

~~SECRET~~

HANDLE VIA BYEMAN SYSTEM ONLY

applicable to all contractors. In addition, items have been deferred with individual contractors. For example, with McDonnell, identification of Gemini spares has been withheld pending the status of the NASA Gemini inventory.

General Berg emphasized his approach has been to establish the best government position. He stated that, while we have been in a price exchange for three weeks, this should not be considered an unreasonable time in view of the non-competitive situation in which he does not hold a real threat over the contractors.

Colonel Dietrich presented the SPO planning schedule for accomplishing negotiations. He discussed, for each contractor, areas of agreement and disagreement, cost data and expenditure rates, and manpower buildup.

With McDonnell, there is agreement on technical parameters and specifications. It appears evident that the high contractor proposal is due in part to the high hiring rate; the contract should pay for the work done, and not for people that are assigned to the program because they are available.

There is also agreement with General Electric on technical matters. It was noted that the GE manpower rate appears possibly to reflect the number of people made available by the phase down of other work.

With Douglas, definition of contractual items is considered good enough to support a fixed price incentive contract. Their hiring situation is apparently indicative of a problem throughout the Los Angeles area.

Colonel Dietrich, in summarizing the split between contractor and Air Force cost estimates, stated the true value of the contracts was probably below the Air Force budget position, but because of the sole source environment, a final negotiated figure would likely be above the Air Force budget. The variation, in millions, was shown as follows:

	<u>McDonnell</u>	<u>GE</u>	<u>Douglas</u>
Current Contractor Proposal	205.4 FPI	198.0 CPIF	815.8/785.0 FPI/CPIF
Latest AF Offer	147.9 FPI	147.3 CPIF	611.3 FPI
AF Budget Position	174.8	177.6	680.6

DORIAN

Page 2 of 4 pages
Copy ~~1~~ of 10 copies
SAF-SL BYE 21276-66

HANDLE VIA BYEMAN SYSTEM ONLY

~~SECRET~~

~~SECRET~~

HANDLE VIA BYEMAN SYSTEM ONLY

At this point, another item on the agenda--DX priority--was discussed. Secretary Brown stated that the time to ask DoD for a DX priority is when we have the program defined to the extent of certain contractual coverage.

Secretary Brown opened a discussion of negotiating strategy with the following observations:

- a. We are going ahead with the program.
- b. The rate is not magic. As far as possible the rate should be limited only by the lead-time on the optical system.
- c. An assessment is in order of the contractor hiring rates.
- d. There may be a management problem with Douglas because of their financial situation.

General Evans noted that failure to negotiate the contractors down to acceptable levels could cause the program to stretch, and if this occurs, we should reopen competition. He proposed the following actions:

- a. Make a final Phase II offer to Douglas and GE, not to exceed total segment costs as defined in the Program Plan and Funding Requirements document.
- b. Reopen competition by initiating a Contract Definition Study with Lockheed Missile and Space Division and instructing them to bid as a three-way competitor to Douglas, GE, and the Douglas/GE team.
- c. Initiate a contract with North American Aviation, Space and Information Division to obtain a bid on a scaled-down Apollo vehicle as a competitor for the Gemini B. Concurrently, make a final offer to McDonnell.

General Evans discussed the implications and possible results of these actions, and recommended Policy Committee consideration. During the discussion, Lockheed was identified as one logical candidate because they have a cleared base, have kept up to date on the technology for both manned and unmanned applications, and could propose on both Douglas and GE tasks, although Lockheed may have a manpower and facility problem. General Berg stated that opening up the program to new contractor proposals could result in a six to twelve month slip.

DORIAN

Page 3 of 4 pages
Copy 1 of 10 copies
SAF-SL BYE 21276-66

HANDLE VIA BYEMAN SYSTEM ONLY

~~SECRET~~

~~SECRET~~

HANDLE VIA BYEMAN SYSTEM ONLY

Secretary Brown concurred in the proposed action and in the advisability of alerting the contractors of our intentions prior to implementing the new approach. He said the MOL Program should strive to remain below the Air Force budget position if possible. He noted that a schedule stretchout could conceivably force the contractors to drop personnel overages. Secretary Brown agreed that General Berg's briefing could be given to Dr. Foster, DDR&E, on November 23, 1966.

Secretary Brown expressed concern that the current Douglas financial problem might create an unfavorable situation for MOL at some future date. In the discussion it was suggested that a management change within Douglas would not necessarily impact to the detriment of MOL.

In answer to General Evans' query, Secretary Brown stated that no further DoD program approval is necessary, but that to get money released from DoD they must be presented with a MOL program plan and the negotiated contracts.

The Committee concurred in the following action: A message will be sent to General Berg directing him to prepare a program plan for reopening the competition for those segment packages that have not been negotiated. This plan will be forwarded for Secretarial approval no later than December 1, 1966.

The meeting adjourned at 1600 hours.

DORIAN

Page 4 of 4 pages
Copy 1 of 10 copies
SAF-SL BYE 21276-66

~~SECRET~~

APPENDIX

MOL POLICY COMMITTEE

November 27, 1966

Other Attendees:

Briefers:

Brigadier General Russell A. Berg, Deputy Director,
MOL Program
Colonel Fred H. Dietrich, MOL Systems Office

MOL Systems Office:

Colonel Clifford D. Kester
Major Leslie G. Thompson

MOL Program Office:

Dr. Michael I. Yarymovych
Colonel Clarence L. Battle
Colonel Richard C. Randall
Colonel Richard L. Dennen