effort was unsuccessful because of limitations in the art of building very high capacity equipments at a reasonable weight that were truly transportable. In 1960, however, we entered into a contract which involved a new approach to catapults and arresting gear.

The knowledge we gained convinced us that true development of the tactical system was possible. At the same time the Marine Corps had been developing tactical concepts for the use of SATS, even though they were forced to use equipments not designed for that purpose.

With the breakthrough in the art, and with the acceptance of the Marine tactical concept, the program was launched about 2½ years ago, at high priority with emergency funds. We expect to complete all the basic research, development, and procurement of the first operational systems this summer. We plan to continue an improvement program to further develop the SATS equipment.

In about 2½ years, then, we have moved from concept to initial deliveries of operational hardware. We have done this within the resources originally allocated to the program. In moving this fast, there have been many hard decisions to make. There have been, in our own house, honest differences of opinion among the management bureau, the development laboratory, and the user. These differences have been resolved and the program now appears successful.

We appreciated your courtesy in furnishing us copies of the preliminary staff report on the procurement of SATS equipment. Our review indicates that the staff has explored in depth the actions that have been taken and has presented them well. We had some suggested clarifying details which I understand were furnished to you yesterday.

Before you ask questions of us, we would like to have General Robertshaw make a brief statement.

General ROBERTSHAW. I am Major General Robertshaw, Deputy Chief of Staff (Air) USMC.

Admiral Fawkes has summarized the SATS situation very nicely. I concur with his remarks. However, I hasten to add that there are bound to be new differences of opinion as we go on with the SATS program—honest as always, but nevertheless they will come up as we progress into new and unforeseen problems. No one has the corner on all the answers to SATS. Only freedom of expression can assure full consideration of this rather complex project by all concerned.

One need only to examine the paucity of suitable jet airfields in the most possible areas of deployment throughout the world to realize how important the SATS capability is to the readiness of our forces.

I have only been in Washington since the middle of October. Therefore, there is much I do not know about SATS. In fact, I have learned a great deal about it from the very fine preliminary staff report prepared for this subcommittee. However, Colonel Warren, our aviation installations and logistics officer, and Lieutenant Colonel Stoneman, our SATS project officer, are intimately connected with the matters in which you are particularly interested. We are here to cooperate with you fully.

Mr. HOLFELD. Thank you very much, General. As the Chair has said, our interest in this is to explore the methods of procurement. We realize that they are complex and that the committee does not have all the wisdom on this matter.

We feel like we are partners working together in this, rather than antagonists. We shall explore the issues in that frame of mind.

Now, because this is a complex matter and because the staff has had it under consideration for better than 2 months, having done a great deal of work on it as our preliminary staff draft there shows, I am going to ask Mr. Roback and Mr. Ridgely to proceed with a line of questioning based upon certain findings and conclusions which the staff has made but which have not been accepted as yet by the subcommittee nor the full committee. I want this to be understood.

Mr. Roback, you may start with the first line of questions.

Mr. ROBACK. Mr. Chairman, among the points with which we are concerned were differences of opinion among the Government participants. Now, these differences of opinion undoubtedly are honest, but sometimes disconcerting. For example, the Marine Corps as the user of this equipment has been on occasion confronted with equipment it did not want. Probably there ought to be an operating rule that the user should not be given equipment that he does not want. The Marine Corps supposedly has a glimmer of what kind of equipment it needs. I refer specifically to the procurement of the Convair matting, which, as we understand it, was procured against the recommendations, or certainly against the wishes of the Marine Corps users.

Can you address yourself to that, Admiral Fawkes?

Admiral FAWKES. Well, first, I would like to say, sir, that we always have many, many differences of opinion and much exchange of opinion between the consumer, the operator on the one hand and the producer, the material or technical bureaus on the other hand. There is always this constant interplay. This debate focuses attention on the issues and leads us to making usually the best overall decisions in the design and development of the hardware.

Now, there have been many, many recommendations in the request of the Marine Corps in the area of the SATS equipment that have been applied constructively and positively, and have helped make, helped us make the best decisions with regard to the design characteristics of this hardware. There are a few requests and recommendations of the Marine Corps which were listened to, considered seriously, and not implemented or not fully implemented.

The Convair matting or the not accepting the recommendation to stop the production of Convair matting is one of these. This decision

was made by Captain Wietzenfeld, the Director of the Laboratory in Philadelphia, with the knowledge of the Bureau of Naval Weapons and the knowledge of the Marine Corps eventually. We did not elect to overrule him. In effect, we concurred in his overall judgment in making the decision.

If I may, I would like to defer to Captain Weitzenfeld to describe his line of reasoning.

Mr. ROBACK. Let me restate the issues before the captain comments here.

Would you agree that in the cases where the user does not want the equipment, to procure such equipment in substantial quantities, production quantities, ought to be done only under the most compelling and unusual circumstances and only upon approval of the highest authority? Especially when the user does not want the equipment. Would you agree with that as a general proposition?

Admiral FAWKES. As a general premise, yes, sir; I would agree.

Mr. ROBACK. Wherein do these circumstances differ from the general proposition?

Admiral FAWKES. It differs in considerable degree, sir, in that due to the high priority of this program, we had competing research and development in many of the critical areas, mattings, the catapults, the arresting gear in particular. In order to support the competing R.&D. in the catapults and the arresting gear, it was also necessary to procure sizable quantities of matting to be used in the tests of the catapult and the arresting gear. Accordingly, sizable quantities of matting were under procurement from the two developers of the matting, Harvey Aluminum and Convair.

Mr. ROBACK. This was more than a test requirement. You weren't buying \$2½ million worth of testing equipment?

Admiral FAWKES. Yes, sir; in total amount it was beyond that. It was, I think, the equivalent of about one SATS field under procurement from Convair. So the recommendation of the Marine Corps, when they decided that the Harvey Aluminum AM-2 matting was the winner and should be standardized on was to stop the procurement, the production of the other matting, the Convair matting. This was in about April of 1963, I believe, March and April of 1963.

Mr. ROBACK. But your decision to procure this matting, you say, was made for test and evaluation purposes? We were given to understand that this was because of some emergency which apparently the Marine Corps was not concerned about, but the design agency was concerned about.

Captain WEITZENFELD. May I speak to that, Admiral?

Admiral FAWKES. Yes.

Captain WEITZENFELD. The Convair mat was originally bought in the spring of 1962 as at that time having the greatest possibility of fulfillment to the Marine Corps requirements. As a matter of fact, during this period of development, the Harvey company had kind of stopped in their development and it was not until later in the summer that they came up with the idea that resulted later in the AM-2 type mat. Actually, the go-ahead for the amendment to the Harvey research contract at that time was as a backup to the Convair mat. We bought—when we bought the Convair mat—we bought not only an airfield, not a complete airfield but a strip of matting for evaluation purposes, but we bought a production system.

This was a unique application of aircraft sandwich material techniques to produce matting.

And the contract bought tools and paid for the materials as well as the know-how and so forth, to set up a translator or production line to produce this mat.

As time went on, we determined that the matting originally made under the Convair development effort where the core of the matting was wood, to get to the strength performance requirements, we had to go to somewhere in the order of 9 pounds per square foot to pass the test.

At this point, and this was in the late fall, early winter of 1962, the Marines said, "This is much too heavy." And actually the AM-1 matting, which was a Fenestra-developed mat, came along at that time and it passed the test weighing in the order of 7.5 pounds per square foot.

So the wood core mat for Convair was discarded and the Convair contract was stopped—all production was stopped in the Convair mat program.

Convair at that time came up with an advanced idea to put an aluminum core into this sandwich construction. This appeared to weigh in the area of 6.8 pounds per square foot. We made up some cores—we passed some cores which tested at this weight and it looked very good.

At about this same time, Harvey was producing their first AM-2 matting which is a large extruded section. We were running many tests simultaneously at Vicksburg during this period of time. In late February and March of 1963, we were concerned with the problem of the AM-1 matting and the tail hook tearing this up. AM-1 matting is made of small extrusions which are welded together to make a 2-foot mat. The AM-2 is a large extrusion and it has a smooth surface. We put these down at Bogue Field and we actually made touch and go landings with F-4 aircraft which is our large Navy fighter. It did just that. It tore up the AM-1 matting because it knocked all the welds out. The AM-2 matting performed very well.

The Convair matting we had down there to test the surface. It was a wood core and we were not testing the strength. As a matter of fact, we took some mats that we had had at Vicksburg under test and put them at Bogue Field. We had some connection problems on this matting which subsequently was redesigned.

Mr. ROBACK. When was the production contract for this matting entered into?

Captain WEITZENFELD. The first production contract which went to Butler was entered into the 18th of March, 1963.

Mr. ROBACK. I am talking about the Convair contract.

Captain WEITZENFELD. That was the 7th of May, 1962.

Mr. ROBACK. When did the Marines first express their disinterest in this matting?

Captain WEITZENFELD. They expressed their disinterest around October of 1962, but it was specifically because of the weight of the matting.

Mr. ROBACK. What was the design agency's retort to that?

Captain WEITZENFELD. We agreed and we discarded the 9-pound matting completely.

Mr. HORTON. Could I ask a question here, Mr. Chairman?

Mr. HOLIFIELD. Mr. Horton.

Mr. HORTON. Up to the time you discontinued the Convair contract, how much money had been expended?

Captain WEITZENFELD. I am sorry, sir; I don't know that. I will furnish that for the record, if you wish.

The figure requested is \$754,000.

Mr. HORTON. What was the total amount of the contract?

Captain WEITZENFELD. About \$2½ million.

Mr. HORTON. Had most of that been expended at that point?

Captain WEITZENFELD. Quite a good bit of it had, because much of this money went into tools to make this production line we talked about.

Mr. HORTON. Are those tools, the production line process, available for subsequent aluminum core in the AM-2?

Captain WEITZENFELD. No, sir; they can be used for any sandwich type construction, but they cannot be used for the AM-2 type. It is made in an entirely different way.

Mr. HORTON. In other words, for this program, that production process is of no value.

Captain WEITZENFELD. As of right now, that is true, yes, sir.

Mr. HORTON. Do you have any other use for that process?

Captain WEITZENFELD. Possible use, yes, sir. There are other matting programs in being that might possibly use that. It is Government-owned tools and it might possibly use that.

Mr. HORTON. Do you have a breakdown of the \$2.5 million that you can allocate to the processing procedure?

Captain WEITZENFELD. Yes, sir; I can furnish you that.

Mr. HORTON. Thank you.

(The figures requested follow:)

Total contract, \$2,650,918.

Tooling cost, \$1,425,498.

Mr. ROBACK. What was the consideration, Captain, which went into having this contract negotiated with Convair? Why did you not throw it out on the market for bidding like you did on other contracts?

Captain WEITZENFELD. Well, we go back a little further. We went out on the market for the research and development contracts and we selected, as I recall, three contractors—Harvey, Convair, and I think All-American was the other one. The All-American dropped by the wayside somewhere along the way.

Convair matting, their idea was basically the sandwich idea, so it was an extension of their actual work that they had done.

Mr. ROBACK. Are you saying, then, in the case of Convair, this was rather peculiar to the developer, but in the case of the Harvey matting which went into, let's say, advertised procurement shortly thereafter or about the same time, that was not peculiar to the developer.

Is that the contention?

Captain WEITZENFELD. No, sir. The Harvey matting was developed by Harvey as in the same case with Convair, it was with a contract with the Government in which all rights were vested in the Government.

We paid for all development costs.

Mr. ROBACK. Excuse me. You mean in the case of Convair, you did not pay for all the development costs and they reserved the proprietary rights?

Captain WEITZENFELD. No, sir; we paid for all the development costs of Convair as well as Harvey.

Mr. ROBACK. But in the case of Convair, you negotiated with them for follow-on production, and in the case of Harvey, you decided this was ripe for an advertised procurement on the market. Is that right?

Captain WEITZENFELD. It is a little deeper than that, sir.

The Convair was negotiated, as I say, not for a real production contract, for an evaluation strip. We may have done this prematurely, because we had indications that this was the way to go but to do it under any cost effectiveness, we had to have a production line. So basically, we were negotiating a long leadtime item to get a production line started on this sandwich-type mat, knowing that with this production line, we could put any kind of core in the sandwich to meet our requirements. The Harvey mat, we bought in the development somewhere in the order of 40,000 or 50,000 square feet of matting which was used in the same sense for evaluation. For the Convair mat, we did not have any specifications. We did not know exactly what we wanted, except that we wanted a sandwich mat and we were not exactly sure what the core would be, although we had indications that it might be successful.

Mr. ROBACK. What was the timing of the contract which was advertised for AM-2 matting in relation to the Convair contracts? What was the timing?

Captain WEITZENFELD. The Convair, remember, was in May of 1962. The first AM-2 contract was signed in the middle of March—it was the 12th or 13th of March in 1963. And in the summer of 1962 was when Harvey came up with the idea of this new extruded mat.

Mr. ROBACK. By the fall of 1962, the Marines had said they did not want the Convair matting.

Captain WEITZENFELD. Well, I think they expressed that they did not want 9-pound mat. That is what they did not want and we could not agree with them more. There was no argument about the weight. As I say, we stopped the contract at that time to see if we could not come up with a performing mat of a weight that was better than the AM-1 which, at that time, had passed the performance tests.

Mr. ROBACK. The contract was stopped at what time? You had it stopped and then you had a resumption of the Convair contract?

Captain WEITZENFELD. Yes, sir; it stopped in October of 1962 and it started—well, it stopped in 1962 and we said—

Mr. ROBACK. It was stopped in July of 1962; wasn't it?

Captain WEITZENFELD. May I check my notes?

Mr. ROBACK. Surely; consult your records and give us the circumstances of why you stopped the contract and what was developing then that caused you to stop it.

Captain WEITZENFELD. During this period, we stopped it a number of times. In July we stopped it because some of the first balsa and maple core matting did not pass the test. Then they made a good pressboard core, good in the sense that it passed the test. Those tests were completed in around October. At that time we said no more wood core and we stopped the production of any matting.

Then under the R. & D. contract, which was still active, we asked them to investigate the cores and they came up with this aluminum core. They produced aluminum core about that time, give or take a few weeks. We tested that and it looked good. Then we authorized them to make a die to make the aluminum core in preproduction samples. They did that in about April of 1963, and I think the 26th of April we had finished our tests on that, it was 6.4 pounds per square foot and we said go ahead, complete your contract. However, we kept within the original cost of the contract. We allowed no overruns in the contract. As we went along, the fee diminished because of—

Mr. ROBACK. 6.4 pounds per square foot—was that within the specifications?

Captain WEITZENFELD. Yes, sir; 5 to 7 was the requirement.

Mr. ROBACK. Why did the Marine Corps still persist in not wanting it and, in fact, say, "Tell us what you want done with the stuff. We don't want it."

Is that not what happened during that time?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Still you went ahead with a half year of the contract; you resumed production with aluminum rather than the wood core; and then at the end the Marine Corps said, "Please tell us what to do with the stuff, we don't want it." Somehow it does not seem to make sense.

Mr. HOLIFIELD. Could I inquire at this time for my own clarification? You had stopped the original contract which, as I understand it, was the one with the wood sandwiching feature. You had stopped that.

Captain WEITZENFELD. Yes, sir.

Mr. HOLIFIELD. Was the contract a closed end contract, moneywise?

Captain WEITZENFELD. I do not understand.

Mr. HOLIFIELD. Was the original contract with Convair for a certain amount?

Captain WEITZENFELD. Yes, sir.

Mr. HOLIFIELD. How much of that had been consumed in the wooden core item?

Captain WEITZENFELD. A substantial amount, because I would say at least half of this money ended up in the production line. That had gone on ahead, you see, up to this point.

Mr. HOLIFIELD. So then you had a small residue of money left in the contract?

Captain WEITZENFELD. Yes, sir.

Mr. HOLIFIELD. Did you have enough to finish out an aluminum mat—what do you call it? A "core"?

Captain WEITZENFELD. Yes, sir; we completed the contract and we got 100,000 square feet of matting from the contract.

Mr. HOLIFIELD. Was that enough for you to make an operational test on it?

Captain WEITZENFELD. Yes, sir; it is now installed at Twenty Nine Palms. It has passed all its tests except the tailhook test. That is still to be done.

Mr. HORTON. Are you talking at this point about the Convair matting?

Captain WEITZENFELD. Yes, sir.

Mr. HOLIFIELD. This was a cost-plus-fixed-fee contract?

Captain WEITZENFELD. It was a cost-plus-incentive, I think.

Mr. HOLIFIELD. Then it was not a fixed amount at the beginning?

Captain WEITZENFELD. Yes, sir; it was a fixed amount at the beginning. We had a target price and we obligated that amount of money. During the course of the contract, we determined we would not put any more money into it. So one of the features in April was that if we had terminated the contract at that time, we would have ended up with a lot of tools and no matting. For a relatively small amount of money, I felt that we should get 100,000 square feet of matting for whatever use we could make of it, for training and so forth. And without further direction, this is the way we proceeded.

Mr. ROBACK. But if you had terminated in April 1963, you would have saved probably the major portion of the contract money.

Captain WEITZENFELD. No, sir. I can furnish you those figures, but I do not know exactly what that would be. I would not say the major portion.

(The figure referred to follows:)

Five hundred and eighty thousand dollars remained in April 1963.

Mr. ROBACK. Supposing you terminated after the first cessation—furnish for the record what the saving would have been.

Captain WEITZENFELD. Is that after the wood core stopped and at the April point?

Mr. ROBACK. Let's say both in July 1962 and December 1962.

Captain WEITZENFELD. In July 1962, we did not have any mat at all.

Mr. ROBACK. Well, let's make it in December 1962.

Captain WEITZENFELD. I think that would be a better point.

Mr. ROBACK. We are informed the saving would be about \$1.4 million. You verify that.

Captain WEITZENFELD. Aye, aye, sir.

(The figure referred to follows:)

Savings are \$1.8 million.

Mr. HORTON. Could I ask a question here?

How much of the \$2.5 million, if any, was involved with the R. & D. aspects, the early stages?

Captain WEITZENFELD. None, sir.

Mr. HORTON. How much was involved in that, then?

Captain WEITZENFELD. In the R. & D.?

Mr. HORTON. Yes.

Captain WEITZENFELD. Excuse me a minute. I cannot remember that.

Sorry, sir; we will have to furnish you that.

(The figure referred to is as follows:)

Convair R. & D. contract, \$752,743.

We had an R. & D. contract going along side by side. The R. & D. work was done in the R. & D. contract.

Mr. HORTON. And that was done by Harvey and Convair. I think you mentioned All-American at one time.

Captain WEITZENFELD. All-American had one of the original R. & D. mat contracts.

Mr. HORTON. How far into the R. & D. program did All-American go?

Captain WEITZENFELD. Not very far, because they—I do not remember. It was in the report, sir. That was so long ago.

The original R. & D. contract for Convair was \$95,000. For All-American, it was \$27,000 and for Harvey, it was \$52,000. But there have been lots of changes since then.

Mr. HORTON. As I understand it, the contract that you had with Convair following their R. & D. was a negotiated contract; is that right?

Captain WEITZENFELD. It was—yes, sir.

Mr. HORTON. That is the \$2.5 million contract?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. Did there come a time when that was completely finished, that contract?

Captain WEITZENFELD. That is substantially finished right now.

Mr. HORTON. When did that occur, the occasion when it was finished?

Captain WEITZENFELD. November of 1963, approximately.

Mr. HORTON. That is when you got the 100,000 square feet?

Captain WEITZENFELD. That is right.

Mr. HORTON. And all the funds were exhausted under that program?

Captain WEITZENFELD. Yes, sir. We traded, you see, the changes for less matting. The All-American contract was dropped because they recommended a sandwich mat similar to the Convair mat and so we let Convair then complete the mat program.

Mr. HORTON. What consultation did you have with the Marine Corps at the conclusion of the R. & D. stage with respect to the Convair contract?

In other words, did you consult with them before you proceeded into the contract with Convair, the \$2.5 million contract?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. What did they require with regard to specifications?

Captain WEITZENFELD. Well, the specs were still the same.

Mr. HORTON. Five to seven?

Captain WEITZENFELD. Five to seven pounds and so forth.

Mr. HORTON. Could you not reasonably have expected that the 9-pound-per-square-foot was not going to be satisfactory?

Captain WEITZENFELD. Yes, sir. Well, except that we had no other mat at the time and the specs, of course, are written based on a hope. If we can get within those specs, we have succeeded. But if we cannot, then we have to take the best we can or discard the system.

Mr. HORTON. Was the Harvey research continuing the R. & D.?

Captain WEITZENFELD. Yes, sir; during this period. As I say, the Harvey had stopped because they came up with the small extruded mat that you welded together, which was similar to what Fenestra developed, which Fenestra developed on their own.

Mr. HORTON. In other words, at that time you were satisfied there was no need to pursue the R. & D. phase with Harvey.

Captain WEITZENFELD. Until Harvey came in in the summer of 1962 and said "Now we have a new idea," which ultimately ended up in the AM-2 mat that we bought.

Mr. ROBACK. This Convair mat that was heavy, you say the only amount you have is for one airfield. It was not going to resolve any tactical problems and probably was not transportable anyway. You

say it was usable for testing and evaluation. Now you say it was the only matting we had.

Captain WEITZENFELD. One of the beginning ideas in the matting program, which was important then and is not so important now, was cube; one matting was 2-inch matting. So for the same amount of matting the cube was not quite twice. Subsequent studies by the Marine Corps indicated that the cube was not as important as the weight. These studies, I think, culminated around the first part of 1963 or the end of 1962.

Mr. ROBACK. While we are on the subject of Marine Corps studies, will you explain to the committee, Admiral Fawkes, what is the division of labor?

The Marine Corps started off with the development of this program, and it was transferred to the Bureau of Naval Weapons and then to the Naval Air Engineering Center as a unit of the Bureau. But the Marine Corps, as we understand it, still was pursuing development or procurement programs after this transfer. Where do you divide the labor?

Admiral FAWKES. Well, I think, sir, I have to generalize first. The Marine Corps and the Naval Operations are our two primary consumer, or operational, organizations. The materiel bureaus, the technical bureaus, are parts of the Naval Material Support Establishment which are the producers. In general, both OpNav, the Navy, and the Marine Corps are dependent upon the Material Support Establishment for all of their hardware, the research, development, and procurement. The Marine Corps, on the other hand, is a producer organization in certain peculiar Marine Corps equipment areas. The equipment and weapons which are peculiar to the Marine Corps in the amphibious warfare operation are a fundamental responsibility of the Marine Corps.

Mr. ROBACK. SATS is a Marine-peculiar program.

Admiral FAWKES. Yes, sir.

Under this division of labor, I think the matting could go either way. You could call it Marine or you could call it Navy.

Mr. ROBACK. The question I asked is, Why is it that both the Marine Corps and the Navy Bureau are procuring matting in an overlapping time? That is the question.

Admiral FAWKES. I was not present at the time the decision was made.

Can you answer the question as to why it was decided? Or can you, Mr. Wilkinson?

Captain HOUCK. I think—the matting for all services used to be bought by the Army, as I recall. This has just been told me.

Mr. ROBACK. Is there any Marine Corps representative who can tell us what was the last procurement program for matting handled by the Marine Corps?

Colonel WARREN. I think Mr. Wilkinson knows that. He has been longer in the program than anybody here.

Tom, do you know that? I know we did at one time buy some matting through Marine Corps channels. But it has been quite some time ago.

Mr. WILKINSON. If I may, for a couple of sentences, go back. Prior to acceleration of the SATS program, the Bureau of Yards and Docks in the Navy was responsible for matting—national airfield

matting, all matting. Their capability after World War II disappeared. The Marine Corps in their early work did work with R. & D. contractors in the development of matting. As the result of a Bureau of the Budget review, Headquarters, Marine Corps was told to shed this responsibility to one of the technical bureaus, without specifying which.

At that time, we were working closely with the Marine Corps and the R. & D. of airfield matting was passed specifically from Headquarters, Marine Corps, to the Bureau of Naval Weapons. This was in about mid-1961. I cannot give an exact date, but say 6 months prior to that, the Marine Corps made their last procurement, M9-M2, and M9-M1 matting, so this would be in early 1961.

Mr. ROBACK. We have some indication that the Marine Corps made matting procurements in 1962. Is that not the case?

Mr. WILKINSON. Yes, sir; they did.

Mr. ROBACK. What was the rationale for that?

Mr. WILKINSON. They had in 1961 been making procurements on matting as routine. At the time that the acceleration of the SATS program took place, we had a contracting problem in that our contracting services in Philadelphia, in a very few months, would not be able to process as many contracts as would be required. We requisitioned this material from Headquarters, Marine Corps, and used it as a contracting service.

Mr. ROBACK. Is all matting now procured by the Navy?

Mr. WILKINSON. Since that time, all matting has now been procured by the Bureau of Naval Weapons.

Mr. ROBACK. How are you going to divide up the procurement of all other SATS components? Will some be assigned to the Marine Corps and some to the Navy, or all to the Navy?

Captain WEITZENFELD. The decision made in the—

Mr. ROBACK. Admiral, are you familiar with that, how the procurement of the SATS program is going to be managed?

Admiral FAWKES. Not in every detail.

Captain Houck?

Captain HOUCK. All the research and development has been done at Philadelphia through the Bureau. Up until recently all of the procurement has also been done at Philadelphia. About 2 weeks ago, or perhaps a little longer, the Marine Corps made the decision as to which arresting gear they wanted in the SATS program. The procurement of this gear, if we had left it with Philadelphia NAEL, in my mind would have taken longer to complete than the end of this fiscal year.

Mr. ROBACK. There might have been something else that the Marines wanted?

Captain HOUCK. You realize, sir, that our money lapses at a certain date.

With this in mind and with conversation with the Headquarters, Marine Corps, we will use the Marine Corps services as a procurement agency for the SATS arresting gear. As far as I know, this is the first time this has been done with any of the major components.

Mr. ROBACK. Is this a special case?

Captain HOUCK. The Marine Corps has procured things like vans and certain other equipment for the SATS program.

Mr. ROBACK. Is this a fiscal consideration or is this a timing consideration, or is this a question of efficiency?

Captain HOUCK. This was strictly a timing consideration.

Mr. ROBACK. If it were not for the time element, the Bureau would do the procurement?

Captain HOUCK. That is the way it was set up; yes, sir.

Admiral FAWKES. I think there is some elaboration involved here. We remain the technical bureau responsible for the hardware that is developed. But when it is fairly well developed and comes to procurement, we use quite a few different purchasing officers or contracting officers. We use the Bureau itself, we use many of our field agencies, we use the Navy Procurement Office, Washington, or the Navy Procurement Office, Los Angeles, and so forth. In this case, we are using the Marine Corps purchasing of this to make this purchase, yes, sir, because they have the contracting capacity available right now.

Mr. HORTON. Along that same line, is it contemplated that you will do or transfer to the Marine Corps any of the other procurement aspects of this program?

Admiral FAWKES. Is that in the plan?

Captain HOUCK. It may well be, sir. The last major procurement in the SATS program is SATS catapult. This has not yet been accepted by the Headquarters, Marine Corps. They are supposed to, as I understand it, go up before the Marine authorities momentarily.

Mr. HORTON. So you do contemplate—

Captain HOUCK. As soon as we know yes or no, we expect to hold a meeting with all people concerned and determine which would be the best way to go on this.

Mr. HORTON. Other than that, that is the only one that you contemplate at the present time?

Captain HOUCK. Yes, sir.

Mr. ROBACK. Will you submit for the record an updated plan such as that you refer to?

Captain HOUCK. Yes, sir, I will.

(The information referred to follows.)

Procurement plan for SATS

<i>Item</i>	<i>Contracting agency</i>
1. Arresting gear.....	U.S. Marine Corps.
2. Barricades.....	Do.
3. Liquid oxygen/nitrogen generator.....	Do.
4. Liquid oxygen/nitrogen tanks.....	Do.
5. Briefing and ready room van.....	Do.
6. Maintenance vans.....	Do.
7. Maintenance shelters (portable hangar).....	Do.
8. Meteorology equipment.....	Do.
9. Crash truck.....	Do.
10. Weapons transport trailer.....	Do.
11. Weapons tractor.....	Do.
12. Weapons loader.....	Do.
13. Weapons loader/trailer.....	Do.
14. Adapters for air launched weapons.....	Do.
15. Ready service weapons shelters.....	Do.
16. Catapult.....	NAEC, Philadelphia.
17. Airfield lighting.....	Do.
18. Visual landing aids.....	Do.
19. Communications systems.....	Do.
20. Pilot conditioner and transporter.....	Bureau of Naval Weapons.
21. Static case and drier unit.....	Navy Purchasing Office.
22. Sparrow missile suitcase tester.....	USAF (MIPR).

Mr. ROBACK. We will go back to the matting that we were discussing.

After the Convair matting, Harvey came in with a development item that looked interesting to both the Marine Corps and the design agency. That was called AM-2 matting; right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Then there was a decision to order a procurement quantity of this item, and you decided in this case to go out on the market; is that right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. The award was made to the Butler Co.?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Do you recall that this was a negotiated or advertised procurement?

Captain WEITZENFELD. This was a formal advertisement.

Mr. ROBACK. Now, one of the issues in the Butler production contract was a change in the specifications, which cost something like \$346,000. What were the circumstances there?

Captain WEITZENFELD. Well, in the procurement process, we first set up a schedule of our procurement possibilities based on all of the things that are involved in the procurement.

One of the things we must first determine is the availability of adequate specifications to make a formal advertised procurement. We felt that we had adequate specifications. However, in order to make up our bid package and get our drawings and get them printed and so forth, we must freeze first the design and then we must freeze the package in order to meet some procurement date.

Now, this so-called freeze is not unilateral. We examine any questions or any suggestions or recommendations throughout the period from the freeze of the design right up to the opening of the invitation for bids.

In this particular case we had, we thought, adequate information. We made up our drawings, we made up our packages and we put these out on the street. After the IFB was received by Harvey, they pointed out to us that there were some changes we had not known about in the thickness and the strength of this matting. The thicknesses concerned were in the rib and in the bottom area of the matting in that the procurement drawings did not represent the actual material under test.

We decided—I decided—that we would not reopen the invitation for bid but that we would negotiate a change after the bid was awarded, since we had a basis for a competitive bid and that the negotiation was involved only in pounds of aluminum added to this contract.

We knew what this price was, approximately, and we felt that this negotiation would be the same, approximately the same, for whoever won this competitive bid.

Mr. ROBACK. This price difference was more than the difference in the original bids among several low bidders?

Captain WEITZENFELD. It may have been; yes, sir.

Mr. ROBACK. Assuming for the moment that it was, then there devolves on the procuring agency a responsibility to make sure that this is a circumstance which will not corrupt the integrity of the original bid. If you are just going to bid anyway and then make

an adjustment later, you really do not have a bid. So it would be your responsibility to really determine to the best of your knowledge what the required specifications are in the first instance.

Now, did you know before the original bid invitation had been issued that these specifications had to be changed?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. You did not discuss that with Harvey? Did Harvey ever discuss with you the specifications? Did they know the specifications? Did they write the specifications?

Captain WEITZENFELD. The specifications were written from information from Harvey; yes, sir.

Mr. ROBACK. Did Harvey tell you before the bid was issued that the specifications would have to be changed before a bid invitation was issued?

Captain WEITZENFELD. Not to my knowledge.

Mr. ROBACK. To the knowledge of anybody here?

Mr. HOLIFIELD. The Chair is at a loss to understand why you received specifications from any company that did not correspond to the actual article that was to be procured.

Captain WEITZENFELD. Let me go back. We had not yet completed all the tests on the AM-2 matting. Actually, our invitation for bid in this instance covered both AM-1 matting and AM-2 matting in various quantities and we did not complete our actual test work until 2 days before we opened the bids.

Mr. HOLIFIELD. Now, are you saying to me that you did not therefore have a completed set of specifications because your testing was not completed?

Captain WEITZENFELD. We did not have—possibly did not have an up to date, except the AM-1, we did; yes, sir.

Mr. ROBACK. We are talking about the AM-2, not the AM-1.

Captain WEITZENFELD. Well, we had to get some matting for the Marine Corps requirement. We knew the AM-1 would provide us performance, but it was heavy. So we went out with two kinds of matting. If the AM-2 had not passed the test, we would have bought AM-1 matting. We did this to gain time so that we could provide the Marine Corps with matting, a modern matting that would take the F-4H aircraft.

Mr. ROBACK. On the record, was this premature advertising because the specifications were being developed up to the finish line?

Captain WEITZENFELD. No, sir; it turned out that it was not.

As I mentioned before, in any procurement we must be dynamic. We are continuing even now to improve, to look at ways to improve all of our equipment and the specs are dynamic.

Mr. ROBACK. The specs are dynamic, and the procurement officer always has the choice between deciding whether it should be advertised because the specs are firm or it should be negotiated because they are not.

Captain WEITZENFELD. Yes, sir. That is one of the first decisions to make.

Mr. ROBACK. Now, when you were confronted with this situation, you say that you were convinced that this should be an advertised procurement because the specs were sufficiently firm?

Captain WEITZENFELD. Yes, sir; and would provide us with a competitive base.

Mr. ROBACK. But it turned out that you had to make a substantial change in the specifications.

Captain WEITZENFELD. Well, I do not think it was substantial.

Mr. ROBACK. Well, at least the cost was fairly substantial, \$346,000.

Captain WEITZENFELD. This specific one we are talking about—there were some other changes, but the one we are talking about actually cost about \$230,000, the rib and bottom changes. There were 400,000 pounds of aluminum at about 50 cents a pound.

Mr. ROBACK. And together with other changes, the contract was changed by \$346,000.

Captain WEITZENFELD. Yes, sir; and this was due to some things we determined during this period and I think the changes were made sometime in April. Some were pallet changes and there were some other discrepancy changes.

Mr. ROBACK. Our understanding is that the Bureau disagreed with the need for the change. Now, is that the case, Mr. Wilkinson?

Mr. WILKINSON. If I may correct the record just a bit—

Mr. ROBACK. Please do.

Mr. WILKINSON. The records will show that we have knowledge that a change would be required in November or December which would precede the IFB.

Mr. ROBACK. This is a serious statement, now.

Mr. WILKINSON. Let me complete it, please.

Mr. ROBACK. All right.

Mr. WILKINSON. The drawings containing these changes in essence were submitted officially to the Navy after the IFB, but prior to award of contract. Specifically, they were these strength changes. The question would be was the knowledge available to the Navy prior to the IFB in sufficient detail to, at that time, change the IFB drawings and make them the final product in essence.

This I do not know.

Mr. ROBACK. Who got the information first?

Mr. WILKINSON. Well, it is a long series of conferences, telephone calls, memorandums, and so forth. All these state, and your committee has copies of most of these, is that a change was imminent. It did not specify specifically what it was at that time. Knowledge that a change would be made existed prior to IFB.

However, the Navy went on the road with the IFB with the best drawings available to them at that time.

Mr. ROBACK. Why could not the bid invitations have been extended for a week? Is there any law against that?

Captain WEITZENFELD. No, sir; there is no law.

Mr. WILKINSON. That is a matter of judgment.

Mr. ROBACK. Apparently the Bureau had access to this information and Captain Weitzenfeld didn't have access to it, according to his testimony.

Mr. WILKINSON. He said to his knowledge.

Mr. ROBACK. Well, to his knowledge. It reposed somewhere in the Center, but not in the procuring officer. Is that what we are to understand?

Mr. WILKINSON. The procuring officer would have no knowledge of any of this.

Mr. ROBACK. Captain Weitzenfeld, you are the procuring officer?

Captain WEITZENFELD. No, sir; I am the technical man.

Mr. ROBACK. You are the man, though, who signs off on the specifications?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Was it kept from you, this important information, that the invitation would go out even though there was knowledge somewhere in the Navy that the specs were not up to par, were not firm?

Captain WEITZENFELD. Not to my knowledge.

Mr. ROBACK. Who was the procurement officer?

Commander GILLIS. I am, sir.

Mr. ROBACK. Throw some light on this muddy situation.

Commander GILLIS. Well, sir, they presented the purchase request to me with drawings and specs. I made up my bid package and went on the street. After the opening, it was brought to my attention that there were changes in the specs to be made. I went ahead and did negotiate with Butler for the changes.

Mr. ROBACK. If that information had been brought to you, would there have been any reason under the law or the sun that you could not have amended the bid invitation to be sure that the spec was firm?

Commander GILLIS. We could have amended; yes, sir.

Mr. ROBACK. Somewhere there was a breakdown in communications, of up-to-the-minute communications, at least. Would you agree?

Commander GILLIS. Yes, sir.

Mr. HORTON. Excuse me. I did not quite understand that. As I understood it, the Procurement Office did have information.

Commander GILLIS. No, sir; I did not have information.

Mr. HORTON. You did not have the information?

Commander GILLIS. No, sir.

Mr. HORTON. When did it come to your knowledge?

Commander GILLIS. After the bid was opened, sir.

Mr. HORTON. If it had come to your attention prior to the time that the bid was opened, would you have changed the specs?

Commander GILLIS. That all depends, sir, on many circumstances.

Mr. HORTON. Well, you have the knowledge now.

Commander GILLIS. Yes, sir.

Mr. HORTON. With the knowledge that you have now and considering the time interval that we are talking about, would you have changed the specifications?

Commander GILLIS. I might have, sir.

Mr. ROBACK. Which might have affected the disposition of the bids, too, as to who was the successful bidder.

Commander GILLIS. It might have, sir.

Mr. ROBACK. Captain Weitzenfeld, do I understand correctly that the Harvey specifications upon which the bid invitation was based were submitted to the Center or to the Bureau in January?

I am talking about the corrected drawings which form the basis, which should have formed the basis, for the bid invitation.

Captain WEITZENFELD. No; this was some time in February.

Mr. ROBACK. They were not submitted in January?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. There is no record to establish when they were submitted? Is there any way you can document when they were submitted?

Captain WEITZENFELD. I think the actual submittal, the knowledge of the specific dimensions, were brought to my attention after the bids were opened by the contractor—that is, after he received the invitation to bid, Harvey specifically looked at the drawings and made a telephone call and said that there should be something else.

Mr. ROBACK. Well, did there come a time when Harvey submitted the revised corrected drawings as to what they recommended to be the specifications?

Captain WEITZENFELD. No, sir; we took this over the telephone and we modified our drawings accordingly.

Mr. ROBACK. There was no submission by Harvey in writing?

Captain WEITZENFELD. There has been subsequently and I can furnish that for the record.

Mr. ROBACK. You can furnish for the record the date when they were received and relate that to the date the invitation was issued.

Captain WEITZENFELD. Yes, sir.

Mr. RIDGELY. Captain, we were furnished information that Harvey submitted interim drawings in January 1963, which reflected measurements that ultimately were written into the Butler contract. The final drawings were not submitted until February 1963. Now, is that the case, or is it not the case?

Captain WEITZENFELD. As I say, as far as I know, the information was received after the bids were on the street. One of the things that I have to determine is the time involved in redoing all the drawings, reprinting all the drawings, submitting the package again to all the bidders who have asked for the package. We felt this would take probably 3 weeks or a month to do this.

(The information referred to follows:)

1. NAEL (SI) procurement drawings completed January 7, 1963.
2. Invitation for bid was issued on February 8, 1963.
3. Approximately February 12, 1963, Harvey personnel called to state drawing dimensions were low.
4. Drawings were received March 11, 1963.
5. Bid opening March 12, 1963.
6. Contract award to Butler, N156-4991, for AM-2 matting, March 18, 1963.
7. Increased web thickness by modification 1 of contract April 5, 1963.

Mr. ROBACK. The successful bidder and award recipient was Butler, right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. They produced this AM-2 matting which was the first advertised or production run of this Harvey-developed matting; right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. In the process of making this matting, they had to buy extrusions and they had to weld them and coat them with plastic; is that right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. This plastic process is called feroxing?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. The information we have is that the feroxing process was faulty. Corrections had to be made. Would you describe that, sir?

Captain WEITZENFELD. Well, the feroxing didn't stick properly and we sent a team out, including the Marines from the Development Center at Quantico, and we worked with Butler and solved this problem.

Mr. ROBACK. How was the problem solved? At some point in the production run? Was there retroaction or was this a matter of improving the thing?

Captain WEITZENFELD. It was not a very serious matter, actually. It was probably sporadic.

Mr. ROBACK. In other words, it was something in the quality control?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Some runs were good and others were not?

Captain WEITZENFELD. Very little was actually delivered in this condition.

Mr. ROBACK. Do you know today how many are faulty?

Captain WEITZENFELD. Numberwise, no, sir.

As a matter of fact, some of the first of this is at El Toro on the ground and is working very well.

Mr. ROBACK. You don't know certainly at this stage in the game. Is there any specification for test or fixing requirement which governs feroxing?

Captain WEITZENFELD. We have a ferox test and a coat spec, not a specific test.

Mr. ROBACK. You don't, for example, sample every 10th pallet for feroxing?

Captain WEITZENFELD. The Inspector of Naval Material sets up a quality control center which NAEC insures is in action. This was caught right in the beginning of the program.

Mr. ROBACK. Can you tell by a visual observation where there is a faulty feroxing?

Captain WEITZENFELD. You take a quarter and scrape over the ferox matting and if it won't stick, it will come off.

Mr. ROBACK. So the inspector of the material can tell by—

Captain WEITZENFELD. Visually; yes, sir.

Mr. ROBACK. How far into the production process was this identified?

Captain WEITZENFELD. Right at the beginning.

Mr. ROBACK. Who bore the expense of the correction?

Captain WEITZENFELD. Butler Co. This was a fixed-price contract and they had to make it good.

Mr. ROBACK. Do you have any estimate of what the extra costs were?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. Are you stating for the record, and are you sure, there weren't any Government costs involved?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Outside of perhaps the extra inspection costs?

Captain WEITZENFELD. Administrative costs for our people. We paid for that.

Mr. ROBACK. You didn't do any retroapplication or referoxing?

Captain WEITZENFELD. Well, the Butler Co. did, but we did not. We did not accept some of this and they had to redo it. But there was no cost change in it.

Mr. HORTON. Before we get too far away from the matter, I would like to ask a few questions concerning this competitive bid.

What was the date of the advertisement of the bids?

Mr. RIDGELY. February 8, Mr. Horton.

Mr. HORTON. That is 1963?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. That is the date of advertisement?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. What was the date the bids were opened?

Captain WEITZENFELD. March 12, 1963.

Mr. HORTON. I think earlier, somebody testified that the test work—I think, Admiral, you testified or maybe it was you, Captain, that the test work was not completed and was only completed 2 days before the bids were opened.

Captain WEITZENFELD. Well, the decision was made 2 days—actually, I think I was a little wrong. The test was completed 3 or 4 days before.

Mr. HORTON. Now, is it customary for the Bureau to advertise for bids before the test work is completed?

Captain WEITZENFELD. Yes, sir; because in this case, we were advertising one mat that had passed the performance test.

Mr. HORTON. When did that mat pass the performance test?

Captain WEITZENFELD. In the fall, the late fall.

Mr. HORTON. Of 1962?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. In the fall of 1962, the other contract with Convair was still going on?

Captain WEITZENFELD. The R. & D. portion, yes, sir.

Mr. HORTON. It wasn't R. & D., it was the—

Captain WEITZENFELD. Oh, Convair; yes, sir.

Mr. HORTON. You didn't terminate that until 1963; is that right?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. Why did you open this bidding or why did you advertise and make this competitive and with the Convair, you made that a negotiated bid?

Captain WEITZENFELD. We had, as I said, a competitive spec that we felt was fairly good.

Mr. HORTON. That was different from what you had with Convair?

Captain WEITZENFELD. Yes, sir.

Admiral FAWKES. One was, in effect, the first production and the other was, in effect, the second production.

Mr. HORTON. The Convair?

Admiral FAWKES. The Convair was in effect the first production. The AM-2, this advertised competition we are talking about here, is in effect the second production. That is, Harvey had made lots and lots of the matting and then Butler had the first advertised production run and this is, in effect, the second one.

Mr. HORTON. Would you be a little bit more specific, Captain, with regard to the need for this matting by the Marine Corps? That is, the need that existed at the time that you advertised in February of 1963? You indicated that this was one of the reasons you moved ahead, the need for matting.

Captain WEITZENFELD. Well, I think the Marine Corps should answer that, sir.

Mr. HORTON. Did you have any information with regard to that?

Captain WEITZENFELD. Yes, sir; we had a directive that said buy matting of this amount with this amount of money this fiscal year.

This was in the program.

Mr. HORTON. Without that directive, then, you would not have moved this fast?

Captain WEITZENFELD. No, sir—well, no; that is hard to say.

Mr. HORTON. Do you think you were moving fairly fast on this advertisement?

Captain WEITZENFELD. Yes, sir; we were moving fast.

Mr. HORTON. That is all.

Mr. ROBACK. Referring to the price change in the contract reflecting the specification change, we did not find that information in the contract files. Who is responsible for documenting the contract changes?

Commander GILLIS. I am.

Captain WEITZENFELD. The contracting officer.

Mr. ROBACK. Did you have a justification to work on?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Now, after the Butler—is the Butler contract finished?

Commander GILLIS. No, sir.

Mr. ROBACK. Deliveries are being made?

Commander GILLIS. It will be, we think, finished up early this summer.

Mr. ROBACK. Are deliveries on schedule?

Commander GILLIS. Yes, sir.

Mr. ROBACK. On an adjusted schedule?

Commander GILLIS. Yes, sir.

Mr. ROBACK. What was the slippage due to?

Commander GILLIS. I believe we extended the original delivery date by 30 days due to the change in drawings and so forth.

Mr. ROBACK. But there is no significant change in time?

Commander GILLIS. No, sir.

Mr. ROBACK. As far as your information is, the feroxing problem has been resolved; is that right?

Who can answer that one?

Captain WEITZENFELD. Yes, sir; I will answer that.

Mr. ROBACK. It has been resolved. Then after this award, after this contract, the decision was made to buy additional quantities of AM-2 matting, which led to an award in November of 1963 to the Washington Aluminum Co. for certain numbers of pallets.

The contract was, as I recall, \$7.8 million.

Now, this contract evoked a certain amount of concern and discussion as to whether the bidder was really in a position to perform. In this case, two preaward surveys were made, is that right?

Commander GILLIS. That is right.

Mr. ROBACK. Is that unusual?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Why were two preaward surveys made?

Commander GILLIS. On a large award like this, it is normal practice in my office to run a preaward survey. When I got the results of the preaward survey, there were some disagreements among members of the preaward team that Washington Aluminum could produce or could not produce. The Marine Corps requested the second preaward survey.

Mr. ROBACK. In other words, you were responding basically to a concern on the part of the Marine Corps and you were rechecking your survey team; is that right?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Did you have the same survey team or another one?

Commander GILLIS. Just about the same members.

Mr. ROBACK. But they were being given a chance to check up on any doubtful elements in their initial report?

Commander GILLIS. Yes, sir.

Mr. ROBACK. And the substance of the second report was to confirm their original conclusion that the award ought to be made?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Without regard now to the question of the bidder but with regard to the question of the procurement, was this substantially the known requirements for matting up to now?

Disregarding for the moment any further plans or future requirements, would this fulfill substantially the known requirements?

Mr. WILKINSON. Yes; for mat. The current plan as it exists, this was the last major procurement.

Mr. ROBACK. This was the large procurement?

Mr. WILKINSON. The large one.

Mr. ROBACK. Up to 90 percent of the contract dollars would go for extrusions, is that right?

Mr. WILKINSON. Yes.

Mr. ROBACK. And there were only three sources for extrusion supplies, because the large presses that would make these extrusions were only in three places?

Mr. WILKINSON. Yes.

Mr. ROBACK. Now, in view of the fact this was a large contract, and in view of the fact that the extrusion supply was limited, why, just as a matter of prudence, did you not give yourself some insurance by splitting the award? Only three companies could really permit any bidder to deliver by what they decided to do in the supply of extrusions. Why did you not give yourself some insurance, particularly since this in itself was a great big fat procurement? Why did you not split it up?

Commander GILLIS. Well, in the first place, you have to have some negotiation authority to make the split awards and we did not think that there was any worry about getting extrusions, because the presses, to my understanding, were only working on this matting type extrusion. They only work something like 3 or 4 days a month and we did not have any concern about the supply of extrusions. We just went straight-advertised IFB with the full responsibility of one man.

Mr. ROBACK. Why did you say that a split award would require a negotiated authority?

Commander GILLIS. You have to have some way to split it.

Mr. ROBACK. Why could you not, like the Army when it buys fatigues, have three advertised contracts, let us say, maybe separated by a day? Why do you need special authority for that?

Captain WEITZENFELD. We could have put out three separate IFB's, but that would not have meant that three separate people would have won them. The same one might have won all three.

Mr. ROBACK. That is true; if you had a competitive bid.

Captain WEITZENFELD. For example, the three presses, if we said why not go one-third to each, this would have had to be negotiated procurement.

Mr. ROBACK. If one were a successful bidder on all, you could evaluate whether he could handle the load.

Commander GILLIS. Yes, sir. But you are also supposed to buy your full requirement, if known, at one time, not make individual bids.

Mr. ROBACK. Is that what your regulations say? Will you supply for the record where the regulation says that?

Commander GILLIS. Yes, sir.

(The information referred to follows:)

64002—BUREAU OF SUPPLIES AND ACCOUNTS MANUAL

2. CONSOLIDATING REQUISITIONS. The extent to which the consolidation of requisitions is practicable will depend upon the nature of the items and the timing of requisitions. When possible and particularly when special manufacture is required, contracting officers will endeavor to consolidate requisitions for like items in order to obtain the benefits of maximum competition upon optimum quantities. When repetitive requirements for similar items appear to be susceptible of consolidation on a single purchase requisition, field purchasing activities will bring this factor to the attention of requiring activities. In consolidating requisitions, care will be taken to limit items on the schedule to one Federal supply classification group unless the peculiarities of certain items, such as equipments and component spares, make it desirable to procure all items on a single contract.

Mr. RANDALL. Mr. Chairman, will the commander and the captain supply for the record, on IFB's, what they are referring to, if that is not too much?

Mr. HOLIFIELD. We have those in the files.

Mr. RANDALL. I have one or two questions, Mr. Chairman.

I have been listening here long enough that I have become curious about this. The heading of the hearing states, "Tactical Support Program."

Where are you using this material? Is it being stockpiled or what are you doing with it?

Captain WEITZENFELD. Well, we are shipping it to the wings and it is being stockpiled for possible—

Mr. RANDALL. Being stored, in other words.

Captain WEITZENFELD. For possible operational necessity; yes, sir.

Mr. RANDALL. I note the figure of \$7 million—is that the total procurement?

Captain WEITZENFELD. Total procurement was for nine airfields of matting at 385,000 square feet per airfield.

Mr. RANDALL. What is the total volume of money?

Captain WEITZENFELD. The total volume of money was about \$11 million for this. With the two bids, the Butler bid and the WACO bid—

Mr. RANDALL. WACO, did you say?

Captain WEITZENFELD. Washington Aluminum Co.

Mr. RANDALL. So that is the meaning of WACO. I am glad you did spell it out for the record.

Butler—was that the Butler Manufacturing Co.?

Captain WEITZENFELD. Yes, sir.

Mr. RANDALL. And the Harvey; is that the Harvey Corp.?

Captain WEITZENFELD. Harvey Aluminum Co.

Commander GILLIS. Corporation.

Mr. RANDALL. I will have some more questions in a minute, Mr. Chairman.

Mr. HOLIFIELD. All right.

Mr. Roback?

Mr. ROBACK. We were discussing the circumstances under which the decision was made to have the award in one package. Now, in the course of ascertaining whether the bidder was going to be able to deliver, conferences were held by various Navy officials with the extrusion suppliers; is that right?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Was this an unusual thing? Was it unusual in the case of an advertised procurement for one of the potential subcontractors to be in conference with the Navy as a procuring authority—is this usual or unusual?

Commander GILLIS. It is not the usual procedure, but I was asked to ascertain and get definite knowledge that the subcontractors would supply extrusions.

Mr. ROBACK. Were you, in this case, performing some of the bidders' role for him, or were you exercising what you consider to be priority rights of the Government to extrusions? What were you doing in this case?

Commander GILLIS. I was asked to do it.

Mr. ROBACK. You were asked to have meetings—who asked you to do that?

Commander GILLIS. I believe it came from the Bureau.

Mr. ROBACK. In other words, the Bureau of Naval Weapons was in a position to understand that concern had been expressed by the Marines and in other quarters about the ability of the low bidder to deliver, to perform. So you undertook to go, you might say, behind the back of the low bidder and consult with one of his potential subcontractors?

Commander GILLIS. I did not go behind his back. He was in the office when it happened.

Mr. ROBACK. Go behind his back in the sense that you were going to determine whether he could get the extrusions, rather than that he was going to determine and assure you. Why did you not say to him, "If you are the low bidder, you must assure me you can get the supply"?

Commander GILLIS. I did.

Mr. ROBACK. In what form was that done?

Commander GILLIS. That was done at the preaward survey.

Mr. ROBACK. Did he ever give you assurances?

Commander GILLIS. Yes, sir.

Mr. ROBACK. In what form were they given?

Commander GILLIS. Verbally during the preaward survey.

Mr. ROBACK. Do you take verbal assurance as sufficient evidence to make an affirmative report?

Commander GILLIS. Well, no, I believe at the time he did have offerings from Alcoa and Dow to supply aluminum.

Mr. HOLIFIELD. Let's understand this completely. As I understand, this was a peculiar type of procurement in which about 90 percent,

dollarwise, depended on what would have to be spent on extrusions. In other words, your prime contractor did not have within his own capability the ability to produce these extrusions.

Commander GILLIS. No, sir.

Mr. HOLIFIELD. They had to come from three unusually large presses, all owned by the U.S. Government.

Commander GILLIS. Four.

Mr. HOLIFIELD. Four of them?

Commander GILLIS. Yes, sir; one of them is owned by private industry.

Mr. HOLIFIELD. But the ones involved in the bidding were the Government presses; is that right?

Commander GILLIS. No, sir; all four could be used to make this extrusion.

Mr. HOLIFIELD. Did you say the bidder came to you with verbal assurances that he could buy these extrusions?

Commander GILLIS. Well, he had offerings from Dow Chemical and Alcoa stating that they would sell him aluminum extrusions.

Mr. HOLIFIELD. For the full amount of his contract?

Commander GILLIS. They committed themselves at the time for about 75 percent.

Mr. HOLIFIELD. Well, now, in view of the fact that 90 percent of this contract was going to depend upon the availability of extrusions, how do you justify the clearance of this particular man's capability when he only had 75-percent assurance?

Commander GILLIS. Because, also at that time, the aluminum industry, both Dow and Alcoa, told Washington Aluminum that they would supply all he needed, 100 percent.

Mr. HOLIFIELD. How do you know they did?

Commander GILLIS. Because I met with their representatives after I was asked to.

Mr. HOLIFIELD. And they assured him that they would?

Commander GILLIS. Yes, sir.

Mr. HOLIFIELD. But at the time of the preaward survey and at the time of the allocation of the bid, this assurance had not been given?

Commander GILLIS. It had been given to Washington Aluminum and Washington Aluminum told me, or verified the fact that he had a source for 100 percent.

Mr. HOLIFIELD. How did he verify it?

Commander GILLIS. By the offerings from Dow and Alcoa.

Mr. HOLIFIELD. Did you see either telegrams or letters which led you to believe that he had assurances of a 100-percent supply to fill his needs?

Commander GILLIS. Yes, sir.

Mr. HOLIFIELD. Do we have those telegrams or letters in the staff exhibits?

Mr. ROBACK. Mr. Chairman, we have some telegrams or messages or notations made by the procurement authorities as to what happened. Now, in no communication which I have seen has there been any quotation of price, for example.

Is that true?

Commander GILLIS. No, sir.

Mr. HOLIFIELD. No, sir; it is not true or—

Commander GILLIS. No, sir; no price.

Mr. ROBACK. No price has been mentioned. So a question arises, and I ask you whether this is unusual, that if someone were to establish whether a commitment were there, whether the supply was assured, could you reasonably do that without identifying what price had been quoted, because, obviously, if you didn't come to an agreement on price later, if you did not have the supply?

Commander GILLIS. It is normal not to ask the price, because we are dealing in a large amount of aluminum here and this man does not have any firm contract to deal with. If he cannot place any order and he cannot actually negotiate down to the last cent until he does get a signed contract, then it is good business to go back to your suppliers and say, "Now I want to make a firm commitment, I want to place a purchase order on you." I am sure price is discussed a little bit more after the—

Mr. ROBACK. Alcoa, one of the extruders, said they would not make a commitment for more than one-half until there was evidence of a contract. But, in fact, is it not customary practice for a bidder who deals with his vendors to get not only quantities but prices and delivery dates? I mean, is not that the normal case?

Commander GILLIS. I am sure they do, but they do not always show their prices to the Navy; no, sir.

Mr. ROBACK. Not the Navy, but I mean the bidder.

Commander GILLIS. I am sure Washington Aluminum had these facts; yes, sir.

Mr. ROBACK. You identified and were assured that Washington Aluminum had a price quotation?

Commander GILLIS. Yes, sir.

Mr. ROBACK. So you were satisfied on the basis of representations made to you by the representatives of WACO, Washington Aluminum?

Commander GILLIS. Yes, sir.

Mr. HOLIFIELD. Verbal representations, not the bringing to your attention of documents.

Commander GILLIS. I would have to check back in the preaward survey records, but I am sure at the time we held the preaward survey, Washington Aluminum did produce written documents from Alcoa and Dow, stating that they would sell aluminum extrusions to Washington Aluminum.

Mr. ROBACK. You were satisfied that 100 percent assurance was given at the conclusion, but a Navy study group which examined this contract a little later, said the assurances were 75 percent.

What were they, 100 percent or 75 percent?

Commander GILLIS. I was asked to go back and get written commitments from Alcoa and Dow. To get a written commitment is very unusual.

Mr. ROBACK. Unusual for the Navy to do it?

Commander GILLIS. Yes, sir. But I was asked to do it, so we did go back. The amount of aluminum that was committed, you might say, was 75 percent of the total.

Mr. HOLIFIELD. Why were you asked to take the part of contractor? The successful bidder, rather?

Commander GILLIS. BuWeps asked me to do this.

Mr. HOLIFIELD. I don't understand.

As a rule, you deal with the responsible bidder, and the bidder is responsible for convincing you that he has adequate facilities, adequate finance, and any other pertinent matter which has to do with his fulfilling a contract, or else the credibility of his bid is at stake if he cannot show you these different items.

Commander GILLIS. That is right, sir.

Mr. HOLIFIELD. It is his obligation to show to you, and not your obligation to go in and sit on the same side of the table with him in dealing with his suppliers, is it?

Commander GILLIS. It is unusual for this to happen; yes, sir.

Mr. HOLIFIELD. Proceed, Mr. Roback.

Mr. ROBACK. You got this request from the Bureau?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Mr. Wilkinson, did you put the request down at the Center?

Mr. WILKINSON. Yes, sir.

Mr. ROBACK. Why did you do it, because you did not trust the report of the survey team?

Captain HOUCK. May I, sir?

Mr. ROBACK. Mr. Wilkinson put the request. He probably is in the best position to respond. Then you can add whatever you like.

Mr. WILKINSON. There was extreme concern on the part of both the Marine Corps and on the part of BuWeps personnel, including myself, on the award of this contract. It was a major contract. There had been difficulties with previous contracts and the current situation the Marine Corps found themselves in, they needed matting and they needed it now. Their major concern was that when this contract was awarded, the material had to be delivered promptly and forwarded to Marine Corps to meet their plans. This urgency was transmitted to the Bureau of Naval Weapons and was transmitted to Philadelphia. The bids came in. There was at that time, when it was known that the Washington Aluminum Co. was the low bidder considerable concern expressed as to their ability to meet this urgent schedule.

On this basis, both the Headquarters, Marine Corps, and BuWeps personnel, although it is not normally our business, made it a matter of our business and insisted that the procurement people make every effort to make sure that this contract had a reasonable chance of success. It was on that basis that we asked the Philadelphia people to do both the second preaward survey and to get from the contractor, the proposed contractor, Washington Aluminum, some kind of assurance that this material supply was, in fact, assured.

Mr. HOLIFIELD. And was that assurance subsequently given, and was it called to your attention, and were you satisfied with it?

Mr. WILKINSON. My records show that no assurance on 100 percent was ever given. It does show, after considerable discussion back and forth, that finally a final written commitment for 75 percent, approximately, of the basic material was assured in writing.

Mr. ROBACK. Were you satisfied that that was a commitment even though no prices were reflected?

Mr. WILKINSON. Aluminum Co. of America and Dow Chemical are responsible people and when their letterhead says they will supply that material, I assumed they would. I do not go into the matter of price.

Mr. ROBACK. Did the procuring authority or the Bureau examine the problem of what priority the Government would have in furnishing these extrusions by virtue of its ownership of the extruding plants?

Mr. WILKINSON. The Bureau did not specifically go into it. I made the assumption that if it was required through discussions and some knowledge of the arrangements with these persons, if it was required, we could step in and demand a priority and get the mat extruded. Since it never came up, the matter was never prosecuted further.

Mr. HOLIFIELD. In view of 90 percent of the contract, dollarwise, being devoted to the purchase of extrusions, was the thought ever considered of making it a Government-furnished type, in view of the fact that we owned these big presses?

Mr. WILKINSON. This is not—it crossed my mind, since I am intimately involved with the program. But this is not a function that the Bureau of Naval Weapons performs. This is a function of the procurement organization.

Captain WEITZENFELD. May I answer that?

Captain HOUCK. The Bureau did not consider it.

Mr. WILKINSON. They would not normally.

Mr. HOLIFIELD. Captain?

Captain WEITZENFELD. As the technical agency that writes the procurement directive, we consider this in every procurement, how it should be broken out, whether we should buy part of it GFE, whether we should buy all of it on one invitation.

Mr. HOLIFIELD. As a matter of fact, part of this contract did have Government-furnished equipment; did it not?

Captain WEITZENFELD. The Washington; no, sir.

Mr. HOLIFIELD. It was the Anchor contract, where the Government furnished the explosives.

Captain WEITZENFELD. Yes, sir.

Mr. HOLIFIELD. We will get into that later.

Mr. HORTON. Could I ask a question here?

Mr. HOLIFIELD. Mr. Horton?

Mr. HORTON. Why did you decide not to use the Government-furnished aspect of this in this particular case?

Captain WEITZENFELD. Because we thought we wanted the one responsible manufacturer to get the extrusions and to fabricate them and to finish them, package them, and ship them. We did not want to have a separate management responsibility in this regard.

Mr. HORTON. Would this have been involved with any of the other bidders, other responsible bidders?

Captain WEITZENFELD. I do not understand.

Mr. HORTON. Would this—I am thinking in terms of the use of these Government presses. Were there other bidders that had available private press, the private press? There are four of them, are there not; one privately owned?

Captain WEITZENFELD. Yes, sir; Alcoa has that.

Mr. HORTON. Then they were not involved. In other words, the point I was trying to get at was that all the bidders would have had to use this same process?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. Did you investigate into the other bidders prior to award?

Captain WEITZENFELD. No, sir. As far as I know.

(Commander Gillis shakes head "No.")

Mr. HORTON. Captain, does Harvey have a press?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Harvey was in the position of being the only one of the bidders that also was an extruder.

Captain WEITZENFELD. Apparently; yes, sir.

Mr. ROBACK. It was the only bidder in this case that had control of its own extrusion supply?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. But Harvey was not the successful bidder?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. It was the developer of the item?

Captain WEITZENFELD. Yes, sir.

Mr. HOLIFIELD. In that event, do you not feel it was your obligation to assure yourself more completely of the supply than otherwise?

Captain WEITZENFELD. Well, if I may put on the record what actually happened after the contract award, I think this would prove that the decisions that were made were fairly reasonable decisions.

Mr. ROBACK. Do not leave any inference that we are preventing you from doing anything like that.

Mr. HOLIFIELD. No.

Captain WEITZENFELD. After the award was made on November 15, 1963, on the 19th of November, 4 days later, Washington Aluminum had a purchase order with Alcoa for 4.7 million pounds of aluminum. On December 4, 19 days later, in 1963, they had a purchase order with Dow for 8 million pounds of aluminum, the total of which makes up the 100 percent requirement.

Now, Alcoa was not in production and so it was important that they get an early purchase order with them. Dow actually was extruding for the Butler contract, and I assume that there was a little more price haggling during this period, because they had dies, they had the process knowledge, and so forth.

So 19 days after the award of contract, Washington Aluminum had 100 percent assurance of extrusion.

Mr. ROBACK. So as it turned out, the concern about the extrusion supply did not materialize? I mean, actually there was not an extrusion problem?

Captain WEITZENFELD. Well, there was no problem of getting purchase orders.

Mr. ROBACK. Of getting purchase orders or getting deliveries? Was there any problem of getting deliveries?

Captain WEITZENFELD. Yes, sir; Alcoa had trouble with their dies. They broke a die early in the process.

This delayed their delivery by a couple of weeks. As of the current time, as of the 6th of March, Washington Aluminum has delivered approximately 860 pallets. Their delivery schedule was 700 a month. The second 700 is due on the morning of March 14, so we estimate that they are about 2 to 2½ weeks behind.

Mr. ROBACK. Are you saying that the slippage is due to the delivery schedule of the Alcoa extrusions?

Captain WEITZENFELD. Yes, sir. Mostly. There were some other problems. But the most important aspect was that they did not have all of the extrusions they needed.

Mr. HOLIFIELD. As a matter of curiosity, the Chair would like to know how these presses are made available to these three large companies. Are they made available to them on a lease basis without obligations to—I am thinking now of the small bidder like the Washington group. If the small bidder is going to be a successful bidder and utilize material which comes from a peculiar press, a very large-sized press which is Government owned, then it would seem to me that the small business bidder should have some protection from the Government in accessibility to the product of those presses. Otherwise, it would seem to me that the owners of those presses would acquire a monopoly position in bidding on any contract that might have to use those presses to provide the basic material.

So the question I ask is this: Is there any protection to the Government in the leasing of these large presses to these three large companies which, in effect, would make the product available as a matter of right to a contractor, a responsible small business contractor in the bid, such as this company?

Mr. WILKINSON. Mr. Chairman, would you direct that question to the Air Force, since they control these contracts for the presses?

Mr. HOLIFIELD. All right. When the Air Force is on the stand, we shall address that question to them.

Mr. WILKINSON. They have the contracts for the presses.

Mr. ROBACK. As far as the Navy is concerned, the issue as to what rights, if any, there were in controlling the extrusion supply did not enter into this contract?

Commander GILLIS. No, sir.

Mr. ROBACK. Is that right?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Now, you say that the slippage in the Washington Aluminum deliveries is due to the lateness of the deliveries by Alcoa. Under the contract, does that become an acceptable item for delivery adjustment, or is that a responsibility of the contractor?

Commander GILLIS. That is a responsibility of the prime contractor. There is paperwork in my office at present from Washington Aluminum asking us for an extension of two and a half weeks on the delivery dates.

Mr. ROBACK. Grounded on that?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Did Washington Aluminum make any commitment to you as to the number of shifts they would work?

Commander GILLIS. Yes, sir; I have been told that they are going to make every effort to get up to date by the April delivery date. They have plans, I believe, to use two shifts, 7 days a week, if necessary.

Mr. RANDALL. Mr. Chairman, may I interrupt here in this line of questioning?

Mr. HOLIFIELD. Mr. Randall.

Mr. RANDALL. Why this great haste if we have some on hand now?

Commander GILLIS. Yes, sir.

Mr. RANDALL. You are simply going to store them anyway, are you not? I do not understand this great emergency, but maybe we can get the information from another witness.

Admiral FAWKES. The Marines have an instant-readiness requirement to move, jump off—

Mr. RANDALL. The ones we have here now are simply going to be stored, are they not?

Admiral FAWKES. It is getting equipment for each of the three different Marine air wings, which are geographically located at three different places and may be called on under this instant-readiness requirement that may call for this SATS equipment.

Mr. HOLIFIELD. Why are they going to storage? Can you answer that?

General ROBERTSHAW. It will be deployed with our ready forces in the Fleet Marine Force. It will be set up at one or more sites for training, not only the training of pilots but also the training of people who operate it and install it, the engineers. Annually we, in both of our fleets, conduct major exercises in which this will be a part of the exercises. We are going to use one down at Parris Island in the spring.

(The following additional clarifying information subsequently was received for the record.)

The short airfield for tactical support is a tactical weapons system concept conceived in 1953 when the Commandant of the Marine Corps, realizing the ever-present possibility of limited war, established a requirement for an expeditionary short airfield system. SATS, when fully implemented, will provide each tactical Marine aircraft group with an expeditionary airfield which can be installed and put in operation within 72 hours under most environmental conditions. From these airfields, situated in close proximity to the landing force units, close air support and air defense support missions can be provided during the critical early days of an amphibious operation.

The major components of a SATS consist of airfield matting, which provides a runway, taxiways, and parking; catapults for launching aircraft; arresting gear for retrieving aircraft; fuel dispensing equipment; ordnance loading equipment; aircraft maintenance equipment; and navigational equipment necessary for all-weather operations. Operating from a SATS is similar to operating from the deck of an aircraft carrier and requires very little additional training.

The SATS provides Marine air units with the necessary equipment to support our Marine ground forces in any area where they may be called upon to fight.

Mr. HOLIFIELD. Did I not attend a demonstration of that about a year and a half ago, down at Camp Lejeune? Did you not have a demonstration of these landings and takeoff on a short runway?

General ROBERTSHAW. Yes, sir; that was AM-1 and AM-2.

Mr. HOLIFIELD. Was that the so-called Butler mat?

General ROBERTSHAW. That was M9-M1 and M9-M2.

Mr. ROBACK. You were saying something about the problem of a requested extension from Washington. Can you make some comment about that?

Commander GILLIS. It is in my office for consideration now. I have not been in touch with them and I do not know what the decision has been. We shall try not to give them the 2½-week extension. We shall try to encourage them to meet their deliveries. They have told me that they are making every effort to bring the contract up to date.

Mr. ROBACK. In other words, you will live with the delinquency rather than give them a formal extension, because so far, they have not shown any grounds for it. Is that what you are saying?

Commander GILLIS. Yes, sir.

Mr. ROBACK. On this two- or three-shift operation, was that an assurance given by the contractor that, if necessary, it would be done?

Commander GILLIS. Yes, sir; he said he was going to make every effort and if necessary he would use two shifts.

Mr. ROBACK. Was it a matter of concern before the award that there was not full automation of the welding—how does that issue bear upon the performance?

Captain WEITZENFELD. May I answer?

Commander GILLIS. Yes, sir.

Captain WEITZENFELD. In our specifications, we very rarely, if at all, put in our process specifications. There is a very good reason for this, because if we delineate the exact process, they follow the process and the material does not pass the specification, they can blame it on the process. So in the contract, we do not state what process will be accomplished.

Now, if they can do adequate hand welding completely by using just labor and produce an acceptable material in the time allotted, this is perfectly all right.

Mr. ROBACK. Under the contract and specifications, what leverage do you have to determine if the hand-welding type of process does not give you a satisfactory product? Under what specification do you send it back?

Captain WEITZENFELD. We have in there a welding specification and we have inspection criteria. We have tests that are performed on the matting. Actually, Washington Aluminum is using what we would call a semiautomatic system.

Mr. ROBACK. Have you tested any of the pallets to date?

Captain WEITZENFELD. They are being shipped now to Vicksburg for full roll test. The tests we have done now have been more quality control, dimensional tests; not actual performance tests.

Mr. ROBACK. Is a roll test an actual landing and takeoff test?

Captain WEITZENFELD. No; these are load tests.

Mr. ROBACK. A roll test is a load test?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Is it a static load test?

Captain WEITZENFELD. No; it is a rolling load test, dynamic load test.

Mr. ROBACK. Referring to the issue of bidder responsibility in an advertised procurement, what authority or leverage do you have to determine or to exact a commitment from a bidder that he will have the requisite supply? How far can you go?

Commander GILLIS. Well, you should not have to go any further than just to check with him on the preaward survey and have from him some proof that he has methods to get sources of supply which will be delivered to him.

Mr. ROBACK. If there is any doubt in the matter, do the regulations permit you or require you to exact evidence of proof or a commitment or what ever you call it that the necessary supply will be forthcoming? In other words, is that your responsibility?

Commander GILLIS. Yes, sir. If I went out on a preaward and I asked the man who he was going to subcontract part of his contract to and he did, in fact, name somebody whom I knew was about to go bankrupt or something like that, then, yes, sir, I would have a right to say, "You do not have a good supplier."

It might end up that he would not be approved for the award of the contract. He would be given a chance to get a new supplier.

Mr. ROBACK. Well, in the procurement regulations, in determining who is a responsible bidder, can you make a judgment as to responsibility of the bidder, on basis of whether he can give you assurance of a supply source?

Commander GILLIS. Yes, sir. He has to show me where he is going to get his supplies. He has to have some indication that he has a capability of getting the required supplies on time.

Mr. ROBACK. In cases where a single item or component is a major and critical item, as it was in this case, do you think that the regulations are sufficiently drawn, clearly drawn to handle that matter, or do you think they should be reconsidered?

Commander GILLIS. In my opinion, they are all right the way they are right now.

Mr. ROBACK. It devolves on the judgment of the survey team and the review board and whoever else looks at the procurement as to whether the assurance is sufficient?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Do you have any comment, Captain Weitzenfeld?

Captain WEITZENFELD. No. I agree with that statement. There are avenues, of course, that if the contracting officer feels that he does not have this assurance, to throw this particular bidder out. There are regulations that allow us to do this. So the contracting officer has flexibility to make a determination based on his judgment of all the aspects, both financial, capacity, capability, previous knowledge of the contractor's capability, and then make a determination.

Now, it is not easy to throw one out, but it is feasible and possible.

Mr. HOLIFIELD. I am still confused on one point. Maybe you can help me out.

In the establishment of the capability of this contractor, he comes forward with a statement, a verbal statement, as I understand it, that he has a 75-percent commitment. Now, is it wisdom on the part of the Navy to be satisfied with a 75-percent commitment? First, they would look at it to see that it was a bona fide commitment, it would seem to me. Then the point would occur, well, 75 percent of the contract is not completion or fulfillment of the contract. Therefore, in view of the fact that such a large amount of this material has to be bought outside of the successful bidder's competence or inventory, why did not the preaward survey require documentary proof of a 100-percent supply?

Now, I noted in one part of the staff report that Alcoa would supply 50 percent, but it was not the policy of this company to commit themselves to—I will read it:

In response to efforts of Navy officials to get assured commitments, Alcoa stated it was company policy not to commit more than 50 percent of the required extrusions until a firm subcontract order was placed.

Would not this put the small bidder who was depending upon them for a source of supply in a box if he adds the 50 percent, then he adds the 25 percent which Dow apparently had committed themselves to, at least verbally? We do not have any documents to that effect that I know of. There still is this 25-percent deficiency in obtaining this very vital and important element which must come from a very limited supply.

So my question is, How can the Navy, in a position like this, feel that they have a responsible bidder when the sum involved was much

greater than the assets of the company? I am not saying this in a derogatory sense, because I think that there should be some way of insuring a small company's having access to this type of material, particularly when three-quarters of it at least must be produced on Government-owned presses.

So the question I am really concerned about here is, How can the Navy feel that it has a responsible bidder when the bidder can only give you a verbal statement that they have been assured 75 percent of the necessary extrusions?

Commander GILLIS. The bidder himself guaranteed us he had 100 percent. When I was asked to go back out and get written commitments from Alcoa and Dow, which was very unusual, they would not commit themselves beyond this 75 percent in writing, firm commitments. But verbally, they guaranteed me that Washington Aluminum had no worry whatsoever, that they would do their utmost and would deliver 100 percent of extrusions to the Washington Aluminum Co.

Mr. HOLIFIELD. I can see your position in that case, relying on a well-known company. But verbal—would you consider that a verbal promise to supply was really the documentation of supply that you would need to prove that your bidder was a responsible bidder?

Commander GILLIS. I am sure Washington Aluminum had a guarantee for 100 percent. They would not guarantee me 100 percent; no, sir.

Mr. HOLIFIELD. Well, of course, you were in a very peculiar position, going on that side of the table at that point. I recognize that, and it must have been an embarrassing position, because you were, in effect, acting as an agent of the successful bidder, in bringing, you might say, the power of the Federal Government to bear upon suppliers in order to get them to guarantee a supply to a contractor who apparently had not been able to get the supply guaranteed to him. I can see your position on that. But I cannot understand how your preaward survey team could approve this company as being a responsible bidder—not a responsive bidder but a responsible bidder—in view of the fact that he had no legal assurance of his supply and 90 percent of his contract depended upon his supply.

Commander GILLIS. I think in any contract—rather, before the award, I am sure that they do not have a 100-percent guarantee from any supplier of any contract. Once you get the awards, then you make firm purchase orders. I could run a preaward survey and the man could say "Going to go to 'umpty-um' and get all my material and this is a good supplier."

I make the award and he can turn around and go to somebody else and get it for a better price, same material, better delivery. That is his prerogative.

Mr. HOLIFIELD. But as a bidder, if I were making a bid and I knew I had to draw from a limited source, I think I would want a letter saying, "If you get the bid, if you are the successful bidder, we will supply you amounts at prices."

This would be, from my limited experience in business, this would be a prudent course for me to pursue in order to protect myself.

Commander GILLIS. Well, sir, there is no regulation saying they have to give it to me but I am sure Washington Aluminum had this type of commitment from Alcoa and Dow.

Mr. HOLIFIELD. Our study does not show it, but we will check with them later.

Mr. ROBACK. Commander Gillis, is the situation this, as a procurement officer sees it, or you as a procurement officer see it: That with the resources available to you, it was established that there were certain kinds of assurances about a certain amount of supply; that on the other side, there was a certain amount of responsibility on the part of the bidder; and that you were taking some risks and he was taking some risks. Is that about it, that you were taking some risks in the event that he could not get the supply, and he was taking some risk in that if he could not get the supply, he incurred a certain legal liability to the Government.

Commander GILLIS. I think you can say this of any Government contract.

Mr. ROBACK. Captain Weitzenfeld expressed some concern that in drawing up specifications, processes should not be designated too precisely, otherwise avenues of contention would be opened to a bidder who might be inspired, say, to bid low deliberately, and then come in and get price increases.

Have you any reason to believe there would be any such action in this particular case?

Commander GILLIS. No, sir.

Mr. ROBACK. You have no reason to anticipate that you are going to be besieged with such claims?

Commander GILLIS. No, sir.

Mr. ROBACK. Do you have any indication to date that such a thing will occur?

Commander GILLIS. No, sir.

Mr. ROBACK. You have no reason to anticipate that you are going to be besieged with such claims?

Commander GILLIS. No, sir.

Mr. ROBACK. Do you have any indication to date that such things are occurring?

Commander GILLIS. No, sir.

Mr. ROBACK. You have no reason to believe that if the contractor applies himself and puts in a certain number of shifts, he will not be able to—you have no reason to believe that with the proper application and diligence, this particular contractor will not deliver? You have no reason to believe that he will not?

Commander GILLIS. No, sir; I believe he will.

Mr. ROBACK. That he will?

Commander GILLIS. Yes, sir.

Mr. HOLIFIELD. All right, gentlemen. Thank you for your appearance here this morning. The subcommittee will now adjourn until 10 a.m. tomorrow morning.

(Whereupon, at 12:05 p.m., the subcommittee recessed, to reconvene Wednesday, March 11, 1964, at 10 a.m.)

PROCUREMENT OF EQUIPMENT FOR MARINE CORPS TACTICAL AIRFIELDS

WEDNESDAY, MARCH 11, 1964

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

The subcommittee met, pursuant to recess, at 10 a.m., in room 1501-B, Longworth Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

President: Representatives Chet Holifield, Edward A. Garmatz, William S. Moorhead, and Frank J. Horton.

Also present: Herbert Roback, staff administrator; Paul Ridgely, and Robert McElroy, investigators; and Raymond T. Collins, Minority staff.

Mr. HOLIFIELD. The subcommittee will be in order. We will resume our hearings where we left off yesterday.

Mr. ROBACK. May we backtrack a bit and get some clarification on the Convair matting contract? It intrigues us and the details are not altogether in sequence.

FURTHER STATEMENT OF ADM. EMERSON E. FAWKES, ASSISTANT CHIEF FOR RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, BUREAU OF NAVAL WEAPONS; ACCOMPANIED BY CAPT. DANIEL K. WEITZENFELD, DIRECTOR, NAVAL AIR ENGINEERING LABORATORY, NAVAL AIR ENGINEERING CENTER; CAPT. HERBERT N. HOUCK, SHIP INSTALLATIONS OFFICER, BUREAU OF NAVAL WEAPONS; COMDR. CHARLES L. GILLIS, CONTRACTING OFFICER, NAVAL AIR ENGINEERING CENTER; THOMAS P. WILKINSON, TECHNICAL DIRECTOR, SHIP INSTALLATIONS OFFICE, BUREAU OF NAVAL WEAPONS; AND MAJ. GEN. LOUIS B. ROBERTSHAW, DEPUTY CHIEF OF STAFF FOR AIR, U.S. MARINE CORPS; ACCOMPANIED BY COL. JOSEPH L. WARREN, AVIATION LOGISTICS AND MATERIAL BRANCH, HEADQUARTERS, U.S. MARINE CORPS; AND LT. COL. RUSSELL L. STONEMAN, SHORT AIRFIELD FOR TACTICAL SUPPORT PROJECT OFFICER, U.S. MARINE CORPS

Mr. ROBACK. Captain Weitzenfeld, you say the Convair contract was let for test quantities; right?

Captain WEITZENFELD. For evaluation.

Mr. ROBACK. What were you evaluating?

Captain WEITZENFELD. We are evaluating a strip, expected to evaluate a strip under some operating conditions with aircraft.

Mr. ROBACK. What kind of matting was it at that time? Was it wood or aluminum? When you let the contract originally, what were you going to evaluate, a wood core matting?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. And when did the time come that you decided the wood core matting would not do?

Captain WEITZENFELD. Yesterday, I think I said December. I would like to correct that. It was October 12, 1962.

Mr. ROBACK. When you decided that—

Captain WEITZENFELD. We had completed our tests and had an acceptable mat, but it weighed 9 pounds per square foot. We had gone up in various stages of weight to get performance. The 9-pound wood core was the first kind that we could get the performance we required.

Mr. ROBACK. In October you decided that would not do.

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. What did you do then with regard to that particular prospective procurement?

Captain WEITZENFELD. We then went to an aluminum core and requested the fabrication of 300 mats with aluminum core for test.

Mr. ROBACK. What were the purported weights at the time?

Captain WEITZENFELD. About 6.5, 6.6.

Mr. ROBACK. The aluminum mat was recommended by Convair? The contractor suggested that this was a mat which would resolve the weight problem?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. These 300 mats—how much did they weigh? Did they conform to that weight specification?

Captain WEITZENFELD. Yes, sir; they actually weighed 6.4 pounds per square foot. That is the final weight.

Mr. ROBACK. Did you give those load tests?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. What happened to those?

Captain WEITZENFELD. On November 29 we started and on December 14 they passed their tests. So the December date was when the aluminum core—let me explain. These aluminum core mats were cast mats, were made in order to meet the time schedule; they were cast.

Mr. ROBACK. Instead of extruded?

Captain WEITZENFELD. Well, the later mats were forged with a die but these were cast.

Mr. ROBACK. In other words, the sandwich principle has either forging and casting, not extruding; is that right?

Captain WEITZENFELD. No; the sandwich principle, we make a thin sheet of aluminum and we put something in between and then glue. In the case of the wood, we glued the wood. Then we took the core and cast the core and then glued the sheets on to this core.

Now, this would not be acceptable for production purposes, because castings are, on a fairly large base, normally more expensive. So it was at this point that we said we have proved that the aluminum core at about 6.5 pounds per square foot will pass the test, but for production purposes, we need a more effective means, go-ahead and make a die.

Mr. ROBACK. That was an economic issue rather than a technical requirement?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Too costly?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. But as far as passing the test, the casting itself would be a sufficient—

Captain WEITZENFELD. The strength is the same.

Mr. ROBACK. So you say the roll tests showed that this 6.5-pound-per-square-foot matting was acceptable?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. After those 300 were tested, what did you do next?

Captain WEITZENFELD. Then I say we went ahead with the die.

Mr. ROBACK. Is this a Government-furnished die?

Captain WEITZENFELD. Yes, sir—no, sir. Furnished under the contract, but paid for—

Mr. ROBACK. In other words, the Government pays for it; the contractor uses the die with your permission, and you pay for it?

Captain WEITZENFELD. And we pay for it.

Mr. ROBACK. What is the cost of that die, roughly?

Captain WEITZENFELD. Of the die, about \$35,000. It is an expensive process.

(Subsequent to the hearings, information was furnished which indicated the cost of the die was \$221,000, rather than \$35,000.)

Mr. ROBACK. Then after the die go-ahead was ordered, what did you do next?

Captain WEITZENFELD. As far as the Convair matting, they were incorporated in the tests that we made at Bogue Field. This was done February 28, to March 8. We were testing there not the strength, because we used available wood core mats. We were testing the effect of the F-4 tailhook on the surface of the various kinds of mats.

Mr. ROBACK. These were not strength tests; they were field tests of the actual aircraft?

Captain WEITZENFELD. Well, we were worried about this large tailhook and its machining action on the surface of the mat.

Mr. ROBACK. It might ruin it by—

Captain WEITZENFELD. Well, as it turned out in the AM-1, it picked up the welds—the weld material—and then on subsequent landings, we would catch the matting, catch where the welds came off. On the Convair matting, we picked up the connectors—

Mr. ROBACK. The hooks were ripping off the connecting points?

Captain WEITZENFELD. The connectors; yes, sir. So we requested a redesign of the connectors right after the Bogue tests. These were satisfactorily redesigned.

One of the features, remember, of the Convair mat was that you could replace a mat in place, pick it up and put another mat in place, whereas on either the AM-1 or AM-2, you had to cut the mat out, because you lay it from one corner of the field in a continuous layer. It fits together so that you cannot pick up one mat, you have to cut it out.

Mr. ROBACK. What did the redesign do to the weight of the mat?

Captain WEITZENFELD. It had no effect.

Mr. ROBACK. No effect?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. After you had had the redesign to take care of the connecting points, what did you do then?

Captain WEITZENFELD. Then we proceeded with the—we got some preproduction samples with the die. We produced the die and we made some preproduction samples on our translator line at Convair. We tested those at Vicksburg and those worked with the new connectors. Then we said, complete the contract, making as much mat as you can without exceeding the original cost of the contract.

Mr. ROBACK. How many—

Captain WEITZENFELD. This was done on April 26, 1963.

Mr. ROBACK. 1963?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. How many pallets were produced?

Captain WEITZENFELD. Well, we produced 100,000 square feet which now is at Twenty Nine Palms.

Mr. ROBACK. How does that relate to a functioning mat, a functioning field? Is that enough for one strip, one airplane strip?

Captain WEITZENFELD. Not quite, sir. This is 1,450 feet, 72 feet wide, and we wanted 2,000 feet, 72 feet wide.

Mr. HOLFIELD. So it is about two-thirds?

Captain WEITZENFELD. About two-thirds; yes, sir.

Mr. ROBACK. Was the 100,000 square feet the contract amount?

Captain WEITZENFELD. No, sir; 160,000.

Mr. ROBACK. What happened to the other 60,000?

Captain WEITZENFELD. Well, we traded the cost of the changes that were being done all this time by reducing the amount of the mat.

Mr. ROBACK. In other words, you took it out of the procurement package, the procurement dollars?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. What was the weight of the delivered mat?

Captain WEITZENFELD. It was 6.4 pounds per square foot.

Mr. ROBACK. We have information which may refer to the previous weight of the thing, but we were given to understand from the Marine Corps record that this mat weighed over 9 pounds. That is not true of the aluminum mat?

Captain WEITZENFELD. No, sir; that was in reference to the successful wood core mat.

Mr. ROBACK. Does the Marine Corps have any commentary on this point, so we will be sure we are not confused?

Colonel WARREN. Well, I believe it has been documented, sir, that the Marine Corps had suggested that we not buy the Convair matting at this time. That is shown in your report.

Mr. ROBACK. This was shown at the time of the wood mat. What happened at the time that it was changed to aluminum? Does the position still stand?

Colonel WARREN. The position still stood; yes, sir.

Mr. ROBACK. What is the burden of the complaint against the aluminum mat?

Colonel WARREN. Well, sir, timewise, you will notice that the IFB, invitation for bids, went out for AM-1 or AM-2 matting on February 8. We ran our evaluation tests at Bogue Field in later February and early March, and prior to the successful contract, we had already tested

AM-1 matting, AM-2 matting, and the wood core Convair matting. The AM-2 matting was far superior. We at that time had decided that the AM-2 matting was the matting which the Marine Corps desired and since we had made a decision on matting, we merely suggested that no more matting, no more money from the SATS program be spent for other types.

Mr. ROBACK. Has the AM matting at this time proved out for procurement?

Colonel WARREN. Yes, sir; it stood the F-4B hook tests, which is the most difficult test which we place on this mat.

Mr. ROBACK. Did the engineering center agree that the AM-2 matting was the preferred matting at this stage?

Captain WEITZENFELD. Yes, sir; that was done on March 10.

Mr. ROBACK. March 10, 1962?

Captain WEITZENFELD. 1963.

Mr. HOLIFIELD. May I ask this question, Captain: The February 8 IFB, was that for AM-1 and 2 or for AM-2?

Captain WEITZENFELD. That went out for both AM-1 and AM-2 and in various sizes. We were conducting some tests for the Marines on various sizes consonant with their desires of determining the most effective method of laying economically.

Mr. HOLIFIELD. So it was not an alternative of AM-1 or AM-2; it was—

Captain WEITZENFELD. It was an alternative of either AM-1 or AM-2 of various sizes, or of AM-2 of various sizes.

Mr. HOLIFIELD. If the Marine Corps desired AM-2, why was there an objection to that IFB of February 8?

Colonel WARREN. Sir, there was no objection to that. That IFB, sir, was for the AM-1 or AM-2 matting, which we concurred in. Subsequently, a test was made at Bogue and we determined that the AM-2 matting was superior. Therefore, the bid which was finally let on March 18 was for the AM-2.

Mr. HOLIFIELD. I see; all right; thank you.

Mr. HORTON. Could I ask a question?

Mr. HOLIFIELD. Yes.

Mr. HORTON. As I understand it, the Convair contract was still continuing during this period; is that right?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. Why was not the Convair contract terminated at that point? That is, at the point of February 8?

Captain WEITZENFELD. Well, it was felt that the Convair matting was a backup to the work that was being done on the AM-1 and AM-2, that it was now in the ball park as far as weight was concerned. It still had this improved repair advantage. A great deal of the money had been spent for a translator line which would have provided us with a very fine mobilization potential without any interference.

We wanted to get some of this matting so that we could have something to show for what we were doing.

Mr. HORTON. Colonel Warren, what is your comment with regard to the February 8, 1963, date with regard to the Convair matting? What was the Marine Corps position at that point?

Colonel WARREN. The Marine Corps position at that point, sir, was the same as it had been prior to that time and after that. We suggested that this contract be terminated.

Mr. HORTON. When did you first suggest, or when did the Marine Corps first suggest the termination of the Convair contract?

Colonel WARREN. Sir, in October 1962, it was suggested that if the Convair contract should continue, this contract be converted to the fabrication of AM-1 type matting with the funds that had been allocated.

Mr. HORTON. What are the distinguishing features between the Convair matting and the AM-1 matting?

Captain WEITZENFELD. May I answer that?

Mr. HORTON. Would you answer that?

Captain WEITZENFELD. The Convair matting is a sandwich mat which is made on a production line called a translator production line.

Mr. HOLIFIELD. Would you have any pictures of these different kinds of mats that you could pass up to the members?

Captain WEITZENFELD. Yes, sir.

(Discussion off the record.)

Mr. HORTON. Colonel Warren, going back to the Convair matting, did you or did the Marine Corps express your dissatisfaction to the Navy with regard to the Convair matting as of February 8, 1963?

Colonel WARREN. As of—yes, sir: October 8, 1962, and as of December 14, 1962. Then there were other meetings which we held and I do not have the actual dates of these meetings, but it was discussed verbally at that time.

Mr. HORTON. Just so I am clear, as I understand it, the Marine Corps expressed dissatisfaction with the Convair matting when it had the wood core.

Colonel WARREN. Yes, sir.

Mr. HORTON. And subsequently, you expressed dissatisfaction when it had the aluminum core; is that correct?

Colonel WARREN. Yes, sir; in that we had determined by this time, if we are getting up to the time frame of March, late February and early March 1963, because at that time, we had run our F-4B hook test at Bogue Field. In this particular case, we had difficulty with the connectors, with the Convair matting and the AM-2 matting stood up better in all cases than the others.

Mr. HORTON. When did you first get the AM-2 matting for your experimental tests?

Colonel WARREN. Evaluation, sir, for the Marine Corps was at this Bogue test.

Mr. HORTON. That was in—

Colonel WARREN. Late February.

Mr. HORTON. Of 1963?

Colonel WARREN. Yes, sir; now, there had been previous tests, sir, on the AM-2 matting at Vicksburg, but that is under the—

Mr. HORTON. I am talking now about Marine Corps.

Colonel WARREN. The Marine Corps evaluation was in February and early March, 1963.

Mr. HORTON. Prior to the time of those tests and in connection with the tests of the Convair matting, of what did the tests consist?

I am talking now about the tests of the Convair matting. Did you actually make tests with aircraft on the Convair matting when it had the wooden core?

Colonel WARREN. Yes, sir.

Mr. HORTON. Or did you object to it principally because of the weight?

Captain WEITZENFELD. No, sir; the tests were made with the wooden core matting, Convair type, at Bogue.

Mr. HORTON. That is in 1963, February of 1963?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. Had you tested the Convair prior to that time?

Captain WEITZENFELD. With aircraft?

Mr. HORTON. Yes.

Captain WEITZENFELD. No, sir.

Mr. HORTON. In other words, your objection to the Convair matting, when it had the wooden core, was because of weight?

Colonel WARREN. Yes, sir; several things. It had failed to pass the test at Vicksburg completely. By that I mean it had failed some of the tests but not all of them. It was heavy and also, when we put it into Bogue, the connectors did not hold up under the impact of the F-4B hook test.

Mr. HORTON. Thank you. I think I am clear on that now.

Mr. ROBACK. What is the disposition of the Convair matting at Twenty Nine Palms? Is it laid out on the field?

Captain WEITZENFELD. Yes, sir; it is under; I would call it an expeditionary airfield that they have at Twenty Nine Palms.

Mr. ROBACK. Used in testing or training?

Captain WEITZENFELD. Training.

Mr. ROBACK. Is that the end of that program? I mean, do you have any more procurement under that contract?

Captain WEITZENFELD. No, sir; no more procurement. The contract is basically finished.

Mr. ROBACK. Did you standardize on AM-2 matting now?

Captain WEITZENFELD. For the Marines; yes, sir.

Mr. ROBACK. For the Marines. Does that mean you contemplate using this matting for some other purposes?

Captain WEITZENFELD. Well, there are some other possibilities, yes, sir. Convair has, on their own, developed a new core which will give the mat a weight of about 4.6 pounds per square foot.

Mr. ROBACK. Which could be used for—

Captain WEITZENFELD. Which has been tested at Vicksburg, partially tested at Vicksburg, and shows some promise.

Mr. HORTON. For what? Helicopters?

Captain WEITZENFELD. Helicopters, the Air Force, and other possible requirements.

Mr. ROBACK. Is the Navy the procuring agency for those other services in this respect?

Captain WEITZENFELD. I don't know.

Mr. ROBACK. Who is paying for the developmental work?

Captain WEITZENFELD. The contractor himself.

Mr. ROBACK. He is doing it and you are allowing it to be tested as an unsolicited proposal, so to speak?

Captain WEITZENFELD. We have other tests going on, so it is at no cost to the Government at this point. We have let him put in—they have a large hangar where they put in a lot of mats and they run a dynamic loaded wheel back and forth and we let him put in a few mats to test.

Mr. ROBACK. This is not unusual in the developmental phase.

Captain WEITZENFELD. No, sir; we have done this for other people.

Mr. ROBACK. General, do you agree with the substance of this testimony on the disposition of this matting?

General ROBERTSHAW. I have a minor exception to make to the disposition of that matting at the present time. The field that it is used on is the administrative airfield of Twenty Nine Palms installation, actually. We have another field that is strictly an expeditionary type that we use for training, but we do not land our jets or any other type of tactical airplane on the field that the Captain is referring to.

Mr. ROBACK. What is it there for? Is it just lying there?

General ROBERTSHAW. No, sir; it is used for—

Mr. ROBACK. It is used for administrative purposes, not for training?

General ROBERTSHAW. Yes, sir.

Mr. ROBACK. In other words, it happens to be there. You would just as leave it were on the training field, but there it is. You are not using it for training purposes?

General ROBERTSHAW. No, sir; we do not use it for training.

Mr. ROBACK. Unless there is any question on this point, I think we will leave it for the time being, Mr. Chairman.

Mr. WILKINSON. Mr. Roback, in regard to production, there are not now, today, firm ground rules within DOD as to the procurement. There is a gentlemen's agreement which will probably be instituted where the Navy would be the sole procuring agency.

Mr. ROBACK. For matting?

Mr. WILKINSON. For matting.

Mr. ROBACK. For the Air Force?

Mr. WILKINSON. For the Air Force.

Mr. ROBACK. For the Army if they need it and for the rest of it?

Mr. WILKINSON. Yes, sir.

Mr. ROBACK. Is this subject to final determination, or is that a working agreement now?

Mr. WILKINSON. We will put it into a DOD instruction. It is in process now. It is not in fact an instruction today. There is no disagreement on this point.

Mr. ROBACK. Are you going to procure any matting that the users do not want?

Mr. WILKINSON. I pass.

Mr. ROBACK. Not if you can help it.

Mr. WILKINSON. I pass.

Mr. HORTON. On that point, Mr. Chairman, as I understand it there would be needs other than the Marine Corps needs for matting?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. So what you are talking about here is development in matting for other purposes for other services?

Captain WEITZENFELD. For other possible purposes, yes, sir.

Mr. HORTON. Which would not have anything to do with this need that the Marine Corps has?

Captain WEITZENFELD. Not as of right now. We have satisfied the Marine Corps need as of right now.

Mr. HORTON. So you are talking about a different program other than the SATS program when you are talking about this additional matting need?

Captain WEITZENFELD. Yes, sir.

Mr. HORTON. Is that right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Referring to the AM-2 matting, in the last procurement, and presumably in earlier procurements, the transportation factor was not specified in the bid invitation, so the Government did not have the problem of evaluating transportation costs and determining lowest net cost to the Government. We have taken notice of that and made staff calculations which indicate some possible savings.

Now, it was stated to us that you could not put the transportation factor into the bid invitation because the Marine Corps was not in a position to specify the destinations. Under the applicable procurement regulations, if you do not know the sure destinations, you are entitled to make an educated guess so that you can still try to save money for the Government.

Mr. HOLIFIELD. General area rather than specific location.

Mr. ROBACK. Or the expected location.

Admiral FAWKES. Yes, sir.

Mr. ROBACK. Was any attempt made to get this information from the Marine Corps? Perhaps Commander Gillis—Admiral Fawkes, do you have a comment?

Admiral FAWKES. Commander Gillis should speak to this. He was the contracting officer and responsible for looking into transportation.

Commander GILLIS. Yes, sir; at the time that we got the procurement request, we did have a meeting to discuss the buy as we do many times. At that time, it was brought out, are there destinations? NAEC went back to the Marine Corps and asked if they had final destinations at that time and we were told no.

It was again brought up at the preaward survey, I believe. At that time, they said they thought it might go 50 percent west coast, 50 percent east coast. But at no time did my shop know any general direction or specific destination.

Mr. HOLIFIELD. Without trying to be a Monday morning quarterback, would not that type of information have been of value to you in making determinations in view of the fact that it would have made a difference in cost?

Commander GILLIS. Yes, sir.

Mr. HOLIFIELD. In other words, if the Marine Corps had said, well, now, we are going to use x amount of this in the South Pacific and in the East and somewhere toward the West and some of it in Europe, would that have been helpful to you?

Commander GILLIS. Yes, sir.

Mr. ROBACK. And you say you could not get the precise locations, but you got some indication. Being aware of the rather extensive transportation costs involved, why did you not press the point?

Commander GILLIS. Well, we did to—our normal operating procedures, we pressed the point as much as you normally do. Based on experience with this mat, we never did have destinations until after the award and we were actually ready to deliver the mat. Then we would normally get destinations.

We did press for them but we just did not get them and there was an urgency to this procurement so we went on with it.

Mr. ROBACK. What is the Marine Corps testimony on this subject?

General ROBERTSHAW. The request that was asked of the Marine Corps at that time is alleged not to have been specific with regard to anything connected with the contracting. It just so happens that we have at least one of the persons who was contacted with this regard and I would like Colonel Stoneman to relate the incident firsthand.

Mr. ROBACK. Please do.

Colonel STONEMAN. Well, sir, I received a phone call requesting shipping destinations for matting, as I always do on a contract. I have in the past and have in this case put out a letter indicating our desired quantities and amounts to be shipped to various locations to the wing concerned.

Mr. ROBACK. You put out a letter, you say?

Colonel STONEMAN. Yes, sir.

Mr. ROBACK. To whom?

Colonel STONEMAN. To Chief, Bureau of Naval Weapons.

Mr. ROBACK. What was the date of that letter in relation to the bid invitation?

Colonel STONEMAN. That letter was put out, sir, on January 15, 1964.

Mr. ROBACK. When was the bid invitation sent out?

Colonel STONEMAN. The IFB, sir, the bid opening date was October 21, 1963.

Mr. ROBACK. So that even though you did not have this information out in time to have it specified in the bid invitation, nevertheless you did sometime thereafter specify the information?

Colonel STONEMAN. Let me retrogress a little bit, sir. When I received this phone call, at no time was it implied to me that this destination information that they wanted had anything to do with negotiation. No one asked me for this destination in the light that the contract could not be awarded until we got it. It was merely a normal procedure, please send me your destination location so we can inform the INSMAT people for delivery of this stuff when it is available. I told them I would give the letter with ample time so that when production deliveries were ready for shipping, they could go right into their Government bills of lading.

Mr. ROBACK. You were responding to a request for the information so that when they actually needed to put this stuff down, you could give it to them. But if they had actually come to you and said, "We can save the Government a few thousand dollars here if we knew where it is going, tell us your destination"—they never said anything like that?

Colonel STONEMAN. No, sir.

Mr. ROBACK. Is there any reason why the Navy could not have done it?

Commander GILLIS. What was that, sir?

Mr. ROBACK. Is there any reason why you could not have put this out?

Commander GILLIS. No, sir. Now, knowing the facts and so forth, being in procurement and it is your business, I guess you just think that everybody else knows this is one big factor. We pursued it in the sense that we had to have it without explaining just why we had to have it. We assumed that anybody we asked this question of would know that we were going to take it into consideration if we had the destinations.

Mr. ROBACK. Well, did you call up the Defense Traffic Management Service and ask them for an advisory on the whole matter, as to what kind of transportation is most effective and what savings would we have if we put it in the bid invitation?

Commander GILLIS. No, sir; we didn't.

Mr. ROBACK. Do you have some kind of traffic unit which gives advice on this?

Commander GILLIS. Yes, sir; we have NAEC.

Mr. ROBACK. What do they do? Did they study this matter for destinations?

Commander GILLIS. No, sir; because we did not have any destinations.

Mr. HOLIFIELD. Would they ordinarily study it?

Commander GILLIS. Yes, sir; if we had destinations, we would have gotten two bids and it would have been evaluated on that basis with the assistance of DTMS and our own.

Mr. HOLIFIELD. Did your request go out prior to notice of bids, to sending out IFBs? Did your request for destinations go out then or later?

Commander GILLIS. I asked for destinations before I put the IFB on the street. I was told they didn't know where it would go.

Mr. HOLIFIELD. So in effect the information that you received on January 15, 1964, was much later, was interesting to you from the standpoint of shipment of the product, but it was of no value to you in making any saving in your IFB declaration?

Commander GILLIS. No, sir. If we get bids f.o.b. plant, once we do get the destinations, then we go out to the INSMAT in the area and give them all the destinations. Then he would go to DTMS and he would give us the best routes and rates.

Mr. HOLIFIELD. I recognize you cannot have geographical bids. But where there are facilities on both, let us say, east and west and south coasts, and it does relate to savings in transportation, I go back to counsel's suggestion yesterday, or his question, rather, why could not there have been a split bid on this in view of the fact that it was not a matter of contractor origination, 90 percent of it being purchased from one of these large presses?

Commander GILLIS. Knowing what I know now, if we did make another buy and if I did have my final destinations, I would probably buy three lots, say I had three destinations and then evaluate each lot on its own merit. And I might actually end up with three separate awards.

Mr. HOLIFIELD. The subcommittee is not so much concerned with this one procurement as we are in the methods used in procurement and the possibilities of improving the methods of procurement. That is why I asked this question.

Commander GILLIS. Normally, we do have destinations.

Mr. HORTON. Mr. Chairman, on the very point that you made, as I gathered the testimony from Commander Gillis, there seems to be a void here. As I understood it from him, he more or less expected that the other service, or the service involved here, would have given him information with regard to destination and apparently the Marine Corps did not receive such a request; therefore, the question did not come up to them. Of course, they were not involved in the pro-

curement. Perhaps this is a point to be made, that the procurement agency have an affirmative obligation to ascertain destination with regard to whatever might be involved.

Is that fairly accurate as to what happened here? In other words, you were expecting or you thought that because of the situation here, they would have indicated destination and apparently they got no specific request from you. Therefore, they did not make any.

Commander GILLIS. Well, I asked and they acknowledged that I asked, but they did not put the importance on it that I knew existed.

Mr. HORTON. When did you ask?

Commander GILLIS. Before I actually put the IFB on the street. Before I asked for bids.

Mr. HORTON. Which one are you talking about now? Are you talking about the one in February 1963?

Commander GILLIS. The last one; yes, sir.

Mr. HORTON. Well, now, that was not the last one.

Commander GILLIS. No, sir; the one in October 1963. Yes, sir; the Washington Aluminum award.

Mr. HORTON. I am going back now to—was not there one in March, too?

Commander GILLIS. Yes, sir. We also asked at that time.

Mr. HORTON. When you say asked, of whom did you?

Commander GILLIS. Of the Marine Corps.

Mr. HORTON. Well, I understood the testimony from Colonel Stoneman that they had not received any such request. Is this inaccurate?

Colonel STONEMAN. No, sir. The question was, give us your delivery schedule. What I want the record to be very sure of, sir, the question was never asked of me that this delivery schedule had in any way any effect to do with negotiations or contract schedule. I was asked for a delivery schedule and I was asked that I provide one so they could set up their proposals with the INSMAT people and keep the production rolling.

Mr. HORTON. When were you asked for that information?

Colonel STONEMAN. For the Washington Aluminum contract, sir, I cannot say when it was.

Mr. HORTON. It was prior to January 1964?

Colonel STONEMAN. Oh, yes, sir. I told them I would give them a delivery schedule and give them about 60 days which they could set up for the INSMAT people for delivery.

Mr. HOLIFIELD. Was that delivery schedule to include point of destination or merely readiness at the contractor level of the material?

Colonel STONEMAN. No, sir; that was final destination, final resting place of the matting for each of our wings. I did the same thing for the Butler contract.

Mr. HORTON. Just so I am clear, you corroborate the statement Commander Gillis made with regard to the request?

Colonel STONEMAN. Yes, sir; one of the subordinates at NAEC called me. We have a Marine liaison officer on duty there and I discussed it with him. But at no time was I told that this was very important to the award of the contract, because I would have been vitally interested.

Mr. HORTON. I understand.

Mr. ROBACK. Can anyone give me a little advice on this procurement aspect of an evaluation? Where the transportation factor is not speci-

fied in the invitation, is it subject to meaningful challenge after the award is made?

Commander GILLIS. No, sir.

Mr. ROBACK. Can a protest be made on the grounds that this award is not the one of least cost to the Government?

Commander GILLIS. No, sir; I do not believe so. Once the IFB is opened and you have your prices, then it is up to the Government to ship it on a GBL.

Mr. ROBACK. In other words, if there is nothing specified in the invitation, the thing is not challengeable?

Commander GILLIS. No, sir.

Mr. ROBACK. So the burden lies upon the procuring officer, in your judgment, to be sure that the transportation item is in, and if it is not in, it is not an issue.

We have a representative of the Office of the Assistant Secretary of Defense for Installation and Logistics. Can we have some brief commentary? Is Captain Standish here?

STATEMENT OF CAPT. E. M. STANDISH, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (INSTALLATION AND LOGISTICS)

Captain STANDISH. Yes, sir.

Mr. ROBACK. Will you address yourself to this point, if a protest can be meaningfully made against an award on the grounds that it is not the least cost to the Government, even though the bid invitation itself does not say anything about transportation?

Captain STANDISH. I would say from that point of view, if a protest is made before an award, it is one situation. After the award, the normal procedure would be to return it to the General Accounting Office for a determination.

Mr. ROBACK. To your knowledge, has this matter ever been adjudicated?

Captain STANDISH. No, sir. I have never heard or run across a case of a protest on an award on the matter of transportation.

Mr. ROBACK. You do not have any opinion as to whether it would be challengeable. That would be a matter for the GAO?

Captain STANDISH. Yes, sir.

Mr. ROBACK. Do we have a GAO man here?

STATEMENT OF ROBERT H. RUMIZEN, OFFICE OF THE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE

Mr. RUMIZEN. Yes. My name is Robert H. Rumizen, Office of the General Counsel.

In this particular invitation, there was no mention made in the invitation at all as to destinations. Bidders were not advised that transportation costs or weights or other factors dealing with transportation would be taken into consideration.

Hence it would be quite clear to all bidders that the only thing the Navy was interested in was the bare cost, the bid price of the end item, that they were not to take into consideration any factors relating to transportation, this being strictly the Government's business.

In my opinion, the fact that the transportation costs may be increased because of an award to a particular low bidder over that of another bidder would have no effect at all on the award.

Mr. HOLIFIELD. From a legal standpoint, you mean?

Mr. RUMIZEN. From a legal standpoint, sir. In other words, the lowest responsible bidder is determined at the time, subsequent to the times the bids are opened when they make the administrative determination that the low bidder is the lowest responsible bidder, price is the factor considered. They document that. As far as our Office is concerned, that is a legal award.

Mr. HOLIFIELD. Let's go beyond the legality of this matter and look at the end result, which is either to save or expend additional dollars on behalf of the taxpayers. We made a tentative recommendation, and I would like to have your comment on it from the standpoint of your overall duties as guardian of the tax dollar.

We recommend that in future SATS competitive procurements—
and I might say this might be carried over into other types of procurement—

We recommend that in future SATS competitive procurements which involve significant transportation costs, and f.o.b. origin quotations, a determined effort be made by the using and purchasing activities to establish firm or proposed destinations prior to issuance of bid invitations. This would enable contract personnel to incorporate estimated transportation costs to the Government in the bid evaluation and to select the contractors whose price, together with estimated transportation costs will result in the lowest delivered cost to the Government. Further, we recommend that in all instances where transportation costs will be significant, the contracting agency should notify the Defense Traffic Management Service of the quantities and destinations involved as soon as possible after award of the contract(s) so that appropriate action can be taken to negotiate with transportation companies.

Are we going too far afield? Is this practical or impractical?

Mr. RUMIZEN. I think it is entirely practical, sir. Under the ASPR as written now, if I remember, the procurement agency always has the option of naming general designation locations.

Mr. HOLIFIELD. There might be some things that are bought and transmitted in all directions.

Mr. RUMIZEN. That is true, sir but in my experience, I have found that in most cases destinations can be generally located, determined in the invitation for bids.

Mr. ROBACK. So that a special care reposes on the procuring authority?

Mr. RUMIZEN. Yes, indeed; in other words, the bidders would not be on notice at all that transportation costs would be a factor, unless the end item were requested for a particular destination so they could compute their costs accordingly as far as transportation is concerned.

Mr. HORTON. Mr. Chairman, in fairness to the Navy, I think I should ask the same question.

Is such a recommendation practical in nature or not?

Admiral FAWKES. If it please the chairman, we have present in the room our expert in this area, Captain Diggle of the Office of Naval Material. I would like to ask him to try to answer that.

Mr. HOLIFIELD. The subcommittee would like to hear from him.

STATEMENT OF CAPT. R. H. DIGGLE, U.S. NAVY, OFFICE OF NAVAL MATERIAL

Captain DIGGLE. I am Captain Diggle of the Office of Naval Material. I would like to assure you, sir, that the Navy does follow this very recommendation that you have to offer as a matter of policy. Freight, where it is a significant part of a procurement, must be considered insofar as the total expense to the U.S. Government is concerned.

However, sir, there are, in many, many instances, situations in which the requesting activity does not, for several reasons, know the destinations at the time that we hit the street on a given invitation for bid or request for proposal, or alternately, due to circumstances, do not wish, even if they do know, to reveal that information at that time. ASPR, the Armed Services Procurement Regulations, addresses itself to this subject.

On oversea shipment, sir, it indicates that normally and generally speaking, it is better to buy f.o.b. origin inasmuch as ocean transportation on special freight rates that we can get, et cetera, on bulk shipments can be sometimes more advantageously obtained by Government than perhaps by industry.

But we do consider this thing in each instance, Mr. Chairman, and we do, as I said before, have problems sometimes in obtaining destinations.

Mr. HOLIFIELD. You are referring particularly to security reasons for not revealing? It seems rather odd to me. Or is it just lack of knowledge as to where the material is going?

Captain DIGGLE. No, Mr. Chairman; in many instances one does not know at the time of the origination of a procurement request precisely where and in what quantity he will lay material down to a given destination. He may know that, in essence, he will be shipping to one or more destinations, but he does not know specifically at that time quantities.

Now the prerequisite, sir, of a purchase request is that you know what you are going to buy and so specify, the quantity that you are going to buy, and the destinations to which you will ship those quantities. Now, these are the three basic prerequisites of a purchase request. This is well known to anyone who asks that a certain item be bought.

Again, the responsiveness of a bidder to the terms and the conditions of the invitation for bid, then, is responding specifically to the manner in which you hit the street, so that if you did not ask for destinations you would be responding and have no legal basis for rejecting it, as the gentleman from GAO said.

Mr. HOLIFIELD. I understand that. If it is not in the IFB, of course, there is no legal requirement.

Captain DIGGLE. Yes, sir.

Admiral FAWKES. I would like to make one other comment if I may, Mr. Chairman, and that is: In the Navy and Marine business, where we are flexible and the world situation is changing and we do not know where we are suddenly going to be deployed to, it is quite often true that the planning people, who should name the destination,

honestly cannot tell just which contingency is going to arise where and just what the priorities would be at the time that the procurement is placed.

Mr. HOLIFIELD. But there are areas where you are buying for specific geographical reasons.

Admiral FAWKES. Yes, sir.

Mr. HOLIFIELD. I am not saying, for example, that in Europe you are going to send it to Holland, but I am thinking of the European Continent as a place distinct from the Far East. If you know you are going to the Far East generally, you may not know the specific location.

Admiral FAWKES. That is true, but what I meant is in the case of three Marine air wings, the Marines might have known but they might not know which Marine air wing they would want to ship to first, which they would want to ship to second. It would depend on the world situation as of the moment it becomes ready for shipment.

Mr. ROBACK. I think the record will show here that if a concerted effort had been made, with full awareness of potential savings, to get the destination data, I am sure the Marines would have come up with the answer, and I think it would have been in due time. I think the record is fairly obvious, so we ought not to overgeneralize this point.

Admiral FAWKES. Yes, sir.

Mr. ROBACK. We will discuss for a few moments the anchor production contract. This so-called earth anchor is an item which is used in connection with these airfields in order to hold down the catapults and arresting gear? Is that right, Captain Weitzenfeld?

Captain WEITZENFELD. It was originally conceived to hold down the track on the catapult.

Mr. ROBACK. The catapult track?

Captain WEITZENFELD. It subsequently was determined that it was a most useful device for all installations of catapult and arresting gear equipment.

Subsequently, we eliminated the track but the anchor is now a major item in the SATS concept for holding down equipment now and not track.

Mr. ROBACK. I think Mr. Garmatz wanted to talk about matting.

Mr. GARMATZ. Yes, sir; if I may go back, in section III on page 24 of the preliminary staff report, on extrusion costs, in the last paragraph:

Discussions with Bureau of Naval Weapons personnel disclosed an anticipation that the contractor, to compensate for possible losses or marginal returns, would seek price adjustments in the contract based on loosely worded specifications.

Would you elaborate on that and be a little more specific on the words "on loosely worded specifications"?

Mr. ROBACK. This was a staff wording, and I might say there was some little change proposed by the Navy in the language, and also a statement, I think after you left, by Commander Gillis about how they regarded this contract.

He testified, and he can repeat it if you would like, that they did not anticipate there would be any request for such changes. Is that right?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Do you want to elaborate for the Congressman?

Commander GILLIS. There is no reason to believe that there will be any request for additional funds for this contract, none whatsoever. There is no basis for it. It is a fixed-price contract and Washington Aluminum Co. must live up to the terms of the contract. There is nothing to draw on.

Mr. ROBACK. Well, the testimony on specifications, as I understand it, as the record will show, is that—Captain Weitzenfeld testified that he did not want to make the specifications too tight where certain kinds of processes were involved, because if they did, that would invite all kinds of contention about really what the specifications were and whether they involved adjustment costs. So, for example, they would not specify that the welding should be automatic or hand welded, even though they preferred automatic welding. They did not specify it.

Is that right?

Captain WEITZENFELD. No, sir. What I said was we do not normally specify process in our specifications, because if the contractor follows our process and the material does not now meet the spec, he can say it is our fault. That is what I said.

Mr. HOLIFIELD. I cannot see any difference between what you have said and what counsel has said here.

Captain WEITZENFELD. We do not write loose specifications. We do not plan to write loose specifications. We write the tightest spec we can from the standpoint of getting good quality and determining what the spec will be upon completion.

Cost is taken into consideration, and so on. We do not write loose specifications meaningfully.

Admiral FAWKES. It is the difference, sir, between end product and processes. He is saying we write tight specs—

Captain WEITZENFELD. We do not tell the contractor how to make the item specifically. We tell him what the material is, what the strength is, what the dimensions are, what the heat treat is, what the inspection requirements are. Then he can make that in any way he sees fit.

Mr. HOLIFIELD. I think I understand. It is a difference between the interpretation of the staff as to process being not the designation of process. The people that the staff talked with—

Mr. ROBACK. We need more elaboration on this point, Mr. Chairman, to clear the record.

Mr. HOLIFIELD. Yes. Apparently, they did not put the same meaning on the words "loose specifications" as you do.

You say that if you do not designate process, that is still not loose, while the other contention is that if you do not designate process, it is loose.

Captain WEITZENFELD. Loose in the sense that we want to get a certain piece of equipment so we specify what we want as tight as we can; loose in the sense that we do not specify normally what the process is to reach the end product.

Mr. MOORHEAD. You specify ends and not means; is that correct?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Mr. Chairman, I am going to ask a question or two, and nothing in this discussion ought to be taken by any contractor as a case for or against any claim. I am just suggesting that this ought

not to be an argument to be used by a contractor. But I would want Mr. Wilkinson to tell us wherein the specifications could be considered loose. We said these were loose on the basis of our understanding of the information given to us. Wherein is the specification loose, in your judgment?

Mr. WILKINSON. As of today the specification of the Washington Aluminum contract as amended to date is a thoroughly adequate specification.

Mr. ROBACK. As far as the contractor is concerned.

Mr. WILKINSON. And as far as the Bureau of Naval Weapons is concerned and as far as the Naval Engineering Center is concerned. This remark, if I may continue, preceded all of these time periods and related to the large number of changes that had to be made after the award of the original or the first production AM-2 contract to Butler Manufacturing Co. If you will recall—again it is part of the record—there were numerous and many changes that had to be made. The question was that our concern, which we later satisfied ourselves on, our concern was that possibly these numerous changes had not been picked up in the drawings and had been put in the IFB that went on the street which subsequently resulted in the award to Washington Aluminum Co.

Now, subsequent to these discussions, the Bureau satisfied itself that all of these changes were in fact incorporated in the drawings prior to their use of the final production contract. The "loose"—I cannot recall the use of the exact word but I think it is appropriate—referred to the state of the drawings at the time they were used for the first production contract. You recall the record, and we went over it yesterday there were numerous changes. There have been some minor changes to the specification for the current Washington Aluminum contract but they are very minor and we at the moment anticipate no further changes.

Mr. ROBACK. Mr. Chairman, I shall not pursue this further, because as I say, I do not want to be guilty of suggesting possibilities for contractors to come in with contentions, so we will leave that and we will work out that portion of the report with the Navy officials.

Mr. GARMATZ. Mr. Chairman, that satisfies my question.

Mr. HOLIFIELD. Proceed.

Mr. ROBACK. We will discuss the anchor contract. You said this anchor was first designed to hold down the track. That is the track of the catapult?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Are you going to a trackless concept in a catapult?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. So the anchor will not be needed for that purpose.

Captain WEITZENFELD. Except that we have still a few catapults that still use track. But the modern catapult, the one that we will buy in quantity, is trackless.

Mr. ROBACK. What is the anchor used for in the most recent concept?

Captain WEITZENFELD. In the most recent concept, the anchor is used to hold down other equipment, the arresting gear and the catapult itself.

Mr. ROBACK. It is not used to anchor the matting?

Captain WEITZENFELD. It is not used to anchor the matting generally; no, sir. There are a few places where we use this to anchor some parts of the matting, but not the general field.

Mr. ROBACK. The general concept of the anchor is a tube which is dispersed at certain points in the field and anchored to the earth by an explosive charge. That is, you use an explosive charge to put down prongs into the earth and then you put cement in the cavity which is formed, and that becomes the bed of the anchor. Is that the general idea, just so the members can follow the concept?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. This was also the subject of several development contracts, including Harvey's; is that right?

Captain WEITZENFELD. Yes, sir; we had three basic contracts in the beginning. About 30 people responded and we selected three contracts.

Mr. ROBACK. There came a time when you decided you wanted to put this into competitive procurement and get production quantities; is that right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Were these the first production quantities?

Captain WEITZENFELD. In effect, first, that we call production quantities, although the developer during the course of their development had actually furnished more anchors than this contract called for.

Mr. ROBACK. While this was the first contract called a production contract, in effect the developers—is this true of all the developers?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. Who had produced substantial quantities? Was it Harvey Aluminum?

Captain WEITZENFELD. Harvey Aluminum was the only one.

Mr. ROBACK. That was written in this case into the development contract?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Although as a general principle, the Office of Naval Material likes to separate out production from development contracts?

Captain WEITZENFELD. Well, actually during this period we were still doing quite a bit of test and evaluation and research and development. In this particular case, although we call it a production procurement, the anchors basically were still going to be used for development now or the use now with the other kinds of equipment, the arresting gears and the catapult bases and this sort of thing.

So there is a slight difference of meaning here, that we talk about a production contract, but the equipment was really going to be used for continuing the development and evaluation and test of other equipment.

Mr. ROBACK. Was this the ground for having it negotiated rather than advertised as far as you understood?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Commander Gillis, is that why this was a negotiated contract?

Commander GILLIS. Yes, sir. The purchase request stated that these anchors are required for equipment anchoring of the TRE-2F, the TRE-8, TCE-2 catapults and the TM-21, TM-24, and M-20, Mod-1 arresting gear.

Mr. ROBACK. You got approval from higher authority to negotiate this contract on the grounds it was a development contract?

Commander GILLIS. Yes, sir.

Mr. ROBACK. As far as you understand, it is a development and not a production contract?

Commander GILLIS. Yes, sir—

Mr. ROBACK. If it is a development contract, why didn't you leave its sole source with the developer?

Commander GILLIS. Because in this case we did have drawings.

Mr. ROBACK. You had drawings that you thought could be used in competitive procurement, but not good enough for advertised procurement?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Well, wherein were the drawings deficient for advertised procurement?

Captain WEITZENFELD. Well, the drawings were all right but we had time as a factor which went on in the justification—time was brought out and we had to have them at a very early date. With the basis that it is being used for development and improvement and the time factor, we decided that getting what you might call competitive negotiation rather than competitive advertising would be the best method to procure these.

Mr. ROBACK. So it was called development to justify negotiation and was not advertised because you claim the time was too short?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Now, what would have been the time difference between negotiated and advertised procurement in this case?

Commander GILLIS. Well, it is hard to really say, sir.

Mr. ROBACK. Give us a minimum and a maximum.

Commander GILLIS. Well, if you advertised, you usually have to stay on the street about 30 days, have your opening, evaluate, and then if you did get a man you did not think could properly produce, you would have to run preaward surveys on him. If the preaward showed he could not produce, that he was a small business, you would have to go to a certificate of competency for small business which would take another 30 days. It might run it anywhere from 3 to 4 months and maybe even longer. These were all taken into consideration.

Mr. ROBACK. What was the urgency in the anchor?

Commander GILLIS. It is imperative that these anchors be provided for further test development and evaluation and obtaining the optimum performance of the Marine Corps SATS systems. This is the justification furnished me on the procurement request from the Center.

Mr. ROBACK. What is the substance now?

Commander GILLIS. It set a date, it said it was imperative that they have these anchors at a very early date so they could go on with the testing and evaluation of the equipment.

Mr. ROBACK. Captain Weitzenfeld, why did the question of the anchors become so timely?

Captain WEITZENFELD. We had decided to install some RE-2F's for the Marine Corps. This is still with the track; 750 anchors are required just for the track alone. We had planned to ship these in the middle—in the summer of 1963.

Mr. ROBACK. What happened to that initial time requirement? It kind of got attrited out. You slipped the program at least half a year.

Captain WEITZENFELD. Yes, sir; the RE-2F, we had trouble with it. We did not solve the trouble for about 5 months.

Mr. ROBACK. RE-2F is what, now?

Captain WEITZENFELD. The RE-2F is the second-generation interim catapult.

Mr. ROBACK. So even though you wanted it in a hurry, you did not get it in a hurry, because on this particular procurement, you ran into trouble?

Captain WEITZENFELD. At this time that we asked for this, it appeared that we would be ready to ship in the summer. The tests were going satisfactorily and everything worked fine. Subsequently, we had a lot of problems with the equipment.

Mr. ROBACK. Was some of the slippage due to late Government deliveries of any equipment?

Commander GILLIS. Not at that time. We were having trouble with the catapult.

Mr. ROBACK. You were having trouble with the catapult?

Commander GILLIS. I say the sense of urgency changed after we had detailed our procurement order for anchors, because suddenly, the catapult stopped and we had to continue our development on the catapult.

Mr. ROBACK. One of the points at issue was whether there were certain specifications, and one of these was a basic tube, as to whether you required a tubing which was, say, of aircraft quality steel rather than some commercial graded steel. Now, the anchor in this case was one developed by Harvey, is that right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. It was put on procurement and the award was made to Entwistle; right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. In other words, Harvey and Entwistle were the two companies with which you negotiated, or at least you got offers from those two companies?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Now, did you specify in the offer that you might make an award without further negotiation?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Why was that; because you were pushed for time?

Commander GILLIS. Yes, sir.

Mr. ROBACK. But otherwise you would not do that?

Commander GILLIS. No, sir. Well, we might. It all depends on what the circumstances are. Sometimes we do and sometimes we do not.

Mr. ROBACK. Is it a matter of time or a matter of your judgment whether there is competition which will decide that you will not do further negotiation after you get an offer?

Commander GILLIS. That is another factor.

Mr. ROBACK. Why did you decide when you had only two offers that there was adequate competition?

Commander GILLIS. Because we thought both were real capable people and they could do the job.

Mr. ROBACK. You did not evaluate in either case what the costs were? You did not analyze the costs?

Commander GILLIS. We certainly did.

Mr. ROBACK. In both cases?

Commander GILLIS. Yes, sir.

Mr. ROBACK. You decided that by the internal evidence in each case, one related to the other, they were competitive, that they would give enough competition so that you would not have to negotiate further?

Commander GILLIS. Yes, sir.

Mr. ROBACK. And you would take their first price?

Commander GILLIS. Yes, sir.

Mr. ROBACK. And also have the advantage of being quick?

Commander GILLIS. Yes, sir.

Mr. ROBACK. And that is what you did?

Commander GILLIS. Yes, sir.

Mr. ROBACK. When did the specification issue come up? Was that written before the request went out, this higher specification for the tubing?

Commander GILLIS. Captain Weitzenfeld?

Captain WEITZENFELD. In the normal process of making up our procurement package, we always review our specifications. This, of course, includes the drawings and we looked at such things as material standards, dimensions, if the drawings and the notes on the drawings are clear and proper and in the proper format and the tolerances are compatible with costs and reliability and this sort of thing—this is standard practice. In doing this, we took the Harvey drawings and we brought them up to date by making some relatively minor changes. One of these changes was to change the steel in the tube from an SAE commercial grade to a mill spec grade. And there were other changes. The most significant change, I think, was the ogive, which is the bottom part of the anchor which you drive into the ground. There were some threading changes and a few minor materiel changes. There was this kind of review, to assure that any manufacturer knew what we wanted and that we could inspect to it.

Of course, in the catapult arresting gear business, the equipment is always tied to an airplane. We try to be just as careful as we can to know exactly what we are going to get so we do not have aircraft accidents and so forth.

Mr. ROBACK. What is there in the experimental data or design evaluation which would indicate, outside of an understandable concern to protect expensive equipment, that commercial grade steel would not work?

Captain WEITZENFELD. I do not understand this, sir. I do not understand what all the concern was.

Mr. ROBACK. I am trying to find out. I do not understand, either, so you help us understand.

Captain WEITZENFELD. Yes, sir. I have some figures.

For the 3,000 tubes that we would buy if you bought this off the shelf—before we did any machining or any heat treating or any inspecting—the current cost, and this is from United States Steel, for mil spec material would be \$43,290. For the commercial SAE grade, \$42,570, a difference of \$720.

Mr. ROBACK. Now, Harvey has communicated to some sources in the Navy, and as we understand it, the difference between the two

specs would have been 40 or more thousand dollars. That is, as I understand, derived from an alternate bid that Harvey made, which would have been some \$49,000 less. Now, if the material difference in cost is less than a thousand dollars, how could Harvey have bid \$49,000 less? Do you know?

Captain WEITZENFELD. I do not know, sir.

I think they made a mistake.

Mr. ROBACK. But since that was an offer before you, and under the terms of a negotiated bid, where the barn door is wide, you have a responsibility to evaluate whether that saving was possible, whether that material would serve the purpose.

Captain WEITZENFELD. Well, in the course of questions and answers and the decisions that were made during this time period, we talked to Harvey a number of times about these specifications. But with the technical people, no costs were mentioned. The first appearance of the \$49,000 difference was in the bid package—in their answer to the bid package, in which they gave an alternate proposal, saying it would be to the already delivered Harvey drawings and specifications and they suggested it would be \$49,000 less. We did not see that because of the fact that it was a negotiated bid. The price was not mentioned to the technical people. The first time I, frankly, was aware of this was when I read the committee staff's preliminary report.

Mr. ROBACK. Do I understand correctly that you wrote in a higher spec after you received the Harvey drawings, which were the basic specs. You improved on them in certain particulars. In one particular, you increased the specification of the steel tubing.

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Then Harvey, as one of the two who negotiated, who submitted an offer, submitted two offers; one on the basis of that mil spec, as you call it, and the other on the basis of the commercial grade steel, and the difference between the two is \$49,000. Are you saying you were not aware that there were two Harvey offers?

Captain WEITZENFELD. I was aware there were two offers, but I did not know what the price differential was.

Mr. ROBACK. Was not any price specified in the offer?

Captain WEITZENFELD. Yes, sir. But the contracting officer when he looked at this asked me if I would relax my technical specifications. I said no, not knowing the difference in price.

Now, if I had known the difference in price and if he could have bought that, which he could not have, he would then have had to go out to everybody and ask for new proposals on the new specs. I would have been glad to have bought it for that price, because we would have gotten practically the same anchor that we got.

Mr. ROBACK. Are you now saying that if he had told you that there was a bid differential there, you would have been disposed to favorably consider it?

Captain WEITZENFELD. If I had known what the price was; yes, sir.

Mr. ROBACK. Commander Gillis, why did you not tell him what the price was? Is that a secret you hold from him?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Why is that?

Commander GILLIS. Under the RFP procedure, when I receive the bids if there is an alternate proposal, we delete the prices from all

proposals. This is for the contracting office only. We do not pass them out in negotiation, because there is a place there that if that word got out, it might affect other bidders. We hold these prices in the office. We offered the alternate proposal to the engineers and asked them if they were willing to relax their specs.

Mr. ROBACK. Were you afraid that Captain Wietzenfeld would disclose the price to unauthorized persons or to competing offerors?

Commander GILLIS. No, sir. I was not.

Mr. HOLIFIELD. I think that we ought to clear this up. This is a procedure which seems to me to be justified, that you do withhold any prices until the award, that you keep it in as narrow a field as possible until you make your award. If you are looking to Captain Weitzenfeld for technical advice, you are asking for a technical answer. It has nothing to do with the price of the bid.

Commander GILLIS. That is right.

Mr. HOLIFIELD. So it would seem to me—

Mr. ROBACK. But you heard the testimony of Captain Weitzenfeld, Mr. Chairman, that if he had known the price, he would have considered that the design specification change was not that necessary. He would have saved the Government some \$40,000.

(NOTE.—This figure represents the difference between Harvey's alternate bid of \$169,650 and Entwistle's revised bid of \$209,910, which became the contract price.)

Captain WEITZENFELD. If I could have bought that alternate proposal. But since it was not as to the RFP, the contracting officer would have had to have gone out to everybody again and asked for a new RFP. In my opinion, if the regular proposal—this is my opinion—if the regular proposal of Harvey was a good proposal, this alternate proposal would have been redone and would have come in fairly close to their original proposal.

My point is that the difference between the two specs costwise is very, very minor.

Mr. ROBACK. And if you had negotiated with Harvey, you could have gotten a better steel for the lower price, in effect, on the basis of the minor cost differences, would you say?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. Understand what I said. You found out from reliable suppliers that the material difference in the cost under the two specs is insignificant.

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Therefore, one is warranted in concluding after the fact, if this is the case, that you probably could have negotiated with Harvey for the kind of steel you wanted at the saving of \$40,000. Is not that a sensible conclusion after the fact? If what you say is true and I am asking you only for a judgment based on what you say is the truth.

Captain WEITZENFELD. If their alternate proposal was a good proposal, I would have saved \$40,000. But I do not think it was, you see.

Mr. ROBACK. Nobody negotiated and even tried to find out?

Captain WEITZENFELD. No, sir.

Mr. ROBACK. Because all that the procurement officer put to you was, "Captain, do you want to relax your specs," and you said "Hell,

no." Of course you did, because nobody understood what the possibilities were and what the relevant issues were. If that is the way you handle procurement, it is always going to cost you more money.

Mr. HORTON. Could I ask a question?

Mr. HOLIFIELD. Mr. Horton.

Mr. HORTON. Commander Gillis, is there any reason why this price information could not be made available to people in your own Center?

Commander GILLIS. Yes, sir. Because it is supposed to stay in the contracting office. It is not supposed to be passed out for technical evaluation. When I buy something for the Navy, the Navy is supposed to know what they want. If they don't know, they aren't supposed to come to me. If I get an alternate proposal, I send it up to the technical people and say, is this alternate proposal satisfactory?

Price has no bearing whatsoever. We are buying what we need.

Mr. HORTON. In this case, price was a factor.

Commander GILLIS. No, sir.

Mr. HORTON. Could have been a factor?

Commander GILLIS. Might have been, yes. But they were given no opportunity to look.

Mr. HORTON. What is the danger involved in revealing this to the technical aspect of your department?

Commander GILLIS. You might give away the negotiation position of other bidders.

Mr. ROBACK. But they are on your side of the table. Captain Weitzenfeld is working for the Navy, not the contractor.

Mr. HORTON. Your offices are fairly close together are they not?

Commander GILLIS. There are lots of people between my office and Captain Weitzenfeld's office, too.

Mr. HORTON. If you are trying to save money for the Government and working in the same office, it seems to me there ought to be some way to safeguard that type of information.

Captain WEITZENFELD. This is all fairly academic, as I say, because you would have to go back and redo the whole thing and I think they made a mistake.

Mr. HORTON. This may be true and I am talking not just about this specific situation, but perhaps the future situation.

Mr. HOLIFIELD. Mr. Moorehead, did you have a question?

Mr. MOOREHEAD. Yes. I would like to ask, Captain, in future situations, do you think you could do a better job for the Government if you know the price of alternate proposals?

Captain WEITZENFELD. On a negotiated bid, I think I could help, yes, sir.

Mr. MOORHEAD. Yet under existing regulations, you are not entitled to this information; is that correct?

Captain WEITZENFELD. Yes, sir; as far as I know.

Mr. HOLIFIELD. Let me ask you this question:

You maintain that this mil spec and the shelf item in a \$200,000 procurement are \$720 apart. Now, whether it was \$720 or \$75,000 apart, what has that to do with your obligation, which is to say which one of these, if either one of these, would be satisfactory, or if there is a substantial difference from the standpoint of technical quality involved?

Captain WEITZENFELD. Remember, Mr. Chairman—

Mr. HOLIFIELD. If a man comes to you and says, now, Captain, we can save \$49,000 on this if you will just relax this specification a little bit, and it is only \$720 difference in the actual cost of the item involved, I can see where this might affect your judgment a little bit. But at the same time it would be revealing to another section, you might say, the amount of the secret bid.

Why should you—say if you had known it would have made a \$49,000 difference, you would have been willing to relax the specification.

Captain WEITZENFELD. There is some difference between the two and the major difference, there are some extra inspection requirements in mil spec that are not in the commercial grade that requires a little better material, and it is marked. Every inch of the tube is marked with a mil spec number on it so that you cannot go to the shelf and pull off the wrong piece of tube.

Mr. HOLIFIELD. So you—

Captain WEITZENFELD. So we prefer to buy mil spec material at a minor increase in price, because we know exactly now what we are getting. Our inspectors are much more familiar with this. These are the reasons. It is possible, you see, in a shop without this marking, it is more possible to make a mistake, to pull a piece of tube that is not 41-30, for example. Most steels look alike in this range. So these are some of the reasons that we try to do this.

Mr. ROBACK. Later on, you allowed a deviation in the spec on the part of the producer. I believe it was May 15, 1963. What was the nature of the deviation?

Mr. RIDELY. That would be modification No. 4, Captain.

Captain WEITZENFELD. As a matter of fact, I think that was the deviation where we allowed the contractor to go to the SAE commercial grade steel because he could not get the other grade.

Mr. ROBACK. Here you had a mil spec which, in terms of bid opportunities, cost the Government \$40,000 more. Then you come back on May 15, 1963 and let the contractor take it off the shelf because he said he could not get the mil spec item.

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. So what is the situation, then? That was a reversion to commercial grade. Did you make any allowance in the contract on cost?

Captain WEITZENFELD. There were a number of modifications that were all negotiated.

Mr. ROBACK. I mean, did the Government decrease the cost of the contract because of the degradation of the specs?

Commander GILLIS. Yes, sir.

Mr. ROBACK. How much?

Commander GILLIS. I don't know that figure.

Mr. ROBACK. Supply it for the record. Is it substantial? As much as \$20,000?

Commander GILLIS. I don't believe so. I would have to check. I don't know, sir.

Mr. ROBACK. Supply the date and the amount.

(The information referred to follows:)

The date of the contract modification was May 15, 1963. No reduction was offered because the commercial grade steel had to meet all basic qualifications of the military specification standard.

Captain WEITZENFELD. If I may make one more statement in this regard, actually, the Harvey anchors that were delivered under the R. & D. contract, toward the end of the contract were delivered with mil spec material.

As far as I can determine, this was done on Harvey's cognizance without any change in price or requested change in price to the contract. I assume that this was again a question of availability of steel.

Mr. ROBACK. That could mean many things. One of them it could mean was that the difference in the specs, the material costs are insignificant.

Captain WEITZENFELD. Yes, sir; that is exactly what I am trying to get across.

Mr. ROBACK. But the fact of the matter is that you contracted for a mil spec; according to Commander Gillis, you stood on the bridge on that one and would not deviate. Now you say it really does not make any difference.

Captain WEITZENFELD. No; I started with mil spec and then, considering the exact situation, which was "I can't get mil spec, there will be a 6-week delay in getting mil spec material" by the contractor, I made a decision that in this case I would accept commercial grade.

Mr. ROBACK. You showed that the mil spec finally—there was not any real evidence that it would not work. As far as that matter is concerned, the Marine Corps was always happy with off-the-shelf material, too.

Isn't that right, Colonel Stoneman?

Colonel STONEMAN. Yes, sir. The anchors that we had received previously from Harvey, we had no complaints about.

Mr. ROBACK. You never raised any questions about trying to improve the spec? You had no scintilla of evidence whatever, by inspection or evaluation of the design that the stuff would not work?

Colonel STONEMAN. No, sir.

Mr. ROBACK. The Navy was being a little extra careful up to the point where they could not get the stuff and went back to the original specification of the grade.

Colonel STONEMAN. Yes, sir.

Mr. ROBACK. Now, in effect, is the anchor no different from the commercial grade spec that Harvey originally proposed?

Captain WEITZENFELD. No, sir. As a matter of fact, we took both the anchors and this, I think, frankly, is humorous, because we tested both anchors. The Harvey anchor we tested had mil spec material and the Entwistle anchor we tested had commercial grade and they both performed equally.

Mr. ROBACK. Even though Harvey had proposed commercial grade in the first instance, you end up with Entwistle using commercial grade and Harvey using the mil spec?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. It is amusing, but it does not make too much sense, Mr. Chairman.

Now, one of the issues in connection with this negotiated procurement was that Harvey, as one of the offerers, in looking over the request for proposal, decided that it was not a good idea for the Government to require the contractor to supply the detonators and explosives on the ground, that this was the kind of material that required Government certification. Is that right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. So that after an evaluation of that critique, you agreed with it and decided the Government should supply the detonators and explosives?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. In which case you were confronted with a problem, because the other offerer had submitted a bid on the basis of including as contractor-furnished equipment, those items. Is that right?

Captain WEITZENFELD. Now, the technical decision, to me, was should we furnish this GFE or not. And after talking to Harvey, who had the most experience, we agreed that we should furnish it. This was information turned over to the contracting officer.

Mr. ROBACK. By this time you had had an offer in from Entwistle which included a quotation based on their supplying the equipment?

Commander GILLIS. Yes, sir.

Mr. ROBACK. So you had to, in effect, have some basis for comparative evaluation; you had to go back and ask them to requote; right?

Commander GILLIS. We asked them to delete the amount for the explosive.

Mr. ROBACK. In deleting the amount for the explosives, this was a cost item that was not identified in the offer, was it? In other words, you did not know what they were deleting?

Commander GILLIS. No, sir; I did not.

Mr. ROBACK. If, for example, you knew, it would just be a matter of simple arithmetic. If you did not know, it would be a matter, in a sense, of going back to them and asking them for a requote, whereupon they would reevaluate their whole position.

Harvey contends that this was, in effect, a renegotiation which also should have been done with them.

You are familiar with that argument?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Your contention has been what?

Commander GILLIS. We did not open negotiations; we were just making the proposals equal.

Mr. ROBACK. But you were making the proposal equal on the basis of the contractor's judgment, which you really did not know as far as this cost item is concerned. You could have said, "Just knock off so many bucks for the explosives and detonators," and the contract comes out such, a pure arithmetical objective determination. But that was not the way it was, because it was up to the contractor to figure out how he was going to reappraise his price situation with these deleted items.

Commander GILLIS. Yes, sir.

Mr. ROBACK. So, in effect, was not that an opening up of negotiations?

Commander GILLIS. No, sir; because nobody knew the prices except me. We were just making the offers equal. One offered to furnish explosives, the other did not.

Mr. ROBACK. It does not hinge on other people knowing the prices. It hinges on what constitutes a negotiation or renegotiation or continuing negotiation. You say, as far as you were concerned, negotiation had been closed and this was routine adjustment.

Commander GILLIS. We never opened negotiations. We just said if the offers were considered in our mind fair, we would make the award. We did not consider we ever opened negotiations. We were just making the proposals equal.

Mr. ROBACK. There was nothing in the law or policy of the matter which would have prevented you from having a negotiation?

Commander GILLIS. No, sir. That decision was made in my office.

Mr. ROBACK. Let's go back to the price for a second, Commander Gillis. I understand that in a submission by Entwistle, there was a unit price for detonators and the explosives?

Commander GILLIS. I would have to check, sir. I do not remember.

Mr. ROBACK. Well, find out; also, whether their resubmitted offer was merely a deduction of that allocated price for those items. It either was that or something different. Now, if it were something different, do you still contend that would not be opening of negotiations?

Commander GILLIS. Yes, sir.

Mr. ROBACK. Well, consider the matter. Here they are making you a new price offer. They are not merely deducting what they told you the cost of these would be. They come in with a different price. Why is that not opening negotiation?

Commander GILLIS. If they did come in with a different price, that might be a reason, but as I said, I do not know what the price is.

Mr. ROBACK. The record shows the request has been made, and the staff will follow up to see whether that was in fact a mere arithmetic deduction of their stated price for those components or whether this was a new price. If it was a new price, we have your testimony that this really should have been an opening of negotiations?

Commander GILLIS. Yes, sir.

(The information referred to follows:)

Entwistle quoted \$13,410 in the request for proposals and deleted that amount when asked to delete the detonator and explosive.

Mr. ROBACK. In any case, Harvey was nettled by the fact that they understood negotiations were going to be had with them in the following week, and the Marine Corps understood negotiations were going to be had during the following week, but suddenly the contractor signed on Saturday. You explained to the staff the circumstances by which it was convenient for the contractor to come in on a Saturday. You had already made the decision to make the award, and the contractor could not come in on a Monday. But be that as it may, why did Harvey understand that negotiations were going to continue and why did the Marine Corps understand that?

We will ask the question first of the Marine Corps.

Colonel STONEMAN. I called the Marine liaison officer at Naval Air Engineering Center and asked him when the award was going to be made for the contract on the anchors. He told me Tuesday, sir, Tuesday of the following week.

Mr. ROBACK. Were you entitled to conclude from that answer that negotiations were still open?

Colonel STONEMAN. Yes, sir; I would assume that negotiations would still be open at that time with that information.

Mr. ROBACK. You did not construe the response to be that the thing was signed, sealed, and delivered except for the necessary paperwork?

Colonel STONEMAN. No, sir; I did not construe that.

Mr. ROBACK. What is the Navy's response to the circumstances here? Was this an unusual thing? Was it an attempt to shortcut anything?

Commander GILLIS. No, sir. The request came into my office from the Marine Corps liaison officer asking what the prices were and who the successful contractor would be. We told them that he would be informed the following week. We did not tell anybody that we had made a decision, or I am not even sure if we had made the decision at the time this phone call did take place.

Mr. ROBACK. In other words, you had a good idea but it was not official enough for you to tell the competing offerer?

Commander GILLIS. No, sir.

Mr. ROBACK. And you didn't have any obligation to tell him at that time?

Commander GILLIS. No, sir.

Mr. ROBACK. If he thought negotiations were continuing, that was his construction and not anything on your part?

Commander GILLIS. Yes, sir.

Mr. ROBACK. I just want to understand. I am not making any judgment at this point. I am just trying to understand the sequence.

This contract, in any case, slipped for some reason. You said there was trouble with the catapult. There was also some delay in Government-furnished explosives. Now, what was the reason for the delay in the Government-furnished explosives?

Commander GILLIS. The arsenals that we ordered the explosives from were just slow in delivering stuff.

Mr. ROBACK. By how much? Is this an Army arsenal you were getting them from?

Commander GILLIS. Yes, sir. I do not know how many weeks they were late. I shall have to check that and supply it.

Mr. ROBACK. Was this delay in deliveries or delay in your putting in the order?

Commander GILLIS. I believe it was delay in delivery, sir.

Mr. ROBACK. The order was timely but the deliveries were late?

Commander GILLIS. Yes, sir.

(The information referred to follows:)

The explosives were due April 15, 1963. They were ordered on May 7, 1963. final shipment arrived on August 5, 1963, but could not be used until September 20, 1963, because the wrong data sheet had been sent with the explosives.

Mr. ROBACK. Were there various design changes in the contract?

Captain WEITZENFELD. There was one basic change that was made. There were tolerance problems and so forth, but there was one basic change.

Mr. ROBACK. The tolerance problems on the part of whom? Were they faults in the specifications?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Were they pointed out by the contractor?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Were they faults in your specifications or Harvey's or both?

Captain WEITZENFELD. Both. But the major change was a change to the arming spring of the firing mechanism.

Mr. ROBACK. Whose design was that?

Captain WEITZENFELD. This was determined by Entwistle on their own.

Mr. ROBACK. Whose design was that, I mean.

Captain WEITZENFELD. The initial design was a Harvey design.

Mr. ROBACK. Did you add on to it?

Captain WEITZENFELD. No, sir; we did not change the design at all.

Mr. ROBACK. Entwistle proposed changes because it was not working right?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. What is the consequent of that? Were there changes in the price of the contract?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. Have they been settled?

Captain WEITZENFELD. Yes, sir.

Mr. ROBACK. What is the amount? Do we have that in the record?

Captain WEITZENFELD. I think that is in the record.

Mr. ROBACK. You can submit that for the record.

Captain WEITZENFELD. Yes, sir.

The figure referred to is \$6,600.

Mr. ROBACK. Mr. Chairman, we will discuss for a few minutes the extrusion presses relating to the aluminum matting.

Are there Air Force representatives here?

STATEMENT OF EDMUND HARTUNG, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS); ACCOMPANIED BY WILLIAM MUNVES, OFFICE OF THE AIR FORCE GENERAL COUNSEL

Mr. HARTUNG. Yes.

Mr. ROBACK. Did you have any prepared material, Mr. Hartung?

Mr. HARTUNG. Yes, I have.

Mr. ROBACK. Is it extensive?

Mr. HARTUNG. I would say it is a little extensive. It could be submitted for the record if need be.

Mr. HOLIFIELD. Off the record.

(Discussion off the record.)

Mr. HOLIFIELD. Back on the record.

(The prepared statement of Mr. Hartung follows:)

STATEMENT OF EDMUND HARTUNG, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS)

Mr. Chairman, I am Edmund L. Hartung; I am Assistant Deputy in the Office of the Assistant Secretary of Air Force for Installations and Logistics. It is a pleasure for me to be here for the purpose of discussing the Air Force heavy press program. I have with me Mr. Felkner, Mr. Thomas, and Mr. Coffin from the Aeronautical Systems Division of the Air Force Systems Command and Mr. William Munves from the Office of the Air Force General Counsel.

Our remarks will be confined to the Air Force heavy presses which are operated under lease agreements. Before proceeding I would like to thank the committee for providing us copies of the preliminary staff report dealing with the pro-

curement of equipment for the SATS program. This report is most comprehensive and represents extensive effort on the part of the committee in exploring the problems which have been associated with this program.

I have with me, Mr. Chairman, some background information relating to the heavy press program which sets forth its origin, the number and types of presses, and the leases under which they are operated. With your permission, I would like to read from this document, and then we can address ourselves to any specific questions which you may have.

BACKGROUND INFORMATION—AIR FORCE HEAVY PRESS PROGRAM

Origins of the heavy press program

The Air Force heavy press program actually had its genesis during the days of World War II. Allied intelligence teams inspecting German aircraft downed behind our lines discovered that they contained extremely large and complex major structural elements. Our appraisal of the situation, confirmed immediately after the end of the war, was that the Germans had produced these aircraft components with the aid of huge forging and extrusion presses possessing capabilities far in excess of those in our own industrial complex.

The implications were far reaching. If forgings and extrusions large enough to house key aircraft structural elements could be produced in this country, not only would fabrication time be reduced greatly, but costs would be lowered. In addition, such a technique held the promise of producing these components with greater strength-weight ratios, an extremely desirable attribute from the standpoint of aircraft design.

Thus, instead of a major structural member wrought from many smaller parts, each with its own design, metallurgical, and quality control problems, the presses, in one or two steps, could stamp out a complete forging without encountering this multitude of difficulties.

Just before the conclusion of the war, we embarked upon an urgent program to build a press able to match our estimates of the productive capability of the German equipment. The Mesta Machine Co. of Pittsburgh was awarded a contract to construct an 18,000-ton forging press, and the Wyman-Gordon Co. of North Grafton, Mass., was selected to operate it. Since the press was so enormous, a pattern to be followed when the press program went into full swing was established—a plant had to be built around the press to house both it and its supporting equipment. The war ended, however, before the project was fully complete.

When our technical/industrial teams visited Germany after the cessation of hostilities, they found that the Germans had indeed developed and learned successfully to operate presses ranging up to 30,000 metric tons. In all, three heavy die forging presses, two with a capacity of 15,000 metric tons and one with a 30,000-ton capacity, were discovered in more or less usable condition. Three extrusion presses in the 5,000 metric ton category were also located. As a part of the postwar settlement, the United States acquired the 15,000 and 5,000 metric ton presses which were later relocated and channeled into the Air Force heavy press program. The 30,000 ton press, however, was seized by the Russians, and with the Soviets in possession of so large a press, our heavy press program received added impetus.

The heavy press program gets underway

The heavy press program actually got underway in 1950. This marked the culmination of many months of work by top planners, in Government and industry, who had conducted extensive industrial surveys in an effort to shape the content of a successful heavy press program. At the heart of these studies was the belief that heavy presses could make vital contributions to the defense effort by providing a capability for the production of large structural members for advanced aircraft and other systems at an unparalleled rate, at low cost, and with a high strength-weight ratio. Congress was informed of the program, and the requisite approvals, together with the necessary funds, were obtained.

The concept of the heavy press program

Before I proceed further, there are several points which should be underscored.

First, the heavy press program was unique. To service defense contractors, particularly those in the airframe industry, we were concerned with the establishment of a heavy press capability for the production of larger, stronger, and lighter forgings and extrusions than previously available in this country. While

the Defense Department policy was then, as it is today, that defense contractors, where practicable, shall provide their own plant, facilities, and equipment, an exception is warranted in the case of special facilities for which there is no known commercial market. Since there was no commercial requirement for presses of this size, the Government undertook the sponsorship and support of the heavy press program.

Second, it was desirable to establish a self-sustaining industrial base for these heavy presses. To achieve this objective, industry had to be educated and encouraged to design and engineer products suitable for the special productive capabilities of the presses and to be assured of their continued availability on an economic basis. It was essential, therefore, to have a sufficient number of qualified heavy press operators in the program so that we could provide a competitive climate upon which industry could rely for quality, price, and product availability. The heavy press industry was at first hesitant to enter the program since there was no assurance that it would be profitable either as a source of defense or commercial business. Moreover, the Government's program, which was predicated on a "strictly business" rental arrangement with the contractor assuming normal overhead and maintenance costs, could, in fact, entail a financial risk. A representative, select group of operators, however, was finally persuaded to participate.

Third, a key objective was to permit the operators to use the presses, with a minimum of Air Force supervision or interference, with due consideration, however, to the Government's primary interest in rights in their output. To the extent feasible, similar terms and conditions were to apply so as not to confer any competitive advantages on the participants.

Fourth, we sought to rest our business arrangements with the operators on a sound economic footing. Because forgings and extrusions are not end items, but are parts and components of end items and are generally produced to meet the design requirements of prime contractors and lower tier subcontractors with respect to specifications, changes, quality control, and delivery schedules, and because the output of the presses is intended for commercial business as well, we believed that a rental charge on the basis of sales was in order. This is consistent with Department of Defense ASPR policy to charge a rental for the use of facilities for commercial work and also for Government work unless it can be shown that as a result of rent-free use by the contractor adequate consideration is received through the reduced cost of the end item. It is administratively difficult, if not at times impossible, to assure that these conditions are met in the case of lower tier subcontractors, such as the heavy press operators.

These, then, are the reasons for charging a rental for both Government and non-Government work on the presses. It should be understood, however, that the rental requirement is not so ironclad as to preclude, in proper cases, the granting of deviations for rent-free use should special circumstances warrant. We are aware, however, of no past instance in which such a waiver was requested.

Some facts and figures

As presently constituted, the heavy press program is being carried out at seven separate locations across the Nation by six different companies. The Aluminum Co. of America occupies Air Force Plant 47 at Cleveland, Ohio, and utilizes two Government-owned forging presses, one 50,000 tons and the other 35,000 tons; while in its own facility at Lafayette, Ind., Alcoa operates a 14,000-ton Government-furnished extrusion press. Wyman-Gordon of North Grafton, Mass., one of our earliest lessees, is in possession of Air Force Plant 63, with Government-owned forging presses of 7,700, 18,000, 35,000, and 50,000 tons. The Curtis-Wright Corp. at Air Force Plant 49 in Buffalo, N.Y., uses a 12,000-ton Government-owned extrusion press. In Halethorpe, Md., at Air Force Plant 50, Kaiser Aluminum operates two 8,000-ton Government-furnished extrusion presses, and in Madison, Ill., the Dow Chemical Co., in its own facility, has a 14,000-ton Government-owned extrusion press. Rounding out the picture is the Harvey Aluminum, Inc., of Torrance, Calif. Also in its own plant, Harvey employs two Government-furnished extrusion presses of 8,000 and 12,000 tons. In all, the Government has a \$220 million investment in the heavy press program. By way of comparison, the lessees report that they have put in some \$19 million of their own funds.

The Government-owned presses have been furnished to the firms involved usually under an instrument known as a facilities lease. Arrangements of this type are authorized by law, section 2667, of title 10, United States Code. In some cases, as we have seen, the Government not only has provided the presses

but the land, buildings, and supporting equipment as well. In other cases, although the press and auxiliary equipment are Government-furnished, privately owned plant facilities are being utilized.

Aluminum is the primary raw material involved in the extrusions and forgings, although advances in the art of metallurgy have made possible the processing of exotic "space age" metals such as titanium and zirconium, but to a more limited extent.

Terms and conditions of leases

The committee has already been provided with a spread sheet outlining the pertinent terms and conditions of the leases. I should like to deal briefly with a number of these provisions. The first is the clause which establishes a priority for Air Force and other Government use. Obviously, since the press program was initiated essentially as an Air Force program, supported by funds justified by the Air Force and, therefore, an Air Force responsibility, the lease requires first priority in the utilization of the presses for Air Force and other Government work, as against commercial business. While no specific direction is contained in the lease as to how the first priority contract right is to be invoked or enforced, we are aware of no problem that has necessitated an interpretation of the provision or raised any question as to its effectiveness. This may be due to an excess available capacity in the heavy press industry.

The next provision I would like to comment upon deals with the matter of maintenance. For those of you who have seen the heavy presses, I am sure you realize why the label "elephant tools" is so appropriate. Like any large complex piece of machinery, these presses must be strictly maintained. Some of this is no more than a matter of routine lubrication. But maintenance may be far more extensive and can consist of nonrecurring items such as the replacement of major parts. We call this latter type "abnormal maintenance." Since the Government owns the presses, it would not be equitable to require the lessee to pay for "abnormal maintenance" out of its own capital. Instead, we have offset some of the cost of "abnormal maintenance" against the gross rentals due. Section 2667(b)(5) of title 10, United States Code, the basic leasing authority invoked here, specifically allows the costs of "maintenance, protection, repair, or restoration" of the leased property to be taken into account as part or all of the consideration for the lease. In other instances, we have funded "abnormal maintenance" directly. Of course, "abnormal maintenance" varies from press to press, depending upon the age of the equipment, its size, how well it was constructed in the first place, the extent of its use, and other considerations. Overall, the total amount devoted to "abnormal maintenance" since the program began through April 1963 has been about \$5,900,000.

The rental provisions bear special comment. Having determined, as we have seen, that a rental charge was appropriate, we were confronted with the question of how best to scale the rentals to achieve, on the one hand the best rate of return to the Government, while on the other hand to promote the maximum utilization of the presses.

With these considerations in mind and aware of the difficulties in the maintenance of accurate "time in use" records for each machine, we arrived at a rental geared to a percentage of sales, a commonly accepted commercial practice. This also minimized the need for close Government supervision of the press operator's day-to-day business and the administrative burden which it would entail. After extensive negotiations with the prospective press operators, the across-the-board rental rates were fixed generally at 4 percent of sales for products fabricated from the forging presses and from 4 to 5 percent for products coming off the extrusion presses, with a higher rate applied to those operators in possession of plants owned by the Government.

From the beginning of the program through the first quarter of calendar year 1963, our net rentals have amounted to some \$11 million. This can be accounted for in part by the fact that, in many cases, the rental did not begin to accrue until the presses were fully operational. In other cases, later cutbacks in our aircraft programs reduced the utilization of these presses below our initial projections. And, finally we have offset some of the costs of "abnormal maintenance" in arriving at the net rental. All in all, however, it should be understood that our major reason for undertaking the heavy press program was not so much to increase the flow of revenues to the Government in the form of rentals but to provide a self-sustaining industrial base, with strong capabilities, so that important defense needs could be met with less cost and in less time.

For the future, we expect a steady rise in the rental returns, since our forecasts point to the increased utilization of the presses.

Positive accomplishments of the heavy press program

To catalog the significant accomplishments of the heavy press program is almost to relate the history of our modern advanced aircraft. A case in point is the "wet wing" for the B-52. Here the wing not only serves its traditional purpose aerodynamically, but is itself a large fuel tank that provides maximum range to this intercontinental strategic bomber. It was through the extrusions from our heavy presses that wing panels of the required strength and at reduced weight were produced, all at considerably less fabrication and machining cost than would have been possible by other methods. Although we have never completely analyzed the cost effectiveness impact of the presses on the B-52 program, we believe that the savings resulting from the forging and extrusion techniques have exceeded the entire cost of the heavy press program.

In addition to the B-52 wing skin panels, the products of our heavy presses have been used for a wide range of applications for the aerospace industry—from aircraft landing gears to bulkheads, from spars, jet engine parts, radar antennas, propeller blades, aircraft wheels, to various sections of missiles. Some of the major aircraft programs involved are the C-130, C-141, the F4C, and now the F-111. The J-52, J-57, J-75, JTF10, J-79, J-58, and J-93 engines are similarly dependent upon the output of these presses. There are, as well, other programs equally important to the national security that substantially rely on the key contributions that our presses are making—Polaris carrying submarines, Army vehicles, Marine boats, pontoons, and aircraft landing mats, to name several. And, as new programs are unveiled, the heavy presses will continue to provide basic support in the form of strong, lightweight components not as satisfactorily produced by other means.

Air Force management of the press program

The Air Force has subjected the heavy press program to continual surveillance in an attempt to improve its management techniques and contracting procedures. Our efforts have intensified over the past 2 years. Particularly noteworthy in this regard, has been the work of the Air Force Systems Command Heavy Press Task Force. We are always in the market for constructive suggestions, and you can be assured that the keen interest of the Secretary's Office in this important program will continue.

Mr. ROBACK. Tell us, Mr. Hartung, how many presses does the Air Force own of all kinds?

Mr. HARTUNG. Well, the total Air Force press program is made up of two types—forgings and extrusions. There are two 50's, one at Alcoa and one at Wyman-Gordon and one 35 to supplement the 50's at Wyman-Gordon and at Alcoa.

Mr. ROBACK. When you say 50's, you are referring to what?

Mr. HARTUNG. 50,000-ton forging presses. There are two 8,000-ton extrusion presses at Kaiser, one 12,000-ton extrusion press devoted to steel at Curtiss-Wright, Buffalo. Alcoa has an extrusion press of 14,000 tons, Dow has one similar to that and Harvey has one at California of 12,000-ton extrusion, supplemented by an 8.

Mr. ROBACK. Harvey has an 8 and a 12?

Mr. HARTUNG. That is right.

Mr. ROBACK. These are all presses furnished to contractors as Government equipment in connection with big aircraft contracts?

Mr. HARTUNG. They are actually leased to contractors.

Mr. ROBACK. It is by virtue of those contracts that the Air Force is still the owner?

Mr. HARTUNG. That is right.

Mr. ROBACK. They didn't have any way of getting into the owning business because these machines are too expensive?

Mr. HARTUNG. There is about a quarter of a billion dollars in effort and money in this program.

Mr. ROBACK. Are all these presses in the contractors' plants now?

Mr. HARTUNG. No, sir; the forging presses are in Air Force-owned plants. That is an integrated facility.

Mr. ROBACK. Integrated by whom?

Mr. HARTUNG. Meaning that the plant and the equipment are owned by the Government.

Mr. ROBACK. This is an integrated Government facility; in some cases a scrambled contractor's facility?

Mr. HARTUNG. That is right.

Mr. ROBACK. How many presses are scrambled?

Mr. HARTUNG. Only the extrusion presses at Harvey, Alcoa, and Dow.

Mr. ROBACK. These presses are heavy to move, are they?

Mr. HARTUNG. They are.

Mr. ROBACK. Once they are in there, the fellow who has them there cannot move them?

Mr. HARTUNG. It is almost impossible.

Mr. ROBACK. Either he rents them, buys them, or junks them; is that right?

Mr. HARTUNG. This is right. If you have the time, I would like to show you some of the pictures, but I do not know if you have the time.

Mr. ROBACK. The staff will be able to do that, but I do not know if the members will want to.

Mr. HOLIFIELD. I have seen them.

Mr. ROBACK. In any case you have these big presses. You have this heavy Government investment. What kind of returns do you get?

Mr. HARTUNG. The rent is based on a percentage of sales.

Mr. ROBACK. Gross sales?

Mr. HARTUNG. Yes, sir.

Mr. ROBACK. Whatever these are. If there aren't any, you don't get any?

Mr. HARTUNG. Right.

Mr. ROBACK. Some years it costs you money to rent them out; other years you make money?

Mr. HARTUNG. Yes, sir.

Mr. ROBACK. What priority rights do you exercise? In the aluminum matting, if the Air Force were called on to make it known to the extruders that they had better give commitments on supply, would you be legally entitled to do that?

Mr. HARTUNG. Yes, sir.

Mr. ROBACK. There isn't any question that the Government can exercise priority rights for any contract?

Mr. HARTUNG. We have this right under the Defense Production Act of 1950.

Mr. ROBACK. Nobody in the Navy ever consulted with you as to how it might be established that the contractor must give a commitment? You haven't had any occasion to discuss that with other Government sources?

Mr. HARTUNG. No.

Mr. ROBACK. As far as you know, there has been no problem?

Mr. HARTUNG. There has been no problem.

Mr. ROBACK. That is because mainly there is underutilization of presses?

Mr. HARTUNG. That is right.

Mr. ROBACK. Has there been underutilization to the point that you have considered getting rid of the presses?

Mr. HARTUNG. No; however, we would like to sell them to the user, and we have regenerated that effort. A year ago we thought of it, but the presses did not have the volume behind them to permit the operators to offer a reasonable purchase price.

Mr. ROBACK. You have to wait until there is utilization of 150 percent capacity.

Mr. HARTUNG. We would like to, to get that return.

Mr. ROBACK. They cannot afford to buy them if they are not using them?

Mr. HARTUNG. That is right.

Mr. ROBACK. So in bad years they have you in a bind, and in good years—

Mr. HARTUNG. Hopefully, we can acquire a higher rental return as the utilization of the presses increase this, in turn will establish a firmer basis for conducting a sale based on a fair and reasonable price to the user.

Mr. ROBACK. But on the other hand, in a good year, since you are maximizing your own return, there is really no incentive to sell.

Mr. HARTUNG. We would like to get some money back from them. It is going to take a long time.

Mr. ROBACK. What are the gross dollars in rental that you got on these in the last fiscal year, 1963? Gross payments not counting your own administrative expenses. If you have that, you can tell us that.

Mr. HARTUNG. It is not broken down.

Mr. ROBACK. You can give us a followup figure, but give us a gross magnitude now.

Mr. HARTUNG. About \$13 million to date. We do not have the fiscal year 1963 figures at this time.

Mr. ROBACK. \$13 million gross rental for how many presses?

Mr. HARTUNG. That is the total that I mentioned prior.

Mr. ROBACK. Is it a matter of concern in the Air Force that the rent ought to be adjusted upward?

Mr. HARTUNG. We have thought about it, but the lack of activity on the presses makes it pretty hard to raise.

Mr. ROBACK. It would be used on Government contracts anyway and paid right back into another pocket?

Mr. HARTUNG. Right.

Mr. ROBACK. Or the increased rentals would come out of another Government pocket?

Mr. HARTUNG. That is right.

Mr. ROBACK. Would you have any observations on the question of whether the production of these presses ought to be Government-furnished equipment rather than contractor-furnished in view of the incidence of Government ownership and the relatively limited sources of supply, so that you do not really have a kind of on-the-street competition?

Mr. HARTUNG. Well, in regard to that question, each case as far as the Air Force is concerned is evaluated on its own merits. At times we can have it furnished CFE or GFE. But again, it depends on the subject matter you are talking about in buying.

As for the rent, normally, at this procurement level, second tier, third tier, and fourth tier, subcontracting, rent is generally charged right across the board because of the administrative problems that are involved in trying to adjust the price.

Mr. ROBACK. Did you have an observation, Mr. Munves?

Mr. MUNVES. I was going to add to it, that when this program was initiated in the early fifties, we had a problem of whether or not to charge rent and how much to charge. We recognized that these presses would be used in lower tier subcontracting for the most part and that we did not even know in many instances what prime contractors would have the benefit of these presses and what chain of subs they would have, because these presses were used for the manufacture of components and parts, forgings, and extrusions.

Some of them were in a rough state and had to be processed up the line. So it was virtually impossible in many cases and certainly administratively undesirable in most cases to attempt to relate the price of the end item to the utilization of a press. So we decided that the only businesslike approach was to charge a rental and that since the Government gets the benefit of the income from these rentals, it was only the Air Force appropriation, for the most part, that would suffer. But we felt that given this set of circumstances, we had no choice.

We like to save on Air Force appropriations, but we recognize, too, that we have to cope with a business situation. That is why we charge rentals across the board.

I believe Mr. Hartung sought to emphasize that even though you may have a general rule, there may be an exception. If the circumstances or the particular facts are such that would warrant rent-free use in a given case, we would certainly entertain such a proposal if it came to our attention.

Mr. ROBACK. What proposal?

Mr. MUNVES. I say if there were a situation which justifies rent-free use in a particular case, if there were a particular exceptional circumstance, we would entertain it.

Mr. ROBACK. You mean a Government contract, Government-furnished equipment would be rent-free use?

Mr. MUNVES. That is Government-furnished equipment.

Mr. ROBACK. This becomes a bookkeeping arrangement?

Mr. MUNVES. We would have to waive rental and determine what the problems would be.

Mr. ROBACK. In other words, it would create certain kinds of administrative and management problems for the Air Force?

Mr. MUNVES. Yes; that is a consideration for the Air Force and it would also create problems of a procuring agency if they are concerned with a prime contractor being responsible for an end item. If they were concerned with the prime carrying out his quality control, his scheduling of deliveries, all of these things make it a highly complicated problem to cope with.

Mr. ROBACK. Since the bulk of the use of these presses, either through first, second, third, or other tier subcontract work goes into Government contracts, really, what you are doing; you are collecting rental off the Navy and all the other services, and you are making a little money off them. Does that go back into the Air Force?

Mr. MUNVES. No. Unfortunately that goes into the Treasury.

Mr. ROBACK. But it is a bookkeeping arrangement, because by virtue of ownership, you do not have any special advantage. In other words, the contractor pays you rent and charges the Navy for the cost of the rent?

Mr. MUNVES. That is true. I would like, however, to emphasize that this whole program is not one, really, of commercial choice. We entered into the program, as will be established by the prepared material, because we sought to lay an industrial base for heavy forging equipment which industry did not provide in this country and which we discovered the Germans had during World War II. In other words, to introduce it into this country, we had to sponsor it, you might say, even though it involved the use of appropriated funds to undertake this. We tried to lay a commercial base that would be self-sustaining. As you pointed out in your questioning, what kind of a return did we get. This is the situation.

Mr. HARTUNG. Let me make a statement on the return. We speak of a little return. This program, if we did not have it, we would not have been able to do the things we have done in the aircraft program. As a good instance is the wet wing of the B-52, which we could not have done without these presses.

Just based on that program alone, we believe paid for the presses.

Mr. ROBACK. Is the Air Force the major beneficiary of the end items now?

Mr. HARTUNG. Yes; at this point, except for the SATS program, possibly.

Mr. ROBACK. Let's suppose the Army has a lot of vehicles where they need extrusions from these big presses. Suppose the Army goes crazy with vehicles and they are the biggest user. Then maybe they ought to be the owner.

Mr. HARTUNG. We would like to negotiate a transfer of the presses with them as well as with the Navy.

Mr. WILKINSON. Let the record show that he offered them to the Navy and we declined.

Mr. ROBACK. Mr. Chairman, on that happy note and in view of your pressing time requirements, we will suspend.

Mr. HOLIFIELD. Gentlemen, we want to thank each of you who have appeared here these two mornings for your appearance here and your fine cooperation with the staff, both in the investigative period and during the testimony. We will keep the record open for such contacts as the staff may need for documentation and other clarification for, say, a couple of weeks and hope we will continue to receive the same cooperation.

Admiral FAWKES. Mr. Chairman, thank you very much for letting us appear before your subcommittee and the courtesies you have shown us. We shall certainly be most happy to continue supplying any information you want, sir.

Mr. HOLIFIELD. The meeting is adjourned.

(Whereupon, at 12 noon, the subcommittee adjourned, subject to the call of the Chair.)

The first part of the book is devoted to a general history of the United States from its discovery to the present time.

The second part is devoted to a detailed history of the United States from the discovery of the continent to the present time.

The third part is devoted to a detailed history of the United States from the discovery of the continent to the present time.

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The twelfth part is devoted to a detailed history of the United States from the discovery of the continent to the present time.

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The fourteenth part is devoted to a detailed history of the United States from the discovery of the continent to the present time.

The fifteenth part is devoted to a detailed history of the United States from the discovery of the continent to the present time.

APPENDIX

COMPTROLLER GENERAL DECISION ON HARVEY ALUMINUM PROTEST AGAINST AWARD TO WASHINGTON ALUMINUM CO., INC., UNDER IFB-156-141-64

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, January 27, 1964.

B-152911.

HARVEY ALUMINUM,
1001 Connecticut Avenue NW.,
Washington, D.C.

GENTLEMEN: By telegram dated November 15, 1963, you protested against the award of a contract to Washington Aluminum Co., Inc., under invitation No. IFB-156-141-64, on the basis that Washington's bid was nonresponsive to the invitation.

The invitation, issued by the Naval Air Engineering Center, Philadelphia, Pa., on September 3, 1963, requested bids on a quantity of pallet and mat assembly, AM-2 airfield matting, for shipment at Government expense to destinations to be specified at a later date. Nine bids were received and opened on October 21, 1963, and it appeared that the first two low bids were nonresponsive to the invitation requirements. Washington submitted the next lowest bid in the total amount of \$7,791,375 followed by your bid in the total amount of \$7,871,025. Washington's bid was complete except in two respects:

1. Washington failed to furnish an affidavit as to affiliates as requested on page 10 of the invitation; and
2. Washington failed to furnish all of the information called for by the invitation clause on page 7 entitled "Place of Delivery: Origin."

Concerning No. 1. above, we considered the same contention in our decision reported at 39 Comp. Gen. 881, and held that the failure to submit an affidavit of affiliates is a deviation which goes to the determination of a bidder's responsibility, rather than to the responsiveness of its bid which may be waived notwithstanding the statement in the invitation that such failure may result in the rejection of the bid.

Page 7 of Washington's bid was as follows:

"Place of delivery: Origin

"(a) The articles to be furnished hereunder shall be delivered free of expense to the Government and, at the Government's option, (i) loaded, blocked, and braced on board carrier's equipment, (ii) at the freight station, or (iii) placed on wharf of water carrier (where material will originate within or adjacent to a port area and is adaptable to water movement), at or near contractor's plant at

"(1) Enterprise, Ala.

"(Bidder insert city or town in which plant is located)

"(2) -----

"(Bidder insert exact location of private siding or nearest rail terminal from which rail shipment will be made, together with the name of serving railroad(s)).

"(3) Enterprise, Ala., Washington Aluminum Co., Inc., Plant

"(Bidder insert the exact location from which truck shipments will be made, including the name of the street or highway), and

"(4) -----

"(Bidder insert the port, or the specific area within such port, to which supplies will be delivered).

"for shipment at Government expense (normally on Government bill of lading to destinations to be specified at a later date.

"(b) The method of shipment shall be specified by the Government when material is ready for shipment.

"(c) The Government shall have the right to change the destination(s) specified herein. Any adjustment in contract price or time of delivery due to resulting changes in packing or marking shall be subject to the clause of this contract entitled 'Changes'."

It will be noted that Washington failed to show its private rail siding or nearest rail terminal from which shipment would be made or the port or specific area within the port to which the supplies would be delivered. However, Washington did show the location of its plant and the point from which truck shipments would be made.

The invitation advised bidders that the destinations of the end items were not known at that time. Hence, transportation costs applicable to each bid were not factors in the evaluation of bids. This is evident from the fact that transportation data, such as weights, modes of shipment, etc., were not requested by the invitation or provided for therein. Furthermore, the invitation did not contain a guaranteed shipping weight clause which would have been necessary under paragraph 1305.1 (iii) of the Armed Services Procurement Regulation if transportation costs were to be considered in the evaluation of bids.

The competitive bid statute codified as 10 U.S.C. 2305 requires that the award of a contract be made to that responsible bidder submitting the lowest responsive bid "price and other factors considered," 37 Comp. Gen. 550. Generally, one of the other factors for consideration in the selection of a low bid submitted on an f.o.b. origin basis is the cost to the Government of transportation to destination, even though the invitation may not specifically so provide. In f.o.b. origin bids the invitation generally must provide for guaranteed shipping weight in order that the maximum cost to the Government can be established, 38 Comp. Gen. 819.

In the circumstances here, however, it apparently was not considered practical to take transportation costs into consideration in evaluating bids based upon the information furnished by bidders on page 7 of the invitation. Hence, the information requested on page 7 as to rail and port facilities served no useful purpose and such information or the absence thereof did not in any way affect the bid price or the bidder's responsibility for furnishing the end items in accordance with the invitation.

Accordingly, we conclude that Washington's bid was properly for consideration notwithstanding its failure to furnish all the information called for on pages 7 and 10 of the invitation, and the acceptance of its bid as submitted is not subject to question by our Office. See 39 Comp. Gen. 595.

Very truly yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.





