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# NOMINATION OF STAUDT AND SHRONTZ

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## HEARING

BEFORE THE

## COMMITTEE ON ARMED SERVICES

## UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION

ON

NOMINATION OF HERMAN R. STAUDT, OF FLORIDA, TO BE AN  
UNDER SECRETARY OF THE ARMY; AND FRANK A. SHRONTZ,  
OF WASHINGTON, TO BE AN ASSISTANT SECRETARY OF THE  
AIR FORCE

OCTOBER 4, 1973

Printed for the use of the Committee on Armed Services



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(II)

## NOMINATION OF STAUDT AND SHRONTZ

THURSDAY, OCTOBER 4, 1973

U.S. SENATE,  
COMMITTEE ON ARMED SERVICES,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:05 a.m. in room 212, Richard B. Russell Senate Office Building, Hon. Stuart Symington (acting chairman).

Present: Senators Symington (presiding) Cannon, Hughes, Nunn, and Thurmond.

Also present: T. Edward Braswell, Jr., chief counsel and staff director; John A. Goldsmith, Edward B. Kenney, Gordon A. Nease, professional staff members; John T. Ticer, chief clerk; and Phyllis A. Bacon, assistant chief clerk.

Senator SYMINGTON. The hearing will come to order.

The committee meets today to consider two important civilian nominations for the Department of Defense.

The first is that of Mr. Herman R. Staudt, of Florida, to be Under Secretary of the Army.

[The nomination reference and report and biographical sketch follow:]

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### NOMINATION REFERENCE AND REPORT

IN EXECUTIVE SESSION,  
SENATE OF THE UNITED STATES,  
*September 28, 1973.*

*Ordered,* That the following nomination be referred to the Committee on Armed Services.

Herman R. Staudt, of Florida, to be Under Secretary of the Army, vice Kenneth E. BeLieu, resigned.

October 4, 1973.

Reported by Mr. Thurmond with the recommendation that the nomination be *confirmed*, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

#### BIOGRAPHICAL SKETCH OF HERMAN R. STAUDT

Present address: 1566 Williams Drive, Winter Park, Fla.

Born: Yonkers, N.Y., June 29, 1926.

Marital status: Married to the former Virginia Kathleen King, four children,

Eugene, David, Susan, Linda.

Education:

B.S.E.E. New York University, 1947 (Electrical Engineering).

M.S.E.E. Rutgers University, 1953 (Electrical Engineering).

M.S. M.I.T. (Management), 1968.

Employment:

1972 present vice president, operations, Orlando Division, Martin Marietta Aerospace.

1968-72 vice president, Management Operations.

1961-67 director, Pershing ballistic missile system.

1961 (6 months) Pershing industrial program manager.

1957-61 program director, Lacrosse guided missile system.

1957 (9 months) operations manager, Electronics, Baltimore Division.

1956-57 project engineer, missile master program.

1955-56 assistant project engineer, Air Force TM61-B program.

1954-55 electronics department representative, Air Force airborne reconnaissance program.

1954 (6 months) assistant electronics department representative, Air Force Matador guided missile program.

1953-54 chief, tactical systems section, countermeasures division, Belmar, N.J.

1952-53 chief project engineer, antiaircraft defense systems, radar division.

1950-52 project engineer, AA defense system AN/GSG-2, radar division.

1949-50 assistant project engineer, radar division.

1948-49 field test engineer, radar division.

1948 (8 months) design engineer, Electronics Associates, Inc., Long Branch, N.J.

1947-48 test engineer, Quality Test Department.

Senator SYMINGTON. Mr. Staudt has been acting in a civilian capacity in industry with various weapon systems for over 20 years with his present position being that of vice president for operations in Orlando, Fla., for the Martin Marietta Corp.

With respect to the conflict of interest issue, Mr. Staudt has written to the committee indicating that he will take the necessary steps to comply with the so-called committee rule. He will dispose of the stocks which are on the Defense master list. Furthermore, he will receive a termination settlement in recognition of past service from his company. These will be in fixed amounts and guaranteed by a bank and will be received in annual increments.

Mr. Staudt, you appear well qualified for this position and the committee welcomes you here this morning.

We will be glad to receive any comments you may wish to make.

**STATEMENT OF HERMAN R. STAUDT, NOMINEE TO BE UNDER SECRETARY OF THE ARMY**

Mr. STAUDT. Senator Symington, I am most appreciative of the opportunity to join Secretary Schlesinger's and Secretary Callaway's team. I look forward to working very closely with them and with the individual members over here—in the Congress in the coming few years.

Senator SYMINGTON. You say that you are going to dispose of your stocks, which has been a point that the committee has emphasized over the years. When will these transactions be completed?

Mr. STAUDT. Essentially within the next 30 days.

Senator SYMINGTON. Will you let the staff know when they are completed?

Mr. STAUDT. I certainly will, sir.

Senator SYMINGTON. As you know, the Senate Democratic Caucus has adopted a policy with respect to every civilian nomination which requires that every nominee be asked: Do we have your commitment to respond to requests to appear and testify before any duly constituted committee of the Senate?

Mr. STAUDT. I certainly do, sir.

Senator SYMINGTON. Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Staudt, I want to congratulate you on your nomination and congratulate the Defense Department, and especially Secretary Callaway, on your choice.

It is my hope that this turnover we are having now in the Army will be helpful, and I feel it will.

There is, I believe, a great opportunity there for many changes and improvements.

One thing you will be concerned with is the all volunteer Army. I have always believed that every young man should serve his country, and I was inclined to retain the draft. However, we have the all-volunteer Army now, and if we can make it a success, I would like to see that done. I am sure you feel the same way.

Mr. STAUDT. Yes, sir.

Senator THURMOND. If we see it is not going to get results, I think both you and Secretary Callaway would be frank enough, to come to the Congress and say, we have made every effort and it does not work.

Your background is excellent, and you appear strong in the technical areas, the areas in which I am sure there is much help needed, too.

In your dealings with Government from private industry, have you developed any ideas as to what you might want to do now that you are on the Government side of the fence?

Mr. STAUDT. In discussions that I have had with Secretary Callaway, he has impressed me with his desire, which I share, of looking for ways to shorten the time cycle from the establishment of the requirement to the fielding of equipment systems, for significantly less investment than has been the case in the past.

I think that with the growing sophistication of weapons and the typical budget pressure that exists today provide the real challenge to get more from the investment dollar. I believe that it is Secretary Callaway's intention to orient me pretty heavily in that direction.

Senator THURMOND. That sounds good to me, because it takes now anywhere from 6 to 10 years from the time the weapon is designed and on the drawing board until it comes off the production line. That is quite a long time in this fast-moving age. A lot of things take place, inflation occurs, and other things happen.

I hope you will give some attention to two programs that I am very much interested in for the Army, because I think I see the need of them.

One is the new Army tank. We started out with the Germans to build a tank, and then we discontinued that, and finally the MBT tank was canceled altogether. Now we are building another tank. It is to be less sophisticated, and cheaper in price, that is, if inflation does not come along and raise it too much. But the man on the ground there needs every help he can get.

And the other is the helicopter. The helicopter and the tank are two things that a man fighting on the ground today must have. Of course,

we need fixed wing air support too, but that from the Air Force. But the assault helicopter and the tank are very important matters. New models are now under development.

We have spent a lot of time on those two programs and I hope you will study them carefully and expeditiously and get them going.

The Congress canceled the other tank program and the helicopter program, in my judgment—and I think the acting chairman here would agree—mainly because the price rose so high and because it took so long. Congress just simply is not going to stand for that. So if the Army is going to get those weapon systems, the Army must show the leadership to push these industries to develop effective systems. If the company you are working with does not do it, I would change to some other company, because the Army needs a new tank, and they need a new helicopter. And these programs are going to suffer if leadership is not shown there. I hope you will provide that leadership.

Another thing I want to mention to you is that you have responsibility to the administration and to Secretary Callaway and Dr. Schlesinger. I am sure you will be loyal to them in every way. Just like we told them, too, we hope you will be perfectly frank with us. If things are not going right you gain a lot more by coming back and being frank about it rather than trying to hide it and explain it away and defend some program that is not going right.

In other words, if you will be perfectly frank with the Congress, I think you will get good cooperation from the Congress.

Mr. STAUDT. That is certainly my intention, Senator. Thank you.

Senator THURMOND. Thank you.

Thank you, Mr. Chairman.

Senator SYMINGTON. Senator Cannon.

Senator CANNON. Thank you, Mr. Chairman.

Mr. Staudt, I have reviewed your biography and see nothing in it which indicates any previous association with the Army or with the military in any way.

Have you had any experience with the Army in particular, or with the military in general?

Mr. STAUDT. Yes, sir. I spent 5 years in the engineering laboratory of the Army Signal Corps in Fort Monmouth about 20 years ago prior to joining Martin Marietta Corp. I spent 1 year in the Army Counterintelligence Corps in mid-1940. In my Martin capacity I have been very heavily involved in the development of ballistic missile systems for the artillery. So from a contractor orientation, I spent a good bit of my time learning to understand the needs of the artillery for which we were developing weapons systems such as the Pershing.

Senator CANNON. Do you have a situation now in which your previous employers are the contractors you will be contacting in connection with on-going programs for the Army?

Mr. STAUDT. Yes, the Marietta Corp. does have on-going programs for the Army.

Senator CANNON. So that you would be in a position now, as Under Secretary of the Army, of overseeing programs which your prior employer had on contract and does have on contract with the Army?

Mr. STAUDT. Yes, I would say that is true in a broad sense of the word. However, I certainly do not intend to participate in anything that could broach any conflict of interest situation such as source selection or anything of that sort.

Senator CANNON. According to the chairman's statement you are severing all relations with Martin Marietta, your prior employer?

Mr. STAUDT. Yes, completely.

Senator CANNON. You have no understanding that you will go back to work for them once you finish here?

Mr. STAUDT. I do not; that is correct, sir.

Senator CANNON. You would have no contractual obligation with Martin Marietta, or they with you once you take this position?

Mr. STAUDT. No, sir.

The Army General Counsel has been very meticulous in impressing me with that. And we have nothing implied or formal of any sort.

Senator CANNON. Thank you, Mr. Chairman.

Senator SYMINGTON. Senator Hughes.

Senator HUGHES. Mr. Chairman, I am sorry to say I am not prepared to ask any questions this morning. I do not intend to delay the nomination, but I got notice of this meeting last night after I went home from my office. As a result, because of two other meetings this morning, I am not prepared to even ask an intelligent question. So I will pass.

Senator SYMINGTON. I regret that. The staff should see that adequate time is given to every member.

Mr. Staudt, will you stay with us?

The next nomination is that of Mr. Frank A. Shrontz, of the State of Washington, to be Assistant Secretary of the Air Force, whose assignment will relate principally to procurement matters.

[The nomination reference and report and the biographical sketch follow:]

551]

## NOMINATION REFERENCE AND REPORT

IN EXECUTIVE SESSION,  
SENATE OF THE UNITED STATES,  
*September 28, 1973.*

*Ordered,* That the following nomination be referred to the Committee on Armed Services.

Frank A. Shrontz, of Washington, to be an Assistant Secretary of the Air Force, vice Philip N. Whittaker, resigned.

October 4, 1973.

Reported by Mr. Thurmond with the recommendation that the nomination be *confirmed*, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

### BIOGRAPHICAL SKETCH OF FRANK A. SHRONTZ

Present address: 6721 West Mercer Way, Mercer Island, Wash.

Born: Boise Idaho, Dec. 14, 1931.

Education:

LL.B., University of Idaho, June 1954.

M.S., Harvard Graduate School of Business Administration, June 1958.

Employment:

Present-1970 director of sales operations, The Boeing Co.

1969 assistant director, new airplane program, The Boeing Co.  
 1969-67 assistant to the vice president general manager, The Boeing Co.  
 1967-65 assistant director of contract administration, The Boeing Co.  
 1965-58 assistant contracts coordinator and manager of legal services section,  
 The Boeing Co.

Military Service: Executive officer of a training battery, U.S. Army 1954-56.  
 Released from active duty as first lieutenant.

Memberships and other activities:

Phi Alpha Delta and Blue Key.  
 Beta Theta Pi, chapter president.  
 Federal District Bar of Idaho (June 1954).

Married: To the former Harriet Ann Houghton of Spokane, Wash. They have three sons: Craig, Richard, and David.

#### BIOGRAPHY OF FRANK A. SHRONTZ

Mr. Frank A. Shrontz has been nominated by the President to be Assistant Secretary of the Air Force (Installations and Logistics). He has extensive experience in the management, finance, and legal fields. He has been associated with The Boeing Co. since 1958 where he has held positions of increasing responsibility.

Mr. Shrontz was born on Dec. 14, 1931, and was raised in Boise, Idaho, where he attended public schools. He was elected to the Idaho Student Legislature during high school and graduated in 1949. He received a bachelor of laws degree from the University of Idaho College of Law in 1954; a master's degree in business administration from the Harvard Graduate School of Business Administration in 1958; and was a Sloan Fellow at the Stanford Graduate School of Business Administration during 1969-70.

During his education at the University of Idaho, he was active in student affairs and was a member of Phi Eta Sigma scholastic honorary. At the College of Law, he specialized in corporate and contract law, and was a member of Phi Alpha Delta legal fraternity and Blue Key upperclassmen's honorary. He was admitted to the Federal District Bar of Idaho in June 1954.

His active military service began in 1954 as a commissioned officer in the U.S. Army. He served as executive officer of a training battery and became legal counsel to a physical evaluation board. He was released from active duty as a first lieutenant in June 1956.

After graduation from Harvard in 1958, Mr. Shrontz began his association with The Boeing Co. in the contracts department as assistant contracts coordinator and manager of the legal services section with initial responsibility for negotiation and surveillance of both military and commercial contracts. He subsequently managed the legal analysis group for the contracts department. In February 1965 he became assistant director of contract administration with primary responsibility for the negotiation, legal adequacy, and administration of the group's commercial contracts.

From September 1967 to January 1969, Mr. Shrontz was assistant to the vice president general manager and assisted the vice president in discharging his responsibilities for the marketing and contracts functions of the commercial airplane group. In January 1969 he was transferred to the new airplane program as assistant director, and was primarily responsible for the business considerations in the development of a new airplane program for The Boeing Co.

Mr. Shrontz became director of commercial sales operations in July 1970 and his duties included administration, financing coordination, used and corporate aircraft sales, customer relations, and aerosystems activities in the company's sales department. He is presently assigned to the Washington, D.C., office assisting in the development of commercial airplane marketing programs.

He is a member of Phi Alpha Delta legal fraternity. He served as chairman of the board of Lake Hills Association, Bellevue, Wash., in 1968.

Mr. Shrontz is married to the former Harriet Ann Houghton of Spokane, Wash. They have three sons: Craig, Richard, and David. They currently are residing in Arlington, Va.

Senator SYMINGTON. Since 1958, Mr. Shrontz has been associated with the Boeing Co. and at the present time is director of Boeing's sales operations.

Mr. Shrontz has written to the committee indicating steps he intends to take in compliance with the committee rule with respect to the con-

flict of interest matter. He will sever all relationships with the company and receive a final separation settlement covering all obligations. The present shares of the Boeing stock he owns will be disposed of immediately following his assumption of office. He does have a vested interest in the retirement plan with the company but this is administered by a New York bank.

Mr. Shrontz certainly appears qualified for the position he has been nominated for and we welcome you to the committee.

Mr. Shrontz, do you have any comments you wish to make?

#### STATEMENT OF FRANK A. SHRONTZ, NOMINEE TO BE ASSISTANT SECRETARY OF THE AIR FORCE

Mr. SHRONTZ. I have no formal statement, Mr. Chairman. I would simply like to say that I am mindful of the serious obligations of the office, both with respect to the executive organization and Congress. I assure the committee I will do everything I can to meet all those obligations, certainly including those involved in this committee.

Senator SYMINGTON. As you know, the Senate Democratic Caucus has adopted a policy with respect to every civilian nomination which requires that every nominee be asked: Do we have your commitment to respond to requests to appear and testify before any duly constituted committee of the Senate?

Mr. SHRONTZ. I will do so.

Senator SYMINGTON. I would like to make a couple of observations to you gentlemen, especially after listening to what the distinguished Senator from Nevada just said.

In my opinion you are somewhat on the spot. I was in industry and I became Assistant Secretary of War. At one point I decided against a company, and they said, we thought you were one of us. I replied, I have a broader problem now than I did when I worked for you.

There was an outstanding talk made recently by the new Chief of Staff of the Air Force which referred to the way the Defense Department had caught military suppliers chiseling on their overhead, as one illustration, by moving in commercial overhead on military contracts. It was an excellent talk so I inserted it in the Congressional Record.

When I was with the Air Force it is my opinion that the Congress and the Air Force—which would be true of the Army and the Navy—worked together versus the contractor. Often today it looks to me as if the services are working with the contractor versus the Congress. Today we have lobbying that is completely unprecedented in the 28 years that I have been in government by the services to get whatever it is that they particularly want.

So I hope that regardless of whether you plan to go back or not go back to where you are coming from, that you will feel that it is important, if you lean any way, to lean toward the taxpayer and not toward the previous industry that you have been connected with.

The taxpayer is becoming increasingly apprehensive about the nature and the degree of the military expenditures being made, especially because we hear so much about an improved world situation. Inasmuch as you two gentlemen will both be heavily identified in the procurement field, I am not in any sense trying to postulate, I am simply giving you the benefit of a few years of advice in this

field in the hope that it never comes back to bite you later on, inasmuch as you have been good enough to offer your services to your country, and I am sure at considerable sacrifice monetary-wise.

I wish you both the best of luck.

Senator HUGHES. Would the chairman yield on that point he just made?

Senator SYMINGTON. I would be glad to yield.

Senator HUGHES. I voted last week, Mr. Chairman, for the military procurement authorization bill. And as I expressed to you earlier, I was sickened by some of the tactics used by Members of the Senate. Without naming the Senators or others on the amendment, 30 minutes before the vote one received a call from an industry in his home State saying that if the amendment were approved they would cancel the contract for 40 some aircraft. It was not anywhere near the truth, Mr. Chairman, in the opinion of the Senator from Iowa, it didn't even involve the procurement of the aircraft or the relationship to it. The names of those who made the call to the industry, and so on, was questionable at the time. But that sort of lobbying, I suppose, goes on constantly when the pressure is on for these weapons systems. But I want to say that I am considering drawing up as near as I can put together the lobbying tactics that were used on this and present them to the chairman for the consideration of an oversight hearing on tactics that were involved during their debate on this particular bill.

I agree with the Chair that I never saw anything like it in my life.

And I thank the Chair for yielding.

Senator SYMINGTON. I thank the Senator.

And one Senator said to me, 30 minutes before the vote I got a call from the president of a corporation in my State saying, if you vote this, it costs us 5,000 jobs, and therefore I ask you to vote on that basis, regardless of the merit or demerit of the situation.

Another Senator said, I fully agree with your position against the weapons systems, but there are thousands of jobs in my State, and so I have to be for it.

This is the type and character of lobbying that has been going on.

We have deep financial problems, thus we should judge these things on a broad basis, as I see it, and not on a parochial basis.

I would hope you do, as the distinguished Senator from South Carolina just said, come up here and lay your problems in front of the committee. It is getting very difficult to sell this type of budget under the conditions in the world today, economic and détente, and so forth.

I fully agree with Senator Hughes that what we want is everything we are sure we need, we don't want what we don't need.

Also I am very sympathetic—in fact, I was going to suggest to Chairman Stennis that we have a detailed examination of the nature and degree of lobbying that has been going on in recent months, which is totally unprecedented in the 28 years that I have been in the Government.

Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Shrontz, I want to congratulate you upon your appointment, and also the Defense Department on choosing you.

In this capacity for which you have been nominated I believe it would be your responsibility to see that the operating elements of the Air Force have the best weapons, facilities, and logistics possible

within reasonable cost parameters. At the same time I hope you will take steps to effect any savings or reductions possible. Particularly I hope you will look into the possibility of reductions in overseas installations. Consolidation or elimination of some of these facilities will help with our balance-of-payments deficits.

Senator SYMINGTON and others on the committee share this concern, I am sure.

Mr. SHRONTZ, in the matter of installations I believe present policy gives some preference to reserve forces as the total force policy becomes more accepted. I hope you will give to the Air Force Reserve all the support possible in the way of logistics and installations.

Mr. SHRONTZ, do what you can to reduce overruns in the area of logistics. I have reference to capital investment, new facilities, and equivalents. I think this would do a lot, and instill more confidence on the part of the Congress, if we can get these things done.

I am just wondering if you feel you have the expertise in the area of installations and logistics.

Mr. SHRONTZ. Not in the area of installations at this point, Senator.

That is an area that I am sure needs attention. I can only assure you that I will give it my complete attention. But at this point I am not sufficiently familiar with it to indicate any specific actions that I would have in mind.

Senator THURMOND. I presume you plan to serve for the next 3 years of this administration if they want you to continue during that time time.

Mr. SHRONTZ. Yes, sir, I do.

Senator THURMOND. I wish you well in your work.

Mr. SHRONTZ. Thank you.

Senator SYMINGTON. Senator Cannon.

Senator CANNON. Thank you, Mr. Chairman.

Mr. SHRONTZ, do you have any agreement, express or implied with your present employer concerning going back to work for them at the end of your assignment in the Government?

Mr. SHRONTZ. No, sir, none whatsoever.

Senator CANNON. Will your only relationship be to continue with an interest, a vested interest in the retirement plan that you have already acquired vesting in?

Mr. SHRONTZ. Yes, sir. All the other interest will be terminated, certainly in the next 30 days.

Senator CANNON. Will that retirement plan be affected in any way, shape, or form by the business that the company does in the next few years, or is that total and fixed at the time you leave the company?

Mr. SHRONTZ. It is total and fixed, and vested. So there is no impact either by Boeing Co.'s actions or its fortunes in the future.

Senator CANNON. And neither you nor the Boeing Co. has any contractual right to affect that plan in any way during its existence?

Mr. SHRONTZ. That is correct.

Senator CANNON. During about the last 2 years you have been associated in a contract and/or sales position with one of the biggest Government contractors, and you have been on the business side of the fence. Will this give you any difficulty in looking after the Government's end of the operation now with respect to the Government's dealings with private contractors?

Mr. SHRONTZ. No, sir.

That is something I have obviously given a great deal of thought to. My background admittedly is largely in commercial airplane organizations, not in military activity. But as I discussed with Secretary McLucas, if there is any question either in his mind or in my mind that there could be a conflict, I would certainly step aside. I don't feel that it will affect my judgment in the future.

Senator CANNON. In any dealings with the Boeing Co. you would not personally handle those dealings, they would be assigned to someone else?

Mr. SHRONTZ. It is planned initially that that would be the case, Senator. In the future I think we would have to look at the circumstances. I feel that I could be objective in the future, but any activities at this point in time I could step aside for.

Senator CANNON. Thank you very much, Mr. Chairman.

Senator SYMINGTON. Senator Hughes.

Senator HUGHES. No. questions, Mr. Chairman.

Senator SYMINGTON. Senator Nunn.

Senator NUNN. I don't have any particular questions, Mr. Chairman.

I did talk to Mr. Shrontz at length in my office. And I am delighted to have a chance to meet Mr. Staudt. I believe both of them are to be commended on their background.

I think that in the area we are talking about now a possible conflict of interest even in judgment has got to be avoided. I think you are the only two that can really avoid it.

You know, when you have the previous background, that cannot in any way influence your judgment. I think that is very important. There has never been a time that I know of when it has been more important to reestablish faith in the Government and in the Pentagon particularly. I do congratulate both of you in your appointments.

Mr. SHRONTZ. Thank you, sir.

Senator SYMINGTON. Thank you, gentlemen. Good luck to you both. We will now go into executive session.

[Whereupon, at 10:30 a.m., the committee went into executive session.]

