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NOMINATION OF MIDDENDORF

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HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

NOMINATION OF

J. WILLIAM MIDDENDORF II, OF CONNECTICUT, TO BE SECRETARY OF THE NAVY, VICE JOHN W. WARNER, RESIGNED

MAY 30, 1974

Printed for the use of the Committee on Armed Services



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(II)



NOMINATION OF MIDDENDORF II, AND ELLSWORTH

THURSDAY, MAY 30, 1974

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

The committee met, pursuant to notice, at 10:05 a.m., in room 212, Richard B. Russell Senate Office Building, Hon. John C. Stennis (chairman).

Present: Senators Stennis (presiding), Symington, Jackson, Cannon, McIntyre, Byrd, Jr., of Virginia, Nunn, Tower, Dominick, and Scott of Virginia.

Also present: T. Edward Braswell, Jr., chief counsel and staff director; W. Clark McFadden II, counsel; John T. Ticer, chief clerk; George H. Foster, Jr., John A. Goldsmith, Edward B. Kenney, Don L. Lynch, Robert Q. Old, and Francis J. Sullivan, professional staff members; Nancy J. Bearg, research associate; and Phyllis A. Bacon, assistant chief clerk.

The CHAIRMAN. Our committee will please come to order.

We have an open hearing, but nevertheless we will keep the doors closed in order that everyone can be heard better.

There are a few preliminary matters to take up. And then we will come to Mr. Middendorf, who is present.

At our last sitting we had Mr. Robert Ellsworth here, who passed the examination of questions. And the matter was carried over. He is fogged in now, he is on his way, but he is not in the room at the present time. As it turns out, it may not be necessary to have him here, because it develops that there are no more questions to ask him as of now.

We had carried over from last week the nomination of Mr. Taylor, to be Assistant Secretary of the Air Force for Manpower and Reserve Affairs. The chairman hopes that we can also pass on that nomination today. After checking with the Senate calendar for today, and the prospect of the calendar for tomorrow, and meeting a condition here for Admiral Holloway, who is nominated to be Chief of Naval Operations, I have set the hearing on his nomination for this afternoon. If we can get a room in the Capitol—that there may be some voting this afternoon—that will simplify matters some, and we will have our meeting over there.

Mr. Braswell, you have a report on the room?

Mr. BRASWELL. The Appropriations Committee advises that every one of those rooms are in use.

The CHAIRMAN. Then, we will meet here in room 212 at 2:30, and I hope as many as possible will attend that meeting.

That brings us now to Mr. Middendorf's nomination.

We are delighted to have you here, Mr. Secretary. You have already been serving as Under Secretary since August of last year, is that right, Mr. Middendorf?

Mr. MIDDENDORF. That is right.

The CHAIRMAN. You have been Acting Secretary of the Navy since Mr. Warner left about 2 months ago?

Mr. MIDDENDORF. That is right, sir.

The CHAIRMAN. Mr. Middendorf served in the Navy during World War II and thereafter had a distinguished career in banking prior to becoming Ambassador to the Netherlands in 1969. He and Mrs. Middendorf presently reside with their five children in McLean, Virginia. Mr. Middendorf in a letter to the committee, has updated his statement on the so-called conflict of interest matter and has indicated that he holds no securities on the defense master list and, therefore, complies with the committee rule.

Of course, that was gone into originally when you became Under Secretary of the Navy. And, as of now, you still hold no securities on that master list, is that right?

Mr. MIDDENDORF. That is right. I am just poorer, Senator.

The CHAIRMAN. You do not have to make a statement, but we will be glad to hear from you at this time if you have anything you wish to say. We are glad to have you here and want to especially welcome too, Mrs. Middendorf, Johnny, your son, and Amy, your daughter. This will be a class in constitutional law and political science for them. We will see how high a score your dad can make, see if he scores as well as you do in school.

It is a pleasure to have you here, members of the family. I always encourage the entire family to come to these confirmations.

As I say, you don't have to make a statement. But we will be glad to hear from you. Will you proceed in your own way?

NOMINATION REFERENCE AND REPORT

IN EXECUTIVE SESSION,
SENATE OF THE UNITED STATES,
May 15, 1974.

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

J. William Middendorf II, of Connecticut, to be Secretary of the Navy, vice John W. Warner, resigned.

May 30, 1974.

Reported by Mr. Tower 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.

J. WILLIAM MIDDENDORF II

Born: Baltimore, Maryland. September 22, 1924.

Education: 1945: Bachelor of Naval Science, Holy Cross College, Worcester, Massachusetts; 1947: A.B. Harvard University; 1954: M.B.A. New York University Graduate School of Business Administration.

Military Service: 1943, Navy V-12 Program; 1944-1945, NROTC; 1945, Commissioned Ensign. Served in Pacific Theater on landing craft through 1946.

Employment: 1947-1952: Credit Department of the Chase Manhattan Bank, New York City; 1952-1958: Financial Analyst, Wood Struthers and Company; 1958-1961: Partner, Wood Struthers and Company; 1962-1969: Partner in Insurance Stock Specialty Firm of Middendorf, Colgate and Company, New York; 1969-1973: U.S. Ambassador to the Netherlands; August 1973-April 1973: Under Secretary of the Navy; April 1973-present: Acting Secretary of the Navy.

Trusteeships: Middlesex School, Concord, Massachusetts: Heritage Foundation of Old Deerfield: New York Historical Society: Greenwich Historical Society: Boys Club of New York (Honorary): Hoover Institution for War and Peace (Board of Overseers): Overseers Committee to Visit the Fine Arts, Harvard University.

Others (Partial List): U.S. Naval Institute: Navy League (Life Member): Round Hill Community Church (Episcopalian): Lloyds of London: Founder of Friends of the American Wing, Metropolitan Museum of Art: Board of Electors, Insurance Hall of Fame.

Author of "Investment Policies of Fire and Casualty Insurance Companies" (1954). Various Publications on American Historical Prints.

Marital Status: Married Isabelle Paine on March 7, 1953; Five Children: Frances, Martha, Amy, John W. IV, Ralph Henry.

Present Address: 1453 Kirby Road, McLean, Virginia 22101.

STATEMENT OF J. WILLIAM MIDDENDORF II, NOMINEE TO BE SECRETARY OF THE NAVY

Mr. MIDDENDORF. Thank you, Senator, I do not have a statement, but I have one or two remarks to make.

I want to say that it is an honor to appear before you today. And during my 10 months as Under Secretary of the Navy I have come to appreciate fully the very heavy responsibilities required of the high office for which I have been nominated. I am prepared to assume those responsibilities, subject to your confirmation.

It is also apparent to me that no activity of the executive branch of our Government can function effectively without the support of the legislative branch. I have been privileged to work with your committee in the past as Under Secretary, and I look forward to a continued close and productive relationship in the future.

I recognize that the intense interest shown by all the members of this committee in the affairs of the Department of the Navy reflects the great importance which you attach to the essential role played by our Navy and Marine Corps team in the defense and security of our country. For my part, subject to your confirmation, I dedicate myself to the task of maintaining the capability of these forces to support national security policy.

The CHAIRMAN. That is a good statement and we are glad to hear from you.

For the information of the committee, let me mention the other two matters that are on the agenda for today. I hope we can vote on them.

Senator Scott has a resolution authorizing the Secretary of the Army to appoint one citizen of Laos to attend the military academy, and so forth.

There is a bill, introduced by Senator Tower and Senator Goldwater, to permit any officer, Regular or Reserve, who is receiving retired benefits, and so forth, but is required under State law to vacate his commission in order to hold an elective State office, to be reappointed after termination of his State office. We will try to take that bill up, also. I think the explanation of it will be short and satisfactory.

Mr. Secretary, I want to direct your attention to some matters here that are on my worry list. I have been impressed a long time with the problems of procurement that all the services have, procurement of ships, submarines, missiles, and everything that you have to buy;

they become more important with prices going up and everything so expensive.

Do you have a direct part? You are familiar with this. What part do you expect to have in these procurement duties? You know, like you were going to contract for submarines or ships, missiles, and so forth. You have a background there that it seems to me it would be very helpful in many ways. I am not trying to hold you responsible for all this procurement, the many huge contracts. But, what part do you expect to play in this problem of procurement?

MR. MIDDENDORF. Senator, as you know, as Acting Secretary of the Navy, it is my responsibility to equip the Navy and to recruit and train and to make sure that we are in as high a state of readiness as we can be. Naturally, the buck ends with me as far as good or bad decisions made on procurement are concerned.

We do have an Assistant Secretary for Installations and Logistics, Secretary Bowers, who does an outstanding job, and has an industry background. However, the Secretary of the Navy seems to be mostly preoccupied with the problem areas, I guess like any other activity in life.

I am very much aware of the procurement problems we have had, and the overrun problems, especially in the last several years. And I am very much aware of the difficult situation we have had with Litton in Pascagoula. I have been down there, and I have talked endless hours on the subject of these claims and how they should be settled. We have met with the management there, on a sort of continuous basis almost. And not only with them, but on the F-14, and the Grumman problems, and all the rest.

Of course, we would like very much to reduce those claims, and I think we are making pretty good progress on that. We have not solved all these problems by any means. Inflation seems to be going on at a tremendous rate. Just for procurement in the area of fuel alone in fiscal year 1973 we spent over \$400 million. In fiscal year 1975 we are going to spend about \$1.3 billion for it. It seems like almost everything is going up beyond what we anticipated.

The Navy is a capital intensive business. The Army and the Marine Corps are primarily people intensive. We, like the Air Force, are hardware oriented to an important degree.

All of our programs are complicated. Unlike building commercial ships, the ships we are building in these shipyards, if they are nuclear in particular, are very complex. One of the most complicated pieces of equipment ever built by man is a big aircraft carrier, and there are very few shipyards now in a position to build these big nuclear ships.

These are problems that not just I but the Secretariat and all the rest are wrestling with all the time. We work endless hours on them.

I hope our program will be, and has been, to try to cut down, and expedite a little bit some of the redtape in procurement that has been a headache to a lot of our contractors. I think we are making real good progress, Mr. Chairman.

THE CHAIRMAN. I have found out since I became chairman of this committee especially, just how complicated these contracts are, and how many problems you have to cope with, and how complicated the ships are.

You mention the Litton contract, this LHA, which was a new kind of ship. I am told that it turned out to be the most difficult and most complicated ship of any except the carrier.

You mentioned the carrier.

Mr. MIDDENDORF. Yes, indeed.

The CHAIRMAN. But it is the second most complicated type ship built for the military.

Mr. MIDDENDORF. Yes, indeed it is, for the military or anyone. The LHA, of course, is almost like a carrier. Down there at Litton the problem is—and they are doing a tremendous job, but under very difficult circumstances—we have a 4-percent work force turnover rate a month. Just consider how many you have to hire—4,000 to get 2,000 to stay on the job.

The CHAIRMAN. These matters are problems to you and you brought that one up. I am glad you did.

I will say, as I have said to others in the Navy, both in and out of uniform, that I would like to see you gentlemen settle those claims as soon as you can, and get that behind and move on to other matters. None of you are going to get all you are claiming, I suppose.

Mr. MIDDENDORF. No.

The CHAIRMAN. And it has to be settled some time.

I want to mention another thing about this procurement. I think that you have a lot of very highly competent men in the Navy, in uniform. I have found that you have some of your best men assigned to these contracts too, and maybe more so than the other services, I mean looking after the Navy's interest. It seems to me like that is something all the services have to concentrate on, putting more of their talent assigned to these jobs related to procurement, since it has become so highly important.

What is your response to that?

Mr. MIDDENDORF. Any business that involves over \$7 billion—and that is what our major procurement budget is per year—ought to have the best men. I believe that we have made some very good progress in the Navy in putting men on the job and keeping them on the job rather than rotating them out every 2 or 3 years and sending them to sea. I think what you say is true. I do not know how the other services are doing on that, but I think we have put a lot of emphasis on it in the last several years, and especially this year.

The CHAIRMAN. Do you recognize work of that kind as a roadway to promotions? I was told by some of the other Services it was not emphasized for promotion purposes much, and your talented men naturally do not seek assignments like that.

Mr. MIDDENDORF. It is a rabbit warren job. In the past it could be a graveyard for a man's career, because he is thrashing around in a hundred different directions with contractors, and he is getting bruised, and he is not out on the deck of a ship where he has command and control of the situation. A military man usually likes to be in a line command responsibility. But very great naval men that have taken on this responsibility. Admiral Kidd and Captain Ekas and others, and have come into this procurement business, have been tremendous. They have been roughed up, but I think we are now beginning to establish the principle that they can also move ahead. I just hope that many of our great Navy officers do not feel that it is a graveyard for them.

The CHAIRMAN. The Acting Secretary of the Navy can change that picture if he sees and feels it strongly enough. He and his successors can emphasize the importance of the assignment and emphasize it to the board that selects men for promotion.

I think something has got to be done in this field. You cannot give it very much of your personal time as Secretary of the Navy, or as Under Secretary, you have so many trouble spots. You can turn to your men in uniform, the ones with talent of great abundance, I think.

Mr. MIDDENDORF. I think if you are talking to Admiral Holloway this afternoon—

The CHAIRMAN. I am talking to you now. I am going to bring up the same thing with him. You are here for the position of Secretary of the Navy.

Mr. MIDDENDORF. I agree with your point, Senator. I have expressed my views—of course, I am business oriented anyway and I feel that these are outstanding men; 90 percent of those that I have worked with, I felt, were clear and concise and outstanding. I think it is even tougher to run a ship procurement program sometimes than to be a line officer. I have been in business, and I have been a line officer.

The CHAIRMAN. I am satisfied that you have the talent. It is a matter of putting men of talent in those assignments, and having the way ahead open for promotion.

Mr. MIDDENDORF. What you are saying is that you do not want it to be a graveyard for a man's career.

The CHAIRMAN. That is exactly right. If you do not do it that way—you gentlemen do not stay very long in these positions—and that is not said critically—you are just going to have to go out in the marketplace, it seems to me, and hire men of experience and competence that can get in there and stay on top of these problems for the Navy. You do not do it with uniformed men. We can hold hearings here from now until near doomsday, and pass resolutions and bills, but you need a hard knocker out there on the job that can represent you in these billion-dollar contracts. Some of them, such as the F-14—I am not passing on that—our subcommittee has worked on it, and so forth. They have done some good in it. But the Senators are here to represent their home States, and they cannot give too much time to these matters.

You mentioned the F-14 a minute ago. Do you have a firm contract for that now?

Mr. MIDDENDORF. We have a contract, yes, sir.

The CHAIRMAN. Signed and executed?

Mr. MIDDENDORF. You are talking about the production lot No. 5 buy?

The CHAIRMAN. Yes.

Mr. MIDDENDORF. As you know, we are engaged in the Iranian 30-plane buy, and we are now working out some negotiations here that I think you are familiar with. They are somewhat extensive, but I think they are going to be successful.

The CHAIRMAN. That is our contract tied to the Iranian contract. I can see where there would be some relationship, but certainly they would be separate contracts.

Mr. MIDDENDORF. They are separate contracts. It just helps us to have somebody else picking up a little bit of the R. & D. and sharing some of the load so that we can get a little bit of the economies of scale.

The CHAIRMAN. Did you say that we still have a firm contract with Grumman? Or we do not?

Mr. Braswell adds the words here, "for last year's money." That is 1974 money you are talking about?

Mr. BRASWELL. Yes, sir.

The CHAIRMAN. Fiscal 1974 money. If you do not know about that, it is all right, you can file a statement. But do you know?

Mr. MIDDENDORF. I hate to file statements when I should know, but I do not know the details of that.

The CHAIRMAN. You did not have any warning that that was coming up. Our information is that we still do not have it.

Look into that, if you will, and file a statement. We will not hold up your name here. But we want to know the facts. I think it illustrates a lot, do you not, as to your problem?

Mr. MIDDENDORF. I know we are in very complex negotiations right now with Grumman.

[The information follows:]

The FY-74 F-14 Contract was conditionally executed 24 September 1973 on the basis that (1) the Authorization and Appropriation Acts would be passed, (2) neither act would contain any restriction or limitation inconsistent with the contract, and (3) a modification establishing the effective date would be issued.

Grumman has executed a modification to establish an effective date predicated on receiving continual and adequate financing. The contract, however, will not be formally executed until the effective date, required by modification, has been established.

The FY-1974 F-14 contract, like each of the other FY-1974 contracts with Grumman, is subject to an advance payment limit not to exceed \$25M. The existing advance payment agreement in the authorized amount of \$54M between Grumman and the Navy covers contracts made prior to FY-1974 and is not subject to the above limit. This advance payment agreement will be continued for such contracts. All contracts for FY-1974 would require separate advance payment amendments not in excess of \$25M rather than an overall advance payment agreement such as is in force for contracts made prior to FY-1974. In order to avoid separate administration of funds for each FY-1974 contract, the decision was reached by DOD that the proper financing mechanism should be a single advance payment agreement covering all contracts for all fiscal years.

The required notification was provided the Congressional Committees on 4 June 1974 of the Navy's intent to include in the FY-74 F-14 contract the Advance Payments Agreement and provide advances for all contracts which at the peak would reach about \$100 million.

The CHAIRMAN. I want to have time for others to ask you questions.

But I have in mind, members of the committee, enlarging the scope and importance of these hearings on nominations. I think it is a special duty of our committee. The other Senate committees do not have a chance to, and neither does the House of Representatives. It is no reflection on any nominee.

I would like to know too, what percentage of your time you plan to spend on Capitol Hill if you become Secretary of the Navy?

I mean by that, your duties here are really in the Pentagon, and these problems which we have been discussing are in addition to a lot

of other problems. I want you to feel free to come here to this committee or any other committee. We will be calling on you, too. But the idea of everything that comes up, you know, lobbying with us, and all, is not my idea of a Secretary's duty. What is your idea? I am not referring to any of your predecessors. I do not know that I ever saw Mr. Warner over here but once or twice. I just want to know what your attitude is.

Mr. MIDDENDORF. There is a fine line, I know, between lobbying and being responsive to Congress. And I must confess, I have been over on this Hill an awful lot, Senator, as Under Secretary.

The CHAIRMAN. I was not referring to you. I have not had the pleasure of seeing you.

Mr. MIDDENDORF. I am sorry.

The CHAIRMAN. That is all right. As I say, I did not know you had been coming over very much.

But let us get at that matter. I feel like the Secretary of the Navy and the Chief of Naval Operations, it is their job to run the Navy.

Mr. MIDDENDORF. I agree with that.

The CHAIRMAN. And they need to be right on top of it.

Mr. MIDDENDORF. As you know, Senator, there is not a day that goes by that I do not get a call from a Senator or Congressman saying that they have got some enlisted man in some district with some problems that they would like to have handled.

The CHAIRMAN. I know. We want to minimize that for some of your top men. That is one of the reasons I am getting into it.

Mr. MIDDENDORF. I understand.

As Under Secretary I have always tried to call back the same day and give an answer. As Secretary—well, I hope to be as responsive as possible to Congress, Senator. But I will bear in mind what you say and limit my appearances over here.

The CHAIRMAN. I am really trying to help you on this one, because I know you call too much. And we have our problems, all of us.

Senator SCOTT. Mr. Chairman, you are now suggesting that he not return a call from a member of this committee?

The CHAIRMAN. No. I am suggesting that we not call him.

No one has totally clean hands. It is hard to make you believe that I was not referring to you, since you said you had been up here on the Hill a good deal. I really was not referring to you.

Mr. MIDDENDORF. I understand.

The CHAIRMAN. But I think the Secretary of the Navy—and that is what you are going to be, there will not be a dissenting vote—I think it is a highly responsible position. And the Navy itself needs a feeling that you and the Chief are right on the job and looking right down the gun barrel with them. I do not think you ought to let Congress or anybody else interfere with that except the minimum amount. I will put it that way.

Mr. MIDDENDORF. I understand.

The CHAIRMAN. That gives you a chance to blame me if you do not get those calls all answered.

But quite seriously, these procurement bill contracts are one of the things I am thinking about.

From your viewpoint, Mr. Secretary, we have these authorization and appropriation bills and this year we also have the fiscal year

1974 supplemental bill. It has gotten to where it takes virtually all of a Senator's time.

Mr. MIDDENDORF. I know that.

The CHAIRMAN. After all, there are a 100 of us that have to pass on the mass of legislation, and the House has the advantage of having 435 Members, I believe it is, and we have all these other matters, too. And they stretch out. The rollcall votes exceed all history in the Senate. What I am coming to is, when we thoroughly go over a thing one time and make a decision, we like for that to be it, rather than for it to be just an approach, and then reverse everything we do before we get the bill written. When it goes to conference they want everything, and they want the Senate to surrender their position. I think that is out of keeping with your duties. Those headaches are ours, and we will be sending for you enough.

Mr. MIDDENDORF. The Navy and the Marine Corps team, of course, are most anxious to get approval for our programs. I notice that sometimes the Senate comes out for us, and the House does not. I think we are missing our duty if we do not get enthusiastic and try to get those programs through as best we can. As a matter of fact, I think both Houses have been very constructive on our programs this year, from my experience in the last 10 months here. I think, particularly since the October 6 war, there has been a very strong feeling almost all the way through for the program.

The CHAIRMAN. You have been getting your program as a whole.

What I want is a little more cooperation out of the services. As I see it, there is so much repetition, and at every turn everything has to be reargued, reconsidered and resubmitted. Let us see if we cannot have a little better understanding about it.

I have another matter here that I want to take up with you in closed session.

Senator TOWER. Mr. Chairman, I will be brief. I have known Bill Middendorf for about 12 years. I always had a high regard for him and his ability. I think the chairman is aware of my affinity with and my concern for and my pride in the Navy. I would be loathe to entrust the administration of naval affairs to somebody whom I did not have a very high regard for. In this instance, I am very happy with the selection of Mr. Middendorf as Secretary of the Navy.

There is one matter that I would like to inquire about. I have been associated with Mr. Middendorf politically, and I know him to be a man who follows not only the letter but the spirit of the law in these matters.

I would like to ask Mr. Middendorf if he is familiar with an article in the Washington Star-News of Friday, May 24, under the byline of James R. Polk, headlined "Navy Chief Nominee Linked To Secret 1968 Fund." The lead paragraph is:

President Nixon's nominee to become Secretary of the Navy J. William Middendorf II, has been linked in sworn testimony to a safe-deposit box used to hold secret cash that he used in the 1968 campaign.

I think because this matter might be aired on the floor we should give you an opportunity to clarify that article.

Are you familiar with that article?

Mr. MIDDENDORF. Yes, indeed.

Senator TOWER. I ask consent that it be made a part of the record.

The CHAIRMAN. I am glad you brought that up. I am satisfied that there is no substance in it.

But without objection, the entire article will be put in the record.

[The article follows:]

[From the Washington Star-News, May 24, 1974]

NAVY CHIEF NOMINEE LINKED TO SECRET 1968 FUND

(By James R. Polk)

President Nixon's nominee to become Secretary of the Navy, J. William Middendorf II, has been linked in sworn testimony to a safe-deposit box used to hold secret cash from the 1968 campaign.

Former Nixon fund-raiser Herbert W. Kalmbach has identified Middendorf as one of the money men whose signature was authorized for access to the bank box.

The deposit box at a Park Avenue branch of the Chase Manhattan Bank in New York City contained \$365,000 in cash after the 1968 election, Kalmbach said.

The money was held under the name of "The Good Government League."

It was part of the nearly \$1.7 million in cash and checking accounts turned over to Kalmbach after the 1968 election and used for clandestine political activities.

Middendorf, 49, now undersecretary of the Navy, was the treasurer for the Republican National Committee in the 1968 race.

He declined yesterday to answer questions on his role in handling the secret cash funds in the Nixon campaign.

Instead, in a terse statement issued through a naval aide, Middendorf only confirmed he had been treasurer for two party groups and said he "carried out the duties of those offices, which are a matter of record."

Middendorf, who had been a New York City investment banker, was appointed ambassador to the Netherlands in 1969 before returning to Washington to take his present Pentagon post.

His nomination to be secretary of the Navy is now pending before the Senate Armed Services Committee.

Kalmbach described the cash funds in testimony taken in connection with a campaign disclosure lawsuit by Common Cause, a public reform lobby.

The Newport Beach, Calif., attorney said, "As I remember it, one of the signatories on that box at the Chase, as we closed it or as we opened it, was Mr. Middendorf..."

Other portions of Kalmbach's testimony indicated Middendorf's apparent connection with the safe-deposit box was probably confined to the period when it was opened, since the investment banker was not active in the inner circles of presidential fund-raising after the 1968 race.

Kalmbach; New York attorney Thomas W. Evans, who was deputy finance chairman for the 1972 race; and California real estate man France M. Raine Jr., who is the brother-in-law of former White House aide H. R. Haldeman, were the three men listed as authorized to sign in and out of the safe-deposit boxes later in the three-year period running until early 1972.

Kalmbach failed again to pinpoint the donors of the cash leftover after the 1968 election.

In his testimony, he said fund-raiser Maurice H. Stans asked him in early 1969 to take custody of the cash funds because Stans was becoming secretary of Commerce.

Kalmbach said there was \$365,000 in cash in the Chase Manhattan Bank branch, and another \$733,952 in cash was moved from Nixon's New York campaign headquarters to a safe-deposit box in a Washington bank.

The remainder of the left-over \$1.7 million was held as a \$570,000 checking account at another New York bank, Kalmbach said.

He named W. Donald Brewer, now a Nixon appointee as a member of the Interstate Commerce Commission, as one of the two men who had moved that \$733,952 in cash to Washington. He said Brewer opened the safe-deposit box with it here just four days after Nixon was inaugurated as in January 1969.

Kalmbach has previously testified cash from those funds was used to finance undercover activities by White House gumshoe Anthony Ulasewicz and campaign agent Donald H. Segretti; for polling operations; and for secret donations to state campaigns in Alabama and Kentucky.

He also confirmed in the deposition that the cash additions to the secret funds included \$100,000 from the milk lobby, \$72,000 from the U.S. ambassador to Jamaica, Vincent deRoulet, \$25,000 from defense industrialist Henry Crown, and \$28,000 from the late Cities Service oilman, Charles Mitchell.

His testimony in the Common Cause lawsuit was taken in Newport Beach, shortly before Christmas last year, but was not made public until filed with a federal court here this week.

Senator TOWER. Mr. Middendorf, please proceed to comment on this in your own way.

Mr. MIDDENDORF. From 1964 to 1969, Mr. Chairman and members, I was treasurer of the Republican National Committee. In 1964 Senator Goldwater asked me to be his treasurer and I continued in that function through 1969. To the best of my knowledge, every transaction and every activity in which I was engaged in that period was within the proper accounting and proper laws of the Congress. I conducted my responsibilities in that fashion as treasurer of the Republican National Committee, and as far as I know, everything was above-board. My function was in the paying of the bills under the direction of the finance chairman in each case. In 1969, before I was appointed Ambassador to the Netherlands, I turned over all my responsibilities and all funds to duly-appointed authorities—under the direction of the finance chairman—and responsible authorities. Reflecting back 6 and 10 years ago I am proud of the record that I may have made in performing for two great Presidential campaigns.

Senator TOWER. Mr. Chairman, I might note that I was rather intimately associated with that 1968 campaign myself as chairman of one of the campaign standing committees. I do not believe that there were ever any improprieties on that campaign of any magnitude. I think it was conducted along ethical and legal lines.

I think we must quickly make the distinction between the 1968 and 1972 campaign. I cannot comment on the 1972 campaign, because I was worried about my own political hide. But this was the 1968 campaign that Mr. Middendorf was associated with. There has never been a suggestion of any impropriety in that campaign.

The CHAIRMAN. I am certainly glad you brought it up, Senator Tower. When someone told me about the article they just said there was such an article—I was concerned, of course, but when I read it and analyzed it, I was completely satisfied that you did us a service in bringing it up here. I think it should be inserted in the record.

Senator NUNN. Is there another copy of that available, Mr. Chairman?

The CHAIRMAN. Yes, sir.

Is there anything else you want to say on that, Mr. Middendorf?

Mr. MIDDENDORF. No, sir.

The CHAIRMAN. Senator Cannon, that brings it to you.

Senator CANNON. Mr. Chairman, I am sorry I got in here late. I just heard about the article. It seems to me in reading this first paragraph that the questions and the response are not pertinent to what the article says. The article says that Mr. Middendorf has been linked

in sworn testimony with a safe deposit box used to hold secret cash from the 1968 campaign.

Let me ask you, was there a safe deposit box in which cash from the 1968 campaign was deposited during the time that you were treasurer?

Mr. MIDDENDORF. Yes, sir.

Senator CANNON. And you were one of the money men whose signature was authorized for access to the bank box?

Mr. MIDDENDORF. That is right.

Senator CANNON. How long was that bank box maintained as far as you know?

Mr. MIDDENDORF. Several months in 1968.

Senator CANNON. In 1968?

Mr. MIDDENDORF. Yes.

Senator CANNON. Did it extend beyond 1968?

Mr. MIDDENDORF. Only into the early part of 1969.

Senator CANNON. What happened then to the contents of the box that you had access to?

Mr. MIDDENDORF. The funds in the box were turned over under instructions of the finance chairman to the vice chairman, a duly responsible official of the Republican National Finance Committee.

Senator TOWER. Who was the vice chairman?

Mr. MIDDENDORF. Herb Kalmbach.

Senator CANNON. It was turned over to Mr. Kalmbach then, in early 1969?

Mr. MIDDENDORF. Right. And then I had no further activities with it, and I do not know where it went from there.

Senator CANNON. Was that the money that was held under the name of the Good Government League in the sum of \$365,000 in cash?

Mr. MIDDENDORF. I do not know whether it went—I do not know what name that was.

Senator CANNON. It says the money was held under the name of the Good Government League. Is that the name under which the box was held?

Mr. MIDDENDORF. No, I do not think so. It was just that I, as an official of the Republican National Committee, and the controller were both given instructions to open a safety deposit box. I am sure there were many boxes throughout Presidential campaigns. I took in the funds and paid them out for television and other campaign expenses. Those funds that were left over were turned over to, as far as I was concerned, a responsible official.

Senator CANNON. Was the box held under the name of "The Good Government League"?

Mr. MIDDENDORF. I do not remember that name.

Senator CANNON. Was the amount that you turned over, \$365,000, in cash?

Mr. MIDDENDORF. Yes.

Senator CANNON. Did you get a receipt for it?

Mr. MIDDENDORF. Yes, the Comptroller and I.

Senator CANNON. You have no knowledge of where the money went after you turned it over to Mr. Kalmbach?

Mr. MIDDENDORF. No. I have been reading the article since then, but I did not have any knowledge at the time.

Senator CANNON. Mr. Chairman, if you want to go on to some of the others, I would like to read this.

The CHAIRMAN. Senator Scott, do you have any questions?

Senator SCOTT. Thank you, Mr. Chairman.

We are happy to have you in Virginia, Mr. Secretary. We hope you will consider yourself a Virginian in the future.

I had never seen this article until today. I could see one paragraph that indicates: "He declined yesterday to answer questions on his role at handling secret cash funds in the Nixon campaign." Is there something that you feel pertinent that this committee should know about any handling of any funds in the Nixon campaign?

Mr. MIDDENDORF. Of 1968?

Senator SCOTT. "He declined yesterday to answer questions on his role in handling the secret cash funds in the Nixon campaign." I am not sure whether that means 1968 or 1972. Did you handle any secret cash funds in the 1972 Nixon campaign?

Mr. MIDDENDORF. In 1969 I left the country, and I was gone for the 4 years, and I had no responsibilities and no activities.

Senator SCOTT. Then, apparently—

The CHAIRMAN. Pardon me just a minute.

You had no activities in the 1972 campaign; is that right?

Mr. MIDDENDORF. That is right. I have had no activities following 1969.

Senator SCOTT. Mr. Chairman, I have known the nominee, I have visited with him, and I have gone over his background with him. I have no reservations about this nomination. I hope the committee sees fit to confirm Mr. Middendorf.

It is nice to have you with us.

Mr. MIDDENDORF. Thank you, sir.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

I think it is important that the record be clear that it was the 1969 campaign and not the 1972 campaign that Mr. Middendorf had a responsibility in.

Mr. Chairman, you covered so thoroughly the important points that I have no additional questions to put to the nominee.

I might say that we have many mutual friends, and all of them speak very highly of you. We are very, very pleased to have the Middendorf family in Virginia and I support his nomination.

Mr. MIDDENDORF. Thank you, Senator.

The CHAIRMAN. Senator Nunn.

Senator NUNN. I would like to ask just a couple of questions pursuing the same line of questioning as Senator Cannon.

This article refers to a secret campaign fund in 1968. Was there any campaign law then that required that funds be made public that you know of?

Mr. MIDDENDORF. As I said, Senator, everything that we conducted was within the act of Congress of 1925. And as far as I know—and we had lawyers with us, and accountants—and as far as I know, we never conducted any activities that were not within the existing law.

Senator NUNN. What I am wondering was, of course, the 1972 law was not passed at that time. Was there any kind of law at that time, national law, Federal law, that required campaign disclosure of funds?

Mr. MIDDENDORF. Yes, sir. Under the 1925 act, all funds that were contributed to a national committee for the purpose of the election of a candidate for a national office must be fully shown, and filed in the report to the Clerk of the House, over a period of the year following the nomination. Prenomination funds, of course, were not required to be filed. The funds that came to nonreporting State committees such as Illinois and Washington, D.C., among others, were not required to be filed.

Senator NUNN. So what was supposed to be filed?

Mr. MIDDENDORF. All funds that were given to a national committee such as the Republican National Committee and the Republican National Finance Committee.

Senator NUNN. At that time it was a matter of habit for various committees to be set up in the District of Columbia and throughout the country, and at that time that was within the law technically and legally, is that right?

Mr. MIDDENDORF. Yes, I think there were about 12 States that did not require it.

Senator NUNN. That really was a massive loophole in any kind of meaningful reporting requirements. Was it understood to be that at that time?

Mr. MIDDENDORF. Yes, it was a very common practice. I have known very well the treasurers of the Democratic candidates and many of the Democratic and Republican treasurers. Of course, we compared notes at all times. And this was a very standard practice.

Senator NUNN. I think a lot of people do not understand that that was a practice then. Perhaps it was long, and perhaps that loophole should have been closed, but I think the same standard ought to apply to everybody in that light. At that time most everybody did about the same thing with these accounts at that time, did they not?

Mr. MIDDENDORF. Certainly, up until the time they changed the law, I am sure that was the case.

Senator NUNN. How about this particular fund that is alluded to in this article, was this reported, was the cash reported as it came in, or was this under some separate committee or what?

Mr. MIDDENDORF. I was given instructions to set up a deposit box by the chairman, who was a man of impeccable integrity, in my opinion.

Senator NUNN. Who was that?

Mr. MIDDENDORF. Maurice Stans. He was chairman of the Republican National Finance Committee, and I had no reason to question that these funds were not legitimately contributed and accounted for.

Senator NUNN. Was it your job to account for these funds as they came in, or was that Mr. Stans' job, or whose job was it?

Mr. MIDDENDORF. My job was to account for the funds that came into the Republican National Committee and the Republican National Finance Committee—both of which committees I was treasurer of. Of nonreporting State committees and what have you, if that was the source of funds—and I am not sure it was—it could be the source of the funds—I would assume that that would have been other's responsibilities.

Senator NUNN. Who gave you these funds?

Mr. MIDDENDORF. Mr. Stans.

Senator NUNN. Maurice Stans gave you the funds?

Mr. MIDDENDORF. Yes, sir.

Senator NUNN. Did he give them to you in cash, and was it in small amounts, or did the whole thing, \$365,000, come in at one time?

Mr. MIDDENDORF. No. In the late part of the 1968 campaign we were having all the television bills coming in, and a tremendous burden of bills, bills for direct mail advertising, and so on.

Seeing our plight, in October he came to us, and said, open up the box and I will put some money in. He brought in what we needed, and he said, you and the controller check each other and count the money, and we will spend the money on these bills. And we did. And that amount that we had left over—we spent nothing after the campaign from that box except for some medals that were given out.

Senator NUNN. But when the funds were actually received from Mr. Stans—and they were received in cash, is that right?

Mr. MIDDENDORF. Yes.

Senator NUNN. You would take the cash and put it in the box?

Mr. MIDDENDORF. Yes, sir.

Senator NUNN. And you would make a slip showing that the cash was in the box?

Mr. MIDDENDORF. Yes.

Senator NUNN. Are those records still available?

Mr. MIDDENDORF. I still have my own notes on every penny that came in, and a record when it came out.

Senator NUNN. If this committee needed those notes for any reason, could you make them available?

Mr. MIDDENDORF. Surely, they were signed by the controller and myself.

Senator NUNN. You had an incoming record and an outgoing record?

Mr. MIDDENDORF. That is right, for every penny.

Senator NUNN. And as far as you know, you did not personally report these funds?

Mr. MIDDENDORF. No, I did not.

Senator NUNN. Do you know whether anybody reported them?

Mr. MIDDENDORF. No, I do not.

Senator NUNN. Do you know whether they technically should have been reported?

Mr. MIDDENDORF. No, I do not.

Senator NUNN. You are assuming that this was done by Mr. Stans, since you did not receive the funds from a donor—you received them from him as chairman of the party?

Mr. MIDDENDORF. I was in the treasurer's function, and my job was to pay bills.

Senator NUNN. Did you ever ask him whether these had been reported?

Mr. MIDDENDORF. No.

Senator NUNN. So to the best of your knowledge today, you do not know whether they were reported or not reported?

Mr. MIDDENDORF. No. As a matter of fact, we had bills totaling in that campaign about \$24 million. We raised money from about a half million people and so we were anxious to get money.

Senator NUNN. I can remember that in my own campaign. Do you remember how you paid these funds out? If you had a bill to pay the television station, did you pay it in cash or did you pay it through the checking account?

Mr. MIDDENDORF. The controller just gave it out.

Senator NUNN. Gave it out, paid in cash?

Mr. MIDDENDORF. Yes.

Senator NUNN. Did he get receipts when it was paid in cash?

Mr. MIDDENDORF. I feel he did, yes.

Senator NUNN. Do you have records of that?

Mr. MIDDENDORF. I did not give it out, so I do not know.

Senator NUNN. What did your records encompass?

Mr. MIDDENDORF. Any payments that came in and any withdrawals that went out.

Senator NUNN. And who they went to?

Mr. MIDDENDORF. No. He and I checked each other each time. If there was a \$10,000 payment such as to an advertising agency, we would have had a record of the transaction.

Senator NUNN. But, for instance, if you had ABC Advertising Agency was going to be paid \$50,000, who would come in and ask for that \$50,000?

Mr. MIDDENDORF. They came around.

Senator NUNN. The company itself would come?

Mr. MIDDENDORF. Yes, they were around all the time.

Senator NUNN. Would you pay the money yourself, or did somebody else pay it?

Mr. MIDDENDORF. Especially before the November 8 election date, because they had too long a record in the past of not getting paid after November 8.

Senator TOWER. If you would yield at that point, in political campaigns ad agencies and media always require prepayment of political. So this was in effect contingency fund, because the money was not coming in as fast at that point in the campaign and it was going out. As you know, there is always a lot of panic money that comes in late in the campaign, but they did end up with a campaign surplus, but they were running then, and they were not up to meeting their obligations without this contingency fund at that time.

Is that right, Bill?

Mr. MIDDENDORF. Yes.

Senator NUNN. I am trying to establish what was the procedure, and what these notes would show. If you were going to withdraw \$350,000, who would come to you and requisition that withdrawal? Or did you yourself handle it?

Mr. MIDDENDORF. The controller and I had the responsibility of checking the funds together within a box.

Senator NUNN. And who was the controller?

Mr. MIDDENDORF. Mr. Dugan, Pat Dugan.

Senator NUNN. What does he do now?

Mr. MIDDENDORF. He is in government somewhere, I am not sure.

Senator NUNN. You would have a bill presented to you, and you and Mr. Dugan would actually pay the cash to the holders of the bill?

Mr. MIDDENDORF. Yes. I do not remember just how it was done, but we were paying bills every day. I do not know how it was done exactly, we were paying a lot of bills.

Senator NUNN. What would your records show, when the money came in?

Mr. MIDDENDORF. And when it went out.

Senator NUNN. And the dates?

Mr. MIDDENDORF. Yes.

Senator NUNN. And who was it received from?

Mr. MIDDENDORF. I have just a safe deposit list.

Senator NUNN. You received all of it from Mr. Stans?

Mr. MIDDENDORF. Yes.

Senator NUNN. Every bit of it came from him?

Mr. MIDDENDORF. Yes.

Senator NUNN. And as it went out it went to various people?

Mr. MIDDENDORF. Yes.

Senator NUNN. Your records would not show who it was actually paid to, but it would show the date of disbursal?

Mr. MIDDENDORF. Yes.

Senator NUNN. The date of disbursal is shown?

Mr. MIDDENDORF. Yes, sir.

Senator NUNN. I think I have used all my time, Mr. Chairman.

The CHAIRMAN. Why were you dealing in cash, Mr. Middendorf? Why did you not use checks?

Mr. MIDDENDORF. We were dealing with both. But the money that came in in cash we would pay out in cash.

The CHAIRMAN. What was the objection to putting it in bank accounts and paying it out that way?

Mr. MIDDENDORF. I operated under instructions, so that is the way I handled it.

The CHAIRMAN. This amount that you used in cash, would you estimate how much it amounted to?

Mr. MIDDENDORF. Several hundred thousand dollars, as I recall. The only figure that I do recall would be the amount that I turned over at the end with the controller.

The CHAIRMAN. So if that came in in cash you paid it out in cash, is that right?

Mr. MIDDENDORF. Yes.

The CHAIRMAN. Suppose a contribution was made by check, what would you do with that, a \$1,000 check, for instance?

Mr. MIDDENDORF. I would put it in for clearance in a bank.

The CHAIRMAN. Would you cash it and put that money in, then, with your other cash money, or would you draw checks against it?

Mr. MIDDENDORF. No, that would go into the appropriate account—if it was a contribution to the Republican National Committee, which would have a \$3 million limit, we would put it into that, or if it came in to an Illinois committee it would go into that.

The CHAIRMAN. You state on your honor—we are not putting you under oath, not now—you state on your honor that you handled this money as you have indicated and checked out and got a full receipt for it?

Mr. MIDDENDORF. Yes.

The CHAIRMAN. What connection, if any, have you had with it since?

Mr. MIDDENDORF. None.

The CHAIRMAN. Senator Jackson, this is Mr. Middendorf. You have heard the questions since you came in.

Senator JACKSON. On this point—I wonder if it is repetitious—

The CHAIRMAN. That is all right.

Senator JACKSON. Has this information that has been alluded to here since I came in been made available to the Watergate Committee and the other—

Mr. MIDDENDORF. As far as I know, they are totally familiar with it.

Senator TOWER. If you will yield at that point, the Watergate Committee is not authorized to look into the 1968 campaign. As a matter of fact, I sponsored an amendment on the floor to authorize them to look into it, and it was defeated on a Party line.

Senator JACKSON. I think that is right, you are correct.

Has the Special Prosecutor's Office inquired about it?

Mr. MIDDENDORF. I have tried to make everything available to everybody, Senator. As far as I know, they are satisfied. It was a matter of concern to me, too.

Senator JACKSON. I just wanted to make the record straight. The Special Prosecutor, Mr. Jaworski, has been involved in this area. Have they inquired into this?

Mr. MIDDENDORF. I have made a total explanation to them.

Senator JACKSON. You have?

Mr. MIDDENDORF. Yes, and in order to clear the record, they have indicated no concern with it whatsoever. As far as I am concerned—and I repeat again, Senator—I know of no activity in that time-frame from 1964 to 1968 that was not in keeping with the existing laws of Congress as of that time.

Senator JACKSON. I understand that. From what I have heard here I think the law is quite clear on that. The way you have stated it, there is no violation of the law. I just wanted to complete the record by asking. And you responded by saying that the Special Prosecutor's Office has this information that you have given to the committee here.

Mr. MIDDENDORF. I have given it freely and voluntarily to anyone that I could that could possibly have any involvement with it.

Senator JACKSON. Has that been some time ago?

Mr. MIDDENDORF. Just within the last week or so.

Senator NUNN. Will the Senator yield at that point?

Does that include the notes you are talking about?

Mr. MIDDENDORF. I have given all the information that you have asked about.

Senator NUNN. The notes were given with the full funds?

Mr. MIDDENDORF. No, I have not given the actual documents.

Senator NUNN. Have you seen them?

Mr. MIDDENDORF. No, they did not ask for them.

Senator NUNN. If this committee asked for those notes, would you give them to them?

Mr. MIDDENDORF. Yes. I would like to volunteer to give them to this committee.

Senator NUNN. Excuse me, Senator Jackson.

Senator JACKSON. I just think that the record should be complete on that, whether this is new information or whether it was given to Mr. Jaworski's office by interview, or to their people in the last 2 weeks.

Mr. MIDDENDORF. The last 2 weeks, yes.

Senator JACKSON. I have not any further questions.

The CHAIRMAN. Gentlemen, all the way through I have understood that this was related solely to the 1968 campaign and had no connection whatsoever with any other campaign so far as Mr. Middendorf is concerned.

You signed out and even left the country as Ambassador.

Mr. MIDDENDORF. Yes.

Senator TOWER. May I say that he did not leave the country just ahead of the law, Mr. Chairman.

Senator JACKSON. The two are not connected.

The CHAIRMAN. He was representing us, and he signed off and quit, and did not come back into that picture anyway.

Senator Dominick.

Senator DOMINICK. I have no questions, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Senator Cannon.

Senator CANNON. Thank you, Mr. Chairman.

Mr. Middendorf, I am not clear now as to how much money went into that account all told.

Mr. MIDDENDORF. I would guess, Senator, \$600,000 or \$700,000 all-together. That was 6 years ago. But I am sure we spent some money.

Senator CANNON. And then of the \$600,000 or \$700,000, you spent all of it out and paid it out in cash except the \$365,000 that you turned over?

Mr. MIDDENDORF. At the end of the last couple of weeks of the campaign in 1968 as Senator Tower mentioned, a lot of money came in. And we just did not need the funds, it turned out.

Senator CANNON. This article refers to another \$733,952 in cash which was moved from Nixon's New York campaign headquarters to a safe deposit box in a Washington bank. Did that \$733,952 also come to you in cash?

Mr. MIDDENDORF. No, I am not familiar with that.

Senator CANNON. You are not familiar with that?

Mr. MIDDENDORF. No.

Senator CANNON. So that the only money that you had anything to do with in cash is this one account that Mr. Stans told you to open and you opened and put the money in? How many times did you add to it in the safe deposit box?

Mr. MIDDENDORF. I do not think more than maybe the original deposit and one more.

Senator CANNON. I see. Most of it was given to you on either one or two occasions?

Mr. MIDDENDORF. Yes.

Senator CANNON. But how many times did you go back into the box, then, to get cash to pay all these bills?

Mr. MIDDENDORF. Maybe 5 or 10 times.

Senator CANNON. At the time you turned over the \$365,000, all the bills had been paid?

Mr. MIDDENDORF. Yes, everything.

Senator CANNON. So that you knew that the \$365,000 was money that was not needed in connection with the 1968 campaign?

Mr. MIDDENDORF. Yes.

Senator CANNON. And that was in early 1969 that you did this?

Mr. MIDDENDORF. Yes.

Senator CANNON. Was that about inauguration time?

Mr. MIDDENDORF. It was probably after inauguration, because we were still paying a lot of bills. It was before I left the country, because I did not want to have any residual responsibility.

Senator CANNON. Were you ever told by anyone where those moneys came from that were given to you?

Mr. MIDDENDORF. No, I was not, Senator.

Senator CANNON. Did you ever inquire?

Mr. MIDDENDORF. No.

Senator CANNON. Were you ever told by anyone what was done with the \$365,000 in cash that you turned over?

Mr. MIDDENDORF. No.

Senator CANNON. Did you ever inquire?

Mr. MIDDENDORF. No.

Senator CANNON. Were you not curious?

Mr. MIDDENDORF. No.

Senator CANNON. You felt that your responsibility was ended?

Mr. MIDDENDORF. Yes.

Senator TOWER. Would you yield at that point?

Let me note that Mr. Middendorf was the treasurer, not the financial chairman, that he was the custodian of the funds and not the fundraiser.

Senator CANNON. Was Senator Tower on the committee with him?

Senator TOWER. He was, as a matter of fact. To clarify my role, I was chairman of the Key Issues Committee for the Nixon campaign. It might be that some of my activities were funded out of that box, I do not know.

Senator CANNON. I just wondered if you had anything you wanted to add.

The CHAIRMAN. The Chair never has ruled anyone out of order, and he would not rule you out now.

Senator TOWER. I will be glad to stick around and answer any questions.

Senator CANNON. On another subject, Mr. Middendorf, getting back to Navy matters, as you know, the Navy has an airplane known as the F-14.

Mr. MIDDENDORF. Yes.

Senator CANNON. Congress has authorized acquisition of some of those airplanes after some controversy. It is my information now that instructions were given by the Congress with respect to the last purchase instructing the Navy and authorizing it to enter into a contract for the purchase of those airplanes, that the contract has not been concluded, and yet the money has been advanced to the contractor. Do you have any information on that?

Mr. MIDDENDORF. I am familiar with the program, and I am familiar with their problems, Senator. I do not like to be unresponsive, but in order to make it a fair statement, I would like to supply it for the record.

Senator CANNON. If you do not know, I certainly do not want to pressure you on it, but what I want to do is to suggest that if and when you are confirmed, that you check that matter immediately and report back to the Congress. I have already written a letter to Secretary Clements, because if the information that I have is correct, I think the Navy has exceeded the authority that the Congress has given it. And I would request that you check that immediately upon being confirmed and get back to this committee with a full report on it. Will you do that?

Mr. MIDDENDORF. I would be glad to. And I will report also to you. [The information follows:]

The FY-74 contract has not been formally executed. Pending final execution of the contract the Navy has continued to provide long lead funding, initiated in June 1973, in order to protect the delivery schedule as well as to avoid potential additional costs associated with a slip or break of the production line.

It is the Navy's opinion that the authority provided by the FY-74 Authorization and Appropriation Acts has not been exceeded. However, to ensure that there is no unintentional conflict with Section 807 of Public Law 93-155, DOD Appropriation Authorization Act, 1974, the Navy has by letters of 4 June 1974 informed the Chairmen of the Senate and House Armed Services Committees that the requirement for advance payment financing will approximate \$100 million.

Senator CANNON. That is all right.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you.

Gentlemen, are there any other questions.

Senator NUNN. I have one other question.

The CHAIRMAN. All right, Senator.

Senator NUNN. I think you have probably hit this head on. Did you at any time during your custodianship of the so-called safe deposit fund ever pay out any for intelligence work in the campaign or for so-called dirty tricks, as we have come to know them, or for any kind of political spying?

Mr. MIDDENDORF. No.

Senator NUNN. Thank you.

The CHAIRMAN. Here is a formal question but it is an important one.

As you know, the Senate Democratic Caucus has adopted a policy with respect to every 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? Would you make a response to that?

Mr. MIDDENDORF. I responded to that before in the affirmative, and I do it again, I would be willing to do that at any time.

The CHAIRMAN. I want to announce that we have already completed the proof as to Mr. David Taylor to be the Assistant Secretary of the Air Force for Manpower and Reserve Affairs.

This afternoon, in order to accommodate the nominee for Chief of Naval Operations, Admiral Holloway, I have set the hearing on

his nomination for 2:30 in this room. He is going to Europe next week, and we want to have this hearing. I was going to set it for tomorrow, but I found out that probably there would be very light debate in the Senate tomorrow, no major bill up.

By the way, it is scheduled now that our military procurement authorization bill will be made the pending order of business at the conclusion of business tomorrow for the debate thereon to start on Monday. I am sure there will not be any votes until midafternoon or something like that. But we want just as good attendance as the members of the committee can give. It just may be that that debate will move along rather rapidly. There will be some amendments, of course. And I believe that we have partly settled some of the controversial issues, the way the bill is written up. We will take the others on as they come. And, of course, I am going to totally stand on the bill. I hope all the other Members will go as far as they can in doing so.

We have had pretty much of a round about authorization bills in these two conferences we have had on the supplemental bill. But the principle of holding out for authorizations prevailed, and rightly so, we had to stand pretty firm, but we did make some promises to get those authorizations bills moving and get them to a point where the Appropriations Committee bills would be in order.

So we want to pass this bill next week if we can and get to conference as soon as we can.

Senator TOWER. Would you yield for a comment, Mr. Chairman?

The CHAIRMAN. Yes.

Senator TOWER. I would like to express the hope that no subcommittees of this committee will be scheduled to meet during the time that we are in intensive consideration of the bill on the floor.

The CHAIRMAN. That is a good point. I join with the Senator in that suggestion. Certainly, let us try it for a week that way and see if we cannot bring this thing to a head.

Back to those procurement problems that we have discussed with Mr. Middendorf, before some of them came in.

You said that you did give attention to a procurement in the problem area, as I understood, you said, when a problem arose you gave it your personal attention?

Mr. MIDDENDORF. Yes.

The CHAIRMAN. You would expect to continue, you did that as Under Secretary and Acting Secretary, that attention in the problem area, is that correct?

Mr. MIDDENDORF. That is right.

The CHAIRMAN. Let me ask you now, too, in the awarding of these major procurement contracts, it seems to me like your active participation would help there.

Mr. MIDDENDORF. That is right.

The CHAIRMAN. How do you feel and what will you do about that?

Mr. MIDDENDORF. I am getting more and more into every contract now. Senator Cannon asked me some questions about the F-14 and that is one that I am just getting into in detail. I have been much more active on the ship procurement side and the problems there. In the case of the F-14—this will not be responsive to his inquiry—I will be as active in it as Mr. Bowers has been. Secretary Bowers has the immediate responsibility, and Secretary Clements and I will be active

with him. I have been involved with personnel affairs, in the naval materiel command, with the fuel problems and many others.

The CHAIRMAN. I know we have had our problems but these contracts run into billions of dollars. And you are saying to the committee that you will give those your personal attention and be in on the awarding of the contract?

Mr. MIDDENDORF. Yes.

I would like to add, to respond further to your inquiry, Mr. Chairman, that we have had a number of admirals who have been project managers in very recent times. We have recently selected three admirals from project management and material acquisition assignments.

The CHAIRMAN. That is very good. The point has been raised about giving promotion to these men. This is an avenue that would possibly lead to promotion. And it has been kind of a dead end street, as you said. We encourage the fact that you opened it up in promoting these.

[The chairman submitted questions by Senator Thurmond:]

Senator THURMOND. Do you fully support the total force concept?

Secretary MIDDENDORF. Yes, and I might add that the "concept" has now become policy within the Department of Defense. Steady progress has been made in manning, equipping and training of our reserve forces under this policy. I recognize that there are still shortcomings which must be vigorously addressed, and I pledge myself to that effort during my tenure in this office.

Senator THURMOND. What are your views relative to the Navy Department's significant reductions in the size of the Naval Reserve during the past 2 years?

Secretary MIDDENDORF. While a reduction in the number of personnel in the Naval Selected Reserve was effected in fiscal year 1974 and has been proposed for fiscal year 1975, the Naval Reserve Force has been strengthened in terms of the number of ships, and modernization and improved maintenance of ships and aircraft. Working with the reality of a tightly constrained budget, our strategy has been to use the funds made available by a reduced number of paid drill Reserve personnel to increase equipment repair and maintenance efforts, procure additional training equipment, and to address other equipment deficits. Because of inflation, and particularly fuel price increases, our strategy in this regard has been only partially effective. Nevertheless, I believe it is the right course to follow at this time.

A much clearer picture of our total Reserve requirements should emerge upon publication of the Guard and Reserve study now ongoing within the Office of the Secretary of Defense, and I would prefer not to take a definitive position on this matter until this study and its conclusions become available.

Senator THURMOND. Testimony has indicated that a number of critical decisions affecting the Naval Reserve have turned strictly on budgetary issues. While I recognize the budget should be kept at the lowest level possible, it appears that funding and personnel reductions applied against the Naval Reserve have been arbitrary. Would you comment on this point?

Secretary MIDDENDORF. Your point is well taken. Certainly we have been assiduous in searching for ways to free up funds which would

be used to enhance the operational capability of our Reserve forces, and there is no doubt that the bulk of these funds have been identified in the reserve personnel account. However, I would hope that our actions in making such identification might be classed as difficult rather than arbitrary. In any case, as the following data show, total funding for the Naval Reserve Force has shown a significant increase over the past 3 years.

NAVAL RESERVE FORCE FUNDING, FISCAL YEARS 1973-75

[In millions of dollars]

	Fiscal year—		
	1973	1974 ¹	1975 ²
RPN.....	232	223	210
O. & M.N.R.....	138	207	238
Total.....	370	430	448

¹ Including supplemental.

² Requested.

I am sure that we are both pursuing the same objective, Senator Thurmond, and that is a modernized and efficient Naval Reserve Force which can effectively complement our active forces in times of national emergency or other crisis. I pledge you my full support and cooperation in pursuit of that goal.

Senator THURMOND. Would you provide for the record your comments on the fact that of all the Reserve components, only the Naval Reserve provides a force of less than 50 percent personnel wise of the 30 day requirement authenticated by the Joint Chiefs? You might know that the other Reserve components provide 70 percent and upwards of the 30-day requirement.

Secretary MIDDENDORF. Fiscal constraints render it unrealistic, in my opinion, to attempt to recruit and retain a Selected Reserve of the size necessary to fully meet our M+30 mobilization requirements (approximately 280,000 reservists). We have sized our Selected Reserve to a level that will assuredly meet our most critical initial wartime requirements, and would draw on our Ready Reserve pool of men to meet quantitative requirements beyond these.

With respect to the practices of the other Services in this regard, I would prefer not to comment at this time. I am satisfied that the Navy is faithfully implementing total force policy in the most vigorous manner possible. As I mentioned in response to a previous question, I believe that a much clearer picture of Reserve requirements—including mobilization requirements—will emerge shortly with the publication of the definitive study now being conducted at the direction of the Secretary of Defense.

Senator THURMOND. In general terms, what are your views as to the current state of the Navy vis-a-vis the Soviets?

Secretary MIDDENDORF. In absolute terms our Navy today is a force of great strength and diversity. Our ballistic missile submarines serve the Nation as an invulnerable nuclear deterrent, while our sea-based tactical air power and amphibious assault forces provide a power pro-

jection capability that can respond to crises quickly and in measured degree. The officers and men manning our fleet are professional and dedicated.

During the last five years our Navy's size has dropped significantly. This was the result of a conscious decision to reduce force levels in order to free funds for the long overdue modernization of our fleet. During this same period, the Soviet Union maintained its impressive naval building program. As a result of its flourishing program, the Soviet Navy emerged during the late sixties as a powerful fleet with increased capability to threaten our freedom to use the seas. Today, their anti-ship missiles provide them with a strong offensive punch; their ships possess new, sophisticated weaponry, and are constantly growing in capability; their new aircraft carriers will add a new dimension to their capabilities. In sum, their Navy has grown from a coastal defense force to one which is capable of blue water operations around the globe. Today, I think that the Soviet Navy has the potential to seriously challenge us in the accomplishment of many of our missions.

In assessing how we measure up vis-a-vis the Soviet Navy, it is necessary to evaluate respective capabilities in the context of how well each performs its mission. The United States is a quasi-island nation and heavily dependent on the sea for economic survival as well as for meeting its commitments to allies. The Soviet Union, on the other hand, is a major land power with vital land lines of communication and it has contiguous nations as allies. Thus our Navy is charged with controlling sea lines of communication while the Soviets have the less demanding task of denying our free use of the seas. Our Navy's responsibilities are by far the more difficult, and therefore require a larger and more capable force.

Our projections show that the Soviet Navy will be a formidable force in the future. However, U.S. Navy plans now underway—TRIDENT, DLGN, F-14, the Sea Control Ship, and the Patrol Frigate—should serve to increase our strength relative to that of the Soviet Navy. It is axiomatic that these plans will bear fruit only if they continue to receive program support from the Secretary of Defense and the necessary level of budgetary support from the Congress.

Senator THURMOND. What do you feel would be the major needs of the Navy during your tenure in office?

Secretary MIDDENDORF: Senator Thurmond, I view my principal responsibility as Secretary of the Navy to be that of maintaining the capability of our Navy and Marine Corps team to effectively support national security policy. Today I see this capability being challenged in several areas. Effective response to these challenges, in my view, defines our principal needs.

First: there is little doubt that there should be no reduction in our shipbuilding or aircraft modernization programs if we are to provide an effective counterweight to the growing Soviet naval presence.

Second: personnel are critical to our success. As much as numbers, we need quality. The extent to which we can enhance the image of the professional military man in the eyes of the public will in large measure determine our success in achieving our qualitative goals. I know of

few areas where the assistance and support of the Congress are more needed.

Third: the Marine Corps is a vital element of our team. An adequate amphibious assault capability is an ingredient basic to the success of this team, and we need to refine where necessary our capability in this area.

Fourth: we must maintain a technological base that is generally superior to that of potential adversaries. This is the single national capability in which we enjoy a clear advantage. In particular, we should allocate adequate resources to support a meaningful research and development effort.

Finally: effective management of the vast organization that is the Department of the Navy requires more than good internal organization. It also requires effective working relations with the public, with the other Government agencies, and with the Congress. In a time of increasingly constrained budgets and the increased competition for national resources which such constraints imply, I believe that we will need to devote greater attention to this important and demanding area.

The CHAIRMAN. We have been glad to have had our visitors here. We want you to come as often as we can open the door. But we will ask you to excuse yourselves quietly and promptly, please.

[Whereupon, at 11:20 a.m., the committee went into executive session.]