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# REVIEW OF DEFENSE PROCUREMENT POLICIES, PROCEDURES, AND PRACTICES

PT. 3 PART III—A Case Study: Navy Contract Award for Design Services

GOVERNMENT

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## HEARINGS

BEFORE THE

SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS

OF THE

COMMITTEE ON ARMED SERVICES

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

UNDER THE AUTHORITY OF

**H. Res. 124**

HEARINGS HELD MARCH 14, 1968



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REVIEW OF DEFENSE PROCUREMENT POLICIES  
PROCEDURES AND PRACTICES  
PART II - A Case Study: Navy Contract Award for Design Services

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## REVIEW OF DEFENSE PROCUREMENT POLICIES, PROCEDURES, AND PRACTICES

### Part III—A Case Study: Navy Contract Award for Design Services

THURSDAY, MARCH 14, 1968

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

The subcommittee met in executive session at 10:10 a.m., the Honorable Porter Hardy, Jr., chairman of the subcommittee, presiding. (The subcommittee subsequently ordered the record to be published.)

Members present: Hon. Porter Hardy, Jr., chairman, Hon. Otis G. Pike, Hon. Alton Lennon (afternoon session), Hon. Charles S. Gubser, Hon. Alexander Pirnie.

Staff present: John T. M. Reddan, special counsel; Richard A. Ransom, professional staff member; Walton Woods, investigator; Phyllis M. Seymour, secretary.

Mr. HARDY. Let the committee come to order.

Let the record show the presence of Mr. Pike and myself, constituting a quorum under the subcommittee rules.

The committee is in executive session this morning. I have a brief opening statement to get the record started.

At the direction of Chairman Rivers, this subcommittee is engaged in a long-range review of U.S. military procurement policies, procedures, and practices. This is an area that accounts for approximately 80 percent of U.S. procurement expenditures—approximately \$45 billion a year. I think it is more that that now.

Results of the subcommittee's work to date give us reason to believe that this review will produce significant dollar savings and greatly improve procurement actions. To this end, we will, among other things, seek ways to increase competition and to improve procurement planning procedures. This will be done on a case-study basis. That is, we will review selected cases to find ways to improve procurement techniques.

The case we will consider today involves a Navy contract for certain design work to be done on the U.S.S. *Independence*. This work was done under a cost-plus-fixed-fee contract, although the initial invitation called for fixed-price bids.

I might observe here that we were advised that there were other instances of a similar change. We have made some preliminary inquiries into them, but they were not developed as far as this one.

That is the reason we are taking this one now, because we do want to try to understand what factors went into this switch. So we will concentrate on the one on which we have more complete information.

The subcommittee would like to understand what considerations motivated this shift in the type of contract used. Does this reflect or contradict Navy policy? Was the original approach reasonable? If so, who was responsible for the decision and why was it made? If, on the other hand, the fixed-price contract approach was reasonable in the beginning, what factor or factors brought about the change to a CPFF?

As you know, this case was not selected without reason. Preliminary investigation by the subcommittee has established that the Navy awarded this CPFF contract to the J. J. Henry Co. based on its proposal to do the work for \$209,360, although it had a proposal from Coast Engineering Co. for less than one-half that amount—\$99,812, to be exact. In addition, Coast Engineering also submitted an alternate bid on a fixed-price basis in the amount of \$109,325.75, which was more than \$100,000 less than the proposal submitted by the other company.

These facts raise questions to which I hope we can get answers today. To help us, we have requested witnesses from the Naval Supply Center at Norfolk, the Norfolk Naval Shipyard and Coast Engineering to be here, and I want to thank you all for your cooperation.

We want to keep this as informal as we can. We are not trying to do any more than develop a factual situation so we may understand just exactly what did transpire. I think the best witness to start with, to put this in its proper perspective, would be Mr. Harry Keeling, president of Coast Engineering.

Would you come up, please, Mr. Keeling.

Good morning. We are glad to have you here. Have a seat at the table, if you will.

#### TESTIMONY OF HARRY W. KEELING, JR., PRESIDENT, COAST ENGINEERING CO.

Mr. KEELING. Good morning.

Mr. HARDY. If you can help us get this started so we have it in as understandable form as possible, we would appreciate it. We are very glad to have you here.

Mr. REDDAN, would you go ahead as you think best to develop the matter?

Mr. REDDAN. Would you give the reporter your full name, address, and the name of your company?

Mr. KEELING. Harry W. Keeling, Jr., Coast Engineering Co., Norfolk.

Mr. REDDAN. How long have you been engaged in this business, Mr. Keeling?

Mr. KEELING. At Coast Engineering Co.?

Mr. REDDAN. Well, just give us, briefly, a little of your background and the operation of your company, its size, kind of work you do.

Mr. KEELING. The company was formed in 1939. I took full-time charge of it in 1958, I believe it was. Prior to that I was a supervisor at the Norfolk Naval Shipyard, and did work at the Bureau of Ships.

Mr. REDDAN. Are you a naval engineer?

Mr. KEELING. Yes, sir.

Mr. REDDAN. Are you also an architect?

Mr. KEELING. Yes, sir.

Mr. REDDAN. As you know, we are concerned this morning primarily with this contract for the work on the *Independence*. It would be helpful if you could tell us what your association was with that particular contract, from the beginning. When did you first learn of this work to be done; what did you do; how did you go about getting an invitation to submit bids or proposals, and so forth? Just give us a little chronology, please.

Mr. KEELING. This has been some time back. May I refer to my notes?

Mr. HARDY. You go right ahead.

Mr. KEELING. In early September 1966, we understood there would be a similar job to the one we had done on the *Forrestal*, that would be done on the *Independence*. At that time we asked if we would be allowed to submit a quotation on this, and we were told yes.

We checked with the Supply Department in the Navy yard and they told us that they had sent the list to the Supply Department at the Naval Base and that she did not recall that our name was on the list.

Mr. REDDAN. Supply had sent—

Mr. KEELING. The list of bidders that would be requested to bid apparently was made up by the Design Section in the Navy Yard.

Mr. HARDY. And they had sent that list to the Naval Supply Center at the base?

Mr. KEELING. Right. They intimated, as far as we could tell—this is hearsay by me, because my chief engineer talked to the people in the Navy Yard—that we would be allowed to bid on it.

Mr. HARDY. You would not?

Mr. KEELING. That we would be.

But when the Supply Department told us she did not recall our name on the list, she didn't know "yes" or "no"—

Mr. HARDY. Can you identify who you are talking about?

Mr. KEELING. A Mrs. Fitzgerald.

Mr. HARDY. Go ahead, sir.

Mr. KEELING. On the afternoon of October 17, the same day, Mr. Washington and I visited the Naval Supply Center and talked to Mr. Aschkenas. He reviewed the *Independence* file and informed us we were on the list and they expected the bid documents to be sent out by October.

Mr. HARDY. What year, Mr. Keeling?

Mr. KEELING. 1966. The invitation was issued on the 21st of October, 1966, but we were not sent a copy. So we called the Purchasing Department on the 25th of October and asked to speak to Mr. Aschkenas. He was reported on leave, the call was transferred to Mr. Grimsley, who informed us that the invitation had been issued but Coast Engineering Company had not been sent a copy. However, he said an invitation was available for us to pick up the same afternoon, which was done.

From there on we made the estimates. We made the necessary inquiries as to proceeding to the Mediterranean to inspect the ship if we got the contract. We got certain information from the Navy

Yard, mainly the booklet of plans, so that we would know what the ship looked like and where these spaces were located

We prepared our estimate, or our proposal, on a fixed-price basis. We were told by telephone that they wanted it on a cost-plus-fixed-fee basis, so we also prepared the cost-plus-fixed-fee quotation.

Mr. HARDY. Did the bid documents call for a fixed-price bid?

Mr. KEELING. Yes, sir. We were informed that the Navy preferred in all cases a fixed price if possible. However, this one was changed and there was no reason given to us.

Mr. HARDY. Do you know who told you they wanted a CFFF proposal?

Mr. KEELING. I believe it was Mr. Grimsley.

Mr. HARDY. All right. Go ahead, please, sir.

Mr. KEELING. Mr. Grimsley was the one who stated it was the Naval Supply Center policy to prefer fixed-price contracts.

We then submitted our quotations, and as the time on this was pretty tight for making arrangements to go oversea, and such things, and we had not heard anything, we called the base and asked them if a decision had been made. They told us no. We called again about 2 days later, which I believe was on the 2d of November, and we were told that no decision had been made, that they were negotiating the contract.

Mr. REDDAN. Who told you that?

Mr. KEELING. I believe that was a Miss Roberts.

Mr. REDDAN. And she is in the—

Mr. KEELING. Supply Department, Purchase Division.

On the same day, about 4:15 p.m., Mr. Washington visited the Supply Department and asked Mr. Aschkenas if he could tell us anything. He told us yes, the award had been made to J. J. Henry, Inc.

Mr. HARDY. What was that date, again?

Mr. KEELING. November 2, 1966.

Then we asked for a conference—the fact is, they told us that they would like for us to come down there the next day and talk to them about it, which we did.

We did not in any way agree with what they said. Now, with the later conference—

Mr. HARDY. To whom did you talk?

Mr. KEELING. Commander Stephens and, I believe, Mr. Aschkenas, I believe he was there, and Mr. Grimsley and Miss Roberts.

Mr. REDDAN. Excuse me. Could you tell us a little bit in detail of what took place at that conference, what they said about your failure to get the work?

Mr. KEELING. The Purchase Department of the Naval Supply Center apparently relied on a memorandum signed by a Cmdr. E. Venning, of the Design Division of the Norfolk Naval Shipyard.

Mr. HARDY. What makes you think that?

Mr. KEELING. They indicated that they had this memorandum from him. We did not see the memorandum, nor did they reveal the entire contents to us. They did tell us that they relied heavily on that. That, at that time, was apparently the only reason we were given that we were not awarded the contract.

Mr. HARDY. Do I understand that you were told the reason they did not give you the contract was because of a memorandum signed by Cmdr. E. Venning?

Mr. KEELING. That was the main reason they had, yes. What his memorandum said I do not know.

Mr. HARDY. I see.

Mr. KEELING. Apparently one thing he said, that I have here, is that we did not understand the scope of the work, which I deny.

The next day, on the 3d of November, 1966—no, on the 3d we made an arrangement to have a conference with Mr. Murphy and the Design Superintendent, Commander Venning, at the Navy Yard, to discuss this.

Mr. HARDY. Who is Mr. Murphy?

Mr. KEELING. The head engineer at the Naval Shipyard.

We held this conference at 9:15 a.m., on the 4th of November, 1966. Attending that conference were Captain Field, Commander Venning, Mr. Murphy, Mr. Johnson, Mr. LaCerte, Mr. Keeling, Mr. Washington, and Mr. Saunders. The latter three are with my company.

Mr. HARDY. Would you indentify the other people there?

Mr. KEELING. Captain Field is the Planning Officer of the Norfolk Naval Shipyard. Commander Venning was then the Design Superintendent.

Mr. HARDY. Mr. Murphy was the Chief Engineer?

Mr. KEELING. That is correct.

Mr. Johnson was the Technical Coordinator at the Norfolk Naval Shipyard.

Mr. LaCerte was from the Supply Department.

I am president of Coast Engineering Co.; Mr. Washington is chief engineer for Coast Engineering Co., and Mr. Saunders was assistant chief engineer.

Mr. HARDY. Now, would you please tell us what took place at that conference?

Mr. KEELING. At this conference Captain Field acted as spokesman for the Navy, with isolated comments from the other people.

By his own admission, Captain Field had not read Coast Engineering Co.'s proposal. He had no detailed familiarity with the scope and wording of the specifications for the *Forrestal* and the *Independence* jobs. And it appeared to us that he was speaking from information provided by the other people at the meeting prior to the meeting.

As to the reason why Coast Engineering's proposal was rejected, at an additional cost of \$94,000 to the Government, Captain Field could only say that in the opinion of the Naval Shipyard, Coast Engineering could not "hack" the job, whatever that means. The obvious implication was that it was felt Coast Engineering could not do the job in the time stated nor with the personnel at hand.

Captain Field admitted the job was not very involved, technically, and conceded Coast Engineering Co. possessed the technical competence to complete the job.

Captain Field stated and restated that Coast Engineering Co. seriously underestimated the scope of the job, since its manpower estimate did not approach those of Norfolk Naval Shipyard, J. J. Henry, and New York Shipbuilding. He discounted the value of the recent experience gained by Coast Engineering Co. in providing the additional berthing on the U.S.S. *Forrestal*.

Captain Field was reminded that both jobs referenced the general specifications for ships of the U.S. Navy, and that the specification as written for the berthing and increased phase of the job showed no major difference between the two ships.

There were additions; it was suggested that a distilling plant be installed. It was also stated that "there may be a need for additional storeroom capacity."

Mr. HARDY. Those items were not included in the proposal, the invitation to bid?

Mr. KEELING. They were in there. It was suggested—those are exactly the words used—

Mr. HARDY. How can you submit a fixed-price bid for a suggestion?

Mr. KEELING. We had in our bid enough money to do the job.

Mr. HARDY. You mean your bid included these extra items that were merely suggested, not specified?

Mr. KEELING. Our bid, Mr. Hardy, included doing the complete job regardless of what had to be done. We believed we had included enough money in there to do it. And based on our prior experience—we are a small firm compared to some of these other ones. We cannot afford to put in a price on which we think we may lose money. If it had been necessary, it would have been included in the contract and we would have done it. If there was anything different in the balance of the contract from the *Forrestal*, with which we were 100 percent familiar, having just finished it, we were not told about it. Now, maybe somebody else was, I don't know.

Mr. HARDY. Did you have the specification before you?

Mr. KEELING. The specifications were there. The *Forrestal* specifications read identical to it, except for the additional storeroom and the water-making capacity. Other than that, the wording was identical. So if we did not understand that one, we did not understand the one we had just finished.

We believe that we knew what was necessary. We believe that we had made arrangements to do the work. We had made arrangements in going into this to prepare our proposal. We had a firm whose home office is in Norfolk, that has a branch office in Rome, Italy. We had made arrangements with them to have portable drafting boards available to us at the points that we would board the *Independence*, so that we could make sketches while our men were aboard. If there were anything they needed to know they would know it before they came back, they would not miss anything.

We were prepared to submit the preliminary drawings when we arrived back in the United States and not have to redraw this stuff after we got back.

We had the men available to send to the ship, we had made tentative arrangements with the airline to make reservations so we could send the men over there and be there on time.

We feel that we had sufficient personnel to complete all of the work required for the job in the time that they required.

Mr. HARDY. Was there anything pertinent that happened at this conference at the shipyard that you have not told us?

Mr. KEELING. I don't know just—

Mr. HARDY. Well, if you have covered that pretty completely let me ask you this: Was that the effective closing of the door insofar as your proposal was concerned?

Mr. KEELING. Well, the door had been closed prior to that because the contract had been awarded.

Mr. HARDY. Then what good did it do to have this conference?

Mr. KEELING. Well, we requested—

Mr. HARDY. Did you ask for it, or did the Navy?

Mr. KEELING. No; we asked for the conference because we wanted to know why we were thrown out of something that we were \$100,000 lower on than the person who was awarded the contract.

Incidentally, I would like to say, we do not have any feeling against the other contractor. I mean, he wanted the contract, we wanted it; he got it, we did not. We do feel we were—I don't know about using this word, particularly—we were discriminated against, and for no reason because I am not certain, other than hearsay, that any member of the group that had to do with this really knew what the capability of Coast Engineering was. Not one of them had been in our office, although we were right there and had invited them time and again. I believe Captain Field and Mr. Johnson came over there one day to deliver some stuff. But as far as checking into what we had to do this job with, and I am prepared to tell you whom we could have put on the job, by individuals, and I don't believe they would say these men are not qualified.

Mr. HARDY. I don't believe there is a point in doing that at this time, but I do want to try to understand as completely as we can what took place in the award of the contract, as far as you know it.

Do you have any questions, Mr. Pike?

Mr. PIKE. Mr. Chairman, I have a lot of questions. But I think at this point I would rather hear the other side before we get into it.

Mr. HARDY. I was thinking about just completing this development.

Mr. Pirnie?

Mr. PIRNIE. I would agree with Mr. Pike. I would like to withhold my questions.

Mr. PIKE. I think we have a prima facie case here, in other words, and I would like to hear the other side.

Mr. HARDY. I think you are right.

Mr. Reddan?

Mr. REDDAN. No questions.

Mr. HARDY. Thank you, Mr. Keeling. Have a seat, if you will.

Mr. REDDAN. Mr. Johnson.

Mr. HARDY. Come on and have a seat.

It is good to see you and good to have you with us.

#### TESTIMONY OF WALTER NELSON JOHNSON, COORDINATOR, DESIGN DIVISION, NORFOLK NAVAL SHIPYARD

Mr. JOHNSON. Thank you, sir.

Mr. HARDY. I know you will be as helpful as you can in helping us to try to understand this picture.

Mr. REDDAN. Mr. Johnson, would you give the reporter your full name and address, sir?

Mr. JOHNSON. Walter Nelson Johnson. My home address?

Mr. REDDAN. Please, sir.

Mr. JOHNSON. 308 Thelmar Lane, Portsmouth, Va.

Mr. REDDAN. What is your present position, sir?

Mr. JOHNSON. Engineering Technician in Design Division, code 244.

Mr. REDDAN. In the Norfolk Naval Shipyard?

Mr. JOHNSON. That is right.

Mr. REDDAN. How long have you held that position?

Mr. JOHNSON. I have been an engineering technician about 5 years.

Mr. REDDAN. Prior to that time, sir?

Mr. JOHNSON. Prior to that time I was a production control specialist in the Design Division for the Norfolk Naval Shipyard for about 5 years.

Mr. REDDAN. Are you a graduate engineer?

Mr. JOHNSON. No, sir.

Mr. REDDAN. The committee would like to know what part you played in this contract and the preparation of the documents prior to the award of the contract for the work to be done on the U.S.S. *Independence*.

Mr. JOHNSON. It was my responsibility to prepare the original material request. After receiving the specifications, technical specifications, for the job——

Mr. REDDAN. Where did you receive the technical specifications from?

Mr. JOHNSON. From the lead technical code by way of the Design Division type desk.

Mr. REDDAN. Someone told you the *Independence* was coming in and this was the sort of work that would be required; is that it?

Mr. JOHNSON. That is right; yes.

Mr. REDDAN. And you prepared the service request?

Mr. JOHNSON. That is correct; yes.

Mr. REDDAN. I show you a copy of a service request and ask you if that is a copy of the one you prepared in this case?

Mr. JOHNSON. That looks like the copy I prepared; yes, sir.

Mr. REDDAN. What is the date of that, sir?

Mr. JOHNSON. The date it was prepared is the 11th of October, 1966.

Mr. REDDAN. What is the purpose of that request? What does that do?

Mr. JOHNSON. This request, and any attachments to it, set forth the requirements and specifications for the job, both the technical and the nontechnical requirements. It also gives the accounting data and a dollar estimate for the work. It recommends sources.

Mr. REDDAN. Contractors?

Mr. JOHNSON. That is correct, sir.

Mr. REDDAN. Did you recommend sources on that service request?

Mr. JOHNSON. Yes, sir.

Mr. REDDAN. Whom did you recommend, sir?

Mr. JOHNSON. My recommendations were J. J. Henry Co., Inc., New York Shipbuilding Corp., M. Rosenblatt & Son, H. Newton Whittelsey, and Coast Engineering.

Mr. REDDAN. You recommended Coast Engineering as one of the sources?

Mr. JOHNSON. Yes.

Mr. REDDAN. Would you read the sentence preceding the listing of sources?

Mr. JOHNSON. "The following contractors are considered to be equally qualified."

Mr. REDDAN. The document that you have before you there, have any of the names been crossed out?

Mr. JOHNSON. Yes, sir; H. Newton Whittelsey and Coast Engineering; yes, sir.

Mr. REDDAN. Do you know who crossed them out?

Mr. JOHNSON. No, sir.

Mr. REDDAN. What did you do with this document after you prepared it?

Mr. JOHNSON. This document is prepared in either six or seven copies. It has changed. At the time this was prepared, I don't know whether there were six copies or seven, but they are—it is a booklet with carbon inserts, and when it is prepared there are either six or seven copies of it. I would have to tell you what I do now. I do not recall now what I did with those copies.

At this moment, I detach three copies. I retain one for my file, I send one copy to the Design Division type desks, forward an advance copy to the Supply Department. The other four copies are routed to my supervisor, to the fiscal clerk in Design Division, to the head engineer, to the P. & E. Division, and subsequently to Supply Department.

Mr. REDDAN. Did anyone ever tell you to correct the copy in your file to eliminate the last two names on that list?

Mr. JOHNSON. I do not recall that anybody did.

Mr. REDDAN. Did you ever learn that they were eliminated?

Mr. JOHNSON. Yes, sir.

Mr. REDDAN. Do you know who crossed those names out?

Mr. JOHNSON. No, sir.

Mr. REDDAN. Who told you that they had been eliminated?

Mr. JOHNSON. I don't remember. I don't suppose anybody told me. I probably discovered it at some subsequent date from seeing another copy of the thing.

Mr. REDDAN. Did you ever inquire as to why your judgment was overruled?

Mr. JOHNSON. No.

Mr. REDDAN. Whose judgment was it that those contractors listed on that sheet were qualified contractors?

Mr. JOHNSON. Originally it was my judgment.

Mr. REDDAN. And that goes to your supervisor?

Mr. JOHNSON. Yes, sir.

Mr. REDDAN. Who was your supervisor?

Mr. JOHNSON. Immediate supervisory was Mr. Burke.

Mr. REDDAN. Is his name on that sheet?

Mr. JOHNSON. Yes.

Mr. REDDAN. Did he sign it?

Mr. JOHNSON. Yes, sir.

Mr. REDDAN. Do any other signatures appear on there?

Mr. JOHNSON. It was approved by Mr. Murphy. It was also checked by Mr. Holloman.

Mr. REDDAN. Is that the Mr. Murphy who is here this morning, R. J. Murphy?

Mr. JOHNSON. Yes, sir.

Mr. HARDY. Do I understand none of these gentlemen whose names appear on there scratched the two names off your recommended list?

Mr. JOHNSON. I don't know that, sir.

Mr. HARDY. You don't know that?

Mr. JOHNSON. No, sir.

Mr. HARDY. Did they sign it with those names on there?

Mr. JOHNSON. I don't know that, either.

Mr. HARDY. You don't know when they signed it?

Mr. JOHNSON. No, sir.

Mr. REDDAN. They did not sign the copy that you had in your file?

Do you have your file copy—

Mr. JOHNSON. No, sir.

Mr. REDDAN. Do you have your file copy with you?

Mr. JOHNSON. I don't know whether I have the original copy or not. They would not normally sign the copy that I have in my file, no.

Mr. HARDY. That is all right. It went on, I presume they signed it later.

Mr. JOHNSON. I detach my copy before it is routed.

Mr. REDDAN. Mr. Murphy.

Mr. MURPHY. Yes, sir.

Mr. REDDAN. We would like to call you a little later. But can you throw any light on this? Did you cross off the name of those two contractors?

#### TESTIMONY OF R. J. MURPHY, CHIEF, DESIGN ENGINEERING, NORFOLK NAVAL SHIPYARD

Mr. MURPHY. The copy I have in my file, those two contractors are not on there. I do not recall exactly. I might very well have been the one who crossed them off.

Mr. HARDY. Do you have your copy with you?

Mr. MURPHY. Yes, sir.

Mr. HARDY. We will see it directly, then.

Mr. REDDAN. You have no recollection of whether or not you crossed them off?

Mr. MURPHY. I cannot really say that I did cross them off. I very likely may have.

Mr. REDDAN. Why did you say that, sir?

Mr. MURPHY. Because I did not consider that either of those companies had sufficient personnel to do the task in the time required.

Mr. REDDAN. Would you come up to the table, please?

Mr. HARDY. Come on up here and join us, Mr. Murphy.

Mr. REDDAN. Mr. Murphy, would you please give the reporter your name and address?

Mr. MURPHY. Robert John Murphy, 317 Sussex Drive, Portsmouth, Va.

Mr. REDDAN. And your position, sir?

Mr. MURPHY. I am Chief Design Engineer for the Norfolk Naval Shipyard.

Mr. REDDAN. How long have you held that position?

Mr. MURPHY. Eleven years.

Mr. REDDAN. What is your best recollection with respect to this document that we have been discussing, Mr. Murphy?

Mr. MURPHY. Usually these are in this form when they are presented to me. They have all the specifications and suggested contractors for bids on there.

Mr. REDDAN. This particular document, now, do you recall having received it?

Mr. MURPHY. Yes, sir.

Mr. REDDAN. And in what form was it when you received it?

Mr. MURPHY. In the form ready to leave the office.

Mr. REDDAN. Had any names been crossed off when you received it?

Mr. MURPHY. I really cannot be sure about that. The copy I have, they are crossed off.

Mr. HARDY. They are on your sheet but crossed off; is that right?

Mr. MURPHY. There has been something crossed off the sheet.

Mr. HARDY. I got the impression from your testimony before you came up to the table that they were not even on your sheet.

Mr. MURPHY. Right now I couldn't say whether they were on the sheet when I received it or not. Something has been crossed off the bottom of the sheet, and it is not legible.

Mr. HARDY. Let us see it. I think it is important. I understood that this form was filled out with carbon paper. Did you get a carbon copy or did you get a photocopy?

Mr. MURPHY. I get the original.

Mr. HARDY. You get the original?

Mr. MURPHY. Yes, sir.

Mr. HARDY. What we have here is a photocopy. Where is the original?

Mr. MURPHY. The original goes on to the Supply Department.

Mr. HARDY. The original goes to the Supply Department?

Mr. JOHNSON. The copy he has looks like a photocopy of the one that went to the Supply Department.

Mr. HARDY. A while ago, Mr. Murphy, you said these two names were not on the list you have.

Mr. MURPHY. I said they are not on the one I have now.

Mr. HARDY. Well, if I am looking at the right one, it is a rather poor copy. Something is apparently scratched off.

Mr. MURPHY. Yes, sir.

Mr. HARDY. You cannot say whether they were on there, and scratched off, or not, I take it?

Mr. MURPHY. I could not be certain; no.

Mr. HARDY. They might even be on there and not legible, if this is the best copy you have? Isn't that reasonable to conclude? Because a lot of the rest of it is not very legible.

Mr. MURPHY. It appears to me something has been scratched out.

Mr. HARDY. It is rather obvious something has been done to something on there.

Mr. MURPHY. Yes, sir.

Mr. HARDY. And it is your testimony that you did not do it?

Mr. MURPHY. No, sir; I said I was not certain, but very likely had the names been on there when it came to me I would have questioned the qualification of these two companies to do this task.

Mr. HARDY. You are only speculating now. I would rather stick to something factual, if we can.

As I understand it, it is your testimony you don't know whether they were scratched off before this came to you?

Mr. MURPHY. That is right, sir.

Mr. REDDAN. To whom would it have gone before it came to you?

Mr. MURPHY. Mr. Burke.

Mr. PIRNIE. Would the gentleman yield?

Do you know whether that name was on there?

Mr. MURPHY. I do not, at this time.

Mr. PIRNIE. Well, "at this time." When was the first time you ever heard that this was on there?

Mr. MURPHY. Well, I do think it was on there at one time.

Mr. PIRNIE. I asked the question: When did you know?

Mr. MURPHY. We had considerable discussion about it.

Mr. PIRNIE. Tell us the truth in regard to this. We shouldn't have to be asking all these questions. You know what we are asking.

Mr. MURPHY. Yes, sir.

Mr. PIRNIE. You know what was on there. When did you know it?

Mr. MURPHY. I certainly knew it was on there when we had the discussion after the award was made.

Mr. PIRNIE. Didn't you know it before the award?

Mr. MURPHY. I cannot be certain.

Mr. PIRNIE. Do you want to swear to that?

Mr. MURPHY. Yes, sir.

Mr. PIRNIE. That you didn't know it was on there?

Mr. MURPHY. No; that I cannot be certain.

Mr. PIRNIE. You are saying that you cannot recall, is that what you are saying?

Mr. MURPHY. Yes, sir.

Mr. PIRNIE. Yet there was discussion about it, was there not?

Mr. MURPHY. Afterward; yes, sir.

Mr. PIRNIE. Wasn't there discussion about it before?

Mr. MURPHY. There was discussion when the letter was written recommending the awarding to J. J. Henry.

Mr. PIRNIE. That was before the award?

Mr. MURPHY. Yes, sir.

Mr. PIRNIE. Then there was discussion and you pretty well knew what was on the document, didn't you?

Mr. MURPHY. The question presented to me was: "Were those names on the document when it came to my desk?"

Mr. PIRNIE. I am surprised.

Mr. HARDY. I don't think we need to get into this kind of nit picking session.

Mr. PIRNIE. Mr. Chairman, is it not vital, what was done here?

Mr. HARDY. It is; it is. I was not referring to your question, Mr. Pirnie. What I am talking about is whether or not the names were on there when it came to your desk, Mr. Murphy. Of course, it is clear to all of us now that the names were on there, even though somebody may have scratched through them. At least it is clear to me now. When I look at those documents I can come to no other conclusion. The names are on there, as Mr. Pirnie was trying to draw out, obviously.

There had been discussion of the capabilities of these two companies before the award was made, isn't that so?

Mr. MURPHY. Yes, sir.

Mr. HARDY. Did you participate in that discussion?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Mr. Chairman, if the gentleman would yield, we have the testimony of Mr. Johnson to the effect that he put all four names on; the testimony of the present witness, Mr. Murphy, to the effect that two of the names had been scratched off when it left him. The only person intervening is Mr. Burke, is that correct?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Do we have Mr. Burke here? We cannot get Mr. Burke?

Mr. HARDY. Are we talking about the original now?

Mr. PIKE. I am trying to pin down who removed the names. I think it is very essential. I agree with Mr. Pirnie it is very essential as to who removed the names.

Mr. HARDY. I agree with that.

Mr. PIKE. There is no sense in talking about why unless we know who.

Mr. MURPHY. I believe I said I would have——

Mr. HARDY. I am not interested in what you would have done. I am trying to find out what you did do.

Mr. MURPHY. I recommended in discussion that Whittelsey and Coast Engineering be dropped.

Mr. PIKE. Whom did you recommend it to?

Mr. MURPHY. Commander Venning, for one.

Mr. PIKE. Did he recommend it to you or you recommend it to him?

Mr. MURPHY. I recommended it to him.

Mr. PIKE. When did that discussion take place?

Mr. MURPHY. It took place prior to writing the letter to the Supply Department.

Mr. PIKE. Whose letter? His or yours?

Mr. MURPHY. The letter signed by Commander Venning.

Mr. PIKE. Did he write it, or did you write it?

Mr. MURPHY. He wrote it.

Mr. PIKE. Was the judgment expressed in that letter your judgment or his judgment?

Mr. MURPHY. I think it was the judgment of both of us.

Mr. PIKE. You talked to him—what was the date of that letter?

Mr. MURPHY. November 1, 1966.

Mr. PIKE. And you had a meeting with the people from Coast Engineering 2 days later, is that correct?

Mr. MURPHY. I am not sure of the date. It was after the award of the contract.

Mr. PIKE. Well, Mr. Keeling has testified that it was on November 3 that that meeting took place. Would you agree with that?

Mr. MURPHY. Yes, sir.

Mr. PIKE. So that was 2——

Mr. PIRNIE. Excuse me a moment, please.

Mr. Chairman, do you not think that this important testimony should be sworn testimony?

Mr. HARDY. If the committee wishes.

Mr. PIKE. I think it is important, too.

Mr. HARDY. Will you each rise and be sworn?

Let us swear all the witnesses we are going to have. Let us swear them all. Who else are you going to have?

Mr. REDDAN. We are planning to call all of them.

Mr. HARDY. You are going to call everybody except the gentleman from Mr. Morris' office?

Mr. REDDAN. Yes, sir.

Mr. HARDY. And we might even call him.

Will all of you stand and be sworn, please.

Do you, each of you, swear the testimony you give to this committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

(Each witness responded, "I do.")

Mr. PIKE. Until your discussion with Commander Venning, all four names were still on this proposal, is that not correct?

Mr. MURPHY. I would say that is correct.

Mr. PIKE. Did your discussion with Commander Venning take place at or about the same time the letter was written?

Mr. MURPHY. I would say at about the same time, possibly the day before.

Mr. PIKE. His letter was not written until after the bids had been opened; is that not correct?

Mr. MURPHY. It was written on 1 November.

Mr. PIKE. When did you open the bids?

Mr. MURPHY. The Supply Department NPO does that. I do not know.

Mr. PIKE. The bids had been opened prior to this discussion, had they not?

Mr. MURPHY. I would assume that they had, yes.

Mr. HARDY. Actually, don't you know, Mr. Murphy? You are in a discussion area here now of bids that had come in from at least two prospective contractors. Did you not know they had been opened? Had you not been in contact with the supply center?

Mr. MURPHY. Not personally. But I knew the bids had been received.

Mr. PIKE. Let me ask you this: Is it the practice of your operation down there to solicit bids from contractors whom you are later going to disqualify as not competent?

Mr. MURPHY. No, sir.

Mr. PIKE. Are you saying in this case you solicited bids from contractors you were later going to disqualify as not competent?

Mr. MURPHY. When the material request left the Design Division these two names were not on there.

Mr. PIKE. When it left the Design Division?

Mr. MURPHY. Yes, sir.

Mr. PIKE. How do you know those two names were not on there?

Mr. MURPHY. By the copies I have here of the document.

Mr. PIKE. From the Design Division?

Mr. MURPHY. Yes, sir. Yes, sir.

Mr. PIKE. When were you first aware that these names had been added?

Mr. MURPHY. When the bids were received.

Mr. PIKE. When the bids were received?

Mr. MURPHY. When we were informed that the bids had been received.

Mr. PIKE. Until you were informed that the bids were received you did not know that these names had been added?

Mr. MURPHY. No, sir.

Mr. PIKE. So you are in a position of knowing what contractors are solicited by the Design Division, but you do not know what contractors are solicited for bids?

Mr. MURPHY. That is correct.

Mr. PIKE. So your procedure is that there is nothing on earth to prevent the solicitation of bids from companies that you are later going to disqualify?

Mr. MURPHY. That is correct, sir.

Mr. PIKE. How long has this been the procedure at the Norfolk Naval Shipyard?

Mr. MURPHY. Well, September 1967, I would say. I believe it was 1967—1967—1966.

Mr. JOHNSON. 1966.

Mr. MURPHY. Yes.

Mr. PIKE. You mean this procedure started in September 1966?

Mr. MURPHY. Yes, sir.

Mr. HARDY. This must have been the first one.

Mr. MURPHY. I believe this was the first contract under the new system, sir.

Mr. PIKE. You have now a new system under which you are going to solicit bids from people whom you are later going to disqualify as not competent?

Mr. MURPHY. We in the Design Division do not solicit the bids. We make recommendations.

Mr. PIKE. Have you ever objected to the business of soliciting bids from companies that you are later going to disqualify as not competent?

Mr. MURPHY. Yes, sir.

Mr. PIKE. To whom have you made those objections?

Mr. MURPHY. I have made them to my superiors.

Mr. PIKE. Who, specifically, is your superior?

Mr. MURPHY. The Design Superintendent.

Mr. PIKE. His name?

Mr. MURPHY. Commander Venning was the Design Superintendent at the time the change was made.

Mr. PIKE. You mean you objected to this procedure to the man with whom you conferred before you knocked out one of the competitors as not being competent?

Mr. MURPHY. I voiced my objections to the Planning Officer as well.

Mr. PIKE. And what is his name?

Mr. MURPHY. But not in connection with this contract particularly.

Mr. PIKE. His name?

Mr. MURPHY. Captain Field.

Mr. PIKE. But you told Commander Venning you did not like the procedure under which you knocked out a contractor as incompetent after he had already submitted a bid?

Mr. MURPHY. Let me say, we objected to the procedure in general, not just this specific point.

Mr. PIKE. You did not like the procedure in this case, is that not correct?

Mr. MURPHY. In any case.

Mr. PIKE. Right. But this is the case we are talking about.

Mr. MURPHY. Well, the objections to the procedure were made before this contract ever came up.

Mr. PIKE. When? I thought this was the first one. This was September, 19—

Mr. MURPHY. Yes, sir. But we had had the instructions the procedure was to be changed long before then.

Mr. PIKE. And you had not done it before then?

Mr. MURPHY. Well, it became effective in September.

Mr. PIKE. I see.

Mr. MURPHY. We knew ahead of time that it was going to be effective.

Mr. PIKE. Now, Commander Venning and you had a discussion either on the 1st of November or the day before, and he wrote a letter dated the 1st of November saying that he did not think this company was qualified; is that correct?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Two days later you had a meeting with the people representing this company; is that correct?

Mr. MURPHY. Yes, sir.

Mr. PIKE. And did not that meeting serve to fix in your mind the fact that there was going to be some question about striking their names off this bid proposal, or the list of qualified bidders?

Mr. MURPHY. I knew that Coast Engineering objected to it, yes, sir.

Mr. PIKE. Well, it was only 48 hours after this had happened, and they were objecting because they had been taken off the list of qualified bidders.

Mr. MURPHY. Yes, sir.

Mr. PIKE. And you still tell this committee you cannot recall whether you knocked their names off or not?

Mr. MURPHY. I said I could not recall whether I physically scratched them off or not. But I knew I recommended that he be taken off.

Mr. PIKE. If you did not do it, who else could have, at that particular point?

Mr. MURPHY. Well, it could have been returned to be done. I really do not recall the actual details.

Mr. PIKE. Within 48 hours after the letter from Commander Venning you had a meeting with these people, and you do not remember who did the job that they objected to?

Mr. MURPHY. I say I recommended that such be done.

Mr. PIKE. I did not ask you that. You do not recall whether you did it or not?

Mr. MURPHY. Whether I physically scratched them out or not, I do not recall.

Mr. PIKE. That is all.

Mr. HARDY. Mr. Pirnie.

Mr. PIRNIE. Mr. Chairman. Now, Mr. Murphy, let me get the sequence in my mind. When this recommendation came forward to you it had the four names on it?

Mr. MURPHY. I would say it did, yes, sir. Normally it would.

Mr. PIRNIE. Did it come forward to you before the invitation to bid was extended?

Mr. MURPHY. Yes. Yes, sir.

Mr. PIRNIE. Then you are telling us you caused these names to be removed, yet the invitation to bid was sent out?

Mr. MURPHY. Yes, sir; I did not say—I say that I recommended the names be removed, then the invitations were submitted; they were invited to bid.

Mr. PIRNIE. Are you raising your hand? Did you want to say something.

Captain FIELD. I am Captain Field. I think——

Mr. HARDY. Come on up, Captain Field. Let's make this a little family group.

**TESTIMONY OF CAPT. H. C. FIELD, PLANNING OFFICER,  
NORFOLK NAVAL SHIPYARD**

Captain FIELD. I think I could save the subcommittee a little time here by pointing out I think you have gotten off timewise.

Mr. PIRNIE. Due to our questions, or due to the answers?

Captain FIELD. I cannot tell you.

Mr. PIRNIE. I am trying to get the sequence straightened. Can you respond to the question?

Captain FIELD. I cannot respond to the kind of question——

Mr. PIRNIE. Wait a minute. There is nothing wrong with my question; is there?

Captain FIELD. I cannot recall the question.

Mr. PIRNIE. I will restate it.

Mr. MURPHY. I believe, sir, your question was, Were the invitations made subsequent to the removing of these two names.

Mr. PIRNIE. The document came forward to you from Mr. Johnson; did it not?

Mr. MURPHY. Yes, sir.

Mr. HARDY. Do you agree with that, Captain Field?

Captain FIELD. I have no personal knowledge of it.

Mr. PIRNIE. Then what question were you going to set clear? My next question was: And there were four names on here?

Captain FIELD. I wanted to get the timing straight in the subcommittee's mind, if I may. I think that would save you time in your questioning, sir.

Mr. HARDY. You can come back to your questions. It may help.

Mr. PIRNIE. Go ahead.

Captain FIELD. The material service request Mr. Johnson prepared is dated, I believe—it is the 12th of October.

Mr. HARDY. The 11th.

Captain FIELD. Eleventh of October. This went from the Design Division to our Supply Department, then to the Naval Supply Center Procurement Office, so timewise it would have been around the 11th or 12th of October. There were at that time five names.

Mr. PIKE. Not four?

Captain FIELD. No, sir; five on there. There were J. J. Henry, New York Ship, Rosenblatt; and from what was read earlier, Coast Engineering and Whittelsey. The two names, Whittelsey and Coast Engineering, must have been deleted at about the date of October 11 to 12, at the time the material request went to the Naval Procurement Office.

Mr. PIRNIE. You say——

Captain FIELD. Not during the period of November 2.

Mr. PIKE. Why did you say that?

Mr. PIRNIE. How do you know?

Captain FIELD. Because only three were solicited, I have been told.

Mr. PIKE. Which ones?

Captain FIELD. J. J. Henry, New York Ship, and Rosenblatt.

According to Mr. Keeling's own testimony, he requested and did get a copy of the procurement.

Mr. PIKE. But also according to his testimony he was told that he would be solicited, and it did not come in.

Captain FIELD. He had been told by somebody, yes. But he did not get one.

Mr. PIKE. He had been told by the same people from whom he subsequently got it that he would be solicited?

Captain FIELD. According to his own testimony, he did not receive a solicitation. What he got, he got himself.

Mr. PIKE. If you base it on what he was told, he was told that he would be solicited.

Captain FIELD. But he said he was not solicited, sir.

Mr. PIKE. You are saying that Mr. Murphy's testimony to the effect that he may have scratched the name off himself is completely wrong?

Captain FIELD. No, sir; I am not. I am just getting it timingwise, that this occurred around the 11th or 12th of October, not within 24 hours of this November 2 letter.

Mr. PIRNIE. I think that is the least consequential part of it. That had only to do with his memory.

Captain FIELD. That is the only point I wanted to get clear.

Mr. PIRNIE. While you are testifying, were you aware of these two names being stricken?

Captain FIELD. No, sir; I was not.

Mr. PIRNIE. You had no discussion about the striking of these names?

Captain FIELD. I do not recall any discussion.

Mr. PIRNIE. Then Mr. Murphy's statement that you did——

Captain FIELD. I had no discussion with Mr. Murphy about striking two names from the material request.

At a later date when proposals had been received, or bids had been received from the three contractors that submitted bids, I did have a discussion with Mr. Murphy and Commander Venning about dropping out Coast Engineering; yes.

Mr. PIRNIE. I don't want to interrupt too long. You can go on, Mr. Chairman.

Mr. HARDY. That is all right.

Mr. PIKE. I apologize, Mr. Chairman, but I am afraid your clarification here has managed to do nothing but confuse me. And this may be your intent. But I guarantee you that at this point you have clarified nothing.

Mr. Murphy, as I understood it, said two essential things: (1), that he may have stricken this name out; (2), that he did not see this piece of paper until after the bids had been received.

Mr. MURPHY. Which piece of paper, sir?

Mr. PIKE. The piece of paper—that you did not know that the company in question here, Coast Engineering, was involved in this until after the bid had been received, you did not know that they had been solicited until after the bids had been received. Isn't that true?

Mr. MURPHY. That I did not know that they had been solicited?

Mr. PIKE. Yes. You didn't know that they had put in a bid, that they were involved in this thing.

Mr. MURPHY. That is correct.

Mr. PIKE. Until after the bids had been received.

Captain, you say these names were stricken before the bids were received, isn't that correct?

Captain FIELD. On the material request, they had to be.

Mr. PIKE. So is there not sort of a conflict between your testimonies to the effect Mr. Murphy says he may have stricken the name—

Mr. HARDY. I don't think that is a conflict, Mr. Pike.

Captain FIELD. Not at all, sir.

Mr. HARDY. I think he is saying Mr. Murphy was so sure that Coast did not get a proposal that he was surprised when he found out they had put in a bid. I think that is what he is saying; at least, that is my interpretation of it.

Mr. PIKE. You may be right. As I say, the captain has managed to confuse me thoroughly.

Captain FIELD. I apologize, sir.

Mr. PIKE. Mr. Murphy, you say you would have recommended that Coast Engineering be disqualified if you had known that anybody had considered them to be qualified, is that correct?

Mr. MURPHY. Yes, sir.

Mr. PIKE. What was your expertise as far as Coast Engineering is concerned? What did you know about Coast Engineering? Had you at that time visited their plant?

Mr. MURPHY. I had not visited their plant.

Mr. PIKE. Had you talked in your office with officers of their corporation?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Was it as a result of the conversations which you had in your office that you determined that they were not qualified?

Mr. MURPHY. No, it was really the magnitude of the job and the number of men required to do the job in the required time.

Mr. PIKE. Did you know how many men they had in their company?

Mr. MURPHY. Approximately; yes, sir.

Mr. PIKE. Was that based on what they told you?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Did you ask them about their capability of hiring additional men?

Mr. MURPHY. No, sir.

Mr. PIKE. You did not think it would be pertinent whether they could get additional men or not?

Mr. MURPHY. I know what the labor market is for that type of people in that area, and the time in which you would have to get the people would make it rather impractical, I think.

Mr. PIKE. Let me ask this, because I just don't know. Was it essential that the labor market be in that area? Was the work going to be done in that area?

Mr. MURPHY. I assumed they would have done it in that area if they got the contract.

Mr. PIKE. Was it essential that it be done in that area?

Mr. MURPHY. No, sir.

Mr. PIKE. So it did not really matter where the men came from; is that correct?

Mr. MURPHY. If they were capable people; that is correct, sir.

Mr. PIKE. Right. And had you had any experience with prior work which they had done?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Had you found their work to be unsatisfactory?

Mr. MURPHY. In jobs within their capability, I would say that they did good work.

Mr. PIKE. Well, had they done any job which was remotely similar to this job?

Mr. MURPHY. Well, they considered the *Forrestal* job similar, which I did not consider similar.

Mr. HARDY. Let me comment on that right now, Mr. Pike. This really impresses me, Mr. Murphy. I do not profess to be an authority on this matter. I do understand that the specifications in the IFB are virtually identical to the specifications that were on the *Forrestal*. Now, is that correct?

Mr. MURPHY. I think not.

Mr. REDDAN. Do you have a copy before you, sir?

Mr. HARDY. According to my information it is the exact, identical wording in most of it. As to the number of berths to be provided under each contract—if my information is wrong I want it corrected, and I want it accurate, but it is my information that the requirement on this berthing on the *Forrestal* had been 469 for officers, for the *Independence* it was 432; on the *Forrestal*, for chief petty officers it was 275, on the *Independence* it was 302; for the *Forrestal* for enlisted men 4,352, and on the *Independence* 4,448. If you add them up, the percentage of difference is almost negligible. If that is true and the wording of your specification is virtually identical, how you could arrive at such a statement as you just made is absolutely inconceivable to me.

Mr. MURPHY. There was a difference of about approximately 200 in the total berthing.

Mr. PIKE. Out of how many? 200 out of what?

Mr. HARDY. Over 5,000.

Mr. MURPHY. In one case I believe there were approximately 700 berths to be added, in the other case there were approximately 500 to be added.

Mr. PIKE. Total berths to be added, you are talking about?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Not total berths to have available, but total berths to be added?

Mr. MURPHY. That was the job, to add the berthing.

Mr. PIKE. In one case there were 700 to be added; in the other case 500 to be added.

Mr. MURPHY. Approximately.

Mr. PIKE. And I asked you a while back whether this company had done anything, in your experience, remotely similar.

Do you consider in one case a job of adding 500 berths remotely similar to another case of a job adding 700 berths?

Mr. MURPHY. On the *Forrestal* the berthing was added with no consideration for habitability or any of the backup facilities required for the increased berthing. The berths were installed in the ship, and the only thing other than the berthing was if a vent duct was in the way you moved it out of the way; if a light was in the way you moved it out of the way.

Mr. HARDY. I have a hard time getting that from these specifications.

Mr. PIKE. Was that spelled out in the specifications?

Mr. MURPHY. To me—

Mr. PIKE. In the bid documents?

Mr. MURPHY. To me it was.

Mr. PIKE. Was it in the language of the bid documents?

Mr. MURPHY. The language meant that to me, yes.

Mr. PIKE. It was. And can you tell us—this contract was awarded to J. J. Henry. Had they done one of these berthing enlargement operations?

Mr. MURPHY. Not to my knowledge.

Mr. PIKE. So they had never done one?

Mr. MURPHY. The berthing itself is not a complicated engineering job.

In addition to the berthing on the *Independence* we had the distilling plant, we had associated air conditioning, ventilation, storerooms—

Mr. PIKE. What was done with the distilling plant on the *Independence*?

Mr. MURPHY. We added a new 100,000-gallon-per-day distilling plant.

Mr. PIKE. Would you give us the language of the specification which required the adding of a new 100,000-gallon-a-day distilling plant?

Mr. MURPHY. I believe you have my copy.

Mr. PIKE. I don't. Maybe somebody else has.

Mr. HARDY. Is this it?

Mr. MURPHY. No; it had more than one sheet.

Mr. HARDY. I don't know what we are talking about.

Mr. PIKE. The 100,000-gallon-per-day distilling plant specifications.

Would you read to us the language in the specification which required the adding of a 100,000-gallon-per-day distilling plant, Mr. Murphy?

Mr. MURPHY. Under the scope of work section it says:

“Water-making facilities.”

Mr. PIKE. What does it say about water-making facilities?

Mr. MURPHY. “Investigation and determination of feasible locations” and so forth, and “including water-making facilities.”

Mr. PIKE. It says “investigation and determination of feasible locations,” is that correct?

Mr. MURPHY. This contract was in two phases; one, a study phase, and—

Mr. PIKE. I understand that.

Mr. MURPHY. I was looking for the—

Mr. PIKE. So in the study phase you are going to look for a place to put it.

Mr. MURPHY. I don't have the complete specs.

Mr. PIKE. Doesn't the language say “Consideration will be given to approaches such as the utilization of available voids for new living compartments; conversion of staterooms to officer bunkrooms; replacement of existing pipe berths for enlisted personnel with berths having lockers under, where numbers can be gained; and elimination of nonstructural bulkheads separating crew living spaces, when better arrangement and increased numbers will be gained. It has been suggested that one additional 100,000-gallon-per-day flash evaporator be installed in the engineers' storeroom in No. 2 auxiliary engine room.”

Is that what you are talking about, as far as language is concerned?

Mr. MURPHY. Apparently that suggests the location.

Mr. PIKE. What else is there in the whole document on which these people were bidding which required the installation of a 100,000-gallon-per-day distilling plant?

Mr. MURPHY. In that wording, nothing, apparently.

Mr. PIKE. Nothing. That is the answer, "Nothing"; and it shouldn't be that hard to get it out of you.

Mr. MURPHY. But there was no question that eventually the 100,000-gallon-per-day distilling plant was installed.

Mr. PIKE. But you are telling me that you disqualified a company on the basis of their nonability to perform—in your opinion—a specification that you did not even write into the bid.

Mr. MURPHY. We had an estimated total man-days requirement of 3,040, I believe it was.

Mr. PIKE. 3,040?

Mr. MURPHY. I believe that was the total estimate, or 3,050 man-days, and 80 percent was estimated would be working plans—

Mr. HARDY. Before you get through I think you ought to explore how they arrived at this figure, Mr. Pike. Maybe their estimate of man-days is way excessive.

Mr. PIKE. How much of your estimate of man-days was devoted to installing this 100,000-gallon-per-day distilling plant?

Mr. MURPHY. I cannot say on this specific job. On a similar job we estimated approximately 200 man-days.

Mr. PIKE. Do you know whether Coast Engineering has ever installed a distilling plant?

Mr. MURPHY. Not to my knowledge.

Mr. PIKE. Did you ask them?

Mr. MURPHY. No, sir.

Mr. PIKE. Don't you think it may have been useful to ask them?

Mr. MURPHY. The point I am trying to make is that they did not have the number of personnel available to expend that many man-days within the time required when the contract was let.

Mr. PIKE. Did you ask them whether they had the number of man-days available?

Mr. MURPHY. No, sir. But I had a list of their people, or number of people.

Mr. PIKE. Don't you think, really, when you throw out a low bid you have some obligation to talk to the low bidder about their capability to perform a contract? I don't believe they wanted to take on a contract on which they would lose their shirts. I don't believe anybody wants to take on a contract on which they are going to take a shellacking. But don't you think you have some obligation to the taxpayers to at least discuss with the low bidder their capability of performing the contract?

Mr. MURPHY. Well, I think if you lack information you should, yes, sir.

Mr. PIKE. Well, do you—

Mr. MURPHY. That is—

Mr. PIKE. How you can say "if you lack information," on the assumption that you had it all, when you are talking about a distillation plant, then you admit there is nothing in the specifications that requires a distillation plant? I just don't think you are being honest either with the other company or with us.

Mr. MURPHY. I am certainly trying to be honest.

Mr. PIRNIE. Would the gentleman yield? I have one question along the line you are pursuing.

Mr. PIKE. I am through. I have talked too long.

Mr. PIRNIE. How about this work on the *Forrestal*? Were you aware they had done that work?

Mr. MURPHY. Yes, sir.

Mr. PIRNIE. You did not think that gave them any background of experience against which they could make an intelligent bid?

Mr. MURPHY. In my mind they were two quite completely different jobs.

Mr. PIRNIE. Now, just a minute. There is nothing so very serious about this type of work.

Mr. MURPHY. About the berthing alone——

Mr. PIRNIE. Any competent company could certainly perform work of the type included in these specifications; isn't that true, Mr. Murphy?

Mr. MURPHY. It takes pretty competent people.

Mr. PIRNIE. They were competent enough to do it on the *Forrestal*.

Mr. MURPHY. The point I am trying to make is that the work done on the *Forrestal* was quite completely different from the work on the *Independence*.

Mr. PIRNIE. They did it on time, did they not?

Mr. MURPHY. The *Forrestal* on time? Yes, sir.

Mr. PIRNIE. You did not know of any criticism of their work?

Mr. MURPHY. We contributed quite a bit of manpower to the *Forrestal* job, I understand.

Mr. PIRNIE. Just a minute. Was there any criticism of their performance of that contract?

Mr. MURPHY. The job was completed satisfactorily.

Mr. PIRNIE. Can't you answer a simple question?

The trouble with you is you don't convey to this committee the idea that you want to answer questions in a forthright manner.

Mr. MURPHY. I certainly do.

Mr. PIRNIE. Then answer my question. Was there any criticism of that performance?

Mr. MURPHY. No, sir.

Mr. PIRNIE. Then if a company that has a record satisfactory to the Navy files a bid which shows a substantial saving to the taxpayers of this country, on a job that is reasonably comparable, do you not feel you had an obligation to entertain that bid?

Mr. MURPHY. But I say the job done on the *Independence* was considerably——

Mr. PIRNIE. Answer my question. What was wrong with my assumption of fact?

Mr. MURPHY. If the conditions you stated were present——under the conditions you state I agree 100 percent.

Mr. PIRNIE. You are telling this committee that you think the differences here in the specifications were so wide of the mark that it justified you in disqualifying them?

Mr. MURPHY. Yes, sir.

Mr. PIRNIE. Yet the language is the same.

Mr. HARDY. Actually, Mr. Murphy, we have compared those two documents, and the language is so nearly identical, the wording is

identical with the exception of a few additions about this suggestion of a distilling plant. There is such a little difference in the bid forms that honestly I don't know how you can base anything on the difference in the scope of the work to be performed.

There is one other thing that really impresses me about this: You point out there had been an estimate of 3,050 man-days required for this job; this was the shipyard estimate. Do you know what the shipyard estimate was for the work on the *Forrestal*?

Mr. MURPHY. I do not recall offhand. I could not say offhand.

Mr. HARDY. Do you know the relationship between the man-days required by Coast Engineering to perform that job and the shipyard's estimate?

Mr. MURPHY. In dollars I do, sir.

Mr. HARDY. How much difference?

Mr. MURPHY. Sixty thousand dollars estimate on our part, I believe, and I believe it was done for approximately \$30,000.

Mr. HARDY. Pretty good performance, wasn't it?

Do you know what the difference was on man-days?

Mr. MURPHY. Man-days I do not, sir, on the *Forrestal*.

Mr. HARDY. On the basis of the relationship between your estimate of cost and their performance, I would say that you were 50 percent high in your estimates of time required on that; and if you were 50 percent high on this one you were way out of line.

Mr. MURPHY. If that were the case that is true.

Mr. HARDY. Did you make any examination to find out? Or did you just guess? Did you say, "Here is a bunch of people. We have some feeling for the Henry people up here. We know they can do it. They are our friends. We will let them bid"? Did any of that enter into this thing?

Mr. MURPHY. No, sir.

Mr. HARDY. Has there been a postaudit of this made? Admiral Brown?

#### TESTIMONY OF ADM. J. A. BROWN, COMMANDING OFFICER, NORFOLK NAVAL SHIPYARD

Admiral BROWN. No, sir.

Mr. HARDY. By golly, if you have not made one, somebody is going to make one pretty fast. This job has been completed. Has it been paid for?

Admiral BROWN. I assume it has. Has it not?

Commander STEPHENS. All but the 15 percent withheld on the fee, at the moment.

Mr. HARDY. How much did you pay?

Commander STEPHENS. 29,479 man-hours, value \$201,180.

Mr. HARDY. \$201,000. And if the same people made the estimate of the man-days on this job as on the *Forrestal*, whoever is responsible for the man-days of this contract ought to be proud of spending more Government money than ought to have been spent. This is about as silly a one as I have run across in a long time.

I didn't intend to get into this argument. I meant to let the members of the committee do it. But I get sicker and sicker of it, to tell you the truth, the more I see of it.

Mr. PIRNIE. Just one point that I did not finish, Mr. Chairman, then I am through.

Mr. Murphy, I cannot understand just what is your reluctance against entering into a frank discussion of this contract.

Mr. MURPHY. None at all, sir.

Mr. PIRNIE. You have had an attitude since you took the stand—that is what brought me into it—of not wanting to answer these questions. Even now you do not seem concerned over what Mr. Hardy has pointed out as the loss to the Government in performance of this contract.

In view of the performance on the *Forrestal*, and the fact they there demonstrated the man-hour estimate was in error, why did you not show some interest in the reconciliation of their man-hour proposal here?

Mr. MURPHY. There was considerable time spent on the estimate for the *Independence*, I know.

Mr. HARDY. I have a sheet here on the man-hour estimate. We are going to get testimony on that in a minute.

Mr. PIRNIE. You notice, Mr. Chairman, he did not answer my question. He has not answered many of them.

Mr. MURPHY. I made my best effort to answer to the best of my ability.

Mr. HARDY. I don't want to attribute to anybody ill faith in this matter, but it appears to me like stupidity or carelessness, one or the other, and I don't know which.

Mr. PIRNIE. Mr. Murphy, did you ever look at the bid submitted by Coast Engineering before you determined that they were not qualified?

Mr. MURPHY. I knew what their estimate was, that is all.

Mr. PIKE. All you knew was their price, and you knew it was roughly half that of the other bidders?

Mr. MURPHY. Yes, sir.

Mr. HARDY. I will have to interrupt you there, Mr. Murphy. That is not consistent with what has been said already. You testified that you discussed with Commander Venning the removal of Coast's name, and you determined they were not qualified before they even bid.

Mr. PIKE. Now we are back in that confusing time frame.

Mr. PIRNIE. Do you want to clear that one up, Captain?

Mr. HARDY. He made the determination before he even—he wasn't going to let them bid.

He said in the beginning: "They are not qualified to bid. They did a good job on the *Forrestal* but we are not going to let them bid on this one."

Mr. PIKE. You had not looked at this bid proposal, but you knew their price. Is that it?

Mr. MURPHY. I knew how their man-day estimate compared with ours based on the price.

Mr. PIKE. At that time, did you know how their man-day estimate on the other job had compared with your estimate?

Mr. MURPHY. I believe not.

Mr. PIKE. Had the other job been completed?

Mr. MURPHY. Yes, sir.

Mr. PIKE. Didn't you think it might be useful to determine how their man-day estimate on the other job compared to your man-day estimate on the other job?

Mr. MURPHY. Well, in my opinion, I will say again, the two jobs were not the same.

Mr. PIKE. I don't say they were exactly the same. But without looking at this bid, you don't even know whether they recognized the difference or not.

Mr. MURPHY. By a man-day estimate, I think you can recognize the difference.

Mr. PIKE. Your man-day estimate was wrong on the other job, and their man-day estimate was right on the other job. Isn't that correct?

Mr. MURPHY. It would appear that way.

Mr. PIKE. This is why Mr. Pirnie gets angry, when it is a simple "yes or no" and you come out with an "It would appear that way."

Mr. MURPHY. You can get two people, say, to do the same engineering type of work, and the quality you get might be considerably different.

Mr. PIKE. Oh, but nobody objected to the quality on the other job. You are trying now to dance around on the head of the pin with man-day estimates. And the job was completed, the other job was completed. You did not bother to check out their man-day estimates compared with your man-day estimates. There was not any objection to the job. You did not look at their bid, you did not even bother to see whether they talked about differences between this job and the other job—which they did, by the way—yet, you determined they were not qualified. Is that the case?

Mr. MURPHY. I say the two jobs are not the same.

Mr. PIKE. I say that the two jobs were not the same, too, Mr. Murphy, and so did they say the two jobs were not the same. So why wouldn't you look at their bid before you determined they were unqualified?

Mr. MURPHY. We had the price of their bid.

Mr. PIKE. Of course you did. And you had the price of their bid on the other one. Did you not think they had underestimated their bid substantially on the other one?

Mr. MURPHY. Yes.

Mr. PIKE. Why didn't you take that one away from them, too?

Mr. MURPHY. To just install berths on a ship is not a difficult job. When J. J. Henry was doing the *Independence* job, we also were doing some 50-odd ship alterations on the ship at the same time, and there had to be correlation on space utilization between—

Mr. PIKE. Mr. Murphy, if doing the berthing job on the *Forrestal* was such a simple job, how did your people estimate it 100 percent wrong?

Mr. MURPHY. I cannot explain that.

Mr. PIKE. That is all.

Mr. HARDY. Anything further? Are you through with both of these witnesses?

Mr. REDDAN. For the time being.

Oh, Mr. Johnson, did you prepare this sheet that I have right here in front of me?

Mr. JOHNSON. This appears to be my writing; yes, sir.

Mr. REDDAN. All right. Do you want to take that, sir.

Would you identify the sheet and tell us what that is?

Mr. JOHNSON. This is a listing by Codes in Design Division of the codes involved in the work on the *Independence* and a man-day estimate for each code involved in the work.

Mr. REDDAN. When was that prepared, sir?

Mr. JOHNSON. Frankly, I do not recall preparing it. But it must have been prepared before the—what was the date? The 11th of October.

Mr. REDDAN. Why would you have prepared it?

Mr. JOHNSON. I would have prepared this in order to affix—I would have prepared this list just in order to get a total man-day estimate for the work in order to have come up with a dollar figure to put on the material request.

Mr. REDDAN. That is basic, then, to the yard's estimate of how many man-days it was going to take and what the job was going to cost; is that right?

Mr. JOHNSON. That is correct.

Mr. REDDAN. Where did you get the information contained on that list, Mr. JOHNSON?

Mr. JOHNSON. From the Design Division type desk.

Mr. REDDAN. That would be whom, sir?

Mr. JOHNSON. You mean the individual?

Mr. REDDAN. Yes, sir.

Mr. JOHNSON. It would have been any one of three people.

Mr. REDDAN. Was it Mr. Summerell?

Mr. JOHNSON. No, sir, because he does not work on the type desk in the Design—

Mr. REDDAN. Did he have anything to do with the cost estimates?

Mr. JOHNSON. Mr. Summerell was involved in making the original cost estimates for the ship alt, Ship Alt 1746, and he was subsequently involved in making an investigation of the additional scope of the work, as outlined in Commander Bond's memorandum, as a result of a conference at NAVSHIP, and my recollection is that the scope of the work was increased, and Mr. Summerell reviewed it, and he was involved in making a statement concerning the increased man-day estimate.

Mr. REDDAN. From where did you get your information?

Mr. JOHNSON. I got this information from the Design Division type desk.

Mr. REDDAN. Tell us the process. How do you arrive at these figures?

Mr. JOHNSON. The type desk—

Mr. REDDAN. When you say "type desk," what do you mean?

Mr. JOHNSON. There are four type desks in the Design Division in the Work Coordination Code. These type desks have various types of ships assigned to them. They have the responsibility for issuing the work to the sections and generally overseeing the workload in the Design Division. They have one general engineer, two technical coordinators, and a clerk.

To the best of my recollection I copied this information from the statistical card which is maintained by the type desk from Ship Alt 1746, and I actually doubled the estimates, as I had been informed by Mr. Summerell that the scope of the work had increased double. And I don't—

Mr. HARDY. That is very interesting information. Your type desk had come up with estimates on the labor required, man-days required, is that it?

Mr. JOHNSON. On the ship alt.

Mr. HARDY. You are getting into terms that I do not fully understand. What do you mean by "ship alt"?

Mr. JOHNSON. Ship alteration. This job started out to be a ship alteration. There was a job issued to Design Division as I recall, to perform a ship alt, which was berthing accommodations, I think is the brief of the ship alt.

Mr. HARDY. That is a form you use, is that right?

Mr. JOHNSON. The ship alt?

Mr. HARDY. Yes.

Mr. JOHNSON. It describes the work to be done.

Mr. HARDY. But it is a form that is filled in with this information on it, is that right?

Mr. JOHNSON. Yes, sir.

Mr. HARDY. And it was that document that contained the additional estimates of the time required?

Mr. JOHNSON. No, this was a statistical card that is maintained by the type desk.

Mr. HARDY. What has that to do with the man-days?

Mr. JOHNSON. When they issue a job to the sections they put on the statistical card the number of man-days they issue to each section.

Mr. HARDY. Who made the determination of the number of man-days that would be required?

Mr. JOHNSON. On the original ship alt? I was told they were made by the Technical Codes in Design Division.

Mr. HARDY. You don't know other than that; the ship alt came through with those figures on it, is that correct? And you took those figures and doubled them, and this became, then—you don't know, actually, what you may have had. Maybe you should have required only 1,500 instead of 3,000 man-days.

Actually the document that you have before you called for a little over 1,500 man-days, did it not?

Mr. JOHNSON. For the original ship alt I believe that is correct.

Mr. HARDY. What was the change between the original and the final one?

Mr. JOHNSON. Well, —

Mr. HARDY. Was there a new one issued?

Mr. JOHNSON. There is someone here that is much better qualified to answer that than I am.

Mr. HARDY. Did you see a new one that had these man-days doubled on it?

Mr. JOHNSON. No, sir. I doubled the man-days myself.

Mr. HARDY. On instructions from Mr. Summerell?

Mr. JOHNSON. That is right.

Mr. HARDY. But you had no knowledge of any specific increase in the scope of the work that made that necessary? Isn't that right? This was not your job, isn't that right?

Mr. JOHNSON. That is not my job.

Mr. GUBSER. He just did multiplication.

Mr. HARDY. You just multiplied it by two?

Mr. JOHNSON. That is right.

Mr. HARDY. You knew Ship Engineering was going to divide it by two.

Mr. REDDAN. You say you did this at Mr. Summerell's direction?

Mr. JOHNSON. Yes.

Mr. REDDAN. Mr. Summerell, would you come up, please?

Can you throw any light on the process you went through to arrive at the man-hours that would be required on this *Independence* job?

**TESTIMONY OF BILLY S. SUMMERELL, DESIGN DIVISION, NORFOLK NAVAL SHIPYARD**

Mr. SUMMERELL. Yes, sir.

Mr. REDDAN. What sort of records do you have, sir, that relate to the establishment, or show how you arrived at these computations?

Mr. SUMMERELL. We do not keep records in our immediate branch of how we arrived at them. We have a method we use.

Mr. REDDAN. Are the records kept anywhere?

Mr. SUMMERELL. These are probably kept at the type desk.

Mr. REDDAN. Where would the records be to show how you arrived at the figures on the *Independence*?

Mr. SUMMERELL. There are no records. We can explain.

Mr. REDDAN. Where would the records be to show how you did it?

Mr. SUMMERELL. Man-day estimates, at the coordinating type desk.

Mr. REDDAN. Do you know that, or do you just say they should be there?

Mr. SUMMERELL. They should be there.

Mr. REDDAN. We have asked everyone down there for any records that would show how these figures were arrived at. We have been told that the only thing that exists is that little scrap of paper Mr. Johnson prepared in his handwriting, undated, unsigned. This is the only record in either the shipyard or supply center, as far as we can find. Perhaps somebody knows. I don't know. Do you know where there are any records?

Mr. SUMMERELL. I am not aware of the records.

Mr. HARDY. Unfortunately, I don't believe they asked the Admiral, and I don't know whether they asked Captain Field. But we had our people down there trying to find those documents, something to support this computation of time; and now we are told that it ought to be somewhere. To the best of our knowledge it does not exist anywhere in the shipyard.

Mr. REDDAN. Can you tell us how these figures were arrived at? Why did you tell Mr. Johnson to double the 1,500 that he had before him?

Mr. SUMMERELL. The branch in which I work is responsible for the arrangement work. This is the branch required to determine the compartmentation and the living facilities which go into the spaces. We do not in this branch make determinations on the ventilation, the piping, the machinery. These are handled by other technical branches.

When we are beginning a job of this nature we first are given a list of all the jobs on which we are to develop designs. The first thing we do is to take them one by one, this berthing job is one of them—

Mr. REDDAN. Will you tell us what you did in this case?

Mr. SUMMERELL. Yes, sir. On receiving the job listed as Ship Alt 1746 we evaluated it, put engineers on the job looking first into presence of drawings for existing living spaces.

Mr. REDDAN. Did they make a written record of their recommendations, findings and conclusions?

Mr. SUMMERELL. Each man who is working on the job uses his own memo pad for these notations, to come up with our total estimate.

Mr. REDDAN. Then what does he do with those?

Mr. SUMMERELL. These are turned in to the supervisor, who has more or less surveyed his work as he is going along. He advises in questions about whether he can move a storeroom or take out a structural bulkhead, things of that nature, in order to enlarge a space. These conclusions are put together by the supervisor, which gives him a total review of man-days that his group will require for doing the design work.

The total figure for our particular technical branch is normally phoned to or given in person-to-person contact to the type desk representative. He, in turn, gets a similar figure from the other technical codes. During this process we collaborate with the other technical codes. They may come over and say, "I must put in certain types of machinery here"—in this case a distilling plant—"and we would like to have you move existing equipment out of this space." This may mean there are storerooms we must consider, to be relocated elsewhere on the ship. This necessitates additional drawings required for certain types of storerooms. My part to this is adding more to my estimated figure. Simultaneously he, from the other technical branch, is reporting to the type desk the requirement he would need.

Mr. HARDY. Did you go through this same procedure on the *Forrestal*?

Mr. SUMMERELL. Yes, sir; in a much briefer manner. The best I recall on the *Forrestal* we had something like 3 man-days allotted for us to make a proposal. Three man-days means one man working 3 days. I would say we probably took 2 to 3 calendar days with several men working on it in order to evaluate what was required—

Mr. HARDY. And you are saying that you did a lousy job of estimating on the *Forrestal* and a good one on the *Independence*?

Mr. SUMMERELL. No, sir; I did not say that.

Mr. HARDY. Certainly you cannot brag about what you did on the *Forrestal*. You were 50 percent off. Maybe I can put it the other way and I can say you estimated 100 percent too high.

Mr. SUMMERELL. There are many areas involved, many codes. I do not at this point know what our particular branch or any particular branch added to it.

Mr. HARDY. I can understand that. But what I am trying to gather here is that apparently you are responsible for doubling the estimated man-days on this job. I have a little trouble understanding why your particular responsibility in this makes a 100-percent increase in the man-days required.

Mr. SUMMERELL. Mr. Chairman, I will try to explain this: I did not know how the figure stands in comparison, whether it is double, less or more. As I say—

Mr. HARDY. You were not familiar, then, with what Mr. Johnson was going to say about that?

Mr. SUMMERELL. I was not familiar with the figures, the total figures arrived at from the many branches summed up together.

The total probably went to double what was used on the *Forrestal*, or what was the original basis on the *Independence*—

Mr. HARDY. That is what I would like to compare it with, the original basis.

Mr. SUMMERELL. All right—

Mr. HARDY. Apparently there were 1,525 man-days as the original estimate for the *Independence*. And according to the testimony, on instructions from Mr. Johnson you doubled that and brought it up to 3,050.

Mr. SUMMERELL. My man-day figures are given to the type desk.

Mr. HARDY. But he did not have any detailed figures from you. His testimony was that he doubled everything that the type desk gave him.

Isn't that what you said, Mr. Johnson?

Mr. JOHNSON. Yes, sir. I said that the original estimates that were made on the Ship Alt 1746 were doubled to arrive at the man-day estimate for increased total.

Mr. HARDY. If that demonstrates the kind of detailed planning and determination, Mr. Summerell, that you have just outlined to us, I just am not with it. Because what was done in this case, according to the testimony that we have, was that the original computations that were furnished by the type desk were just simply doubled on your instructions. Now, do you want to tell the committee that you did not do that?

Mr. SUMMERELL. I did not double them for the entire office.

Mr. HARDY. That was the result of it. That is the thing Mr. Murphy has on it, and he said: "On this basis Coast Engineering cannot perform, they cannot possibly do this job."

Mr. SUMMERELL. Mr. Chairman, I will attempt to say why it probably ended up as a doubled figure.

Mr. HARDY. I don't know how you can get into that. Mr. Johnson testified that on instructions from you he doubled every figure that was in the original estimate from the type desk.

Mr. JOHNSON. Mr. Chairman, he did not tell me to double every figure that was in the original—

Mr. HARDY. I understood you to say he did.

Mr. JOHNSON. Well, I beg your pardon. I did not mean to leave that impression.

You recall I mentioned that the scope of the work was increased by a memorandum that Commander Bond issued as a result of a conference he attended in NAVSHIPS? When this was received the scope of the work was increased.

When I was seeking an estimate to put on this particular procurement, I had to have an estimate for the ship alt as well as the increased scope of work. And I was; Mr. Summerell's instructions were that, as I recall, the scope of the work had doubled. Therefore, I took each individual estimate and doubled it. I don't see any difference—

Mr. HARDY. That is really a scientific approach to this problem.

Mr. JOHNSON. You still arrive at the same total.

Mr. PIRNIE. Mr. Chairman.

Was that same process used in the *Forrestal*? Did you have anything to do with that?

Mr. SUMMERELL. Yes, sir.

Mr. PIRNIE. Did you know about the difference there between your estimate and the actual?

Mr. SUMMERELL. No, sir.

Mr. PIRNIE. You never knew anything about the performance on that?

Mr. SUMMERELL. No, sir.

Mr. HARDY. All right.

Anything further, Mr. Pike?

Mr. GUBSER?

Mr. GUBSER. Are there any strained relations which developed with Coast during the performance of the *Forrestal* contract?

Mr. SUMMERELL. Strained relations?

Mr. GUBSER. Yes.

Mr. SUMMERELL. Not to my knowledge.

Mr. GUBSER. I wonder if the gentleman from Coast would respond to the same question.

Mr. KEELING. Pardon me, sir?

Mr. GUBSER. Are there any strained relations that developed between you and the contracting agency during your performance of the *Forrestal* contract?

Mr. KEELING. No, sir, none that I recall.

Mr. GUBSER. In other words, everything was peaceful and happy.

Mr. KEELING. I thought so.

Mr. GUBSER. Did you make a profit on the *Forrestal* job?

Mr. KEELING. Yes, sir.

Mr. HARDY. Anything further?

Gentlemen, Commander Venning, would you come up, please?

Off the record.

(Discussion off the record.)

Mr. HARDY. On the record.

Mr. REDDAN. Commander Venning, would you give the reporter your full name and your address, please?

**TESTIMONY OF COMDR. ELIAS VENNING, JR., LOGISTICS OFFICER,  
STAFF, COMMANDER MINE FORCE, ATLANTIC FLEET**

Commander VENNING. Elias Venning, Jr., 1083 Cottingham Drive, Mount Pleasant, S.C.

Mr. REDDAN. What is your present post?

Commander VENNING. Logistics Officer, Staff, Commander Mine Force, Atlantic Fleet.

Mr. REDDAN. How long have you been in that post?

Commander VENNING. Since July 5, 1967.

Mr. REDDAN. Prior to that time?

Commander VENNING. Prior to that time I was Design Superintendent with the Norfolk Naval Shipyard, sir.

Mr. REDDAN. For what period of time?

Commander VENNING. Approximately 18 months, sir.

Mr. REDDAN. You held that position during the time of the *Independence* matter we are discussing here?

Commander VENNING. I did, sir.

Mr. REDDAN. You have been in the room throughout the proceedings this morning and have heard all the testimony?

Commander VENNING. I did, sir.

Mr. REDDAN. To move things along, I would like to come up to the letter, which is over your signature, of November 1, 1966, addressed to the Commander, Norfolk Naval Shipyard, subject: Design services required for work and study on the U.S.S. *Independence*. Do you have a copy of that?

Commander VENNING. Yes, sir. My copy is addressed to the Commanding Officer, U.S. Naval Supply Center.

Mr. REDDAN. Excuse me. You are right.

Commander VENNING. Yes, sir.

Mr. REDDAN. Did you prepare that letter?

Commander VENNING. I did prepare this letter, sir.

Mr. REDDAN. Did anyone prepare it for you?

Commander VENNING. I prepared this letter with assistance from other persons in the Norfolk Naval Shipyard, sir.

Mr. REDDAN. Are all of the matters covered in that letter matters of which you have firsthand knowledge?

Commander VENNING. They are, sir.

Mr. REDDAN. Perhaps the quickest way would be for you to read that letter into the record, starting with paragraph No. 1.

Commander VENNING (reading):

1. It is recommended that the contract for performance of the berthing study, reference (a), be made to J. J. Henry Co., the second low bidder.

2. Award of the contract to the low bidder is not recommended for the following reasons:

a. The low bidder is not qualified for this task. He does not possess qualifying experience for a task of this nature, and he does not possess the requisite organization necessary for performance of the task in the period required.

b. The low bidder has shown a lack of understanding of the task to be performed by his statement to the effect that it is identical to the work he is now performing on the USS FORRESTAL. The specifications clearly indicate that the task to be performed on the USS INDEPENDENCE is completely different and of much greater scope than the berthing modifications being accomplished on the USS FORRESTAL.

c. The time span in which this work must be accomplished is such as to require a considerable application of high quality manpower. The organization of the low bidder in regard to quality and quantity of manpower in no way compares with that of the other two bidders.

d. The other two bidders made a much more careful and detailed study of the work to be accomplished prior to submission of their bid than did the low bidder. The closeness of the bids of the other two bidders is indicative of their more complete understanding of the work to be accomplished.

e. The other two bids were very close to the estimate made by the Design Division.

(Signed) E. VENNING, Jr.,  
(By Direction).

Mr. REDDAN. Commander, I would like to ask you one or two questions about the various points you have covered there.

You say the bidder was not qualified for the task. How did you arrive at that conclusion?

Commander VENNING. Mr. Reddan, in daily operations in the Design Division we necessarily came into contact with many outside design agencies. This was a fact of life, because we had to get assistance from these people to get the total amount of work done. This being the case it was mandatory that we have some continuing day-to-day feel for what was the capability of any contractor. By that I mean we had to have a knowledge of roughly what was his work force—

Mr. REDDAN. Particularly this contractor?

Commander VENNING. Definitely so, sir.

May I finish what I was going to say?

Mr. REDDAN. Yes.

Commander VENNING. We had to have a feeling for the magnitude of the man's work force, and some feel for the technical background and experience of those men assigned to the job. This is something we kept on a continuing basis.

We had a feel for the work force and the background of the Coast Engineering Co., as we did for the other firms that we indicated would be considered for this particular job.

Mr. HARDY. I think I better interrupt here.

We are not going to be able to complete before lunch. Mr. Pirnie has had to leave. Mr. Pike has had to leave. I think it will not take us very long after lunch, but I believe we better recess and return at 2 o'clock.

(Whereupon, at 12:05 p.m., a recess was taken until 2 p.m. of the same day.)

#### AFTERNOON SESSION

Mr. HARDY. Let the committee come to order.

Mr. Reddan, try to pick up where you left off.

Mr. REDDAN. Do you recall where you were in your testimony?

Commander VENNING. Yes, sir; I recall. Any time you are ready.

Mr. REDDAN. You go ahead.

Commander VENNING. I was telling you along these lines: In our normal everyday dealings we come in contact with numbers of design contractors, and as a matter of experience we get to the point that we know the background of the companies we are dealing with; we have a feel for their staffs. We have a feel for the professional competence of the people with whom we are dealing; we particularly have knowledge of their academic background, their numbers of graduate engineers, and the field in which those engineers have done their studies and gained experience. If we do not have knowledge of this we can't really make a fair assessment of a company.

Mr. HARDY. I am not sure you can anyway, based on this performance, Commander. I am quite disturbed as to whether or not you have the competence to make a fair assessment. The way this has gone on now, I am bothered about it. For you to sit there and tell us you have a "feel" for it, that gives you, on just the basis of your own opinion and your own judgment, a basis to disqualify anybody you might see fit to disqualify. I don't think the U.S. Government is supposed to operate that way. It is very amazing to me for a commander in the U.S. Navy to sit before this committee and tell me he has a "feel" for the competence of people out there and can discriminate at will against any company in the United States. Commander, this is astonishing, to me.

And, Admiral, let me say this to you: If you permit this to go on in your organization I think, by golly, we better take a further look at the whole operation of the Navy shipyards; not just yours, but all of them.

Admiral BROWN. We do have experience with design services, for many years, Mr. Chairman.

Mr. HARDY. I don't doubt it. But you cannot, to save your life, discriminate on the basis of an opinion against any company in the United States that thinks it has the competence to perform.

Admiral BROWN. I think——

Mr. PIRNIE. May I ask the Admiral a question?

Are you addressing your remarks to your knowledge of this particular case, Admiral?

Admiral BROWN. Uh—yes. I will say “Yes.”

Mr. PIRNIE. What is your “feel” for the performance of Coast on the *Forrestal*?

Admiral BROWN. It was adequate; yes, sir.

Mr. PIRNIE. Then this company did not stand in a very low status, did it?

Admiral BROWN. The company——

Mr. PIRNIE. Answer the question.

Admiral BROWN. Would you repeat the question, sir?

Mr. PIRNIE. In view of its performance on the *Forrestal*, this company did not have a very low status, did it?

Admiral BROWN. No.

Mr. PIRNIE. Well, your specifications were substantially the same. According to the testimony here, there were very few words that were different.

Admiral BROWN. That is true, sir.

Mr. PIRNIE. Then do you think you can arbitrarily, because of a “feel,” eliminate from competition a company that had shown on the *Forrestal* that it could bid low and do the work properly and was bidding low here to the extent of \$100,000?

Admiral BROWN. I think——

Mr. PIRNIE. Is that your standard operation?

Admiral BROWN. I think in this area we must, sir, make a decision that we feel is the best judgment possible in the best interests of the Navy.

Mr. PIRNIE. May I ask a question, Admiral? Are you just trying to defend this, or are you trying to give this committee an estimate of what you think is the correct approach?

Admiral BROWN. I am trying to give you the idea of what I think is the correct approach.

Mr. PIRNIE. Would you do it again? Answer that question.

Admiral BROWN. Yes, sir.

Mr. PIRNIE. This would still represent your best judgment, in view of the testimony that we have had here that this company performed the work on the *Forrestal*, did its work properly, and made a profit, and you would foreclose it without comparing the approach they had, their personnel, and how they intended to perform this job? You would still rule out another company under the same circumstances? Is that what you want the committee to understand?

Admiral BROWN. I would add one thing.

Mr. PIRNIE. Is that what you want the committee to understand?

Admiral BROWN. I would like to have consulted with the contractor before we made the award. I still feel we made the right decision and that Coast Engineering could not have done the job in the time allowed.

Mr. HARDY. You have no basis in the world for that statement, because you did not make any effort to find out. I think this is acknowledged.

But the thing that really disturbs me about the commander’s statement here, if anybody who wears three stripes in the Navy can

make this decision no new company could ever get in the field, because he has not had any experience and nobody is going to make an evaluation of him.

Captain, I don't know whether you have something to say on this or not. I am willing to hear the whole thing right on out. To me this is an amazing performance.

Mr. PIRNIE. I have one more question for the Admiral, Mr. Chairman.

Then if this committee believes this is not the correct way to operate, in order to solve the situation we have to write something into law that will prevent such things as this happening? It is not going to be remedied through the application of judgment in light of this experience?

Admiral BROWN. Sir, I repeat, I think we made the right decision.

Mr. HARDY. You just got a horseback judgment, and you don't have a blessed thing to back it up. You and I have been through this kind of thing before. This disturbs me about it. This is a horseback opinion you have formed, but you have not a blessed thing to support it except a hunch.

Admiral BROWN. We know how many people have been employed in Coast Engineering; we know how many of them, approximately, have degrees. We know what kind of jobs they have done in the past. This is more than a hunch; this is more than just a feeling. This is knowledge and experience.

Mr. HARDY. There are very few architectural firms in this country that can do a lot of these big jobs—I am talking about architects-engineers, now—without going out and getting help to do it. You know as well as I do that on practically every construction job of any size that goes on anywhere you have more than one architect-engineer involved on the thing. And they bring in others to assist. You have the same thing on every major construction job in the world that we contract for, because not one of them, usually, has the total competence to perform the whole thing. But here is a situation where you sit back on the basis of a hunch—and that is about all it is—and a knowledge of the organic people that are employed in this company—and that is all you had, you did not make any effort whatever to find out whether or not they had other people that they had already made a basis for contracting with, for joining them. I don't know whether they could have or not. My point is, you did not even try.

I think it is a reprehensible performance.

Commander VENNING. Mr. Chairman—

Mr. HARDY. I will let the Commander say anything he wants to say. But I don't think he can defend it.

Commander VENNING. We, as a continuing matter, have communications with all the various companies who did design work for us in an attempt to keep ourselves abreast of what their staffs consisted of and the backgrounds of these staffs. We had this with Mr. Keeling in Coast Engineering as well as any other company.

In my—

Mr. HARDY. In your judgment, in your opinion.

Commander VENNING. This was not a hunch on my part.

May I ask that the record show my background is that of a graduate engineer. I am a graduate of the Massachusetts Institute of Technology. I have spent 7 continuous years in design work, ship design,

and prior to that I spent 3 years in propeller design. So I have some feel for design work.

Mr. HARDY. Commander, I would not want to downgrade your background or competence one bit. But I am not a bit sure I can rely on your judgment, and you have not given me anything to support it.

One of your approved companies was New York Ship. Did New York Ship ever perform a contract of this kind for Norfolk?

Commander VENNING. Not to my knowledge, sir.

Mr. HARDY. No, and not to my knowledge, either. But you had a feel for them, you knew they could do it. You have the engineering competence to make that judgment? I am not a bit sure that you have, Commander.

Commander VENNING. This word feel refers to a knowledge of the staff these firms would have.

Mr. HARDY. What personal knowledge do you have of the people employed in New York Ship, in this particular area?

Commanding VENNING. I have nothing here to present.

Mr. HARDY. But you approved it.

Commander VENNING. I did, sir.

Mr. PIRNIE. And disapproved the other, despite the fact they had done the job on the *Forrestal*.

Commander VENNING. They had done a smaller job on the *Forrestal*.

Mr. PIRNIE. They did a pretty good sized job; it was pretty comparable to this.

Commander VENNING. I am sorry, sir; in my opinion it was a smaller job than the one we were attempting to get done for us.

Mr. PIRNIE. It was in the same area, because you had the same specifications.

Commander VENNING. I am not disagreeing. The specifications do not indicate the difference that existed. I cannot argue that. The documents that exist beyond a doubt show that, Mr. Pirnie.

Mr. HARDY. In that connection, let me say this: If you made award of a job on a basis of something different from the specifications that were issued then you should have withdrawn the original specifications and issued new ones. Isn't that a normal procedure? I thought it was in procurement. If the specifications you issued for this job were not the proper specifications, how could you award the job on them?

Commander VENNING. My only reply, Mr. Hardy, can be that at that time I had no knowledge that the specifications were faulty.

Mr. HARDY. Didn't you know what the specifications contained?

Commander VENNING. No, sir, I did not prepare the specifications.

Mr. HARDY. Wasn't it part of your job? If you are going to judge the competence of a contractor to perform specifications and you admit you don't know what the specifications were, Commander, this is getting worse.

Commander VENNING. May I reply to your question, sir?

Mr. HARDY. Please do.

Commander VENNING. In reply to your question, I did not prepare the specifications. I do not review the specifications.

Mr. HARDY. But you judged the competence of a company to perform those specifications.

Commander VENNING. I judged the competency of the company based on the magnitude of the work and the technical nature of the work that had to be done, based on my knowledge of what that company's staff was.

Mr. HARDY. Basing it on your knowledge of what the job was to be done, not on what the specifications called for.

I say this to you: I never heard before of the award of a job on the basis of specifications different from those which were issued, when you had a competitive situation.

I will say this to you further, and I don't know the extent to which the supply center may be involved in this, but to the extent that the contract was awarded on specifications different from those which were actually issued I think it was an illegal contract.

Admiral, I think I will say this to you, because you have a responsibility in this, and if actually you called for performance of specifications different from those in your bid procedure, then I think you were wrong. I am not a bit sure that the contract is legal at all.

Captain, do you want to say something?

Captain FIELD. I don't know as I want to, at this stage. But I think I should say something, yes, sir.

Mr. Chairman, I read the specifications sometime after both contracts had been awarded. I would say that they were sloppy.

The specifications for both the *Forrestal* contract and for the *Independence* contract invoked the general specification for building ships as regards to habitability. This means that you provide the number of square feet, and the amount of air conditioning, the number of washroom facilities, and so forth, per number of men.

The purpose of the *Forrestal* contract—it was a poor set of specifications for it, because that was not the purpose. The purpose of the *Forrestal* contract was to immediately increase the number of berths in the ship without maintaining the habitability standards that go with this. The purpose of the *Independence* contract was to maintain those habitability standards, and because of this it became a sizably bigger job.

Mr. HARDY. Captain, the only thing you are doing, to me, is passing the buck. This is another amazing performance here. I would like to know who was the highest level in your personnel who knew what the specifications were. You did not know; the admiral did not know, and the commander did not know.

Captain FIELD. I cannot answer who it is. Let me say one thing more that I did when I had read the specifications and realized they had been sloppy in the *Forrestal* case: I did talk to the Design Division and request that a program be set up to improve our specification writing so we would not have this problem in the future.

Mr. HARDY. You said they were sloppy in the *Forrestal* case?

Captain FIELD. Yes.

Mr. HARDY. And the same, identical specifications, with a few additions—"suggestions," mind you—were used in the *Independence* case.

Captain FIELD. Getting back to that, Mr. Hardy, I don't have it here, but that "suggestion" applied to the place where the evaporator was to be placed.

Mr. HARDY. We have made a comparison of these specifications. They are word for word identical except for a few additions. And you said the *Forrestal* specification was sloppy, and you said the magnitude of the work on the *Independence* was a lot greater than it was on the *Forrestal*. Then how would you characterize the specifications for the *Independence*?

Captain FIELD. The specification for the *Independence* was much better because it was obligatory and the contractor did make studies

of the ventilation, the air conditioning, the number of washrooms, the square feet, and did maintain, where approved, the habitability standards for ships.

Mr. HARDY. He may have performed a lot of things the specifications did not call for. But I doubt that you will find those things in the specifications exactly as you indicate.

Captain FIELD. The specifications did call for him to maintain them and he did make the studies. Based on the studies he submitted for review and approval, he then drew the plans for the changes made in the *Independence*.

Mr. HARDY. I defy anybody—maybe I better take it back, maybe I don't have the competence to make this observation, and I do not profess competence in engineering. But I have a little everyday commonsense, I know a little something about people, and a little about contract procedure. And this one takes the prize.

Captain FIELD. One other thing I think hasn't been mentioned that I think is of interest to you, Mr. Chairman. Although it has no bearing on those particular things discussed so far, it does bear, I think, on why some of the things were done. This entire process on the *Independence* was done in a very short period of time. We had very little notice of the imposition of the design load. This occurred in early September. On the 29th of September we attended a conference in the Navship System Command at which the amount of design work was virtually doubled. Eventually, it was estimated as double.

Mr. HARDY. It's too bad you can't space things out a little better so you can even off the workload in that shipyard and not have a bunch of people laid off right now because you don't have the money to carry on the load. It is also too bad you can't avoid a situation like you will have after the beginning of the next fiscal year because you can't get work done for us. I hear you are laying off people. It may be the fault of the Navy Department, the Ship System Command, the Norfolk Navy Yard itself. But it looks like there was an awfully poor performance somewhere along the line in this specific contract.

Captain FIELD. If I may continue with a couple of sentences more: With the imposition of work in September, unable to do it in the Design Division within the time allotted, we went out very rapidly with a material request to the Naval Purchasing Office at NSC, and a very prompt response on this was required because the ship was in the Mediterranean. In order to get plans out, it was necessary to get a contract awarded and people on their way to check the ship in the Mediterranean. So there was a very great urgency of time throughout the contracting.

Mr. HARDY. I can appreciate that, but I don't think that is any excuse for this kind of performance, and I don't think it gives a basis on which to qualify a man based on somebody's hunch—and I don't care what you call it, that is all I come up with.

Go ahead, Mr. Gubser. Excuse me.

Mr. GUBSER. Commander, you said something a little while ago that I did not quite get straight, to the effect that you did not know that the specifications were faulty. Could you clarify that and tell me what you said?

Commander VENNING. Referring basically to a hindsight situation, I am saying now we reflect on the situation and make this word-by-word comparison Mr. Hardy has mentioned, and we see on a wording

basis the *Independence* contract was, shall we say, deficient in that regard. That is what I referred to, sir.

Mr. GUBSER. Tell me again, deficient in what regard?

Commander VENNING. In that it was insufficiently specific on the increased scope of work.

Mr. GUBSER. When you made the determination that Coast Engineering was not equal to performing the required job, did you know that the specs were not up to snuff?

Commander VENNING. As I told Mr. Hardy a moment ago, I did not prepare the specs, nor did I review the specifications, so I was not aware that they were, as we now state, deficient, sir.

Mr. GUBSER. In other words, you determined Coast was not capable of performing in a satisfactory manner, without knowing what the specifications were?

Commander VENNING. Mr. Gubser, I had, in effect a staff of assistants starting with Mr. Murphy, and the other gentlemen under him. These were the gentlemen who prepared the specifications and reviewed them. It was not my practice to attempt to check every word of every specification.

Mr. GUBSER. No. But let me put it another way: You do admit to being one of the principals in the decision that Coast was not a qualified bidder?

Commander VENNING. I do. I think I can answer your question—

Mr. GUBSER. On what specifications?

Commander VENNING. There was an obvious assumption on my part. The assumption on my part was that the specifications for the *Independence* were sufficiently specific, where it would have been clear to a contractor that there was additional work to be done. I would cite that the reason for my making this assumption was that we did get two return estimates, or bids, if you like, from two other companies, the man-hour estimates of which were very close to the numbers which had been provided to me as the magnitude of the job.

Mr. HARDY. And you did not realize that those numbers had been exactly doubled, almost without any reason whatever?

Commander VENNING. Mr. Hardy, I was not cognizant of the mechanics by which these numbers were arrived at.

Mr. GUBSER. Just—this is probably in the record already, but right now I would like to pin it down again: What was the difference in the time frame requirement of the *Forrestal* and the *Independence* jobs? What was the difference in elapsed time in which the work had to be done?

Commander VENNING. Mr. Gubser, I am awfully sorry, my memory fails me on this. The *Forrestal* was, as I recall, certainly some months—maybe 10 months—

Captain FIELD. Two months.

Mr. GUBSER. Can Mr. Keeling tell us what the time requirement was? You did the job.

Mr. KEELING. I believe, sir, I can tell you.

Mr. GUBSER. You will be able to tell us what it was for the *Independence*?

Commander VENNING. Yes.

Mr. KEELING. The actual time for performance of the work, Mr. Gubser?

Mr. GUBSER. Yes.

Mr. KEELING. I can give you our estimate of it.

Mr. GUBSER. The captain says he has what he wants.

Captain FIELD. There were two contracts let on the *Forrestal*. The first was a study phase.

Mr. GUBSER. Give me the one that corresponds to what we are talking about. Let's compare apples with apples.

Captain FIELD. Let me find the second one, then. You have to compare the two contracts against a single contract, because *Independence* was a phase 1 and 2.

Mr. GUBSER. OK.

Captain FIELD. The first *Forrestal* contract was effective August 9, 1966, with completion by the 31st of August. That is written in the contract.

Mr. GUBSER. And that was the period of time during which the man-hours called for had to be expended; is that correct?

Captain FIELD. That is right.

Mr. GUBSER. August 9, to—what was the comparable period of time in which the man-hours would have to be expended in case of the *Independence*?

Captain FIELD. In the contract itself, the period was from the date of contract, 2d or 3d of November, whichever it is, and it called for the first phase to be completed by November 18. There is a rather large difference. In order to finish phase 1, the contractor had to go to the Mediterranean and make a ship check. The *Forrestal* was in the naval shipyard and could be walked aboard immediately.

Mr. GUBSER. Could you give us an estimate of what the comparable time period would be, from the time you would reasonably get the *Independence* into dock in the same condition as the *Forrestal* was?

Captain FIELD. You couldn't get it back; it was in the Mediterranean.

Mr. GUBSER. Where was the work to be done?

Captain FIELD. Oh, we are talking of design at the moment, sir, not the physical work.

Mr. GUBSER. How are we going to get a comparison or a benchmark? You must have had a benchmark, because you made the decision that they did not have the capability of performing this job, and they did have the capability of doing the *Forrestal*.

Now, there has to be a benchmark upon which you made that decision. That is what I am trying to find.

Captain FIELD. Let me stay on the first question; let me answer the first question.

There are two critical things upon which Coast Engineering, in my opinion, failed to meet the test.

No. 1, if you compared our own estimate and two other contractors; they were in the same ball park in terms of man-hours. Coast Engineering's was about half as much, I don't think they understood the contract because of our previous sloppy specs on the *Forrestal*. The *Independence* specs were reasonably good. But the previous sloppy specifications on the *Forrestal* would mislead them.

Mr. GUBSER. Let me say right at this point: Does this mean the other two bidders bid on one set of specifications, or an understanding of the specifications, and Coast bid on an entirely separate one?

Captain FIELD. I cannot answer that. I read the specifications for the *Independence*; I know what they called for; I know what the man-hours were. I don't know what the various understandings of the various people were.

Mr. PIRNIE. Would you yield, Mr. Gubser?

Mr. GUBSER. Of course, that understanding would be clearly influenced by the fact one set was sent out to three, then apparently two bidders were told they should double it, apparently the other was not.

Captain FIELD. No, sir; as far as I know, no bidder was told they should double anything.

Mr. HARDY. No, the shipyard itself just doubled the estimates.

Captain FIELD. This was on the basis of a conference in late September, before the contracting occurred, in NAVSHIP. The ship alt estimate was doubled, because we were talking about a different quantity of work to be done on the *Independence*.

Mr. HARDY. Captain, I wish you could fine something to support that.

Mr. PIRNIE. Following Mr. Gubser's question, because he is right on the *Forrestal* and the experience there, did you make a comparison, Captain, between the man-hours that you projected and the man-hours which were bid there?

Captain FIELD. I have later, yes, sir.

Mr. PIRNIE. Did you at that time?

Captain FIELD. I did not at that time. I did not get into the *Forrestal* contract; I did not get involved in the *Forrestal* contract, Mr. Pirnie.

Mr. PIRNIE. But the *Forrestal* contract had occurred before this.

Captain FIELD. That is right.

Mr. PIRNIE. All right. Then it gave you some experience. Did you take advantage of that experience?

Captain FIELD. Did we take advantage of that experience? I am sure we did, Mr. Pirnie. We have more experience, and I am talking of our Design Division, than any other contractor we are talking about. We have 20 years of experience among our people in estimating this type of work.

Mr. PIRNIE. Let's keep right on that great experience you have, and I do not doubt it: But did not your experience find some interest in the fact that in performing on the *Forrestal* that bid was substantially below your estimate of man-hours, yet it was efficiently done? What did that experience tell you?

Captain FIELD. Let me tell you one other thing——

Mr. PIRNIE. Answer that.

Captain FIELD. I will answer if you allow me to tell you one other thing. There were two contracts on the *Forrestal*.

Mr. PIRNIE. That doesn't make any difference.

Captain FIELD. It does.

Mr. PIRNIE. Not in your estimate.

Captain FIELD. It does, in the estimate. Mr. Keeling has since told me that on the first contract they had they substantially over-expended the amount of money they bid.

Mr. PIRNIE. Just let Mr. Keeling——

Was your statement here in error this morning, Mr. Keeling?

Captain FIELD. On the first contract.

Mr. KEELING. I don't remember saying that, sir. What——

Mr. PIRNIE. You made a statement with respect to the performance on the *Forrestal*, that your bid—someone said it was below the estimate that had been made of the required man-hours. We had testimony to that effect this morning.

Mr. KEELING. I think what the captain is talking about was on the first of the two *Forrestal* contracts. I believe \$5,800 was the amount of the contract. We expended, I believe, \$800 more than the amount of the first contract and, as I say, by completing the first contract it assured us of the second one, on which we made a profit of \$10,000.

Mr. PIRNIE. On the estimate of the second one, that is the one we were talking about this morning, you gave the figures. Was it a \$30,000 contract?

Mr. KEELING. As against \$60,000 for their estimate, yes, sir.

Mr. PIRNIE. Captain, that is the point I am addressing myself to.

Captain FIELD. In estimating, you take account of your total estimating experience, no question about it. And a single contract will not throw out your total estimating experience.

Mr. PIRNIE. A single contract with the same party may have suggested something when the specifications were the same for the next. At that stage it certainly should have been a recommendation, should it not?

Captain FIELD. I said before that the specifications were sloppy on the *Forrestal*.

Mr. PIRNIE. I know. I heard that. I am just asking for a fair evaluation of this situation, Captain.

We can get along well if you will recognize that all this committee is after is the procedure that will be followed in the handling of competitive bidding. I don't know this company, and I have never talked with anybody about it. I just came into this situation here today, and I take the testimony as it is given to me here, and I make my evaluation of it. And I have come to the conclusion that what you are doing is defending the action instead of trying to analyze it and see where it was faulty and where it might be improved.

Captain FIELD. Sir, I said before and I will say again: When I read later that these specifications were sloppy I did take the action which was required, which was to try to improve our specification writing so we wouldn't have this kind of problem again.

Mr. PIRNIE. That is the whole question involved here. You had those specifications when the *Forrestal* action was accomplished, and it came out all right.

Admiral BROWN. May I say something?

Captain FIELD. They did not perform the specification the *Forrestal* contract called for. They performed only a part of it, because the spec, the specification itself, was sloppy.

Mr. PIRNIE. You accepted their contract, and the performance, according to the testimony this morning, was satisfactory.

Captain FIELD. I am not saying it was unsatisfactory, sir. I am saying the specification was sloppy; they did not do what the specification called for.

Mr. HARDY. I think actually we have covered that area pretty thoroughly. And honestly, my reaction to the whole thing is getting worse all the time.

I want to comment about one other thing: a question was raised awhile ago, I believe by Mr. Gubser or Mr. Pirnie, about the length of time that was allowed for the *Independence* versus the *Forrestal*. And Captain, you pointed to the urgency that was involved. And I appreciate the urgency of the situation. You pointed out that the contract called for the first phase to be completed by November 18.

Captain FIELD. That is right.

Mr. HARDY. Do you know when that phase was completed?

Captain FIELD. Completion on the 18th was dependent on award of the contract—this is when the specs were written—based on a ship check during the period October 26 to November 21. Because the contract was not awarded until the 2d of November the ship check was not completed until the period November 7-23. It would have been completed earlier but there was a flood in Italy, I forget the name of the city, a great many historical treasures were endangered and the *Independence* changed its operating schedule in the Mediterranean; they were late getting people aboard. But due to the Government not getting the contract out in a timely fashion in order to make the earlier basic ship check, then due to the fact that the *Independence* reacted to a disaster in attempting to help people in Italy, the ship check was completed after the original time we had expected the phase one to be completed. This is not the contractor's fault; it is the Government's fault.

Mr. HARDY. I know that is what you said, but the fact is that phase 1 was completed a long time after it was supposed to have been completed.

Captain FIELD. Phase 1, the final part—it was submitted in more than one piece. It was submitted as it was finished; the final part was submitted on December 19.

Mr. HARDY. If we had had that date a little earlier I would have liked it.

Now, tell us the relationship between the final completion and its schedule?

Captain FIELD. Final completion was initially scheduled in the specification for January 2. That was completion of phase 2.

Mr. HARDY. When was it completed, Captain?

Captain FIELD. It was completed over a period of time from—

Mr. HARDY. Captain, can you give me a date when it was completed? It wasn't completed over a period of time.

Captain FIELD. Yes, sir; it was. There were many parts of it, it was submitted as it was done. They were independent parts. The evaporator was independent of the berthing, for example. It was in April, and it was on the order of 4 to 10 April.

Mr. HARDY. Would you say that the Supply Center is wrong when it makes a definite statement that phase 2, as originally defined, was completed May 2, 1967?

Mr. FIELD. I don't know what the basis of their statement is.

Mr. HARDY. I don't know either. That is a flat statement in a letter signed by S. Stephens, "By Direction"; this is Naval Supply Center.

Captain FIELD. I can't answer.

Mr. HARDY. Director of the Naval Ships Systems Command. Maybe I don't know what he is talking about.

Captain FIELD. Commander Stephens is here.

Mr. HARDY. We are going to ask him in a minute. But it appears to me your dates ought to be a little nearer to his. He doesn't have any problem about saying it was completed in phases. He says it was completed.

Captain FIELD. There are two different things, a technical completion and contractual completion. The final contractual completion is the day the last "i" is dotted, and no question about that, where you have work completed over a period of time, as occurred in this contract. It started in January and was finished, the submission, in early April.

Mr. HARDY. If you get on this point you just made, the final last "i" has been dotted and the last "t" has been crossed, that hasn't been done yet, has it; because you are still holding up some of the money?

Captain FIELD. Not me.

Mr. HARDY. If it has been done, then the statement that you are withholding 15 percent of their fee indicates that somebody is awfully arbitrary with the contractor.

Captain FIELD. I am not qualified to speak in that area. We are not—the shipyard is not the contracting officer, Mr. Chairman. I am not in the contracting part of the naval shipyard. Commander Stephens is the only one who can answer those questions.

Mr. HARDY. You are saying, then, as far as the shipyard is concerned, as far as the Ship Systems Command is concerned, the job is completed and satisfactory, then?

Captain FIELD. That is correct.

Mr. HARDY. Then J. J. Henry Co. is entitled to be paid, and if I were in their place I would be raising Cain.

Captain FIELD. There was another part of the contract that was not completed until the late fall of 1967. This was the furnishing of liaison services during the productive phase of the contract.

Mr. HARDY. Even if that is so, if it was completed in the late fall of 1967, it appears to me somebody is awfully slow taking care of the obligations to the contractor. I am trying to look at this from a fair standpoint across-the-board.

Captain FIELD. Yes, sir. But would you please address that question to Commander Stephens.

Mr. HARDY. We will. But apparently he doesn't know that you think it is complete.

Captain FIELD. I don't know. I don't know what he thinks, sir.

Mr. PIRNIE. Mr. Chairman, just one or two questions.

Mr. HARDY. All right.

Mr. PIRNIE. Captain, I am interested in trying to protect the competitive bidding which we find accomplishes savings for our Government. Aren't you?

Captain FIELD. Yes, sir.

Mr. PIRNIE. Then if there is a competitive bid filed, before anybody is disqualified there should be pretty clear evidence that it is in the interest of the Government; isn't that true?

Captain FIELD. Agreed, sir.

Mr. PIRNIE. Do you feel, that in light of the evidence that you have heard here, that such was the case in disqualifying this company?

Captain FIELD. I believe that one step should have been taken that was not, and that was in accordance with the procurement regulations to discuss with the contractor his submission beforehand.

Mr. PIRNIE. Isn't that a pretty vital one?

Captain FIELD. I think it is a vital one, one that should always be done.

Mr. PIRNIE. Well, at least that would be corrected.

Captain FIELD. I am positive it would, sir—positive.

Mr. PIRNIE. At least we are making some progress. The way this has been defended, saying they would do it again, doesn't look like we are accomplishing anything.

Captain FIELD. Mr. Pirnie, I understand your unhappiness there. I am sure when people say they would to it again—again I am tossing opinions around for someone else—they are saying they would come to the same judgment again, but I am positive they would have talked to Coast Engineering.

Mr. PIRNIE. You might have acquired some additional information, might you not, Captain?

Captain FIELD. We may have, Mr. Pirnie.

Mr. PIRNIE. And you might have saved the Government some money.

Captain FIELD. And we may have given Coast Engineering a new insight into the job that would have made him say, "Whoops, I don't want to do it for that amount."

Mr. PIRNIE. But you did not do that.

Mr. FIELD. We did not.

Mr. PIRNIE. Maybe we can have a more kindly world in the future.

Mr. GUBSER. I hope your technique for writing specs has borne fruit. If you had a situation where you had talked with Coast Engineering and they said "whoops, I wouldn't do it for that," you have got one very poor method of writing specs, I tell you that.

Captain FIELD. I agree with you 100 percent. There is nothing I hate worse than to have a contract where the contractor has underbid. It is painful for everybody involved.

Mr. GUBSER. I have one question that is properly directed to the Admiral, I guess. Maybe it should come at the end of this hearing, but let us ask it now.

Coast Engineering now has protested and rocked the boat, so to speak. Can you give me your personal assurance that you will do everything you can to see that they are not considered as "Peck's Bad Boys" in future negotiations, and that they will be given a fair shake and will not be blacklisted?

Admiral BROWN. I assure you. I know Mr. Keeling quite well, I am very familiar with him; I still consider him a——

Mr. HARDY. It seems to me he did have a little problem collecting money owing to him for a period of time. We had a little problem there, but you shook it loose, didn't you?

Admiral BROWN. Yes, sir; and that won't happen either, Mr. Hardy.

Mr. HARDY. I am going to add this. I will be honest. To me, at that time it looked like discrimination against him because of this particular situation he had brought to my attention.

Admiral BROWN. I am sure it had that appearance. I assure you that is not so.

Mr. HARDY. I am not sure Commander Venning did not have his finger in it. I hope you can dispel my doubts.

Admiral BROWN. It was poor business practice, I assure you, Mr. Chairman. It won't happen again.

Mr. HARDY. Go ahead, Captain. You have a real contribution to make.

Mr. GUBSER. I think Coast Engineering has proven its business abilities.

Captain FIELD. I may take out stock in it, if it is making this kind of profit.

We were worried about the business of whether there has been any ill feeling as a result of this, so we looked at the next 35 contracts that went out for bid. And many of these are relatively small, but these are contracts that are almost in a row, and of the 35 Coast Engineering took 17. So I do not think we were discriminating against them there, sir.

Mr. HARDY. How long did it take you to pay for them?

Mr. PIRNIE. Did their performance suddenly improve?

Captain FIELD. I think you are talking about the *Monrovia* contract. In the *Monrovia* contract, the reason Coast Engineering was not paid was that they had not finished the work. And when we finally sat down and agreed on what was left to finish the problems evaporated. We also told them they could request progress payments if they so desired.

Mr. HARDY. I do not recall the detail of it. But I know this: When this information came in to me I very quickly drew a conclusion that you people in the shipyard were deliberately persecuting him. I don't mind telling you that was the reaction I had to it. I was real glad to see at least the thing was shaken loose. It also made me suspicious as to whether J. J. Henry Co. had an "in" down there and someone wanted to give them the contract.

If the Navy is holding up money they are entitled to, you ought to pay it. You did award the contract to them, even if it may have been illegal. I am not sure it was not illegal. Anyhow, you did it.

Captain FIELD. This has been reviewed. I don't think there is any question in the Ships Systems Command that the contract is legal.

Mr. HARDY. You know, if you didn't have a lawyer to make that kind of ruling for you you ought to get another one.

Captain FIELD. I agree.

Admiral BROWN. May I say something?

Mr. HARDY. You may say anything you want to for the record.

Admiral BROWN. I will probably say too much. In any case, we talked about the quality of the specifications and the fact that the contract performance did not agree with the specs. This was true on the *Forrestal*. The specs required the air conditioning and the habitability and the water, and evaps., if, necessary. But the only thing that was done there was to add the bunks. The job did not live up to the specs.

On the *Independence* we did require these things, we did get them. That is all I wanted to say.

Mr. HARDY. Well, I don't know; I guess I have not learned how to read specs yet.

I just got a note here. I find it very interesting, I had not realized this was going to come in so quickly. We were talking about the number of jobs that Coast Engineering had bid on. I am just advised now that he has not had anything from the yard in almost a year. Maybe I am wrong.

Captain FIELD. I will tell you in a minute.

Mr. HARDY. Mr. Keeling, do you want to say something? Is that wrong?

Mr. KEELING. Yes, sir; I said we had not had one for over a year that amounted to more than a couple of hundred.

Mr. HARDY. Well, you wouldn't call me a liar for misstating a contract by a couple of hundred, would you.

Mr. KEELING. Sir?

Mr. HARDY. You wouldn't call me a liar for misstating a contract for a couple hundred?

Mr. KEELING. Oh, no, sir; I didn't want you to think I made that statement.

I would like to comment on one thing that Admiral Brown said, that we did not perform the entire work required by the specifications, and he cited the ventilation and air conditioning.

We made the study of the ventilation and air conditioning, and discussed that with the Design Section, and they told us not to do it.

Captain FIELD. That is correct.

Admiral BROWN. I agree. You were not supposed to do it. The specs were lousy.

Captain FIELD. We didn't want you to do it.

Admiral BROWN. The specs were lousy.

Mr. KEELING. We made the study of it and could have done it if you had said go ahead with it. We had done the preliminary work and knew what had to be done.

Mr. GUBSER. Is it not nice to know you are now qualified to do \$200 jobs?

Mr. KEELING. I am very pleased.

Mr. PIRNIE. With no questions raised.

Captain FIELD. The biggest job was around \$2,000.

Mr. HARDY. What was that?

Captain FIELD. The biggest job, I think was around—maybe \$2,000.

Mr. HARDY. How long ago was that? May 1967?

Captain FIELD. I will have to look it up, if you want to know.

Mr. HARDY. I would like to know, as long as we are getting onto this point.

Captain FIELD. I can read backwards. It would be—there is one for \$210, \$525, \$998, in June 1967.

Mr. HARDY. You know, if he makes the same percentage on those as he did on the big contract, he wouldn't need any other business.

Captain FIELD. One in June 1967, for \$1,788.

Mr. PIRNIE. Going back to the lieutenant commander again, you accepted—what was it, New York Shipbuilding?

Mr. REDDAN. J. J. Henry.

Mr. HARDY. There was a New York shipbuilding company.

Mr. PIRNIE. I just want the correct name.

Mr. GUBSER. New York Shipbuilding Corp.

Mr. PIRNIE. You accepted that one without knowing very much about them as a qualified bidder; didn't you?

Commander VENNING. No, sir, I did not accept them not knowing anything about them. New York Ship enjoyed an excellent reputation where their design personnel were concerned. I think it is common knowledge that the shipyard, as such, had many difficulties where

productive work was concerned. The fact remained that certainly up to that point in time New York Ship had maintained a highly competent staff of design engineers.

Mr. PIRNIE. But you did not know of their doing any work that was comparable to this?

Captain FIELD. May I offer one, sir?

Mr. PIRNIE. I am talking about what he knew. I think you are pretty well versed, Captain.

Commander VENNING. We had had continuing design relationships with New York Ship. They had—at the moment, Mr. Pirnie, memory fails me.

Mr. PIRNIE. It is not only design relationships, is it? Isn't it performance, too?

Commander VENNING. This is all tied in, sir; quite correct.

Captain FIELD. I can jog his memory real good; *Kitty Hawk*.

Mr. HARDY. That is a good one, a dandy.

Captain FIELD. That is a big design job, the design was fairly good.

Mr. HARDY. The design was fairly good, and the performance was lousy, huh?

Captain FIELD. I cannot comment on production. I was not involved in it.

Mr. HARDY. You brought up that one. If you talk about design and overlook production—I think in your place I would not have mentioned that one.

Mr. PIRNIE. That is why I brought up the question of performance. I thought it was kind of vital, Commander, and I would like to impress upon you, regardless of what you consider to be your field, that there is an element of comparison that can sometimes be made by performance; and when you get a variance of \$100,000 and it is in favor of the Government I believe you ought to investigate that just a little bit. Don't you think so?

Commander VENNING. I cannot dispute that at all, Mr. Pirnie.

Mr. PIRNIE. Will you in the future?

Commander VENNING. Certainly, sir.

Mr. PIRNIE. When you see something like this, let's learn something from it.

Commander VENNING. I would like to cite a few numbers in retrospect. Looking at the *Independence* job, it was our estimate that this would be roughly a 25,000-man-hour job. Now, the estimate that came in from J. J. Henry and New York Ship was also approximately 25,000 man-hours order of magnitude. The Coast Engineering estimate was about 11,200 man-hours. Now, 1 year later, after the contract has all been completed, and everything has been summed up in man-hours used, I will not say that last dot of the contractual "i," but man-hours used, it turns out the J. J. Henry people actually used 29,479.39 man-hours of work. That appears to be certainly relatively close to the original estimate of about 25,000 that we characterized the job as being.

Mr. HARDY. Do you have anything with which to measure the efficiency in all of this?

Mr. PIRNIE. That is the important thing. It is not the number of hours you put in. Some people know how to direct their labors and perform the task. That is why there is a big variance in building contracts, many times. We find there is a very substantial amount that

can be saved on these items. And this committee has done some investigating on this subject. Therefore, when we pinpoint an item like this, we are not trying to be harsh to those who are involved. We are trying to see whether or not hindsight can improve foresight.

Commander VENNING. Yes, sir.

Mr. PIRNIE. Do you get the angle to which we are proceeding? I think if you do, everybody would get along a lot better.

Commander VENNING. We do have a measure of the performance, and that is, when we review the plans done by a contractor, the number of times we have to return the plans to the contractor for corrections.

Mr. PIRNIE. But you did not review the *Forrestal* contract that they had performed to see that their man-hours there were substantially less than you estimated?

Mr. HARDY. Even so, even so, that would not give you any measure of the efficiency of the performance of a contractor. You cannot make that kind of determination sitting at your desk. I don't know of any way that you can, actually. This is the kind of a situation where you are at the mercy of the contractor, actually, because you have no way to measure his competence or his performance on the job except in the product he puts out. If it takes him twice as long to do it as it would somebody else, you have no way of knowing that; have you?

Commander VENNING. The only measure we have is what we estimate it would require us to do the job if we were in a position to do it.

Mr. HARDY. You know, that might have some significance to me if I had not understood how you estimated this job. On the basis of how you all estimated this job, I don't know how in the world you can use that as any gage of what somebody else is doing.

Mr. GUBSER. Mr. Chairman, let me kind of go back to something I was on before, and maybe I can make a little better point.

As a possible explanation of the wide variance of man-hours estimated by Coast and by the other two bidders, and recognizing that these specifications were—what did you call them—lousy? No, I said that.

Captain FIELD. I called them sloppy, referring to the *Forrestal* primarily.

Mr. GUBSER. Sloppy. Recognizing that these specs were sloppy, is it possible the other two bidders could have come into possession of additional information which went beyond the specifications and which explained them, that Coast was not given?

Commander VENNING. You are asking me if it is possible. I am sure it is entirely possible.

Mr. GUBSER. In your opinion, do you think it is probable?

Commander VENNING. No; I do not believe it is probable, sir.

Mr. GUBSER. In other words, you believe every bit of information was given to all three bidders?

Commander VENNING. This is my belief, sir.

Mr. GUBSER. No private conversation in further amplification of the specifications was given to New York and Henry that was not given to Coast?

Commander VENNING. I am not aware of any being so given.

Mr. HARDY. You would not be aware of it, necessarily, because you had nothing to do with the award of the contract, did you, except to say that Coast was not qualified?

Commander VENNING. Well, I did make a recommendation to my superior as to who the contract should be awarded to, and the rationale of why we thought it should be awarded to them, sir.

Mr. PIRNIE. That is in that letter?

Commander VENNING. It is, sir.

Mr. HARDY. Of course, getting back to this point we have been talking about, from where we sit we have no way of knowing whether Coast was just twice as good as Henry. Maybe they could perform twice as fast. And I do not know, but maybe that is where the trouble was. They just had such good people, such competent people, that you folks did not realize how good they were.

Mr. GUBSER. Mr. Chairman.

Mr. HARDY. Go ahead, Mr. Gubser.

Mr. GUBSER. Mr. Keeling, using 20-20 hindsight now, what was involved in that contract as it was actually performed that you did not anticipate when you submitted your bid?

Mr. KEELING. As far as I know, nothing, sir. I would be willing to take it today for the same price I gave before.

I would like an opportunity, before we are through, to defend my personnel. Commander Venning has made some very pointed remarks about them. I would like to have an opportunity to just advise him who some of them are and see if the rest of the committee thinks they are not qualified.

Mr. GUBSER. You would do this again today, you say?

Mr. KEELING. Yes, sir.

Mr. HARDY. On a fixed-price bid?

Mr. KEELING. Yes, sir.

Mr. HARDY. Well, if you could perform on that and come out ahead, I would say that you certainly would be doing a lot better with maybe fewer men; maybe you have more competence than the other people. I don't know. I cannot pass judgment on it.

Captain FIELD. May I express just one additional thought on the subject, Mr. Chairman?

Mr. HARDY. Of course, Captain.

Captain FIELD. It is safe to offer it, because we cannot accept it.

Mr. GUBSER. Because you would not. You had the chance.

Captain FIELD. The job has been done, Mr. Gubser, we have no job to do any more. The offer is safe.

Mr. GUBSER. And \$100,000 of the taxpayers' money is right smack down the drain. I am a taxpayer, and you are, too.

Captain FIELD. I don't think it is down the drain.

Mr. GUBSER. You certainly would have held him to the deal, or maybe the contract administration section of the Navy is bad, too, along with the design section.

Admiral BROWN. In contract administration, when a man underestimates, the job is pretty difficult. I have tried it.

Captain FIELD. It is painful. Whew.

Mr. PIRNIE. But you didn't have any conversation here, even to determine whether or not he had.

Mr. HARDY. I think we have covered that pretty well.

Mr. Reddan, do you have other witnesses? Do you have something else on that?

Mr. REDDAN. Just one other point.

Commander, in paragraph 2(d) of your letter of November 1 you state "The other two bidders made a much more careful and detailed study of the work to be accomplished prior to the submission of their bids than did the low bidder."

Tell us about that, sir.

Commander VENNING. That statement is based on the numbers that—a few minutes ago I think I quoted numbers of approximately 25,000 man-hours, which both J. J. Henry and New York Ship came forth with, which compared very closely to our estimate.

Mr. HARDY. I don't know how in the world you can use that as a basis for that statement. You are just taking numbers. You don't have any notion of what caused them to go into those numbers. Maybe they deliberately padded that phase. How do you know they did not?

Commander VENNING. The comparison was made against the numbers furnished to me from my own people as an estimate of the job size.

Mr. HARDY. But your statement is that "The two other bidders made a much more careful and detailed study of the work to be accomplished."

Now, you tell us that you based that statement on the fact that they came in with a greater number of hours that they were going to apply to this job.

Commander, maybe that makes sense to you. It doesn't make any sense to me. How you can use that as a basis for the statement in this letter is beyond me. You state that as a matter of fact. It is not a fact, is it? It is a declaratory statement, it is stated as a fact.

Commander VENNING. Well, it is a fact that the numbers that came in, which we know—

Mr. HARDY. You don't say that in here. You put that in another place. But you say "The other two bidders made a much more careful and detailed study of the work to be accomplished prior to the submission of their bid." I submit to you that you have no basis whatsoever for that statement, on the basis of your testimony.

Commander VENNING. Please, sir, may I direct your attention to paragraph 2(b)? There I state "The low bidder has shown a lack of understanding of the task to be performed by his statement to the effect that it is identical to the work he is now performing on the U.S.S. *Forrestal*."

Mr. HARDY. Did he say it is identical? Did he say "identical"?

Commander VENNING. Yes, sir. May I read from—if I may offer for entry into the record this letter dated October 31, from Coast Engineering, I think we can show where this statement was made in the letter, sir.

Mr. HARDY. I have it in front of me. It says, "Inasmuch as Coast Engineering Co. has now completed 98 percent of an engineering contract for *Forrestal* that is virtually identical to that described in reference A, except"—"except"—and then he has an exception.

Commander VENNING. But, as Admiral Brown tried to point out earlier, it was not identical to reference A, because we did not do in the *Forrestal* everything we were trying to do in the *Independence*. That is the very point we are trying to make, sir.

Mr. HARDY. Doesn't he point that out in his statement? He says "except that it did not encompass storerooms and watermaking facilities."

Commander VENNING. Mr. Hardy, when we refer to storerooms and watermaking facilities we are not talking about all the extensive ventilation work.

Mr. HARDY. But you make another statement now, Commander. We are talking about your letter, and you make a statement in your letter which is false. I will read it to you, and then you tell me if it is true.

"The low bidder"—this is the one you picked out—"has shown a lack of understanding of the task to be performed, by his statement to the effect that it is identical to the work he is now performing on the *Forrestal*."

He doesn't say that, as I read it.

Commander VENNING. Mr. Hardy, I do not believe my statement is false. I base that statement on my understanding of what Coast Engineering stated in the paragraph we just read. My interpretation—

Mr. HARDY. Then you and I do not understand the English language the same way.

Mr. PIRNIE. What paragraph is he referring to, Mr. Chairman? I know what you are referring to. But what is he referring to? The same letter?

Mr. HARDY. Yes. We are talking about the same letter. We are talking about Coast Engineering's statement.

Commander VENNING. This is Coast Engineering's letter, Mr. Pirnie.

Mr. HARDY. I get back to the fact that this is a preposterous letter. And if you prepared—did you actually prepare this letter? Did not somebody else prepare it for your signature?

Commander VENNING. No, I did the basic work on the letter. I discussed it with Mr. Murphy and Captain Field.

Mr. HARDY. Who dictated the letter?

Commander VENNING. I prepared the letter, sir.

Mr. HARDY. Did you type it?

Commander VENNING. No, sir. The secretary typed it.

Mr. HARDY. Did you dictate it?

Commander VENNING. I wrote it out in longhand, sir.

Mr. HARDY. You wrote this letter as it is written here?

Commander VENNING. I did, sir. Before the letter was put in smooth form I discussed it with Mr. Murphy and also discussed it with Captain Field.

Mr. HARDY. Well, to me your letter is grossly out of order.

I have before me a statement which presumably is the only thing that J. J. Henry Co. submitted. Did you have anything before you other than this communication of October 27, 1966, from the J. J. Henry Co. on which this letter was based?

Commander VENNING. No, sir; I did not.

Mr. HARDY. So you used this letter, plus the figures of your estimates on the number of man-days required, for the statement that "The other two bidders have made a much more careful and detailed study of the work to be accomplished"?

Commander VENNING. That is correct, sir.

Mr. HARDY. Commander, I hope that in the future you have a little bit better basis for a statement which you make as a matter of fact. This is stated as a factual statement. And I say it is not a factual statement.

I don't want to pursue that any further.  
 Thank you, gentlemen.  
 Who else do we have?  
 Mr. REDDAN. Commander Stephens.  
 Mr. HARDY. Commander Stephens.  
 Mr. REDDAN. Mr. Aschkenas.  
 Mr. HARDY. Mr. Aschkenas.  
 Mr. REDDAN. And Mr. Owens.  
 Mr. HARDY. And Mr. Owens.  
 Mr. REDDAN. Starting from left to right would you identify yourselves for the record, please?

**TESTIMONY OF ALVAH OWENS, JR., SENIOR CONTRACT NEGOTIATOR, NAVAL SUPPLY CENTER, NORFOLK, VA.**

Mr. OWENS. From your left, sir, my name is Alvah Owens, Jr., 4229 Thistle Drive in Portsmouth, Va. I am the senior contract negotiator at the Naval Supply Center in Norfolk.

Mr. REDDAN. How long have you held that position?  
 Mr. OWENS. Since the latter part of November 1966, subsequent to the award of this contract.

Mr. HARDY. He is home free.  
 Mr. OWENS. Can I get up and go?

Mr. REDDAN. As of November 1, what were your duties?  
 Mr. OWENS. With the Langley Research Center NASA facility in Hampton, Va., as a contract administrator, sir, at the time.

Mr. PIRNIE. A good place to be.  
 Mr. OWENS. At that time, yes, sir.

**TESTIMONY OF MICHAEL ASCHKENAS, PROCUREMENT AGENT, NAVAL SUPPLY CENTER, NORFOLK, VA.**

Mr. ASCHKENAS. Michael Aschkenas, 7017 Old Mill Road, Norfolk, Va., procurement agent; approximately 2½ years.

Mr. REDDAN. Commander?

**TESTIMONY OF CMDR. SAMUEL S. STEPHENS, CONTRACTING OFFICER, NAVAL SUPPLY CENTER, NORFOLK, VA.**

Commander STEPHENS. Samuel S. Stephens, Commander, U.S. Navy, 5329 Powhatan Avenue, Norfolk, Va. Contracting officer, Naval Supply Center, Norfolk.

Mr. REDDAN. Mr. Owens, do you have a copy of Commander Venning's letter there, of November 1?

Mr. OWENS. I do not, sir. I know which letter you are referring to. We have the file here.

Mr. REDDAN. Did that come to your attention in your official capacity at Norfolk?

Mr. OWENS. Mr. Reddan, that file first came to my attention about this time last year, at which time, in the office of—excuse me.

Mr. REDDAN. Excuse me. About February of 1967?

Mr. OWENS. That is correct, sir.

Mr. REDDAN. I mean March 1967.

Mr. OWENS. That is correct. Approximately 1 year ago.

Mr. REDDAN. What were you supposed to do with that?

Mr. OWENS. There was a review of the file being made at that time by the deputy director of our department, a Miss Roberts. She was reviewing the file here, going through. Apparently questions had been raised at that time about the award, as we have already heard this afternoon, and I was the senior contract negotiator. Mr. Aschkenas was working under my leadership. Mr. Aschkenas was the buyer for this particular contract.

There was a meeting called, both of us were present with Miss Roberts, and a review was made of this file. She reviewed this file from two points of view, as I understand it, as deputy director, to see the sufficiency of the file, and as a small business specialist.

We came to the point in the letter, paragraph 2(a), where I have put this asterisk, and it says:

The low bidder is not qualified for this task. He does not possess qualification experience for a task of this nature and he does not possess the requisite organization for the performance of the task in the period required.

This is the paragraph where she said:

From a small business point of view that would seem to throw this man out as far as the Government was concerned from bidding, shall we say, on this type of contract. Let the record show the following.

and she dictated this statement to me, which I put at the bottom here.

Mr. REDDAN. Would you read that?

Mr. OWENS. Yes sir.

Low bidder is considered a qualified contractor. He was not considered technically responsive in this nature.

I signed my name to that.

This is the full extent of my knowledge, frankly, of this procurement, and that is all that was put in there, just as an explanation that he was considered to be a qualified contractor for this type of work, but in this particular instance, in view of what had been afforded to us as a technical evaluation by the naval shipyard, he was not technically qualified for this specific procurement.

Mr. HARDY. That was based on a statement by Miss Roberts to you?

Mr. OWENS. That is correct, sir. This was in essence, shall we say, dictated to me. And I just wrote this in there.

Mr. HARDY. You made no effort to determine whether or not they were qualified, because the contract had been awarded, and at this stage of the review do I understand you did not undertake to make an independent determination?

Mr. OWENS. No, sir; I did not. This was an after-the-fact, shall we say, review of the file. There was, as I said, a contract in existence. This was just a review as far as Coast Engineering was concerned, yes.

Mr. HARDY. I do not recall when I first raised some questions about this.

Mr. OWENS. This could have been about that time, sir, as I recall. Questions were being raised as to what was in this file.

Mr. HARDY. I expect I agitated it.

Mr. REDDAN. That was your only connection with it?

Mr. OWENS. My complete connection with the case; yes, sir.

Mr. GUBSER. Congratulations.

Mr. HARDY. You stepped up here for very little contribution.

Mr. OWENS. To my amazement; but here I am.

Mr. REDDAN. The Supply Center is the contracting agent for the Norfolk Naval Shipyard?

Commander STEPHENS. Yes, sir.

Mr. REDDAN. In this case you initially sought to get this on a fixed-price basis?

Commander STEPHENS. Yes, sir.

Mr. REDDAN. What caused you to switch to a CPFF?

Commander STEPHENS. I believe the date was October 25. We had sent out the solicitation to the three sources given to us. This was our first venture into the design services field. We had only the sources that were presented to us as a potential source of getting the contract.

Mr. REDDAN. You had just New York, Henry, and Rosenblatt?

Commander STEPHENS. Yes, sir. We sent out fixed price. We received calls from the three companies on the 25th that "We will not quote a fixed-price contract. The only way we will quote that is cost-plus-fixed-fee." Recognizing that the original request to us from the shipyard recommended cost-plus-fixed-fee, it was still our thinking to try a fixed price, see if we could not get one. The three sources at that time said "We will not quote you on a fixed-price basis," because of what I believe they described as "there are so very many variables in the areas of these specifications that we will not quote to you on fixed price."

Mr. HARDY. Did all three of them say the same thing?

Commander STEPHENS. J. J. Henry, New York Ship, and Rosenblatt, sir.

Mr. REDDAN. Did they all call on the same day?

Commander STEPHENS. Yes, sir.

Mr. HARDY. You know, I might have been suspicious of a little collusion.

Commander STEPHENS. I would assume that is about the time they all received it.

Mr. GUBSER. You are just suspicious.

Mr. HARDY. You know, it has been heard of, at times, for everybody to whom you sent bids to call you on the same day and say "We want a CPFF or we do not play ball."

Commander STEPHENS. I have to make an assumption, that is all, that it is listed as coming in on the 25th, a note by the receiver of the telephone call.

Mr. HARDY. That sounds like a reasonable assumption; they can receive a telephone call and put down the date. I don't think that is even an assumption.

Mr. Grimsley was the contract negotiator handling this at the time?

Mr. GUBSER. Where is he?

Mr. REDDAN. What did you do then?

Commander STEPHENS. That day we contacted Mr. Johnson of the Norfolk Naval Shipyard, advising him of this information. Mr. Johnson said, as we recognized in the material request coming to us initially asking for a cost-plus contract, that we should use the cost-plus format, so we switched.

Mr. REDDAN. He said, "We told you so"?

Commander STEPHENS. I don't believe he said that. That was again a conversation between Mr. Grimsley and Mr. Johnson.

Mr. REDDAN. Then you verbally authorized the companies to submit CPFF proposals?

Commander STEPHENS. Yes, sir.

Mr. GUBSER. Just on that point, Commander, do you know whether or not Henry's proposal was responsive to your invitation? I have particular reference to the completion dates.

Commander STEPHENS. I would have to make reference back to his particular proposal.

Mr. HARDY. Take a look at it and tell us how you decided that he was responsive.

Commander STEPHENS. Reading his proposal—page 2 of the covering letter of his proposal of October 27, he proposes to complete phase 1 on December 8, 1966, phase 2 on January 27, 1967, which by the dates given down here, I believe phase 2 was supposed to be completed around the 2d of January, so that would make him late in delivering. In other words, he made a counterproposal here.

Mr. REDDAN. Do you consider this responsive to the invitation?

Commander STEPHENS. Not to the invitation as we listed it; no, sir.

Mr. HARDY. If you had seen fit you had a technicality on which you could have thrown it out?

Commander STEPHENS. Yes, sir.

Mr. HARDY. As a matter of fact, on the surface it looks to me as if he had no intention of complying with the dates you had in there.

Do you have questions, Mr. Gubser?

Mr. GUBSER. No.

Mr. HARDY. Do you have any questions, Mr. Pirnie? Mr. Lennon?

Mr. LENNON. Did I understand you to say, Commander, that you made inquiries by telephone to each of the proposed contractors on February 25, 1966?

Commander STEPHENS. No, sir.

Mr. LENNON. What date did you say?

Commander STEPHENS. It was October—I believe it was October 25, that they called us.

Mr. LENNON. And said they were not interested in the cost-plus?

Commander STEPHENS. That is correct.

Mr. LENNON. Did you then tell them by telephone, in the same conversation in which they advised you that they were not interested, to submit a written bid?

Commander STEPHENS. Pardon me, sir, while I find that record of telephone conversation here.

We called Mr. Johnson of the Norfolk Naval Shipyard. We made no commitment at the time we received the calls from the three companies rejecting a fixed-price contract. We called Mr. Johnson of the shipyard that day, the 25th. He said a CPFF contract was satisfactory. Then we went back to the three companies.

Mr. LENNON. On what date?

Commander STEPHENS. The 25th, the same day. By telephone.

Mr. LENNON. By telephone?

Commander STEPHENS. Yes, sir, the 25th, advising them to submit a CPFF.

Mr. LENNON. Those started coming in October 27?

Commander STEPHENS. I believe so.

Mr. LENNON. All three were submitting written bids to the Navy Supply Center on October 27.

Mr. ASCHKENAS. No, sir. M. Rosenblatt did not quote.

Mr. LENNON. The others came in very shortly thereafter?

Mr. ASCHKENAS. Yes, sir. One was dated——

Commander STEPHENS. October 31.

Rosenblatt sent us a letter dated October 26, citing—indicating they would not quote on this procurement. New York Ship's quotation was October 31 and J. J. Henry's was dated October 27.

Mr. LENNON. That is correct.

Mr. HARDY. You called Mr. Johnson and he OK'd the CPFF, which is what he wanted to start with.

Commander STEPHENS. Yes, sir.

Mr. HARDY. So you may have anticipated that he would be happy to go that route.

As a matter of fact, the position of the Supply Center in this particular procurement was one of awarding a contract based on the technical advice from the Navy yard, anyway; wasn't it?

Commander STEPHENS. Yes, sir.

Mr. HARDY. You had no responsibility for the technical evaluation of it, and you would not have had the competence to do it, anyhow?

Commander STEPHENS. No, sir. Not the competence. We do not have engineers.

Mr. HARDY. So if they had told you to award it to Henry, there wouldn't have been much else you could do unless you clearly had a lower priced one that—well, you wouldn't have been able to judge its competence anyway; would you? If they said that you should make the award to Henry because they were the only capable bidder or the most capable, you wouldn't have had any choice?

Commander STEPHENS. I would have to accept what they told us, I think, because of lack of intelligence in the design field to question the award; yes.

Mr. HARDY. So you are actually in the position of buying something you do not know a doggoned thing about?

Commander STEPHENS. Yes, sir.

Mr. HARDY. We had this apple in a little bag the other day; Mr. Pike brought in all these small things that we pay through the nose for, and the buyers had no notion of what they were buying. I am not a bit sure that this makes any sense. Anyway, I can appreciate the awkward situation.

Mr. Gubser.

Mr. GUBSER. I think Mr. Keeling said he wanted to get something into the record about the competency of his employees. I think in fairness he should be allowed to do so.

Mr. LENNON. I have one other question.

Mr. GUBSER. Oh, excuse me. Go ahead.

Mr. LENNON. When you received J. J. Henry's bid, dated October 27th, did you find anything in there inconsistent with your specifications?

Commander STEPHENS. Sir, I would have to say for us to read the approach of the company with respect to the specifications, unless we had a more technical knowledge in this design area we are put into the difficult position of saying, "Is this in fact a discrepancy or variation between what the company is offering to us in relation to what we are asking for in the form of the specification," and I would have to rely on the people——

Mr. LENNON. Yes. The gentleman sitting next to you; is it your recollection that you found anything in the submission of the subject matter by J. J. Henry to the Naval Supply Center that was inconsistent with your specifications, in any category?

Mr. ASCHKENAS. Yes, sir. Delivery, sir. Delivery was not consistent with our specifications. That is correct.

Mr. LENNON. What did you do about that?

Mr. ASCHKENAS. On the 2d of November I contacted Mr. Hopkins of J. J. Henry Co.

Mr. LENNON. By telephone?

Mr. ASCHKENAS. Yes, sir. Advising him his delivery was inconsistent with our specifications, at which time he advised me that he could meet the 18th of November and the 2d of January dates for phase 1 and phase 2 completion, respectively.

Mr. LENNON. You did not find that same situation with respect to the other two bidders, did you? You found no variation in your specifications with regard to delivery or anything that aroused a question in your mind with respect to their lack of understanding based on the man-hours that you had as a basis for this bid?

Mr. ASCHKENAS. No, sir. That is not true. The number of man-hours did stand out.

Mr. LENNON. It did stand out?

Mr. ASCHKENAS. Yes, sir.

Mr. LENNON. So you found in J. J. Henry's bid something about which you had to call them over the phone, and see if they would agree to it?

Mr. ASCHKENAS. Yes, sir. Just delivery.

Mr. LENNON. Just delivery?

Mr. ASCHKENAS. Yes, sir.

Mr. LENNON. Nothing aroused your curiosity that there may have been a misunderstanding with respect to their understanding of what was required, to call them back? In other words, you called back one contractor and gave him a chance to amend his bid.

Mr. ASCHKENAS. Yes.

Mr. LENNON. Did you not do it with the others?

Mr. ASCHKENAS. We were negotiating with the contractor declared to be the low responsive bidder.

Mr. LENNON. Henry was not the low bidder.

Mr. ASCHKENAS. Low responsive bidder, sir.

Mr. LENNON. Responsive in what respect?

Mr. ASCHKENAS. Technically.

Mr. LENNON. Technically, in that they estimated they could do the job in about 50 percent less man-hours than the other companies?

Mr. ASCHKENAS. No, sir; J. J. Henry estimated 25,000 man-hours, in line with New York Ship, and also it was in line with the estimate of the Norfolk Naval Shipyard.

Mr. LENNON. But Coast Engineering estimated they could do it in about half that time?

Mr. ASCHKENAS. That is right.

Mr. LENNON. Therefore they did not comply with the technicality.

Mr. ASCHKENAS. That is why we sent proposals to the Norfolk Naval Shipyard for evaluation. We don't have the personnel or facilities to evaluate these on the man-hours.

Mr. LENNON. You sent them on to them?

Mr. ASCHKENAS. Yes, sir.

Mr. LENNON. Thank you.

Mr. HARDY. In view of the fact that there was a technical lack of responsiveness in the J. J. Henry bid, what sort of shape would you have been in if New York Ship had protested?

Commander STEPHENS. We had an ability to negotiate to that extent, here. In other words, it wasn't really a negotiation; it was saying to J. J. Henry, "You have not met the delivery dates," or "You have not proposed to meet the delivery dates."

Apparently on bringing this to their attention they said, "We will meet them" period.

Mr. HARDY. You did not put in any penalty if they did not meet them?

Commander STEPHENS. No, sir.

Mr. HARDY. So all they had to do was give you a fictitious date they knew they were not going to meet, and you had nothing whatever to bring about compliance. This was an urgent procurement, you had to do something real fast. Captain Field emphasized that a while ago. But you did not have a blessed thing in your contract to require performance in any reasonable period of time?

Commander STEPHENS. No, sir; we did not.

Mr. HARDY. Shouldn't there be something like that when you have an emergency situation like this; a rush job where you have to send somebody to the Mediterranean, get them back here, have dates this must be completed by? And then, by jingo, it takes 6 months beyond the date.

Is there anything further?

I think we are through with you gentlemen.

Mr. Keeling, you wanted to put in the record some information about your personnel.

I have before me a letter of June 19, 1967, addressed to the Commander, Norfolk Naval Shipyard, which lists your personnel at that time, and it is rather impressive to me. We can put this in the record, in the interest of time, and we are glad to do it.

If you have other data that you think should be put in—

Mr. KEELING. Mr. Hardy, the only thing I had in mind is that what you have is a standard form that gives a man's name, and so forth. There are three or four that I would like to give the background for, because they are our leading personnel.

Mr. HARDY. You go right ahead.

Mr. KEELING. I think Commander Venning has perhaps a fault common with some highly educated people, that he doesn't think anybody else has any sense. But we have Mr. W. W. McIlhenny, who was for 30 years head engineer at Pearl Harbor Naval Shipyard, who is now our mechanical supervisor, who would be in charge of this work. Certainly he did not leave his knowledge at Pearl Harbor when he retired. He was good enough to run that entire design division, as Mr. Murphy does this one, for 30 years. And I would think, certainly, he could handle a job like this.

We have Mr. Emory Washington, who is our chief engineer, who has a bachelor of science degree from Clemson University, a master's degree from Cornell. He is a registered professional engineer; he is a former law student in the Navy Reserves.

We have Captain C. H. Perry, who is retired from the U.S. Coast Guard. He has a bachelor of science degree from the University of South Carolina. He was in charge of the pressure vessels and machinery division of the entire Coast Guard at Coast Guard Headquarters, where we have referred so much to this distilling plant, they handled that complete system.

We have had a Patrick Burke, who has a degree in naval architecture from Queens College in England. He is a registered professional engineer in the United States, in Canada, and in England. He has since left us, but he is now head naval architect in charge of delivery and projects at the NAVSHIPS.

We have Mr. David Saunders, a retired Navy commander, who has a bachelor of science degree in engineering from the University of Pittsburgh, a former chief engineer on the carrier *Leahy*, among other things

One more, Mr. Joseph Bowman, who has a degree in engineering from the University of Illinois, who also is a professional engineer.

While I do not have a degree, I am a registered professional engineer. I am a registered naval architect, by examination by the State board for examination of engineers and architects.

I believe that certainly a good survey of our personnel could not have been made and then say that these people are not competent to do this job.

Again, as we have dwelled so much on this distilling plant, I don't know whether the committee knows that this distilling plant is a package unit. We were not to design the distilling plant but only to set it on the ship and connect it. I don't believe that required too much competence in the way of design of a distilling plant; not that it did not require the knowledge to support it and provide the connections.

I just would like to get that in the record.

Mr. HARDY. Thank you very much, Mr. Keeling.

Admiral, do you have anything you want to add to what has been going on?

Admiral BROWN. Yes, sir. I would like just to give a little background, and maybe perspective, and talk a little about the *Independence* overhaul from where I sit as shipyard commander.

First, the *Independence* is one of our 15 aircraft carriers, part of the backbone of our fleet. She came into the shipyard February 28th, completed in November.

Mr. HARDY. I watched her come in.

Admiral BROWN. She was there for 9 months. During that time we expended over 300,000 man-days of direct labor. The total cost of labor, material, overhead, in the shipyard, was about \$25 million. During this time we installed something in excess of \$20 million worth of additional equipment which was provided to the shipyard.

What I am saying is that this was a terrific—

Mr. HARDY. But this job was just a little piece in a great big job which you did in fine shape. I compliment you on that. I have been aboard it.

Admiral BROWN. This was a major project. The coordination of this much work in one ship in this period of time is a major effort. It far exceeds anything you will find in any other field, I think.

Mr. HARDY. I don't profess engineering competence in connection with it. But I did go aboard while this was going on.

Admiral BROWN. I would like to say that the secret of accomplishing this kind of project in this period of time is good planning. A good set of plans is absolutely essential if the work is going to be done. If we get plans that have errors in them, if the engineering is not thoroughly done, we will have mistakes on the ship, we will have disruptions, delays, the cost of which you can hardly estimate.

We figure that one of these carriers with her full complement, airplanes, armament, is \$1 billion of the taxpayers' investment. And when a time of crisis comes, you cannot put a cost on the value of a carrier. A delay of a carrier for a week is a disaster almost too great to measure in its impact on our national planning. It, therefore, behooves me in my position to run damn few risks in the area of planning and engineering for these overhauls. And I try to put the emphasis on good planning, with the idea that I am investing in the future and protecting our interests.

Mr. HARDY. All this good planning you did, and all this emphasis you put on this particular job, resulted in what has been characterized as "sloppy specs."

Admiral BROWN. Mr. Hardy, we used some sloppy specs, but we used some good engineering, we got the job done, and we got it done on time.

Mr. HARDY. Well, I might take issue with that last part of it. I think overall I certainly do not want to say there was anything wrong with the job. I do not mean at all to imply that. I am not sure you got it done on time. At least, certainly not according to your original schedule.

Admiral BROWN. I was speaking of the overhaul as a whole. As the shipyard commander, I am looking at the ship going to sea on a date. I don't keep up with all the things that go into making this date. But I try to look at the completion date, the coordination, and the planning, resources necessary to get that ship out when the fleet wants it.

Mr. HARDY. Of course, I realize this was a small part of a great big undertaking, and I compliment the shipyard on getting this ship out and doing a fine job in getting it out. But I think sometimes it is the glaring exception that stands out more than the overall fine job that is done.

To me, this one little item in this great big job is a blot on the escutcheon that I don't think anybody in the shipyard can be proud of—Captain Field, or Commander Venning for the part he played in it.

Anyway, that is water over the dam. I made my feeling about it pretty plain as we went along today. I do it not in the nature of picking on somebody, but I think in an effort to try to develop a factual picture of what did occur and see if we can use it to improve our overall procurement.

Assistant Secretary Morris has an official representative here. What are you going to report back to your boss?

Mr. DAMMINGER. (Henry A. Damminger, Office of Assistant Secretary of Defense, Installations and Logistics.) I am not quite sure, Mr. Hardy; I am not quite sure.

(Discussion off the record.)

Mr. HARDY. I think that is a good place to stop.

Let me thank you, all of the people who have participated in the hearing with us. I think we have had a discussion that will be helpful

to all of us. Any of the comments made from this end were without personal connotation at all. I am concerned about this kind of thing. Whenever something of this kind arises, maybe I am suspicious. Maybe I have reason to be suspicious. But I like to be fair in taking a look. I wanted to be fair today. This particular procurement bothers me. It bothers me that to get some of the testimony we have to dig for it. Captain Field was real shy in coming up with these dates.

I don't blame you for trying to put your best foot forward, but every now and then when you do that you step on your own toe.

Thank you very much, gentlemen.

The committee stands adjourned, subject to the call of the Chair.

(Whereupon, at 3:50 p.m., the subcommittee adjourned.)



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if however, something of this kind might happen, I am sure  
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every now and then when you do that you step on your own foot.  
Thank you very much, gentlemen.  
The committee stands adjourned, subject to the call of the Chairman.  
(Adjourned at 3:30 p.m., the subsequent adjourned)