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# THE DISMISSAL OF A. ERNEST FITZGERALD BY THE DEPARTMENT OF DEFENSE

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## HEARINGS

BEFORE THE

SUBCOMMITTEE ON ECONOMY IN GOVERNMENT

OF THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

NINETY-FIRST CONGRESS

FIRST SESSION

NOVEMBER 17 AND 18, 1969

Printed for the use of the Joint Economic Committee

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# CONTENTS

## WITNESSES AND STATEMENTS

MONDAY, NOVEMBER 17, 1969

	Page
Proxmire, Hon. William, chairman of the Subcommittee on Economy in Government: Opening remarks.....	1
Fitzgerald, A. Ernest, deputy for management systems, Office of the Assistant Secretary for Financial Management, U.S. Air Force.....	5

TUESDAY, NOVEMBER 18, 1969

Seamans, Hon. Robert C., Jr., Secretary of the Air Force; accompanied by Spencer J. Schedler, Assistant Secretary of the Air Force, Financial Management; and Philip N. Whittaker, Assistant Secretary of the Air Force, Installations and Logistics.....	100
Fitzgerald, A. Ernest, deputy for management systems, Office of the Assistant Secretary for Financial Management, U.S. Air Force.....	162

## SUBMISSIONS

MONDAY, NOVEMBER 17, 1969

Brown, Hon. Clarence J.: Article: "Decision on C5A May Prove To Be Blow to Lockheed," by Robert Keatley, from the Wall Street Journal, November 7, 1969....	50
Fitzgerald, A. Ernest: Letter: Notice of proposed separation due to reduction in force, from A. Y. Kent, chief, civilian personnel division office, Secretary of the Air Staff, November 4, 1969.....	6
Memorandum for correspondents, November 4, 1969, relative to the reduction in force of military and civilian positions announced by the Secretary of the Air Force.....	7

### *Appendix A*

Fitzgerald, A. Ernest: Memorandum for the record, December 9, 1968.....	57
Attachments:	
1. Letter to Hon. William Proxmire from Clark M. Clifford, former Secretary of Defense, November 27, 1968.....	58
2. Note for Secretary Thomas H. Nielsen, December 5, 1968. Memorandum for Secretary Harold Brown from Secretary Thomas H. Nielsen, December 5, 1968.....	59
3. Letter from Hon. William Proxmire, October 18, 1968....	59
4. Memorandum for Secretary Thomas H. Nielsen, October 29, 1968.....	60
5. Memorandum for Col. Henry M. Fletcher, Jr., director, procurement policy, subject: Acquisition cost control, August 27, 1968.....	60
Memorandum for Brig. Gen. William Snavely, OSD (I. & L.), subject: Acquisition cost control.....	63
Memorandum for service secretaries, DSA, subject: Cost control in major acquisitions.....	65
Visit of Joint DOD/NASA Overhead Study Committee to the Evendale, Ohio, plant of the General Electric Flight Propulsion, April 24-26, 1967, report on General Electric FPD manpower control practices.....	70

IV

Fitzgerald, A. Ernest—Continued

DOD/NASA Ad Hoc Study Group, report of visit to General Electric Co., Evendale, Ohio, Flight Propulsion Division, April 24–26, 1967, subject: Techniques of managing and controlling overhead costs.....	74
6. Letter to Jack L. Stempler, assistant to the secretary (legislative affairs), Office of the Secretary of Defense, from Hon. William Proxmire, November 1, 1968.....	76

*Appendix B*

✓ Fitzgerald, A. Ernest: Memorandum for Dr. Harold Brown, subject: Background information relating to Fitzgerald case, from John A. Lang, Jr., administrative assistant, January 6, 1969.....	77
Article: "AF Opened Proxmire Letter To Aid Testifying on C5-A," by Orr Kelly, from the Sunday Star, Washington, D.C., January 19, 1969.....	80

*Appendix C*

Fitzgerald, A. Ernest: SAFFMM functional changes.....	83
Source selection reviews.....	83
Systems demonstration approvals.....	85
Weapons system cost review.....	89
Management systems control.....	94
Secretary Melvin R. Laird's letter.....	94

*Appendix D*

Fitzgerald, A. Ernest: Letter to Hon. William Proxmire from Brig. Gen. John C. Girando, USAF, deputy director, legislative liaison, January 15, 1969.....	95
Letter to Mrs. Eleanor B. Walters, Tuscaloosa, Ala., from Col. B. M. Ettenson, USAF, Office of the Secretary, July 16, 1969.....	95

*Appendix E*

Fitzgerald, A. Ernest: Distinguished Civilian Service Award.....	97
---	----

TUESDAY, NOVEMBER 18, 1969

Moorhead, Hon. William S.: Letter of November 7, 1969, to the President regarding the dismissal of A. Ernest Fitzgerald with 60 other Members of the House of Representatives signatures; and the subsequent reply of November 13, 1969, by E. Timmons, deputy assistant to the President.....	115
Seamans, Hon. Robert C., Jr.: Letter from Lt. Gen. Seth J. McKee, USAF, Assistant Vice Chief of Staff, with appended report on personnel actions affecting Mr. Arthur Ernest Fitzgerald.....	105
Reply to Congressman Moorhead's question regarding date of initiation of file on A. Ernest Fitzgerald.....	118
Response to query of Senator Proxmire regarding examples of people that have been recognized, promoted, and decorated in any way who have achieved success in economy and efficiency, or have revealed to the public information the public has a right to know...	143
Response to query of Senator Proxmire regarding award nominations for A. Ernest Fitzgerald.....	144
Reply to request of Senator Proxmire to place in the record the letter of December 15, 1967, to Lt. Gen. J. W. O'Neill, commander, SAMSO, from A. Ernest Fitzgerald, deputy, management systems (with attachments).....	146
Whittaker, Philip N.: Reply to request of Senator Proxmire to place in the record any further documentation relative to C-5A contract changes.....	133

## Appendix A

Seamans, Hon. Robert C., Jr.:	
Answers to additional questions asked by Congressman Moorhead...	170

## Appendix B

Proxmire, Hon. William:	
Statement to the press, November 22, 1969.....	176
Letter to John N. Mitchell, Attorney General, November 22, 1969....	179
Letter from Department of Justice, Criminal Division, November 28, 1969.....	180
Letter from Will Wilson, assistant attorney general, February 18, 1970.	180
Statement to the press, March 3, 1970.....	181
Letter from Department of Justice, February 18, 1970.....	181
Letter to Will Wilson, assistant attorney general, March 2, 1970.....	182
Memorandum for SAFLL, subject: Interim response, from Lt. Col. J. D. Pewitt, USAF, August 7, 1969.....	183
Memorandum for SAFFM, from A. Ernest Fitzgerald, July 24, 1969..	183
Memorandum for Mr. Fitzgerald, SAFFMM, from Philip N. Whit- taker, July 9, 1969.....	183
Memorandum for Secretary Whittaker, subject: C-5A contract changes, from Donald R. Jackson, July 7, 1969.....	183
Memorandum for Mr. Fitzgerald, SAFFMM, from Lt. Col. J. D. Pewitt, USAF, August 7, 1969.....	184
Memorandum for Lieutenant Colonel Pewitt, SAFFM, from A. Ernest Fitzgerald, August 1, 1969.....	184
Memorandum for Secretary Hansen, SAFRD, subject: C-5 technical performance.....	185
Memorandum for Assistant Secretary of the Air Force (R. & D.), subject: C-5A cost review, from Thomas H. Nielsen, November 22, 1968.....	185
Memorandum for SAFFM (Lieutenant Colonel Pewitt), subject: Transmittal of reply to subcommittee, from Col. William B. Swald, USAF, August 11, 1969.....	187
Memorandum for Lieutenant Colonel Pewitt, SAFFM, subject: Transmittal of supplementary information to Subcommittee on Economy in Government, A. E. Fitzgerald, August 13, 1969.....	187
Letter from Robert C. Seamans, Jr., December 11, 1969.....	187
Letter from Richard G. Capen, Jr., February 5, 1970.....	188
Excerpt from the "United States Code, Title 18, Crimes and Criminal Procedure, Section 1505, Obstruction of Proceedings Before Depart- ments, Agencies, and Committees".....	188
Excerpt from the Congressional Record, August 3, 1939.....	189
Articles:	
"Pentagon Fires Expert on C-5 Costs," from the Congressional Record, November 5, 1969.....	189
"Fitzgerald's Firing Is Deplorable," from the Congressional Record, November 6, 1969.....	190
"Mr. A. Ernest Fitzgerald, Air Efficiency Expert, Fired by the the Pentagon," from the Congressional Record, November 6, 1969.....	190
"Pentagon Loyalty," from the Nation, November 17, 1969.....	191
"Fitzgerald 'Firing' Denied by Air Force, Stirrs Protests," from the Congressional Quarterly, November 21, 1969.....	191
"Flying Fickle Finger of Fate Award Presented to the Air Force," from the Congressional Record, January 22, 1970.....	193
"Fitzgerald Appointment," from the Congressional Quarterly, January 30, 1970.....	194
"Notebook," from the Armed Forces Journal, January 10, 1970..	195
"Pentagon Fires Expert on C-5 Costs," by Bernard D. Nossiter, from the Washington Post, November 5, 1969.....	195
"Pentagon Criticized on Dismissal of Fitzgerald," from the Aerospace Daily, November 6, 1969.....	196
"Lockheed's Accountants Get Ex-AF Aide's Duties," by Bernard D. Nossiter, from the Washington Post, November 7, 1969.....	196
"Probe of Pentagon Firing Due," from the Cleveland Plain Dealer, November 9, 1969.....	197

## Proxmire, Hon. William—Continued

"Such Economy Is a Blow to Taxpayers," from the Louisville Courier-Journal, November 11, 1969.....	198
"Air Force To Reduce C-5A Order by 'a Third,'" by Orr Kelly, from the Washington Star, November 15, 1969.....	199
"He Sees Air Force in New Power Grab," from the New York Times, November 18, 1969.....	200
"Fulbright Sees Fitzgerald Effect" from the Washington Post, November 18, 1969.....	200
"C-5A Testimony Feared, Senators Told," by Bernard D. Nossiter, from the Washington Post, November 18, 1969.....	201
"AF Secretary Denies Firing C-5A Critic," by Bernard D. Nossiter, from the Washington Post, November 19, 1969.....	202
"C-5A Aide Was Fired Only To Save Money, Air Force Reaffirms," from the Philadelphia Inquirer, November 19, 1969.....	203
"Seamans Says Fitzgerald Lost Job Because of Reorganization," from the Aerospace Daily, November 19, 1969.....	204
"Seamans Broke Law Firing Cost Expert, Proxmire Says," from the Baltimore Sun, November 23, 1969.....	204
"Took 2 To Black Eye—'Ernie' Was Tough, Honest When Child," by Thomas F. Hill, from the Birmingham (Ala.) News, November 23, 1969.....	205
"He Exposed Them—Fitzgerald Leaving; Evils Are Left," by James Free, from the Birmingham (Ala.) News, November 23, 1969.....	206
"Other Side of the Fence," from the Washington Star, December 1, 1969.....	208
"Air Force Fired Cost Critic, Defense Secretary Confirms," from the Washington Star, December 2, 1969.....	208
"Laird Says Fitzgerald's Position on C-5 Was 'Correct,'" from the Aerospace Daily, December 8, 1969.....	208
"Nixon Acts To Reinstate Cost Expert," by Willard Edwards, from the Chicago Tribune, December 10, 1969.....	209
"Fitzgerald to World Bank?" by Sarah McClendon, from the Washington Examiner, December 11-13, 1969.....	210
"Thou Shalt Honor Thy Sergeant," from the Washington Daily News, January 12, 1970.....	211
"The Fitzgerald Affair (Cont.)," from the Washington Star, January 12, 1970.....	211
"Fitzgerald Is Now Nixon's 'Otepka,'" by Willard Edwards, from the Chicago Tribune, January 20, 1970.....	212
"ACLU Fund on the Fitzgerald Case," from the American Civil Liberties Union Fund of the National Capital Area, news release, January 21, 1970.....	212
"Ernie Fitzgerald—He Told the Truth and the Government Fired Him," by Lloyd Shearer, from the Washington Post (Parade), April 5, 1970.....	213

# THE DISMISSAL OF A. ERNEST FITZGERALD BY THE DEPARTMENT OF DEFENSE

MONDAY, NOVEMBER 17, 1969

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMY IN GOVERNMENT  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The Subcommittee on Economy in Government met, pursuant to notice, at 10:05 a.m., in room 1202, New Senate Office Building, Hon. William Proxmire (chairman of the subcommittee) presiding.

Present: Senators Proxmire, Sparkman, Fulbright, Jordan, and Percy; and Representatives Moorhead, Conable, and Brown.

Also present: Richard F. Kaufman, economist, and Douglas C. Frechtling, economist for the minority.

Chairman PROXMIRE. The Subcommittee on Economy in Government of the Joint Economic Committee will come to order.

Before I make an initial statement, Mr. Fitzgerald, I would like to ask you if you will please attend all of the testimony in these hearings during the next few days. Is it possible for you to do that?

Mr. FITZGERALD. Yes, sir, unless my superiors object I will be here.

Chairman PROXMIRE. We hope you can be here because I think it is very important that you attend, since you are, of course, the principal person involved in these hearings, and you undoubtedly have a better and more direct knowledge of every phase of the inquiry than any of the other witnesses have. It will be most useful to this subcommittee if you could attend.

It was almost precisely a year ago, on November 13, 1968, when Mr. A. Ernest Fitzgerald first testified before this subcommittee.

He did so at our request. When he did so I asked the representative of the Air Force present at the hearing if Mr. Fitzgerald had permission to testify about any matter within his expertise providing only that it did not touch on security. The public, verbal reply to that question at that hearing was that he did have such authority.

It was at that time in answering questions put by the subcommittee that Mr. Fitzgerald acknowledged that there was a \$2 billion overrun on the C-5A airplane. This was not his estimate or his figure. He testified to the Air Force figure which has since been confirmed.

What he did was to testify before a congressional subcommittee, at the request of the subcommittee and with the authority of his superiors, upon matters of proper public interest. What he said was true. What he said may even yet save the taxpayers of this country over a billion dollars. Whatever else his accomplishments, very few other men have saved this country a billion dollars.

Shortly thereafter he was told that the "tenure" he had received a few days before he testified had been granted to him by mistake. It was called a "computer error."

Within a few weeks his superiors testified before this subcommittee that no retaliation against Mr. Fitzgerald had been taken for his testimony before this subcommittee. At precisely that same moment, the Administrative Assistant to the Secretary of the Air Force sent the Secretary a memorandum detailing three ways in which the departure of Mr. Fitzgerald could be accomplished, one of which the memo pointed out was not recommended since it was rather underhanded.

Meanwhile his old duties of examining costs on major weapons systems contracts were withdrawn from him and transferred to others. In their place he was given such important duties as examining the overruns on bowling alleys in Thailand and in the mess halls of the Air Force.

Later, in June, when this subcommittee asked him to testify, his superiors denied him that right. Shortly afterwards, his superiors changed their position and agreed that he could testify, and he did.

Subsequently, materials we had asked him to provide for the record were not provided when his superiors failed to do so.

Finally, a few days ago, he was notified that his job had been ended in an economy move. Incidentally, the method used to fire him was method number two suggested in the earlier memorandum detailing three methods of accomplishing his removal. This was "reduction in force," or "riffing." The memo pointed out that due to the unusual circumstances, Mr. Fitzgerald was in competition only with himself and could neither bump nor displace anyone else. In other words, this would accomplish his departure.

Many things are at stake in this matter.

First is the job and career of Mr. Fitzgerald himself.

In my opinion this is a case of retaliation against a courageous public servant who did his duty and told the truth.

Second, is the question of whether Congress has a right to ask and receive nonclassified information about public matters and public contracts without those who give such information, truthfully and properly, losing their jobs.

I might point out that there is a provision in the law that is very clear, and clearly designed to prevent intimidation of witnesses before a congressional committee. I want to read the three short paragraphs that affect this. The law specifies:

Whoever corruptly or by threats or force or by any threatening letter or communication endeavors to influence, intimidate, or impede any witness in any proceeding pending before any department or agency of the United States or in connection with any inquiry or investigation being had by either House or any committee of either House or any committee of the Congress or whoever injures any party or witness in his person or property on account of his attending or having attended such proceedings, inquiry or investigation or on account of his testifying, or having testified to any matter pending therein shall be fined not more than \$5,000 or imprisoned not more than five years or both.

Third, is the huge issue of waste in military procurement. Instead of attacking the problem, the man who had the guts to point out the problem was sacked. Instead of giving him a medal, the Air Force has fired him. In the meantime the defense of this country has been weakened, the hard earned income of millions of American taxpayers has



been squandered, and funds for the myriad of military and civilian priorities facing this Nation have been wasted. This makes us weaker, not stronger, and if the Air Force can get by with such deliberate acts it will also weaken the moral fabric of this Government and this country by putting every honest civil servant on notice if he tells the truth and tries to save money, even under circumstances which are properly authorized, his job is at stake.

Wrapped up in this, I should say wrapped up in the person of this one man are all of these great issues.

We intend to get to the bottom of them. Therefore I welcome as our first witness Mr. A. Ernest Fitzgerald whom we have asked to make a statement before questioning proceeds, and of course I want to call on other members of the subcommittee if they would like to make a statement.

Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

I, too, want to welcome Mr. Fitzgerald back before this subcommittee. It was just a little over a year ago I think, Mr. Fitzgerald, that you first appeared here before the subcommittee on November 13, 1968, and I should like to add, Mr. Chairman, a chronology of events that have transpired since that time involving Mr. Fitzgerald and the Department of Defense.

On November 13, 1968, A. E. Fitzgerald, Deputy for Management Systems Office of the Air Force testified before the Economy in Government Subcommittee of the Joint Economic Committee. He stated that Assistant Secretary of the Air Force for Financial Management Nielsen directed him not to prepare a written statement for his appearance.

He went on to maintain that the C-5A program of 120 aircraft was now estimated to cost \$2 billion more than originally estimated, primarily because of inadequate contract administration and cost control.

Then on January 16, 1969, an assistant of the Air Force for Installation and Logistics, Robert H. Charles, confirmed that Mr. Fitzgerald's estimates of cost growth of the C-5A program, he maintained that Fitzgerald was not permitted to prepare a written statement because he could not place the cost growth in proper perspective, that is compared to increased aircraft quality and contract performance.

Senator Proxmire, chairman, revealed that Mr. Fitzgerald's schedule A appointment dating back to 1965 had been converted by the Air Force to civil service career status on September 6, 1968. However, 12 days after Mr. Fitzgerald testified, he received a notice that this grant of tenure was a computer error, although signed by the Chief of the Civilian Personnel Division, and that his career status was ended.

The Civil Service Commission confirmed that the Air Force had not requested action to convert Mr. Fitzgerald to civil service status and further that the Air Force could not grant this tenure without Civil Service Commission approval.

Chairman Proxmire also maintained that the C-5A cost data supplied by Mr. Fitzgerald for the record at the November 13 hearings was changed by the Air Force without Mr. Fitzgerald's knowledge and yet sent to the subcommittee with the label "Testimony of A. E. Fitzgerald."

Finally, Chairman Proxmire released a copy of the memo to Secretary of the Air Force Harold Brown from his Administrative Assist-

ant, John A. Lang, dated January 6, 1969. This memo outlined that the chairman had said three possible actions could result in Mr. Fitzgerald's departure. Among these was a reduction in force and abolishment of Mr. Fitzgerald's job.

When questioned on this, Assistant Secretary of the Air Force Charles acknowledged the existence of the memo, but interpreted it as merely outlining Fitzgerald's employment rights and not as an indication that Fitzgerald's dismissal was imminent.

On June 11, 1969, Mr. Fitzgerald testified before the subcommittee on the need for effective controls on defense contract costs. He agreed to request cost data on the SRAM, and the MK-2 from the Air Force and present it 2 days later.

Two days later, June 13, 1969, Mr. Fitzgerald stated that shortly before he was to testify he received a memo from Assistant Secretary of the Air Force for Financial Management Nielsen, saying that the SRAM and MK-2 cost data would be sent to Senator Proxmire within 30 days and that it would be inappropriate for Mr. Fitzgerald to testify on these programs in the meantime.

On June 17, 1969, Mr. Fitzgerald testified before the subcommittee that the cost data requested was now available and that he was free to answer questions concerning it. He went on to reveal that since he first testified in November, he had been effectively relieved of his major weapons systems cost control responsibility.

Although these duties have been part of the responsibility of the position he has now held since 1965 they have been transferred to the Air Force Systems Command under Air Force Headquarters.

Mr. Fitzgerald stated that he was now working on minor construction problems in Thailand including a 20-lane bowling alley and food services costs in the Air Force mess halls.

On November 5, 1969, Mr. Fitzgerald was notified that the job of Deputy for Management Systems, Office of the Assistant Secretary of the Air Force, had been abolished and that he had 60 days left on the payroll.

Press accounts indicate this resulted from an Air Force reduction in force economy measure.

We welcome you before this subcommittee, Mr. Fitzgerald.

Chairman PROXMIRE. Thank you, Senator Jordan.

Senator PERCY, do you have a statement?

Senator PERCY. Mr. Chairman, I would merely like to reiterate what I hope will come out of these hearings. Of course, it is important that we investigate this one incident, but I think the much more important question that we will be addressing ourselves to is the system that we have for procurement of defense items. The defense budget runs to some \$80 billion annually, a very large part of the economy, 10 percent of GNP.

I hope it can be brought out during the course of the testimony why it was necessary for a subcommittee of the U.S. Senate to bring out this material, rather than the Air Force itself bringing out the facts.

How much work did our witness today, Mr. Fitzgerald, do within the Air Force? How much was he called on to do within the Air Force itself to keep track of these overruns and what was internally done to rectify the problem?

I hope we can also get some testimony that will indicate how cost

conscious the defense services themselves are using this particular case of the Air Force as an **example**.

Is this a problem that runs deep within the Defense Department as it does within many other areas of the Government?

Why didn't the Air Force make these overrun costs available to the public prior to their being rooted out by the Congress?

We should also have some explanation as to what has taken place since the new administration has taken over. Has there been an effort to cooperate with the new administration which inherited this great problem, or has the same attempt been made to apparently cover it over? Is there a new attitude and a new approach by this administration?

I think this testimony in the light of the fundamental problems that we face in connection with defense procurement can be very revealing and very helpful if we can take a broad look at the area.

Chairman PROXMIRE. Representative Brown?

Representative BROWN. Thank you, Mr. Chairman. Since I was not a member of this subcommittee at the time that Mr. Fitzgerald testified earlier I would like to reserve my comments until such time as we hear this testimony this morning.

Chairman PROXMIRE. I understand, Mr. Fitzgerald, that you have a statement. Go right ahead and then we will proceed with questioning.

**STATEMENT OF A. ERNEST FITZGERALD, DEPUTY FOR MANAGEMENT SYSTEMS, OFFICE OF THE ASSISTANT SECRETARY FOR FINANCIAL MANAGEMENT, U.S. AIR FORCE**

Mr. FITZGERALD. Thank you, Mr. Chairman, and members of the subcommittee.

Ladies and gentlemen: I do not have a formal prepared statement. I was notified last Friday afternoon that if I desired to submit a formal statement, that it should be submitted through channels. There simply was not time to do this. It is a time consuming process, so with your permission I would like to speak from notes this morning. I have provided backup material to the subcommittee for your later study, and I will try to answer any questions you put to me.

I am here today primarily to tell what I know of reasons for my recent firing, and underlying problems. First, I will quote for you the official reason contained in my November 4 notice of separation, and I quote:

This constitutes the required 60 days advance notice of proposed separation by reduction in force due to the abolishment of your position necessitated by a reorganization under the current Air Force retrenchment program.

That, as Senator Proxmire pointed out, was the second possibility pointed out in Mr. Lang's memorandum to the Secretary of the Air Force. The Pentagon press release that same date in part stated:

The present Assistant Secretary, Mr. Spencer J. Schedler, has been working on reorganization plans for several months, and with the Secretary's approval has implemented the new organization of his office in conjunction with the current reduction actions in the Air Force.

Now these statements constitute my total knowledge of the official reason for the firing. I will provide copies of the two documents for the record.

(The two documents, referred to above, follow :)

DEPARTMENT OF THE AIR FORCE,  
HEADQUARTERS UNITED STATES AIR FORCE,  
Washington, D.C., November 4, 1969.

Subject: Notice of Proposed Separation Due to Reduction in Force.

To: Mr. A. Ernest Fitzgerald, SAFFM.

1. This constitutes the required 60 days advance notice of proposed separation by reduction-in-force due to the abolishment of your position necessitated by a reorganization under the current Air Force retrenchment program.

2. Prior to the issuance of this notice, a careful review was made of all Air Force Excepted Service positions in your competitive area for which you were qualified and to which you might be entitled to be reassigned under current reduction-in-force regulations. Your competitive area includes the Office of the Secretary of the Air Force, the Air Staff, and Air Force field activities serviced by the Civilian Personnel Division, AFESSP. Your separation is necessary because there is no appropriate available position in which you can be placed at your present grade level or lower.

3. You will be retained in an active duty status through 5 January 1970 unless you obtain approval for leave during this advance notice period. This date will also be the effective date of your separation unless you are transferred, re-assigned, or resign prior to that time. During this period, the Civilian Personnel Division will continue to assure you that your qualifications are fully considered for all appropriate vacancies which may develop.

4. Since you will not have more than 30 days annual leave to your credit on the effective date of your separation, you will receive a lump-sum payment for all of your annual leave. The amount of leave included in your lump-sum payment will be indicated on the Earnings and Leave Statement which you will receive with your final pay check. If you are reemployed by the Federal government within the period covered by the leave for which you are paid, it will be necessary for you to refund the money to cover the unexpired portion of your annual leave. In case a refund is required you will be credited with the amount of leave covered by the refund. If you obtain another position in the Federal service prior to your separation, your unused annual leave will be transferred to your new agency or installation. Your sick leave will be transferred if you are employed in the Federal service within three years of your separation.

5. If you do not receive a position offer before the proposed date of separation, you will be entitled to severance pay computed on the basis of one week's basic compensation at the rate received immediately before separation for each year of civilian service plus an age adjustment allowance.

6. This proposed action is in accordance with regulations of the U.S. Civil Service Commission and the Department of the Air Force. You may review copies of these regulations and the retention records or registers which have a bearing on this proposed action. These records are in Room 5E 867, Pentagon Building. If you have any questions or wish an explanation of the retention records, you may make an appointment for this purpose by calling Miss Stewart Mills, Chief, Personnel Staffing Branch, extension 79145. If you believe that this proposed action violates your rights under Civil Service regulations, you may submit a written appeal to the Appeals Examining Office, Office of the Executive Director, U.S. Civil Service Commission, Washington, D.C. 20415, any time after receipt of this notice but not later than 15 calendar days after the effective date of the proposed action. An appeal must contain the following information:

- a. Your full name, address and office telephone number.
- b. The agency and organizational unit which is taking the action.
- c. Your position title, grade and salary.
- d. Nature and date of the proposed action.
- e. Date of notice (or a copy of the notice).
- f. Specific information or reasons for believing the proposed action is wrong.
- g. Signature by you or at your personal direction.

7. If you believe that this proposed action violates your rights under Air Force reduction-in-force regulations, you may submit a written request for review under the appeal and grievance procedures contained in AFR 40-771, to the Secretary of the Air Staff, Headquarters USAF (AFESSP), Washington, D.C. 20330 within 15 calendar days after receipt of this notice. No action will be taken under AFR 40-771 procedures if you have submitted an appeal to

the CSC based on the same issues. Miss Mills, in the Personnel Staffing Branch, AFESSPD, will assist you in determining whether any violation you allege is based on Civil Service Commission or Air Force regulations.

8. The following data concerning your present employment status is furnished for your information and possible use in applying for further Federal employment:

- a. Position Title and Grade: Deputy for Management Systems, GS-301-17, Schedule A.
- b. Retention Subgroup: 1A.
- c. Competitive Level: 420, Financial Management Systems-Supervisor.
- d. Service Computation Date: 8 November 63.

The Personnel Staffing Branch will assist you to the maximum extent possible in locating employment opportunities in private industry and other Federal agencies. You should contact Miss Mills, extension 79145, if you wish this assistance. Also, if you desire placement priority for continuing Air Force vacancies in the Excepted Service for which you are qualified, please advise Miss Mills within 10 days.

9. If you wish, you may resign at any time before the effective date of your reduction-in-force. You should understand, however, that it is not necessary to resign in order to accept private employment or to leave the vicinity; however, if you leave prior to the effective date of this action, you must obtain approval for leave from your supervisor.

10. We regret the necessity for your separation and wish to express our appreciation for your service to the Department of the Air Force.

A. Y. KENT,  
*Chief, Civilian Personnel Division Office,  
Secretary of the Air Staff.*

#### MEMORANDUM FOR CORRESPONDENTS

NOVEMBER 4, 1969.

The Secretary of the Air Force announced today that as part of a reorganization related to the reduction in force of about 850 military and civilian positions within his office and Air Force Headquarters, the position of Deputy for Management Systems in the Office of the Assistant Secretary of the Air Force for Financial Management will be eliminated.

Reorganization of the Office of the Assistant Secretary of the Air Force for Financial Management has been under study for some time. The preceding Assistant Secretary, Mr. Thomas Neilsen, had recommended reorganization prior to his departure, but this action was not implemented.

The present Assistant Secretary, Mr. Spencer J. Schedler, has been working on reorganization plans for several months and with the Secretary's approval has implemented the new organization of his office in conjunction with the current reduction actions in the Air Force.

Mr. FITZGERALD. Having stated the official reasons, I would like to summarize the actions which in my opinion led to my dismissal. I do this for two reasons which dovetail with those of Senator Proxmire and those of Senator Percy.

First, it is my hope that whatever insights I am able to give you will be useful to you in formulating safeguards which will prevent unwarranted retaliation against congressional witnesses.

Second, I hope to help you to identify and clarify the real issues in this unhappy affair, and I believe this will help to get close to the questions that Senator Percy raised in his statement.

I believe they are important issues, and I think they should be dealt with squarely rather than simply glossed over or evaded. Because of the volume of backup material that I have gathered for the subcommittee's subsequent study, I have prepared a summary for presentation today.

Some of it may be a bit repetitious, but I would like to give you my view of the events as they happened. The summary categorizes the major actions leading to my dismissal into four phases.

The first phase is the initial invitation of last November, and ensuing events.

Phase 2 is early aftermath of my testimony.

Phase 3 summarizes my loss of functions.

Phase 4, the thing that I really find distasteful to talk about, but I think we should; personal denigration. In addition, I shall include some brief discussions on other problems and on the issues which I think underlie these in a brief conclusion.

First, addressing phase 1, the initial invitation and ensuing events. Senator Proxmire's request in October of 1968 that I appear before this subcommittee caused consternation in some circles in the Pentagon.

Before I told anyone of the invitation, Mr. Moot, the Controller of the Department of Defense, called to ask me about the invitation. I never learned for sure how Mr. Moot came to know about my invitation. I was told later, however, that all mail, even personal mail, with a congressional return address is routinely diverted, opened and read before it is delivered to the addressee.

Mr. Moot asked if I had received an invitation to testify before the Joint Economic Committee. When I told him that I had, Mr. Moot told me that the Assistant Secretary of Defense for Installations and Logistics was disturbed by the prospect of my testimony.

He asked if I would turn the matter over to him, in effect assigning the invitation.

I told Mr. Moot that my immediate superior, Mr. Nielsen, was out of town, and I could take no action without consulting him. Later, after it had been decided by the Secretary of Defense and the Air Force over my objections, I might add, that I would appear only as a backup witness, and that I would not prepare a statement, Mr. Nielsen and I met with Mr. Moot to discuss the matter.

In summary, it appeared that the decision regarding my appearance was predicated on two assumptions. First, that I intended to present testimony which would "leave blood on the floor."

Second, that Mr. Clifford, then the Secretary of Defense, would not agree with my statement. Now, there had been no discussion as to what I might say in my statement, so this seemed very strange indeed to me, the assumptions having been made without any discussion of my intent.

Later it developed that considerable concern had been generated by the questions of the Joint Economic Committee staff members who were looking into the C-5A question at that time.

There appeared to be a desire at some quarters in the Pentagon to withhold the results of Air Force analysis which had pointed to the huge cost increases on the C-5A.

In addition I later learned that another reason for the consternation at my invitation was the belief that Senator Proxmire had in his possession a file of correspondence between my office and the Office of the Secretary of Defense regarding the lack of clarity in Department of Defense procurement policy. In this correspondence I had pointed out that the then current procurement policy was subject to interpretations, including assertions that inefficiency in procurement was national policy.

I have included a file of this correspondence along with a more complete sequence of events and other documentation as part of my

submission of information for the record to the subcommittee. (See app. A, p. 57.)

However, I would like to go to one of the documents in the file which created this vast uneasiness in the minds of the procurement people and read to you one of the sections which disturbs me greatly. I think this begins to get close to some of the real issues.

Certainly they were the real issues that I was involved in at that moment, and had been for several months in the Pentagon, in addition to the C-5A. I will now read an excerpt from one of the rather long letters. This letter that I am quoting from is a memorandum for Col. Henry M. Fletcher, Jr., Director, Procurement Policy in the Office of Secretary of Defense from me. The subject "Acquisition Cost Control." (See app. A, attachment 5, p. 60.)

Representative A. BROWN. What date, please?

Mr. FITZGERALD. August 27, 1968. I had been discussing in the letter a specific report of what I thought were out-of-control costs of one of our contractors, and went on to say:

I am sure you recall the circumstances of this report and the actions which precluded capture of identified savings on the Minuteman Program. If not, I will be happy to reconstruct the events to you.

In addition to the Minuteman Program, similar situations have arisen on several of our major programs, notably the F-111, including the Mk-2 avionics portion, and the C-5A. Vast cost growth has taken place, and analyses have identified avoidable correctable causes. Proposed corrective actions have been blocked by government management people. The reasons for blocking corrective actions run the gamut of ideology and philosophy. Typical tactics and arguments are as follows:

1. The opponents of cost control proposals try to ignore the analyses or ridicule the analysts without coming to grips with the facts.
2. When consideration of the facts is forced, and the existence of avoidable waste is proven, the opponents make speeches alluding to our commitments to competitive free enterprise, fixed price contracts and disengagement. They then attack the proponents of improvement measures in earnest. The analysts who prepared the cost figures on which improvement proposals are based receive special attention in these attacks and few survive. Government analysts are transferred, isolated or motivated to seek other employment. Outside contractor analysts invariably are forced into other lines of work.

I would like to point out to you that this particular thing was written before my difficulties arose. I am not unique in having difficulties in this area. This is a long-standing problem, and one of those that I would like to see surfaced. I think, as the hearings progress, that we may bring out this problem more strikingly.

The first point:

If decisions on troublesome facts are pressed by the surviving cost control advocates the opponents contend that their hands are tied by Section XV of the armed services procurement regulations.

This is the cost section.

"They may also propose exhaustive studies or global solutions"—as I call them—"to defer dealing with the problems at hand."

I might add parenthetically here that this in my experience is a tried and true bureaucratic device to avoid coming to grips with known problems, that is, study them to death.

Finally, when all other excuses are removed, the opponents present the argument that the cost control proposals are contrary to quote "national policy".

This "national policy" is usually explained, or was at that time, I should say, in terms of placing "social goals" or "economic objectives" ahead of the necessity to obtain more military hardware, to save the taxpayer's money, or to

encourage industrial efficiency as a means of remaining competitive in world markets. The fact that this view directly contradicts earlier arguments in favor of competitive free enterprise et cetera does not seem to disturb opponents of cost control measures.

Even the demonstrations of the practicality of capturing savings do not sway those opposing cost control. Dramatic cost reductions are achieved from time to time through skillful analysis and good strategy for capturing the savings.

And I go on to cite some of the programs that we have had success on such as the Subroc program in the Navy, the standard missile program and portions of the F-111 and Minuteman.

I would like to clarify another point regarding the social goals which we discussed at some length in the June hearings.

I am not opposed to the social goals that have been stated from time to time by the last two administrations. As a matter of fact, I think we should do much more than we have done in the past. However, just to briefly summarize my arguments of last June, I think that Defense is a very poor vehicle for doing this.

There are lots of better ways of doing it, and furthermore the existence of this extraneous factor provides an excuse in defense procurement for people who really do not want to get tough. They can always lean on that, using our willingness to support these very worthwhile objectives as a repudiation of efficiency objectives in general. I think it is an unfortunate thing that has been allowed to cloud the major issue.

Back to my summary, and I will be glad to go into this in any detail that you wish. As you know, this subject that I have just discussed, the file of comments, of correspondence between my office and the Office of Secretary of Defense apparently was not in the hands of anyone outside the Pentagon. That assumption was much akin to seeing spooks in dark corners.

There was a great deal of nervousness and uncertainty in the building at that time, and I do not think it would be overstating the matter to say that a number of people were overwrought at the prospect of my testimony.

However, the other fear that existed, and perhaps in the Air Force this was the principal fear, materialized.

When I was asked by Senator Proxmire to confirm his estimate of C-5A cost increases, I committed truth.

I would like to move now to phase 2, the early aftermath of my testimony. Even though I was aware of the reluctance of some of my superiors to have me testify, I was surprised at the strength of reaction. After my testimony, I was immediately cut off from all direct contact with the major weapons acquisition programs. Within a few days after my appearance, I followed through with the submission of cost information for the record requested by Senator Proxmire and submitted the official Air Force figures for transmittal to the subcommittee through channels, through Air Force channels. Since there had been considerable discussion of qualifying language and the rounded cost figures to be used, I assumed that the information I had submitted had been forwarded.

However, I later learned that the subcommittee did not receive the information until December 24. I also learned that the material which I had submitted had been changed without my knowledge.



On November 25, 12 days following my initial appearance, I received a notification of personnel action which stated that I had been converted to excepted appointment.

This document was intended to cancel a previous personnel action which converted my job to career tenure which had been effective in September of 1968. I have included copies of these two documents in the backup record. (See app. B, p. 77.)

Incidentally, I question the Civil Service Commission's statement that they were not notified of the original conversion to career tenure. This was a complicated affair, and I have concluded that I may never know the real facts behind the action, but as part of my investigation of this, my own personal investigation, I found that the standard form which was sent to me is made in multiple copies as most things are in a bureaucracy.

One of the copies routinely goes to the Civil Service Commission.

The Civil Service Commission agent whom I talked to denied any of this, saying it was probably in some clerical group that did not bring it to his attention, but unless the system broke down again, and the copy, the carbon copy was not made, the Civil Service Commission was notified.

My quarantine from the major programs continued, accompanied by a degree of social ostracism. Persistent rumors cropped up that I was to be fired, and these rumors were given substance by the memorandum, previously mentioned written to Dr. Brown, Secretary of the Air Force, by his administrative assistant, Mr. John Lang. (See app. B, p. 77.)

This memorandum, as has previously been noted, enumerated three possibilities which could result in my departure, the second of which was finally employed.

Despite my protests regarding the diverting, opening and reading of my personal mail, this practice also continued. My enclosure—appendix B (p. 77)—contains a copy of a newspaper article on this subject which I think summarizes the problem neatly.

Now, I mentioned a moment ago that there were persistent rumors of my imminent firing as a result of my testimony and the ensuing publicity immediately following the testimony. This situation continued. The imminence of the firing I think was in question, but I think the ultimate fact or the ultimate intention was not in question.

On the 8th of January of this year, 1969, I was told by my then superior that as a result of my testimony and the ensuing publicity, "You have lost your usefulness. You work for me and you are not useful to me."

Now, he was quite emotional, and later called to explain to me that I was not fired, and that there were no intentions to do so, but it was quite clear that I was beginning to see the true intentions that existed in the minds of my superiors at that time.

A few days later, in a formal performance review, I was told by this same man, my superior, Mr. Nielsen, that I had no future in the Air Force. This was confirmed in a conversation I had with Dr. Seamans on, I believe, about the 4th of March, a few days after. Apparently Mr. Nielsen had cleared the advice to me that I had no future in the Air Force with Dr. Seamans.

I am not sure of this, but this was the gist of what was conveyed to me in the conversations. Dr. Seamans cited only one problem. "The staff doesn't like you."

This had become abundantly clear by that point in time of course.

Now I would like to move next to the third phase of my adventures of the last year, the loss of functions. As I mentioned previously, I was cut off from direct contact with the major acquisition programs immediately after my testimony on the C-5A in November 1968. However, the formal shift of functions took a little longer.

Starting in February of 1969 I began receiving positive evidence that my functions were being officially stripped away. My first definite indication came on the 6th of February when I received a copy of a note which stated that Mr. Nielsen, then my immediate superior, had requested my counterparts in the office of the Secretary of Defense to stop working with me on management systems control problems, and to work instead with the Air staff, that is, the military portion of Air Force headquarters.

I might explain what management systems control consists of. It is a project that had been started by one of your witnesses of last November, Colonel Buesking, which was aimed at reducing the vast amount of paperwork that is involved in our acquisition programs.

The program, I think, is a worthwhile one and is still underway. I am not sure how well it is doing. I am not intimately involved in it. Nevertheless, it was aimed at reducing the vast amounts of paperwork by eliminating redundant management systems and testing the necessity for new ones.

Subsequently, I was officially relieved of my previous responsibilities in weapons cost reviews, performance measurement systems approvals, and participation in source selections for major programs.

To be fair, I should point out that I believe the entire Secretariat, that is the civilian portion of Air Force Headquarters, has been effectively removed from the early stages of source selection procedures. I have included a complete file of the correspondence dealing with my loss of function as a part of the backup material. (See app. C, p. 83.)

I would like to move next to the fourth phase, the personal denigration. As I indicated before, this aspect of my experiences of the last year is most distasteful for me to talk about. At the same time I think it is important to bring it out, since I have observed, as I read to you in the memorandum to Colonel Fletcher, that personal attacks and discrediting innuendo are frequently directed against economy advocates in the defense acquisition business.

I am certainly not unique in this regard. As a matter of fact, I have fared far better than most people in similar situations. The only thing that makes me unique at all is that I have not gone away quietly, whereas most of the others have.

Customarily I tried to ignore such tactics, particularly when the campaign was verbal. However, the ad hominem response to my statements and actions emerged occasionally in written correspondence. I have included in the backup material a couple of examples of this. (See app. D, p. 95.)

The first example is a copy of the letter which was finally sent transmitting cost estimates on the C-5A to this subcommittee on the 15th of January, 1969.

In this letter General Giraudo of the Air Force states regarding the cost figures:

The attachment which purports to cover the estimated C-5A Program costs is one submitted by Mr. Fitzgerald to back up his previous testimony. The Air Force does not support these figures as a substitution for the cost previously supplied your subcommittee.

Now, this was clearly an attempt to cast doubt on the accuracy and authenticity of the figures I submitted. The figures I submitted were in fact official Air Force figures. We may say that they have only recently come out, last Friday as a matter of fact, but they were in fact the official numbers at that time, at least prior to making up the second set which was substituted.

I believe this point has also been well documented in the material which I submitted to the House Armed Services Committee, and I would recommend this material for study by the subcommittee staff.

The second letter, the second example, is contained in a letter written by the Air Force in behalf of President Nixon. This letter, a copy of which is also included in the enclosure, was written in response to a letter from a lady in Alabama, expressing outrage at the Air Force's handling of my situation, and at the apparent inadequacies of our stewardship. (See app. D, p. 95.)

Her specific complaints were not answered but were dismissed with the following statement—

Representative BROWN. What date is that again?

Mr. FITZGERALD. Pardon me?

Representative BROWN. The dates?

Mr. FITZGERALD. This is July 16, 1969, Mr. Brown. I quote:

In this regard in assessing the personal view of any one individual as related to such issues it should be emphasized that they represent a single opinion rather than a balanced picture of the situation.

This term "balanced" has been widely used, the implication being that the things that I have raised are unbalanced.

Well, that is a point of view, I suppose. But after the implicit dismissal of the problem, the letter goes on to make several other misleading statements which I have noted on the letter, and would be pleased to go into if you wish.

These sorts of things are annoying, even though they might be dismissed as somewhat childish. However, the situation became serious in my opinion in the course of the Secretary of the Air Force's testimony on my situation before the House Armed Services Committee in the spring of this year. In this testimony, which is contained in pages 2589 through 2596, subject "Hearings on Military Posture" before the House Armed Services Committee, the Secretary made some very unkind remarks about me. Some of his remarks were also inaccurate.

Among the things I was accused of was unauthorized release of confidential documents.

I was saddened and disappointed by this development. The Secretary had not spoken to me about this at all. It was the first I knew that I was accused of this sort of thing, and I attempted to get an audience with the Secretary to discuss these very serious accusations on a man-to-man basis, but I had no success.

I then requested in writing that I be furnished copies of the confidential documents that I was accused of releasing. Again no response. This sort of thing could have serious implications for years to come for an individual. The release of confidential documents is generally considered to be a violation of security arrangements, and should not be left lying.

Representative MOORHEAD. Mr. Chairman, may I interrupt at this point because the allegations also involve me? As I understand the Secretary of the Air Force testified that confidential documents were released to me, and I would like to state for the record, Mr. Chairman, that at no time have I received a document classified confidential from Mr. Fitzgerald, and I should like to ask Mr. Fitzgerald if he has ever given any document classified confidential to me.

Mr. FITZGERALD. No, sir, I have not. I have given a number of documents from my scrapbook to individuals from congressional staffs who attended the seminars I appeared before last winter and spring. However, none of these were classified, none of them confidential, certainly.

Representative MOORHEAD. Just to clear up a point, none of them were classified documents, isn't that correct?

Mr. FITZGERALD. None whatsoever.

Representative MOORHEAD. Confidential or restricted?

Mr. FITZGERALD. None whatsoever. As a matter of fact the documents which I used as part of my educational program were, as I mentioned before, in a scrapbook on the F-111 negotiations conducted by Mr. Gordon Rule who was one of your witnesses, I believe, this past June.

This negotiation was unique in that it was conducted publicly. The blow-by-blow account of negotiations was contained in the newspapers, and this was done deliberately. It was a strategy on the part of Mr. Rule to make a wider segment of the public aware of what was going on, and the reasoning is quite simple. Why not? You can read the blow-by-blow account of the star baseball player's negotiations with his team manager in the papers each spring, and though the public may be interested, they are not really as vitally concerned as they are in a negotiation involving, as was the case with Mr. Rule's exercise, half a billion dollars. That was the amount of money at issue. So all of this material had been released to the public one way or another. The scrapbook that I have loaned to a number of people contained newspaper clippings and the underlying memorandums which supported them.

I would like to move, having discussed the four major phases of the reaction against me, to three other problems which I think may have contributed to my difficulties, though they are somewhat isolated and do not fit in with the main flow of difficulties that I cited earlier.

The first was my pressure for full disclosure of C-5A technical problems. As most of you know, the C-5A has been pictured as, yes, overrun a bit, and subject to the inexorable increases of inflation and so on, but exceeding all specifications.

We have had suspicions for some time that the specifications which they are exceeding have been reduced. I certainly have, and I think others have. This was the reason that I first became genuinely alarmed

about the prospects of the program in 1966, and I have attempted ever since to get a clear picture of this problem.

This subject came up during my appearance before this subcommittee on June 17, of this year. I was asked to furnish information on the effect of contract changes on the C-5A aircraft. I believe that my continued insistence on furnishing complete information on this subject has contributed to my problem in recent weeks. It apparently has disturbed my superiors somewhat, though I am not sure why. I suspect that you may be able to get an explanation on that tomorrow.

Secondly, my June testimony in general seemed to disturb the management people in Air Force Headquarters. Again I have not been told why. I am quite certain that there was nothing actually incorrect in the testimony, and I have not heard any refutation of my conclusions and recommendations.

The third item is one which is unrelated, I think, to the things we have discussed previously, and this was my proposed participation in a study of secret foreign bank accounts. Congressman Patman requested just a few weeks ago that Mr. Laird allow me to assist his committee's staff in an inquiry into the problem of secret foreign financing and ownership interests in defense contractors.

This request appeared to really touch a nerve, at least based on reaction from my superiors in the Pentagon, and in my judgment this subject should be explored further. I do not really know to what extent Congressman Patman will continue to dig into it, and its impact and relationship to my situation is somewhat unclear, but one that needs to be resolved, I believe.

Now, to the point raised by Senator Percy, the issues underlying all this. As a result of my own experience, I believe there are four desired principles of defense operations which should be examined further. The first is full and prompt disclosure of information which does not jeopardize security.

Second, the right of congressional witnesses to testify truthfully without fear of retaliation.

Third is the unqualified dedication to elimination of excess costs in defense acquisition programs.

Fourth, effective checks and balances for assuring top management control of defense business operations.

I suspect that no one in position of authority will admit less than full commitment to these principles. It follows that if you assume that they are honest and truthful in this, that there should be no issues regarding these points.

Everyone I think would say, "Yes, we are committed to those principles."

However, my experience convinces me, and I believe may illustrate to others, that we have significant deviations from these principles in practice. I believe that, official intentions notwithstanding, the deviations from these principles are the major issues in our business today.

As I have indicated to you previously, particularly in the June 11th testimony and the Mark II case example which I submitted at that time, I believe that the major problem in controlling big weapons system cost is intent. We must want very badly to reduce the cost of the big acquisitions. We must be more determined to reduce the cost than the beneficiaries of high cost are to keep them high, and I think

we must recognize that some people do benefit from higher cost of specific defense items, though I question that they do in the long run.

I and a number of other people have repeatedly proposed specific plans for corrective actions and for improving visibility of program status.

Just to give you a small example of the volume of such proposals, and I hope this does not paint a picture of absolute frustration, because I really do not feel that way, I want to show you a partial list of proposals on this subject, just show you these files, and then here is the big one.

I am not a great writer. I do not like to write, but these are proposals that I have written myself. Some few of them have been put in practice. Most of them unfortunately have not even been answered, particularly in recent months. I don't even get a response to proposals, serious proposals for corrective action. Why not? That is the question that I have in my mind.

I believe the problem is insufficient determination or interest in driving costs down. As I mentioned to you before, I have been asked in years past to do just this, and then have found, and others have found also, not just me, that their actions were blocked when they attempted to implement their recommendations, not by contractors, not directly at least, but by Government people.

In my own case, of course, I have been increasingly handicapped, particularly in the last year, in pinpointing specific high cost areas by isolation from the scene of action, in particular from contractor operations. I have never found it difficult to identify incipient overruns or high cost areas when given access to the operations of the contractors and to their cost records.

I have never been given an explanation for my exclusion from this activity. I have noticed that it is a general sort of thing. I have heard that it is called noninvolvement, that is, keeping the top people in the organization, which presumably should be the best qualified, from direct contact with these detail problems.

Now, this may be a good thing in general, but when problems do arise I think you have got to dig into them and get at the source of the problems.

I think it important to remember, when we are talking about cost, that costs are a reflection of something else that is happening, and if you do not look at the thing that is creating the cost then you are really handicapped in formulating improvement actions.

Again, why? I think we must consider the possibility at least that the problem is one of intent.

Now, except for the occasional clearly stated repudiation of cost-cutting objectives which I have mentioned before, the most compelling argument of all for the existence of a serious problem of intent is the widespread incidence of personal attacks to counter critics of high costs and poor management practices. Ad hominem is a logical fallacy. It is generally employed only by those who are logically out-manuevered in an argument. It is an attempt to shift the subject and get off the points on which they are boxed in.

As I have indicated, I hope that the material I have submitted to this subcommittee in my earlier testimony will help to identify and resolve some of the major issues in the acquisition of necessary big weapons systems.

If this can be done or if this problem can be made to disappear by exposure, and I think that is a distinct possibility—I think that we will drag the intent problem out in the open, talk about it and get specific commitments—we may be able to make it disappear.

If this can be done I will consider that my time, even the last year, has been well spent.

I have given you a summary of my own appraisal of this situation. I will be pleased to answer any questions that you may have.

Chairman PROXMIRE. Before the subcommittee proceeds to questioning, Senators Sparkman and Fulbright came in after we started, and I would be happy if either Senator would like to make a preliminary statement before we start the questioning.

Senator SPARKMAN. Mr. Chairman, I do not have a preliminary statement to make. I will say this. I regret that I have not been able to attend all of the meetings that have been held heretofore. It seems to me from what has been said to us this morning that this is a very serious matter that we are considering.

I thank you, Mr. Chairman.

Senator PROXMIRE. Senator Fulbright?

Senator FULBRIGHT. Mr. Chairman, I want to ask some questions but I do want to say that I think Mr. Fitzgerald is a very brave man. I am sure that it is not only his own career that is affected by this, but that the administration or the Department, if they have done what I suspect they have done, have sought to make an example of him to deter anyone else from having any ideas about testifying in any way that might cast any reflection whatever upon the efficiency of the Department.

I have for the first time in my experience in the Congress, and I have been in the Congress 27 years, I have run into a tendency in my own committee for the representatives of the Executive to take the Fifth Amendment in my committee, and I suspect Mr. Fitzgerald's experience may be added to that, because for the first time last week an ambassador pleaded Executive privilege on a matter of public business, and then he backed off and now it is in kind of a don't know land. I mean you do not know whether he is going to do it or not. They have backed off a little bit. But there is this fear of telling the truth to congressional committees that I think probably Mr. Fitzgerald has been responsible for, and I agree with Senator Sparkman.

If there is any one thing we can do in the Congress it is to get at the bottom of this and hopefully correct it because there is no possibility of reasonably intelligent legislation if we cannot get the facts. There are a lot of questions and suggestions that have arisen out of this testimony I would like to pursue.

Chairman PROXMIRE. Fine.

Mr. Fitzgerald, will you tell us about your qualifications for the job you held, your educational training and professional background prior to your employment in the Air Force.

Mr. FITZGERALD. Yes, sir.

I am an industrial engineer by profession. I graduated from the University of Alabama in 1951 and worked for several years as an industrial engineer for industrial firms, and then went into the management consulting business where I worked for 8 years. I was working as a management consultant on Air Force programs as well

as Navy programs and for commercial clients at the time I was offered the appointment in the Air Force in 1965.

Now, I have worked on a variety of industrial problems, but most of my 8 years as a consultant were spent on cost control problems, in active cost reduction. My business was reducing costs, and like any other consultant I had many difficulties from time to time, was thrown out of a place or two, but in general had good success in reducing costs, and in particular I enjoyed and had some success in reducing costs of weapons systems.

I felt that these were a great challenge, not from the standpoint of identifying the excess costs, but from the standpoint of getting them out, and I thought that this was why I was brought into the Air Force, to do it on a broader scale.

Chairman PROXMIRE. So that by education, by training, by experience, your background was as a professional, as an expert on holding costs down, and in this general area of procurement?

Mr. FITZGERALD. Yes, sir. I concentrated on this pretty heavily for 3 or 4 years prior to joining the Air Force.

Chairman PROXMIRE. I understand that in 1967 you were nominated for an award as an outstanding Federal employee by the Air Force. Will you give us details on this nomination?

Mr. FITZGERALD. Yes, sir. I think—I have two in my file here. In 1967 I was nominated for the Air Force Association's Citation of Honor for my work in management in the Air Force. The specific justification is quite lengthy. I will supply this for the record unless you desire it to be read. (See app. E, p. 97.)

Chairman PROXMIRE. The reason I ask this is because under the circumstances you were fired for economy and I want to establish the degree of competence and ability which you have demonstrated both before you came to the Air Force and in the Air Force.

Mr. FITZGERALD. Yes.

Chairman PROXMIRE. What is the nature of this award? Is this an award that is quite common, given to officials generally, or is it one which indicates a degree of distinction?

Mr. FITZGERALD. No, I do not think it is common. I was very proud to be nominated for the award as I was proud the year before to be nominated for the Distinguished Civil Servant Award by the Air Force in the Federal Government.

I think maybe the Distinguished Civil Service Award may be more to the point.

The justification, which is very similar to that given the next year, dealt with my work in the development and implementation of our cost planning and control system.

Chairman PROXMIRE. How many of these awards are given?

Mr. FITZGERALD. One.

Chairman PROXMIRE. Just one?

Mr. FITZGERALD. So far as I know.

Chairman PROXMIRE. Just one out of—

Mr. FITZGERALD. I did not win, by the way. The Federal Government—

Chairman PROXMIRE. Just one out of the office of the Air Force Secretary or in the Air Force in general?



Mr. FITZGERALD. That is my understanding, Mr. Chairman. I am not absolutely certain. The cost planning and control system was our attempt to find out on a routine on-going basis whether we were overrun or underrun on work done so far on the programs. It is more complicated than that of course, but that is the essence of it. And then they cited some of my participation in weapons systems selections. I had worked on several of them. Also, special projects such as the major cost reviews on weapons systems.

Chairman PROXMIRE. You stated that someone in the Pentagon told you that the Assistant Secretary for Installations and Logistics was disturbed by your invitation to testify before this subcommittee because you would, and the words you used were "leave blood on the floor" and that you would give us copies of certain correspondence. Who was the Assistant Secretary who was disturbed by your invitation?

Mr. FITZGERALD. According to Mr. Moot it was Mr. Morris who at that time was Assistant Secretary of Defense for Installations and Logistics. I never spoke to Mr. Morris about this. This was the only indication that I had as to that subject of conversation with Mr. Moot.

Chairman PROXMIRE. He was the Secretary, the Assistant Secretary of the Defense Department for Procurement?

Mr. FITZGERALD. That is correct, for Installations and Logistics.

Chairman PROXMIRE. And his name was M-o-r-r-i-s; is that correct?

Mr. FITZGERALD. That is correct.

Chairman PROXMIRE. And he was the man who said you would leave blood on the floor?

Mr. FITZGERALD. No. That was Mr. Moot's statement, Mr. Chairman.

Chairman PROXMIRE. Mr. Moot said you would leave blood?

Mr. FITZGERALD. Yes. Mr. Moot the controller of the Department of Defense, was then, and is now.

Chairman PROXMIRE. I think I should point out that I never saw the correspondence you said Mr. Moot was afraid you had given me. Could you tell us what this correspondence was about and why Mr. Moot was afraid of my seeing it?

Mr. FITZGERALD. I am not absolutely certain of all the reasons that he was afraid of your seeing it or whoever was afraid. The correspondence dealt with the intent problem, and there are a series of letters going back to the 10th of May 1967, dealing with a specific review of an overhead problem at a contractor, and I will submit this for the record, in which we had identified the problem. (See app. A, p. 57.) Then there was a subsequent letter to General Snavely, who was Colonel Fletcher's predecessor as the Director of Procurement Policy, which makes rather specific suggestions on an attack on high costs. (See app. A, p. 57.)

Chairman PROXMIRE. Can you give me the name of the contractor and the particular procurement and the overrun involved?

Mr. FITZGERALD. In the first letter, Mr. Chairman?

Chairman PROXMIRE. The one to which you have just referred.

Mr. FITZGERALD. In the first instance it was General Electric, and the problem was the general problem across the board on overhead, which we thought we detected, and the specific procurements that were then underway were on the J-79 jet engine, which is used in the F-4

and the F-104, the B-58 and other airplanes. This was a series of letters, as I said.

After that, a specific proposal for a broad attack on costs in general and overhead in particular, and then finally the letter which I read you from me to Colonel Fletcher dealing with the intent problem which had blocked all of our efforts to that point in time.

Chairman PROXMIRE. After you received the invitation to testify before this subcommittee a year ago, were any efforts made to threaten, intimidate, impede, or in any way influence you in connection with our inquiry?

Mr. FITZGERALD. Well, I think my isolation, my removal from the dealings with the large weapons systems was certainly a result of that and certainly did impede my subsequent work.

Chairman PROXMIRE. That was after you testified?

Mr. FITZGERALD. After I testified.

Chairman PROXMIRE. Was there any effort made before you testified?

Mr. FITZGERALD. There was an effort, there was certainly a desire to avoid my testimony, and this was clearly stated. I do not think there is any question about that. And I have a complete file in my memorandum for the record on this action dealing with the conversations between Mr. Moot and myself and my boss, Mr. Nielsen. (See app. A, p. 57.)

There is no question of that.

Chairman PROXMIRE. Have you filled us in to your satisfaction, on the extent to which you have been threatened or intimidated in connection with our investigations?

Mr. FITZGERALD. Pardon me?

Chairman PROXMIRE. Have you filled us in to your satisfaction fully to the extent to which you have been threatened, intimidated, or impeded with regard to the investigations of this subcommittee?

Mr. FITZGERALD. Well, I certainly have not gone into all the detail, and I would use the word "impede" advisedly. I think that very definitely I have been impeded, and this has continued. My attempts to get facts on the technical status of the C-5A program in the last few months have met with serious resistance, and I am trying to do this, have been trying to do it in response to a question from this subcommittee, growing out of the hearings last June, so I would have to say that I have not given you every detail, Mr. Chairman, but I think that I have conveyed to you that the attempts to withhold information, to conceal and to impede my getting it are very real indeed.

Chairman PROXMIRE. Following your testimony before this subcommittee, during the past year would you specify now briefly any adverse or punitive action taken against you or any injury of any kind which you suffered on account of or as reprisal to your testimony?

Mr. FITZGERALD. It is my belief that—

Chairman PROXMIRE. Tell us just what such actions were against you, and who was involved. Who took the action against you, and give us the reasons you believe they did.

Mr. FITZGERALD. It is my belief that my isolation from the area of my greatest interest, and my greatest skill, as a matter of fact, was a direct result of my testimony before this subcommittee a year ago,

and this in turn led to my loss of functions, or perhaps they stem from the same basic case, and the whole gamut of incidents that I have recited for you in my statement.

I think that the person or persons directly responsible are not known. I do not know who made the decision. No one has ever discussed them with me. This is one of the problems. When you are isolated and set aside, you do not really know why things are done, and this is unfortunate.

But in terms of the actions themselves, the ones I have cited for you are, I believe, a direct result of my having told the truth about the C-5A cost increase last November, November of 1968, the whole gamut of things that I have mentioned to you.

Chairman PROXMIRE. I have more questions. My time is up.

Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Fitzgerald, I want to back up to when we first became acquainted with you on this subcommittee. That was November 13, 1968. I was not here. I was out in my State at that time and I did not attend the first hearings. Apparently you were in trouble with the Department of Defense even at that time, were you not, because your immediate superior, Mr. Nielsen, directed you at that time not to prepare a written statement for your appearance?

Mr. FITZGERALD. I believe that the impetus for this came from the Secretary of Defense's office, Senator Jordan, though I cannot be absolutely certain about it. Now, as for trouble, as for being in trouble, I was involved in a controversy.

Senator JORDAN. Yes, I say trouble or controversy. The point is I am trying to fix a point in time when your troubles started over there.

Mr. FITZGERALD. Let me say this. I am no stranger to controversy. Anyone who gets involved in cost reduction, particularly with large contractors on the other side, find themselves in controversy. I had had a fair record of coming out on top in most of these controversies in the past, and it is true that I was involved in a controversy that was based on this problem of intent that I read you an example of a few moments ago, and this was the major thing that was current at the time in my own mind. I was also at the time involved in the cost review of the C-5A. I was on the first steering committee for the cost study, so I was not excluded from the programs.

I had hoped to win. I thought that I was on the right side of the issue, of the intent issue, and that eventually I would prevail, so I would say that although I will admit I was involved in the controversy, that my real difficulties, and I think of those difficulties as being primarily the isolation and exclusion, started on the very day of my testimony.

Senator JORDAN. Would you say there was a lack of receptivity to your appearing before the subcommittee in November of 1968 on the part of your superiors in the Defense Department and why would there be? Why could you not go directly to them with the information that you had to give to the subcommittee and get a favorable reception? Were they not at that time interested in cost reduction?

Mr. FITZGERALD. I am trying to determine that, Senator, and as a matter of fact I did go to them with every bit of information. I have

given the subcommittee nothing that has not been seen many times by the Department of Defense.

Senator JORDAN. What was their attitude when you would bring out this kind of information, and when you would have your round-table discussions of overruns on contracts and so forth?

Mr. FITZGERALD. I suspect they would just like to see them go away, and perhaps me with them. No, the attitude was as I have cited before. In the long letter to Colonel Fletcher, the attitudes I cited were not uniform attitudes. Otherwise I would not have been nominated for awards and been kept on as long as I was in the Pentagon.

I think my immediate superiors in the Pentagon for the most of my tenure there were really desirous of seeing these things happen, but they were overwhelmed or perhaps unwilling to take on the fight or whatever, and the prevailing attitude was the one that I cited to you, the attempts to ignore the analyses or to rationalize not taking the corrective action in the sense that we have fixed price contracts and we will just let the incentives work and the contractors themselves know best, and they do not want to lose money, ad infinitum.

Of course, this ignores reality, as we have discussed before. The adaptive nature of the contracts one way or another generally keeps the large contractors from losing money, so the prevailing attitude at the time I was heavily involved in these things, at that time I was last heavily involved, was just what I have read you here in terms of reaction and avoiding corrective action and, in particular, in the use of the personal attack, innuendo, and so forth, to attempt to discredit economy advocates.

As I have pointed out, I am not the first to receive this treatment, and I am certain I will not be the last. I do not feel that I have been uniquely picked on in any way. I have drawn the issues very clearly, I hope, in the Pentagon and I would like to see those surfaced. The issues are the ones that I have read to you before, the issues of full disclosure, determination to reduce cost and so on.

Senator JORDAN. Now, tell us a little about this particular type of contract. The C-5A I understand is a total package procurement type of contract, and this is quite different than other contract procedures in the Defense Department and other agencies of the Government. Explain that to us a little bit, will you, please, and particularly with respect to the reverse incentive possibilities in that contract.

Mr. FITZGERALD. Yes, sir. The total package contract essentially provides for buying both the development and the production, at least initial production run of the airplane in competition, and from that standpoint I think it is a good one, a good approach.

The contractor is required to make a commitment to a fixed price incentive contract on the first production run of the airplane as well as whatever contractual commitment he makes on the development program.

Now, the hooker is here. The contract contains also an option for a second production buy. This is the run B that is written up so much in the papers. Now, the option for this run B is firm within a general range of constraints, unless the actual cost of the first run exceeds the ceiling cost, that is if the contractor is actually out of pocket, actually loses money. Then the price of the second run is adjusted.

Through a peculiarity of the particular formula used, there are circumstances under which the contractor, if he can assume that he is going to get the full buy of airplanes or something close to it, would have no incentive to reduce the cost of the first buy.

Senator JORDAN. In other words, his costs on the first run become the base cost for the second run?

Mr. FITZGERALD. That is right and they are in effect multiplied by a factor, so that if he finds himself in a vastly overrun position, prospectively experiencing a huge loss, he can cut that loss by additional overruns. This is the so-called reverse incentive.

Now, we would hope that this would be reduced by the reduction in total buy. I am not certain whether that is the case or not at this point. There was some thought a year ago that if the total buy could be kept to under 90 airplanes or thereabouts, the reverse incentive would not operate. However, since then I have learned of a vast number of contract changes that I was previously unaware of.

During the period I was closely associated with the C-5A program we were quite proud of the fact that this program had experienced far fewer contract changes than any other major program had ever had.

However, as of last June, based on information made public, and submitted to this subcommittee, there had been some 3,445 contract changes, so it appears we may be off and running again on the same type of problem. Contract changes have been the bane of big procurement cost controls.

Senator JORDAN. I will get back. Thank you, Mr. Fitzgerald.

Chairman PROXMIRE. Senator Sparkman?

Senator SPARKMAN. Mr. Fitzgerald, how old are you?

Mr. FITZGERALD. Pardon me?

Senator SPARKMAN. How old are you?

Mr. FITZGERALD. I am 43 years old, Senator.

Senator SPARKMAN. Where were you born?

Mr. FITZGERALD. In Birmingham, Ala.

Senator SPARKMAN. And when were you in attendance at the University of Alabama?

Mr. FITZGERALD. I attended the University of Alabama after I was discharged from the Navy, and attended in 1947 through 1951.

Senator SPARKMAN. And then where was your first job? I believe you said—

Mr. FITZGERALD. My first job was Stockham Valves and Fittings in Birmingham.

Chairman PROXMIRE. I am sorry, what?

Mr. FITZGERALD. Stockham Valves and Fittings. Actually, my first job was on the family farm, Senator.

Senator SPARKMAN. I meant after you had finished your work?

Mr. FITZGERALD. Yes, sir.

Senator SPARKMAN. Was your course in cost accounting?

Mr. FITZGERALD. It included that, of course.

Senator SPARKMAN. Business Administration?

Mr. FITZGERALD. Industrial Engineering is an engineering course that is heavily flavored with additional optional course in cost accounting and business administration and the like.

Senator SPARKMAN. How much total government service have you had?

Mr. FITZGERALD. I was in the Navy about 2 years and I have been now in the Air Force in my present position since September 20, 1965, four and a quarter years approximately in Government and 2 years in service.

Senator SPARKMAN. Let me go back a little. How did you happen to be asked in the beginning to testify before this subcommittee?

Mr. FITZGERALD. I have made a number of speeches around town, and throughout the country, as a matter of fact, on some of my activities in Defense cost control and some of my proposals and thoughts for improving them, and these speeches and my other activities came to the attention of the Joint Economic Committee's staff. We had a couple of lunch-time discussions and then I received an invitation. It was just that simple.

Senator SPARKMAN. Did any of your superiors talk with you about the possibility of your coming before this subcommittee before you came?

Mr. FITZGERALD. Oh, yes, of course. After the invitation arrived, as I have indicated previously, we had many discussions, quite a few, but I never really did get the root cause of their disturbance other than the two items, concern about disclosure of the C-5A and concern about the possibility that I would be confronted with these memoranda which I have just read to you from.

Senator SPARKMAN. Do I understand from your statement, do I understand correctly, that all of the facts which you have presented to this subcommittee at any time were first submitted to your superiors?

Mr. FITZGERALD. Prior to today?

Senator SPARKMAN. Prior to being presented here.

Mr. FITZGERALD. Yes, sir. I have not submitted any of this material here today. I feel that I am in a somewhat different position than I was previously.

Senator SPARKMAN. Are you a Government employee now?

Mr. FITZGERALD. I am indeed.

Senator SPARKMAN. You are?

Mr. FITZGERALD. Yes.

Senator SPARKMAN. I had seen some article in the papers recently, some statements that were not quite clear to me whether you were in or out.

Mr. FITZGERALD. I have been given notice that my employment will be terminated the fifth of January, Senator.

Senator SPARKMAN. Oh, you are in between now?

Mr. FITZGERALD. Yes. That is why I say I think that my status is somewhat different than it was in my previous appearances.

Senator SPARKMAN. Let me ask you this question. As I understand it, you did make an effort to discuss all of these matters with the officials?

Mr. FITZGERALD. Absolutely. Extensive efforts, in writing, verbally, every way.

Senator SPARKMAN. And you did not get much favorable response?

Mr. FITZGERALD. Well, certainly not enough favorable response to get corrective actions done. I received high praise from my past superiors, not my current ones, of course. Nominations for awards

and things like that are very satisfying and nice, but they have not really saved money, and that was my prime purpose in coming into Government.

Senator SPARKMAN. I want to ask you just one more question and then I will yield the floor. Have you at any time made any statements out of pique or more spite or have all of them been your sincere conviction derived from the knowledge and experience that you have had in your work?

Mr. FITZGERALD. To the best of my ability I have tried to keep spite and pique and things of that sort out of my statements. I still am very very eager not to appear bitter because I am not. I have done my best in this job, and I do not think the fight is over yet. I think we are going to get improvement in Defense acquisition one way or another. So I have no bitterness or pique or spite or anything of that sort. It is not as if I were a shrinking violet and had been sought out and abused. I have been involved in controversy, and I have sought to sharpen the issue within the Department of Defense, and I hope to sharpen it in public.

Senator SPARKMAN. I want you to understand that I did not imply by my question that you had. I felt that you had been a sincere and conscientious witness, and a sincere and conscientious Federal employee who was trying to do his patriotic duty in the work that was assigned to him, and I appreciate your frankness and your appearance, and I shall continue to follow with interest the happenings in your case.

Mr. FITZGERALD. Thank you, sir.

Senator SPARKMAN. That is all Mr. Chairman.

Chairman PROXMIRE. Congressman Conable?

Representative CONABLE. Thank you, Mr. Chairman.

Mr. Fitzgerald, I am sure you are aware by now of a certain interest up here on the Hill, a fascination you might say with the way the bureaucracy functions, and your case is a very good case in point.

I am interested in what has been transpiring over there since you first became embroiled. This was in November of last year. Who were your immediate superiors then?

Mr. FITZGERALD. My immediate superior until, I believe, June of this year, late June, around the first of July, was Mr. Thomas Nielsen. Prior to that time—Mr. Nielsen came into the job only in the first part of 1968—my immediate superior was Mr. Leonard Marks.

Representative CONABLE. And how many people were in your office?

Mr. FITZGERALD. How many employees?

Representative CONABLE. Yes.

Mr. FITZGERALD. I had at one time two assistants and two ladies who worked in the office. I now have one assistant and the two ladies still there. However, my assistant no longer reports to me. He works directly for my new superior.

Representative CONABLE. You referred to being isolated. Would you tell us—isolated from whom?

Mr. FITZGERALD. As I mentioned before, immediately following my appearance here last November, I was no longer invited to the customary management meetings such as the meetings of the Designated Systems Management Group.

Representative CONABLE. And who are they?

Mr. FITZGERALD. The Designated Systems Management Group is a—

Representative CONABLE. There are other people on the same level as you?

Mr. FITZGERALD. The same level and higher who meet periodically to review the status of the major weapons systems, "designated" really translates into "major."

Representative CONABLE. Did these people appear to participate willingly in your isolation?

Mr. FITZGERALD. Willing or not I do not know. No one has told me that. Now, I have—

Representative CONABLE. They were your peers, in other words, and not your immediate superiors?

Mr. FITZGERALD. My peers and superiors up to and including the Secretary.

Representative CONABLE. What is the chain of command from you to the Secretary of Defense?

Mr. FITZGERALD. I work for the Assistant Secretary of the Air Force for Financial Management. I am his Deputy for Management Systems, will be until the 5th of January, or perhaps I might depart sooner. He in turn reports to the Secretary of the Air Force who reports to the Secretary of Defense. I am not sure exactly where the Deputy Secretary of Defense fits in there. I suppose that—

Representative CONABLE. There are many people on the same level as you reporting directly to the Assistant Secretary, is that correct?

Mr. FITZGERALD. There are two other deputies in our office. Reporting to the other Assistant Secretaries Offices, of course, there are deputies there as well.

Representative CONABLE. These were isolating you?

Mr. FITZGERALD. Well, I simply was not involved in the meetings as I had been before, nor in the field trips nor in any of the business sessions that took place.

Representative CONABLE. Are these deputies all still there?

Mr. FITZGERALD. Yes, I believe so. Maybe one or two have left, you know, in the natural course of turnover. I know of several who have as a matter of fact.

Representative CONABLE. But most of the colleagues with whom you served in November are still in the Defense Department?

Mr. FITZGERALD. Oh, sure. Well, we have had a change of administration as you understand.

Representative CONABLE. Yes, I understand.

Mr. FITZGERALD. And many of the Presidential appointees have changed. As a matter of fact, I believe they all have in the Air Force. I believe all the Presidential appointees, Assistant Secretaries, and the Secretary, and the Under Secretary. Now I would like to comment on this isolation business. I have not really held still for isolation. I have made it my business to get as best I could a lot of information on the weapons systems I mentioned. I have done a few analyses on my own of the C-5A, for example and others so I could keep my hand in against the day I might be—

Representative CONABLE. Have you been working on these analyses mostly since November as a result of your loss of other function? Have you had other things to do that kept you adequately occupied?



Mr. FITZGERALD. I have never been busier. My loss of function as I mentioned, official loss of function was gradual and I opposed it. I will submit for the record the documents which will outline this process, and I have been given some minor things to do, quite of number of them as a matter of fact. (See app. C, p. 83.) They are not unimportant things. They are just not things that I am best suited for. But someone has to do them.

Representative CONABLE. You mentioned that some of the loss of function was the result of a changing of procedures over there, partly, apparently as a result of a change of administration. Were your peers losing function at the same time? Not to the same degree you were apparently but were they also having their responsibilities and procedures changed to a degree?

Mr. FITZGERALD. There was only one that I know of which was a general sort of thing, and that was the removal of my office from the source selection evaluations as they were underway. I think this was a general thing. I do not believe that my loss of functions entirely were a result of change of administration. I may have implied that, but I do not think that is the case. I think my loss of functions is traceable directly to my difficulties in testifying before the Congress, except for this one item.

Representative CONABLE. So that is something attaching only to your office, you feel?

Mr. FITZGERALD. The result of my actions whether you want to call it personal or not. Now, I might mention that the two programs I was involved in in source collection were the F-15 and the AMSA, now the B-1. I am not at all certain that my own involvement in these programs was not the motivation for leaving the whole Secretariat out of the business, because it is quite sensitive, and I think that, to be blunt, they were probably fearful of my disclosing some of these developments to Congress.

Representative CONABLE. Who is "they"?

Mr. FITZGERALD. My superiors, whoever made the decision. I don't know who it was. The proposal to remove the secretariat from this function was designed by the Chief of Staff, which as you know—

Representative CONABLE. Do you have any direct contact on a daily basis or even a weekly basis with your superiors?

Mr. FITZGERALD. Very little. I have probably spent a half hour with Dr. Seamans, Secretary of the Air Force, and a very few hours with my immediate superior. I could find out and supply that for the record.<sup>1</sup> Less than 10.

Representative CONABLE. In their attitudes toward you they apparently rely to a substantial degree on what they have been told and what your colleagues may say, don't you suppose?

Mr. FITZGERALD. I would say almost entirely so. They have no basis on which to judge my capability.

Representative CONABLE. I find this interesting, because of course, there is always a great criticism of new Secretaries going in and sweeping with a new broom, but it appears that perhaps there has not been enough housecleaning over in the Defense Department. You are finding the new people at the very top falling heir to attitudes that

<sup>1</sup> Confirmed by Spencer J. Schedler, Assistant Secretary of the Air Force, who testified at the hearing on Tuesday, Nov. 18, 1969.

are carry-overs because a very large part of the bureaucracy is carried over in the Defense Department.

I think that is true in most of the departments, and I do not want to be construed as attacking the civil service, but it does create very serious problems which are always implicit in a change of administration apparently under the context of a modern bureaucracy.

Mr. FITZGERALD. I think that is exactly right. I think that is a very large factor in my case, though I would not confine it to civil service. The military at the top levels is something of a bureaucracy, too, you see, and perhaps even more difficult to change.

We have proven you can fire civil servants.

Representative CONABLE. Would you like to recommend to the majority members of this subcommittee that they urge the Secretary of Defense to remove some of the appointments of the previous administration?

Mr. FITZGERALD. Well, I have not been deeply involved in personnel matters, but I would like to get involved in them.

Chairman PROXMIRE. Senator Fulbright?

Senator FULBRIGHT. Mr. Fitzgerald, it has been a very interesting hearing. Did I understand correctly that after you isolated the C-5A costs you were given bowling alleys to supervise? What did you do about bowling alleys?

Mr. FITZGERALD. I was given the assignment to look into minor construction in Thailand which included the 20-lane bowling alley that has been talked about so much. About all I did was ask why they were building it in the first place and I never heard any more from that assignment. It really did not last long at all.

Senator FULBRIGHT. You asked why they were building bowling alleys?

Mr. FITZGERALD. Yes, sir. I really could not understand it, having been a young enlisted man myself in the service, the drive to go bowling on the part of enlisted men or officers on liberty that would cause us to spend all that much money in a jungle over there building bowling alleys.

Senator FULBRIGHT. Were these part of the noncommissioned officers clubs?

Mr. FITZGERALD. I am not certain. I believe some nonappropriated funds were involved.

Senator FULBRIGHT. Were you ever given any responsibilities on supervision of the noncommissioned officers' clubs?

Mr. FITZGERALD. Not directly, no, sir.

Senator FULBRIGHT. You had never had anything to do with General Turner or Mr. Wooldridge?

Mr. FITZGERALD. Thankfully, no.

Senator FULBRIGHT. When you said the specifications for the C-5A were changed did you mean to imply they were lowered?

Mr. FITZGERALD. In some cases they appear to have been lowered. I am not sure what the net effect is, and this is why I was eager to get the full and balanced picture of all the changes. The report prepared by Mr. Whittaker, the new Assistant Secretary of the Air Force for Installations and Logistics, on the C-5A which was published in early July outlined quite a number of changes that appeared to be important,

some 12 I believe were listed in his report, and all of these were reductions of requirements.

Senator FULBRIGHT. Would you be specific about what you mean by reductions in requirements. Not as rigid or how do you describe it?

Mr. FITZGERALD. Not as rigid, yes, sir. Not as rigid. Such things as reductions of allowable sink rate on landing.

Senator FULBRIGHT. Allowable what?

Mr. FITZGERALD. Allowable sink rate, the rate at which the airplane can descend on to the runway, the allowable payload in landing on a rough field, a rough airport.

Senator FULBRIGHT. That has been lowered?

Mr. FITZGERALD. Has been lowered, yes, sir. Now, I am told that there are offsetting advantages that have been gained, but I do not know what they are. These are two examples.

Senator FULBRIGHT. And this enables them to say that they are greatly exceeding the specifications, is that right?

Mr. FITZGERALD. Yes, sir. I think that really the thing that concerns me is the possibility that they are enabled to say they can exceed the specifications pertaining only to such things as the major mission requirements, such as the range and speed and so on, by relaxation of secondary requirements. This would make it possible to fly the route, to fly the range, and perhaps even speed, but to do it very carefully. I was concerned that there was a weakening of the structure of the airplane. My prime reasoning in the early days was that this would create additional costs in attempting to fix the problem.

Now, if we relax the specifications, we have an additional possibility, that very expensive modification and maintenance problems will be cropping up in the future which could be very costly indeed on an airplane of this size, if the structure has indeed been weakened to the point that we could expect serious failure in the future.

Senator FULBRIGHT. I believe you mentioned a moment ago the 104, did you not?

Mr. FITZGERALD. Yes, sir.

Senator FULBRIGHT. Is that made by the same company that makes the C-5A?

Mr. FITZGERALD. It is made by the same company but it is made in a different part of the country. The C-5A is made in Marietta, Ga.

Senator FULBRIGHT. Is the 104, the one sold to the Germans, called the Star Fighter?

Mr. FITZGERALD. Yes, sir; that is the same one.

Senator FULBRIGHT. Is it the same plane?

Mr. FITZGERALD. Yes, sir; essentially the same.

Senator FULBRIGHT. What has been its experience?

Mr. FITZGERALD. Well, I think the Germans have had considerable difficulty with it.

Senator FULBRIGHT. They lost 100 planes that crashed, did they not?

Mr. FITZGERALD. Something of that sort.

Senator FULBRIGHT. And over 55 dead, is that not right?

Mr. FITZGERALD. That is what I read, Senator.

Senator FULBRIGHT. It was in the papers. Don't you know?

Mr. FITZGERALD. Yes, sir.

Senator FULBRIGHT. Don't you believe what you read in the papers?

Mr. FITZGERALD. Generally, I think; yes.

Senator FULBRIGHT. Are you subscribing to the Vice President's theory?

Mr. FITZGERALD. Pardon? No; not that.

Senator FULBRIGHT. Anyway, the experience has been very bad with that plane, has it not?

Mr. FITZGERALD. Yes; it has, although it is an outstanding performer.

Senator FULBRIGHT. I just wondered if they were accustomed to lowering the requirements on these contracts whenever they become difficult.

Mr. FITZGERALD. I do not think that is unknown.

Senator FULBRIGHT. You do not think it is unknown?

Mr. FITZGERALD. No, sir; I do not.

Senator FULBRIGHT. There has been uncommonly bad experience with that plane?

Mr. FITZGERALD. Yes.

Senator FULBRIGHT. Much worse than these McDonnell planes, the C-5A, is it not?

Mr. FITZGERALD. Pardon me, the McDonnell?

Senator FULBRIGHT. Yes.

Mr. FITZGERALD. The F-4?

Senator FULBRIGHT. The F-4.

Mr. FITZGERALD. Yes. I am not familiar with that contract. That airplane is bought by the Navy.

Senator FULBRIGHT. It just seemed a coincidence that you say now they are lowering the requirements, and in view of the fact I read just recently, a few weeks ago, 2 weeks ago, that the 100th Star Fighter had fallen, crashed, and had killed, I think it was, the 55th pilot or thereabouts in Germany. All of this in peacetime, I mean they were not fighting, just exercising and they crashed. It is a little like the old Electra when it first came out. Do you remember that?

Mr. FITZGERALD. Yes, indeed; I certainly do.

Senator FULBRIGHT. It had a similar experience did it not?

Mr. FITZGERALD. In the early days, though I think its safety record later was excellent.

Senator FULBRIGHT. I know, about the time they became obsolete the defects were cured, were they not?

Mr. FITZGERALD. I think the defects were cured fairly early in the Electra. The F-104 is a very dangerous airplane to fly because it has such high performance. The German version, as I understand it, was burdened with a lot of extra equipment which is not present in ours. However, we no longer use them so I do not know.

Senator FULBRIGHT. It was more like the F-111, was it not?

Mr. FITZGERALD. An entirely different kind of airplane, Senator.

Senator FULBRIGHT. Burdened with a lot of equipment though?

Mr. FITZGERALD. Yes, indeed; in that respect, yes.

Senator FULBRIGHT. In that respect?

Mr. FITZGERALD. In that respect.

Senator FULBRIGHT. And its experience on crashing was somewhat similar percentagewise, was it not?

Mr. FITZGERALD. I have not seen the percentages, but the crashes were a lot.

Senator FULBRIGHT. You said most of the others who sought help to obtain reasonable costs have gone quietly whereas you have resulted in a fuss. What did you mean by that?

Mr. FITZGERALD. I mentioned that my experience in being isolated and removed and motivated to look elsewhere for employment and so on was not unique, because I have known quite a number of capable people, capable in cost control, experienced, and with records of successes who have gone through the same sort of thing. The only difference is that my case has become public, and I have, in effect, fought back.

Senator FULBRIGHT. In their cases they were not invited by any committee to testify, were they?

Mr. FITZGERALD. That is correct.

Senator FULBRIGHT. Your misfortune was having been invited to testify before a subcommittee, wasn't it? Otherwise you would have gone quietly, wouldn't you?

Mr. FITZGERALD. I suppose I would have, though I do not consider it a misfortune. I am pleased that I have had the opportunity, and I would do it again.

Senator FULBRIGHT. That is a very commendable attitude. There are not many who are willing to sacrifice their job in order to render the service you are, but would you be capable or would you care to inform the subcommittee about the others? I do not want to embarrass them, and maybe you ought to do that in executive session, but I think if this is such a common practice the subcommittee ought to be aware of it. I am a little hesitant to ask you to do it in public, but I do think if it is that common the subcommittee ought to know about it.

Mr. FITZGERALD. I would be very pleased to give you some names. I do think that it would be unfair to just mention them now.

Senator FULBRIGHT. I think it is unfair to do it in public.

Mr. FITZGERALD. Yes.

Senator FULBRIGHT. The Chairman ought to be able to consider it in private to see what can be done, but if this is the common practice it makes a mockery of the whole process of cost control, does it not?

Mr. FITZGERALD. Yes, sir, I think so.

Senator FULBRIGHT. Any time anyone raises a question, why they are isolated or fired or they move on. That ties in with another question I wanted to ask you. You said that requests for information on secret foreign bank accounts by Defense contractors made them very nervous or something to that effect. Would you elaborate a bit. What did you have in mind there?

Mr. FITZGERALD. I had a lunch-time conversation with some staff members of Mr. Patman's committee, the Banking Committee, who were looking into this. I had looked into it myself some years before. I had no new information on it, nothing new to pass on to my superiors, but we had a casual sort of lunch-time conversation, and, as a result, some week or 2 later received a memo, I received a copy of a memo which had been sent to Mr. Laird requesting that I be allowed to help them in their inquiry.

Senator FULBRIGHT. What?

Mr. FITZGERALD. I received a copy of a memo.

Senator FULBRIGHT. From whom?

Mr. FITZGERALD. From Congressman Patman.

Senator FULBRIGHT. To Secretary Laird?

Mr. FITZGERALD. Yes, sir.

Senator FULBRIGHT. To do what?

Mr. FITZGERALD. Asking that I be allowed to assist in his staff's inquiry into the incidence and problem of foreign bank accounts being used to finance acquisition of contractor companies in particular. That is about all I know about it. They mentioned a couple of companies which I suppose they would not want to talk about publicly yet, and as I say, this caused the great consternation on the part of my superiors apparently. My immediate boss was agitated.

Senator FULBRIGHT. What did he say?

Mr. FITZGERALD. He said that this did not, on the face of it, seem like something that fit in exactly with what I was doing, and asked why I had not brought the problem to them. My response there was I was not sure it was a problem. I thought it was an interesting area of inquiry, and I am still not certain whether it is a problem or not. It may or may not be.

Senator FULBRIGHT. Mr. Chairman, my time is up but I would like to suggest that these unauthorized releases of confidential documents alleged by Mr. Seamans, that he be asked to specify what they were because your testimony was that there are no such documents.

Mr. FITZGERALD. Yes, sir, I requested this myself in writing that I be furnished copies of them.

Chairman PROXMIRE. We certainly intend to do that. Mr. Seamans will be a witness tomorrow and that will be one of the questions that we intend to ask him.

Congressman Brown?

Representative BROWN. Mr. Fitzgerald, just for the record can you advise me when your superiors were changed, when the people in the new administration took over in this case. Secretary of the Air Force Seamans?

Mr. FITZGERALD. I believe that Secretary Seamans was sworn in on the 15th of February, Mr. Brown. I would like to be able to correct that for the record if I am wrong. Mr. Schedler sometime around the first of July of this year.

Representative BROWN. July?

Mr. FITZGERALD. Around the first or perhaps even the latter part of June, but in that time period.

Representative BROWN. When was Mr. Charles replaced?

Mr. FITZGERALD. In the spring of this year. I don't know the date.

Representative BROWN. Pardon?

Mr. FITZGERALD. In the spring of this year, I am not certain of the date.

Representative BROWN. Could you hazard a guess as to the month?

Mr. FITZGERALD. I would guess April.

Representative BROWN. And the Director of Procurement Policy, Colonel Fletcher, has been changed?

Mr. FITZGERALD. I don't know. I have had no further word from Colonel Fletcher.

Representative BROWN. You don't have any indication then whether he is still in that post?

Mr. FITZGERALD. No, sir; I do not.

Representative BROWN. You mentioned in your discussion with Mr. Conable two other deputies that were your peers in this designated systems management group. What were those titles and who were they?

Mr. FITZGERALD. The two other deputies?

Representative BROWN. Yes.

Mr. FITZGERALD. A number. There are two other deputies in my immediate boss's office. There are many deputies outside my immediate boss's office.

Representative BROWN. Let's get to the two who are in your boss's office. Who are they?

Mr. FITZGERALD. Okay. They are Mr. John Holoran and Mr. Robert Benson.

They are not necessarily members of the designated systems management group. I should explain precisely what this group is or was at least the last I knew of it. The group itself is made up of essentially the Chief of Staff and the Secretary and their principal assistants, deputies—

Representative BROWN. This is both civilian and military?

Mr. FITZGERALD. Correct.

Representative BROWN. Is that correct?

Mr. FITZGERALD. That is correct. Deputies generally attend the meetings by invitation only, and prior to my appearance last November, I customarily attended these meetings by invitation. I simply stopped getting invitations. It was that simple.

Representative BROWN. How many other deputies attended?

Mr. FITZGERALD. Oh, I would say at least five or six at each meeting. The number varied.

Representative BROWN. Did Holoran and Benson attend these meetings?

Mr. FITZGERALD. Holoran frequently attended them; Benson rarely.

Representative BROWN. Is Holoran still attending them?

Mr. FITZGERALD. I don't know. I haven't been to one since last October.

Representative BROWN. Or Mr. Benson do you know whether he is still attending?

Mr. FITZGERALD. I don't.

Representative BROWN. Do you know whether any of the other deputies are still attending?

Mr. FITZGERALD. I am quite sure that the deputies in Research and Development and Installations and Logistics do attend.

Representative BROWN. And are these the same men they were prior to the change in administrations?

Mr. FITZGERALD. Largely so. I know of one deputy in research and development who has left, retired. By and large they are all the same.

Representative BROWN. Have you no personal contact with Holoran and Benson, the other two deputies in your immediate superior's office, Mr. Schedler's office?

Mr. FITZGERALD. I have occasional contact with them. I don't discuss these matters with them because they obviously—it is obviously not desired that I get involved in them. And I don't want to embarrass them.

Representative BROWN. By them—

Mr. FITZGERALD. In the big weapons system cost problems.

Representative BROWN. Let me ask you when was your firing or your removal from any functional responsibility first indicated? When did you first sense that you were likely to be either removed from your

function, the functions that you had previously held, or let go from the job which you now have?

Mr. FITZGERALD. I would have to pinpoint that at the moment Senator Proxmire asked me if it were true that the C-5A had a \$2 billion overrun.

Representative BROWN. In other words you felt response to that would surely cause your removal or the removal of function from you so that you no longer had a service to perform.

Mr. FITZGERALD. Not surely, not surely, not at all.

Representative BROWN. That had been indicated, however.

Mr. FITZGERALD. No.

Representative BROWN. Prior to that.

Mr. FITZGERALD. No, not at all. It had not been indicated, but I did feel considerable apprehension. I thought, though, that I would be vindicated in time, and that I could survive the difficult period and perhaps be even more useful than ever. If I thought that I had no chance of ever being useful again in this function, I would have resigned immediately.

Representative BROWN. This was when?

Mr. FITZGERALD. This was a year ago.

Representative BROWN. In November.

Mr. FITZGERALD. November 13 I believe.

Representative BROWN. Did you feel that with the change in administration that you might be more functionally useful than you were in the previous administration? Is that what you are saying?

Mr. FITZGERALD. Well, that didn't enter my mind so much. Change of administration had already taken place in effect.

Representative BROWN. It had taken place with the election but there had been no change of administration in November of last year.

Mr. FITZGERALD. The new appointees hadn't come in. That wasn't a—

Representative BROWN. November of last year we didn't even know who the Secretary of Defense was going to be.

Mr. FITZGERALD. That is true, but that wasn't a consideration in my mind, and I think that has been borne out. I don't think the problems that I have cited are partisan problems. I think they are bipartisan.

Representative BROWN. I understand that. Let me pursue the line of questioning if you will please. Did you make any effort with the new administration, Dr. Seamans, Mr. Shillito, and Mr. Schedler, to pursue your concerns in this area after the new administration took over?

Mr. FITZGERALD. Yes, indeed, I certainly did.

Representative BROWN. With whom?

Mr. FITZGERALD. To the extent I was able to, with Mr. Schedler. Of course, he has been in a short time, and probably I have had less contact with him than I have had with some of the others.

Representative BROWN. He has been in since July.

Mr. FITZGERALD. Yes. I talked with Dr. Seamans once. I talked with Dr. McLucas for about 15 minutes.

Representative BROWN. Who is he?

Mr. FITZGERALD. The Under Secretary of the Air Force.

Representative BROWN. His name again please.

Mr. FITZGERALD. McLucas. I spoke with him for perhaps 15 minutes.



I talked to Mr. Hansen, who is the Assistant Secretary for Research and Development, and I suppose actually I spent as much time with Mr. Laird as I did anyone else. I had three conversations with Mr. Laird on this general subject.

Representative BROWN. This was after he became Secretary of Defense and after you testified?

Mr. FITZGERALD. Yes, sir.

Representative BROWN. What kind of response did you get from any of these people?

Mr. FITZGERALD. Mr. Laird—pardon me?

Representative BROWN. Interest? Had you sought the appointment with Mr. Laird or had he sought it with you? At whose initiative?

Mr. FITZGERALD. I did not request it directly. I had expressed interest to everyone I knew in this subject, the subject of improving the acquisition process, particularly cost control, and I was requested by Mr. Laird to come to see him the first time, I believe, following my testimony on the 11th of June, if my memory serves me correctly. I think, if my memory doesn't fail me, I received the request to come to Mr. Laird's office while I was still over here. He wanted first to discuss my testimony, and we did and the meetings were cordial, and he requested that I not talk too much about them, which I haven't. I respected his request to keep them more or less quiet until he indicated that he wanted to talk about them himself.

Representative BROWN. My time is up but let me conclude with one question if you will without violating any confidences between you and any of these gentlemen. Did you get what you would consider to be a positive response or positive interest in your concerns about economy and efficiency within the procurement operations of the Defense Department?

Mr. FITZGERALD. Everyone I talked to is interested in this, and as I said before, I believe would like to see it done. I did not get any indication, to my own satisfaction at least, of whether they were in fact willing to pay the price of doing the hard things that are necessary in order to actually reduce the costs. I just don't know.

In the case of specific proposals and discussion outlines, which I was asked to submit from time to time, I have had no response to any of those. I don't know.

Chairman PROXMIRE. Congressman Moorhead?

Representative MOORHEAD. Thank you, Mr. Chairman. Mr. Fitzgerald, I would like to ask you a series of questions along the lines first that Mr. Brown was alluding to, which is whether or not you were a team player under the previous administration and the present administration, and also to possibly help with the question that Senator Jordan raised, which is what time would you say that your difficulties with the Air Force might have begun.

In this connection I would like to refer to some documents which I got from the General Accounting Office. I think you are familiar with them, at least some of them. I refer to the fact that on September 18, 1968, you wrote asking for an internal audit to verify the Air Force contract summary report which indicated there was no estimated overrun or underrun on the C-5A contract. Are you familiar with that?

Mr. FITZGERALD. Yes. I don't remember that date, Mr. Moorhead, but I did request an internal audit to look into this problem.

Representative MOORHEAD. The reason for your request, was that because this contract summary report showed a blank column where normally you would find either an overrun or underrun reported?

Mr. FITZGERALD. That is correct. There were two reports involved. I specifically asked for the audit on the contract summary, because it showed no overrun at all. There was another report which showed what I considered to be an erroneous overrun, much smaller than the one that had been revealed by our cost studies which at that time had been very recently made.

Representative MOORHEAD. To get the picture straight—at that time the people below you in the chain of command appeared to you to be reporting erroneous information to their superiors, is that correct?

Mr. FITZGERALD. At least on those reports.

Representative MOORHEAD. At least on those reports.

Mr. FITZGERALD. That is correct.

Representative MOORHEAD. So that for the benefit of your superiors you asked for an audit?

Mr. FITZGERALD. That is correct. I didn't see any point making the reports if the information was not correct.

Representative MOORHEAD. Because you knew that, A, there was an overrun?

Mr. FITZGERALD. Right.

Representative MOORHEAD. And the monthly summary report didn't show it.

Mr. FITZGERALD. That is correct.

Representative MOORHEAD. And, B, that there was an overrun being reported in a different report.

Mr. FITZGERALD. That is right.

Representative MOORHEAD. And then are you familiar, Mr. Fitzgerald, with the memorandum which discussed your request? A memorandum dated October 9, 1968, the one that says "SPO"—the System Project Officer personnel—"readily confirmed the inaccuracy of this report as it related to projected program overruns. They stated that verbal direction was received on or about June 6, 1968, that anticipated overrun on the C-5A program should not be reflected in routine management type reports."

It goes on "it was indicated that this direction was by Mr. Charles and Mr. Anthony, and was received by the SPO through channels." Are you familiar with that?

Mr. FITZGERALD. I am familiar with the letter, although I never had a copy of it in my possession until after I appeared before the Congress.

Representative MOORHEAD. And the gentlemen referred to in that letter were in the chain of command superior to you, is that correct?

Mr. FITZGERALD. That is correct, although I do not know whether that statement is correct or not, but they in fact did say that.

Representative MOORHEAD. As a matter of fact one of the gentlemen denies he did issue these orders.

Mr. FITZGERALD. Yes.

Representative MOORHEAD. But based on this memorandum it would appear that persons superior to you were issuing directions that persons inferior to you alter the reports.

Mr. FITZGERALD. If you would take that memorandum at face value that would be the appearance.

Representative MOORHEAD. Do you have any knowledge of the reasons for these deletions?

Mr. FITZGERALD. Well, the stated reason that I heard several times was to protect Lockheed's interest in the stock market.

Representative BROWN. Would the gentleman yield?

Representative MOORHEAD. Yes.

Representative BROWN. You are suggesting that the superiors suggested that the inferiors alter the reports and not the other way around, that the inferiors altered the reports available to the superiors?

Mr. FITZGERALD. I don't believe I suggested that, Mr. Brown. I don't know.

Representative BROWN. Could you clarify the point for me.

Mr. FITZGERALD. This was stated in the letter that Congressman Moorhead referred to. That is someone else's statement, not mine. As a matter of fact I had spoken with Dr. Anthony who is one of the individuals named a number of times, and I do not believe it was his intention to have the information withheld. I think he agreed to a delay in disclosing the information back in the spring of 1968, but not to any changing of reports. I simply don't know about Mr. Charles. I never discussed it with him, so I am not suggesting that they did that at all. I don't know. I say if you could take the memorandum at face value, that is what the memorandum says. I don't know whether it is true or not, that part of it. I do know numbers were concealed, the cost overrun figures in those reports.

Representative MOORHEAD. I think if anyone is making the suggestion, Mr. Brown, I am making it. It would appear that a dedicated public servant, Mr. Fitzgerald, discovers that his inferiors are, let's say, not putting all the information in a report, and he fears that this would be a reflection on persons superior in the chain of command to be on the team to protect them, he asks for an audit, and as a result of this it is revealed that the inferiors are following orders to alter these documents. This I would see could be a reason for getting the command in Mr. Fitzgerald's position in control of those superior to him. That is the reasoning for this line of questioning, to show that his intentions were to protect those superior to him, and it is revealed that they didn't need this kind of protection.

To change to a new line of thought, Mr. Fitzgerald, certain articles appearing in a magazine about you have indicated that you have got very definite ideas about controlling costs in defense contracts. I gather that there are some people who maybe don't think your ideas are very practical and I think we ought to try to get on the record if your efforts both in the Air Force and before you were in the Air Force, in private industry ever resulted in any substantial savings that you could describe for the subcommittee.

Mr. FITZGERALD. Yes. I think that as I indicated before, my record in saving money as a consultant was good. I am sure other people saved more, but I have had a fairly consistent record of being able to pinpoint savings and to get them captured.

Representative MOORHEAD. Could you give us any weapons systems by name?

Mr. FITZGERALD. Yes, the SUBROC program, particularly in the Navy.

Chairman PROXMIRE. What program?

Mr. FITZGERALD. Submarine rocket program, a missile for torpedo tube firing. I worked on that for some 3 years, and was working on it when I joined the Air Force. I think that was very successful.

Representative MOORHEAD. Who was the contractor?

Mr. FITZGERALD. Goodyear Aerospace, and I attribute most of the success to their efforts, by the way. I was pleased to be able to help. This was, I think, a fine effort on their part and as I say, I participated in it. There was another one on which I worked with the Navy—assisting them in negotiating the contract for the Standard missile, which was a replacement for the Terrier-Tartar series of surface-to-air missiles, antiaircraft missiles.

Representative MOORHEAD. Can you give us in each of these cases the name of the contractor and an estimate of what kind of cost savings you think you achieved?

Mr. FITZGERALD. I am not really sure about the total amount of cost savings on the SUBROC since we concentrated on unit cost, and as a matter of fact Goodyear was my client, so I would like to stay away from that unless they wanted to mention it. But they did do a remarkable job of driving the cost down.

And then the Standard missile negotiations resulted in a reduction of something in the neighborhood of 20 to 25 percent of the proposed cost with an increase in performance guarantees, and I believe the follow-on buy of that missile was procured at a cost about \$25,000 per unit less than they had ever bought similar missiles for; \$25,000 represented about a one-third reduction in unit price. This could be supplied for the record if it is needed.

Representative MOORHEAD. Have you got any examples of cost savings that you were able to achieve after you joined the Air Force?

Mr. FITZGERALD. Not directly, not unless we could attribute some of the weapons systems cutbacks, but it is hard to pinpoint those since my job even before I was isolated had to do primarily with getting other people to do these things. I found that the best way to get them to do the cost reduction was to go to the field, the scene of action, and I have been somewhat isolated from that, so I first don't know exactly what my impact was. I have had no way to follow up on what has happened since within the Air Force.

I would say that I find it very difficult to pinpoint hard cost savings on the things I have done in the Air Force, although beforehand not any problem at all.

Representative MOORHEAD. You mentioned the term "cost planning control system." Is that related to the so-called should-cost system or is it a different type of system?

Mr. FITZGERALD. It could be related, but as it has been set up and as it has evolved, it is a separate sort of thing. It is primarily aimed at assessing the status of the weapons programs, that is, whether we are overrun or underrun on work done so far.

Representative MOORHEAD. Just one last question, Mr. Chairman. Mr. Fitzgerald, if the Air Force had adopted either your cost planning control system or the should-cost system, how much do you think we could have saved in the C-5A program?

Mr. FITZGERALD. I am not certain how much we could have saved on the C-5A. I think a very good performance measurement system or status reporting would have hardened the evidence of overrun early in the game, so that we could have taken corrective actions.

Now the uncertainty in the C-5A is technical status. Given technical success, I think that we could have come out \$1 billion under what we finally would come out with 120 airplanes.

Representative MOORHEAD. Thank you, Mr. Chairman.

Chairman PROXMIRE. Your answer was we could have saved \$1 billion?

Mr. FITZGERALD. I believe so.

Chairman PROXMIRE. Mr. Fitzgerald, on the same day as your dismissal was announced it was revealed that your immediate superior, Assistant Secretary Schedler, had hired as a consultant one of the partners in the Arthur Young and Co. accounting firm, the same firm that audits the books of the Lockheed Corp. Lockheed, of course, is the prime contractor of the C-5A.

It appeared from the newspaper accounts that the consultant was being hired to do some of the same work that you were originally hired to do. Can you give us, fill us in on this incident and what they were hired to do and any other details that you can give us on this.

Mr. FITZGERALD. I actually know very little about the incident. On the day I was fired, before I was fired, I was introduced to Mr. Diment, who is the consultant who was hired, who told me that he was going to work on information systems, including those of the big weapons systems. This had been my prime area of interest some time back, and he had promised to come see me again to discuss the project further. Until I read the account in the newspapers, that is all I knew about it. I learned of the total relationship only by reading the newspapers much later.

Chairman PROXMIRE. Did anybody discuss with you at any time in the Air Force the conflict of interest involved here? It seems apparent to many of us, after all, Arthur Young as I understand it was the auditing firm for Lockheed, it had a responsibility to Lockheed, was retained by Lockheed and paid by Lockheed. At the same time it was given responsibility for the Federal Government that could be, if zealously done, adverse to the Lockheed's interests.

Mr. FITZGERALD. No one discussed this with me in any way other than my very short conversation with Mr. Diment. I think my boss, when he called me in to fire me, asked me if I had spoken to Mr. Diment and I said yes and that was the end of it. I was not consulted in any way on this, despite the fact that it was—

Chairman PROXMIRE. Is it true that Mr. Diment, that his services have been severed? He no longer works for the Air Force?

Mr. FITZGERALD. That is my understanding, Mr. Chairman.

Chairman PROXMIRE. I have also been informed that the Air Force has recently entered into a contract with the Harbridge House to perform some of the other functions that you once did. Can you shed any light on this?

Mr. FITZGERALD. All I know, again, all I know is what was in the Sunday paper yesterday about that one. I read that they had been employed to work on reduction of paperwork, which is a very broad sort of statement, but this was again one of the things that I had previously been involved in—

Chairman PROXMIRE. Is that the same kind of work that Mr. Diment and the Arthur Young Co. was hired for?

Mr. FITZGERALD. It is not clear that Mr. Diment was hired to work on reduction of paperwork per se. I am also not clear on exactly the extent of the Harbridge House contracts.

Chairman PROXMIRE. As far as you know however the Harbridge House seems to be more limited, much more limited than the work you or Mr. Diment was expected to handle.

Mr. FITZGERALD. It could be quite an extensive contract if they are going to get into all the sources and uses of the paperwork in the Air Force. The area covered perhaps is narrower.

Chairman PROXMIRE. Had you ever recommended paperwork reduction programs?

Mr. FITZGERALD. Yes, I did. I participated in the establishment of the management systems control project which was aimed at that in part. It wasn't the sole objective, but it was one of the hoped for objectives of the program.

Chairman PROXMIRE. Let me ask you why do you believe that the Air Force and the Office of Secretary of Defense were so afraid of your testifying before this subcommittee in November of 1968? Why? Why do you believe that?

Mr. FITZGERALD. I am convinced that the two reasons that I have cited are the basic ones, though I have never been told. Fear of disclosure of the C-5A overrun, and fear of disclosure of discussion of the attitude problem, that is, what I have called the intent problem. I think these were the prime causes of the reluctance to have me testify.

Chairman PROXMIRE. When Dr. Seamans told you that the main problem was "the staff doesn't like you," which as I understand it was the reason he gave you for your dismissal, who did he mean by "the staff?"

Mr. FITZGERALD. That wasn't the reason for my dismissal. I had not been dismissed at that time, but it was the reason that my continued tenure was in doubt, I think. The staff—

Chairman PROXMIRE. Let me correct myself. This was as I understand it—didn't you testify earlier that this was one of the few justifications for your isolation and subsequent firing?

Mr. FITZGERALD. Yes.

Chairman PROXMIRE. That Mr. Seamans actually told you.

Mr. FITZGERALD. That is correct. I had previous—

Chairman PROXMIRE. Who did he mean by "the staff?" Who did he mean?

Mr. FITZGERALD. I assume he meant the Air staff.

Chairman PROXMIRE. Who are they? What are their names?

Mr. FITZGERALD. Well, there are thousands of people, I suppose. They are people who work for the Chief of Staff of the Air Force. That is the military portion of the Air Force headquarters. Now, he could have also meant some of the civilian staff under his own control, but I interpreted his remarks to apply to the military side of the Air Force headquarters.

Chairman PROXMIRE. In other words, this was another way of putting it, would be that the military officials don't like you? The military people in the Pentagon?

Mr. FITZGERALD. The hierarchy, yes.

Chairman PROXMIRE. Who are responsible for procurement don't like the way you operate?

Mr. FITZGERALD. Yes; I think that is my interpretation of it at least.

Chairman PROXMIRE. Did he say anything other than "the staff doesn't like you?"

Mr. FITZGERALD. No specific reason.

Chairman PROXMIRE. Did he explain that?

Mr. FITZGERALD. No specific reasons; no, sir, he did not.

Chairman PROXMIRE. When did this conversation take place? What was the date.

Mr. FITZGERALD. I believe it was the 4th of March. I would have to check my calendar to make sure of that.

Chairman PROXMIRE. Did anyone in the Defense Department now as distinguished from the Air Force, in the Defense Department ever try to keep you from testifying or did anyone ever threaten to prevent you from testifying in the Defense Department?

Mr. FITZGERALD. My only direct contact with the Office of the Secretary of Defense in this regard was with Mr. Moot, who was and is the comptroller of the Department of Defense, and the two reasons that I cited in my notes were those given to me, namely, that they were reluctant, the Office of Secretary of Defense was reluctant, on the basis of the two things that I mentioned, first that I intended to present testimony which would "leave blood on the floor," and secondly that Mr. Clifford would not agree with my statement, though he didn't know what it was and no one else did. These are the only two reasons I was given, though I was able to decipher later the underlying causes, at least to my satisfaction.

Chairman PROXMIRE. This information was given to you by whom again?

Mr. FITZGERALD. By Mr. Moot.

Chairman PROXMIRE. Of the Defense Department.

Mr. FITZGERALD. Yes.

Chairman PROXMIRE. Both you and Congressman Brown have referred to the question I am going to ask you, but I would like to make this as precise and complete as possible. What was the first indication that you had that you might be fired as a result of your testimony before this subcommittee?

Mr. FITZGERALD. The first indications other than—the first suspicion was when you asked me the question about the C-5A. The first indication I had from others was in rumor form. It is hard to nail down, but this rumor was given substance by the John Lang memorandum which was circulated citing the three ways to fire me.

Representative BROWN. Let me ask the date.

Mr. FITZGERALD. Of the John Lang memorandum?

Chairman PROXMIRE. We can get that for the record. Go ahead and answer for the record.

Mr. FITZGERALD. January 6 is the date of the John Lang memorandum. Then, I think on the 8th, I think that was the date that my former superior told me that I was no longer useful, and then some time about, I would guess, 2 weeks after that or a week after, some time before I talked to Dr. Seamans in early March, he again advised me that I had no future in the Air Force, so the picture became pretty clear at that point. There wasn't much doubt about it.

Chairman PROXMIRE. Let me just for a moment shift to another subject. How much do you estimate the Government will save by not buying more than 81 C-5A's, the announcement just made a short time ago, on Friday.

Mr. FITZGERALD. I think the estimated cost of those was \$3.8 billion was it not for the 81?

Chairman PROXMIRE. I think that is correct.

Mr. FITZGERALD. If it can be held to that level I think it would save \$2 billion. It is my own private feeling that, based on a little more than feeling, that the complete 120-airplane program would have risen to around \$5.8 billion from the previous \$5.3 billion that I was familiar with, so if the figure can be held to the current \$3.8 billion, it would save \$2 billion, though I am not certain that that is the case. I don't know what is being done to hold down the cost increases.

Chairman PROXMIRE. If this is the case then I apologize to you because in my opening statement I said that you had saved \$1 billion, and I think there isn't any question in my mind if it hadn't been for your testimony a year ago we would be proceeding with 120 of these planes. I think we have made a strong case that we don't need the additional 40 planes, or 39 planes, and a saving from not procuring them will be, according to your testimony, \$2 billion.

Now, on which major weapons systems do you believe the Air Force can and wants to take steps to save substantial sums of money respectively?

Mr. FITZGERALD. I don't know. I have raised this question myself and I have no idea what the goals are, what the cost reduction goals on the various programs are. That is the first step in doing anything about it, in my opinion.

Chairman PROXMIRE. Are there any large programs where you believe cost savings and cost control efforts are not being properly used?

Mr. FITZGERALD. I don't know of any program in the Air Force, any of the large programs, where an active aggressive cost reduction effort is underway, that is, an effort aimed at reducing waste and buying the needed items at a lower unit cost. There are some being cut back, but that is a reduction in quantity rather than reduction in cost per unit. I don't know of any.

Chairman PROXMIRE. In other words, what you are telling me is that there are no programs where they are doing an adequate job of using the cost-saving technique?

Mr. FITZGERALD. If there are, they are being done without my knowledge. It is entirely possible, but I don't know of any.

Chairman PROXMIRE. With regard to the management systems control functions, I want to go into the functions and responsibilities that you have referred to. What was the management systems control function? Can you tell us how you lost it?

Mr. FITZGERALD. Well, I have never really lost it officially, but as I indicated earlier, my counterparts in the Office of Secretary of Defense were told by my former superior, according to a note that I have from them and will submit for the record, that they should no longer work with me but should work instead with the air staff, work directly with them, and this they proceeded to do. (See app. C, p. 83.)

This project was aimed at doing two things in two phases.



First, it was aimed at limiting the proliferation, the growth of new paperwork schemes, management systems, to put a stop on the unchecked growth of these systems.

Second, it was aimed at reviewing and casting out those that were not needed, a two-part effort. This was first aimed at paperwork associated with acquiring weapons systems, and then the second major portion of the effort was to be aimed at in-house or totally Government paperwork system. I think it is quite a good effort, and ought to be encouraged. It is still underway, as I understand it.

Chairman PROXMIRE. Can you enumerate some of the other functions that were taken away from you, when they were taken away?

Mr. FITZGERALD. Yes, sir. I will submit this for the staff. (See app. C, p. 83.)

Chairman PROXMIRE. I want you to include also any functions that were taken away before you testified before this subcommittee, if there were any.

Mr. FITZGERALD. None had been taken away before then. The management systems control function, which I had lost informally; the weapons systems cost reviews which I finally lost, I think, as best I can sort out my correspondence on this on the 4th of March, 1969; the systems demonstration approvals which I lost on the 27th of March, 1969, and my participation in the source selection activities was ended formally on the 18th of July, though I had not been invited to any meetings on the source selection—this is not an acquisition program, it is one that is still aborning—since just a day or two after my testimony. That was the last official meeting I attended.

Chairman PROXMIRE. There has been a general assumption on this subcommittee that you have suffered about as vigorous a reprisal as you are likely to suffer, that there is nothing more that can be done to you. However, I think it is possible that you might suffer further. Is there something that might be done to you now, a further reprisal against you? What do you expect?

Mr. FITZGERALD. I hardly know what to expect, though there are really two things that concern me. The first is an insidious sort of thing. You never really know what is hitting you when it happens to you, and that is the security problem.

As you probably know, it is possible for completely unfounded accusations against anyone, not just me, to be placed in your security record, which will result in the future in doors just being shut to you, and you never know why.

Chairman PROXMIRE. Doors being shut even if you do not work for the Government.

Mr. FITZGERALD. Yes, sir, absolutely, particularly if you work in any company that deals with the Government, because the security procedures apply there also.

Chairman PROXMIRE. So this could affect your employment by any agency of the executive branch, by the GAO, by any committee of the Congress, by any Member of Congress, or any private industry as it relates at all to the defense procurement?

Mr. FITZGERALD. Almost any large manufacturer, that is correct. That concerns me a great deal.

Chairman PROXMIRE. And these are areas where you are particularly trained, experienced to serve, and in which you earn your livelihood?

Mr. FITZGERALD. That is correct. That concerns me a great deal, and I think is a legitimate object of concern for other people. As I say, it is insidious. You don't really know whether it is a problem or not.

Chairman PROXMIRE. You mean what they do is they put some kind of a notation in your file, and on the basis of that entry in your file, which you don't know about, you have no basis for challenging it or correcting it, determining whether it is accurate or not, you can be denied employment, and as you say doors can be closed to you, is that correct?

Mr. FITZGERALD. That is correct, although I think you—

Chairman PROXMIRE. Has this been done in the past to your knowledge?

Mr. FITZGERALD. As I say, you don't really know whether this is the real reason. If you know that you have been falsely accused, I think you do have a fighting chance of getting some rectification, but you don't know. You don't ever see these things.

Chairman PROXMIRE. That may have been done now to you and you don't know whether it has been done or not.

Mr. FITZGERALD. That is entirely possible. This is the prime reason for my concern about Dr. Seamans' testimony before the House Armed Services Committee. The charge of releasing confidential information is a serious security violation, and I want it resolved. I don't think I am guilty. I certainly haven't knowingly given anyone classified information, and this sort of thing needs to be laid to rest.

Chairman PROXMIRE. Let me say before you get away from that that what concerns all of us a great deal, too, is not only what happens to you, of course that does concern us very deeply, but also the effect this is going to have on other Federal employees. It is one thing to be fired from a job in this day and age, a man with your ability and expertness shouldn't have any trouble getting another job, except under these peculiar circumstances you can have a great deal of trouble getting a job for which you are qualified.

Mr. FITZGERALD. In that regard the—

Chairman PROXMIRE. And this it seems to me could have a devastating effect on the willingness of employees of the Executive branch to speak out courageously, honestly, and truthfully.

Mr. FITZGERALD. If indeed it could be shown or were shown that that was the case, it would have, as you say, a devastating effect. The other thing, which I suppose I really just have to expect, and rise above, is the ad hominem attack, in particular in the last week or so, in addition to the things I have mentioned before.

Chairman PROXMIRE. You have used that word now. Could you tell us what you mean? This means an attack on you personally.

Mr. FITZGERALD. Right, rather than dealing with the issues I have raised.

Chairman PROXMIRE. Can you give us some specific examples of what this is?

Mr. FITZGERALD. Let's see, I gave a couple of examples. I consider the testimony before the House Armed Services Committee to be in that category, and the others were the letters which I cited in the first place from General Giraud, casting doubt on the accuracy of my testimony and my submissions for the record, and unjustly so I think, and the other was the letter written in behalf of the President which I

have cited for the record. But the rumor mill in Washington as you know grinds on apace. It doesn't slow down. And there is another area that I am trying to run down just now and would prefer not to get into too deeply, and that is the conversations that have reputedly been advanced as the real reasons for my firing. They have to do with, as I understand them, I do hope to run these down before the week is out, alleging that I have made good suggestions and that they are impractical and that sort of thing.

Chairman PROXMIRE. Senator Percy has returned. He had to leave the room, and he has come back.

Senator Percy?

Senator PERCY. Mr. Chairman, I am sorry that I had to leave for another commitment. If I ask any questions that have already been covered, just let me know and I will read the record.

Following up on the comment that Senator Fulbright made, and also Senator Proxmire, the implication expressed here that you are being fired might serve as a subtle notice, perhaps not so subtle, to other Federal employees that they would be punished if they testified before Senate committees, or any congressional committees. How do we protect ourselves from the opposite situation, to be certain that an employee doesn't decide if he is going to get fired any way that maybe he should just run up to the Congress and start talking about the dirty linen he has in his department in the hope that that will guarantee his lifetime job? He might feel that they wouldn't dare fire him then, because that would embarrass all of his superiors.

At what point should an employee of the Federal Government, the executive branch, come to the Congress? What excuse is there for them coming here when they perhaps reach a point of frustration and feel that they can't go any further. Can you repeat once again what caused you to come to the Congress rather than continue to fight the battle in the Air Force?

Mr. FITZGERALD. In the first place I did not come to the Congress. The Congress came to me. I was invited over here to talk about a wide range of problems on the economic impact of defense procurement, and it was in the course of this conversation, in response to a question from Senator Proxmire—

Senator PERCY. Mr. Fitzgerald, are you certain that there was not in your mind when you made these speeches on some of the problems of cost consciousness in the Air Force and so forth, and when you would make a comment at a cocktail party to a staff member of this particular committee, and also in your followup luncheons with the committee members, that you were not really leading to an invitation and hoping an invitation would be extended to you? Is this totally a matter where we sought you out as a committee, or in a sense weren't you really saying to yourself "I can't get any further where I am, I had better reveal it to the Congress." Weren't you perhaps asking for an invitation in the conversations that you had?

Mr. FITZGERALD. Absolutely not, and I still believe that the job can best be done inside the executive departments, but somehow there has got to be the will, the determination to do it. No, I didn't seek out any whistle-blowing role whatsoever. Once it was thrust on me, of course, I didn't deny what I had said. I didn't recant, and as I said before I am not sorry, really.

I am sorry that I have not been able to work out an accommodation inside the executive branch in which I could contribute to improved efficiency. I think that is the best place to work at it, actually, but having found myself in difficulty, I am not going to roll over and play dead, as it were.

Senator PERCY. Can you help me to understand why it was that you were fired by this administration when it had no responsibility as an administration for all of the cost overruns in the C-5A?

Mr. FITZGERALD. I think that, unfortunately, as someone else mentioned earlier, there is a tendency for new appointees to be more or less captured by the existing staffs, and I think that the new administration, at least in the Air Force, found itself committed to the party line, if you will, on the C-5A that had been created by the past administration.

I believe, before they knew all the facts in the matter, that they clasped this thing to their breast. I think it was a mistake. I am not a politician, but if I were a politician, that would be the last thing I would do. I would drag the horror stories out and say "Look what they left us."

Senator PERCY. There have been some columnists who have inferred that this might be a question on Vietnam. Once again, for policy recommendations, do you feel that it is ever appropriate for an employee of the executive branch of government to in one way or another come to the Congress as a last recourse, if he simply cannot find a way to implement his ideas within the establishment in which he is working?

Mr. FITZGERALD. Yes, I believe so. We are sworn to expose corruption, as you know, along with other items of stewardship, and I would say that in good conscience if you saw something that was totally wrong, and you exhausted all attempts to fix it, that, sure, go somewhere. I don't know where else you could go. But I can say in all honesty that I had not reached that point when I testified here a year ago in November.

Senator PERCY. What action do you feel has been taken by the Air Force that would not have been taken had you not testified before this subcommittee? Has there been any direct benefit that has come from your testimony?

Mr. FITZGERALD. I think there has been an increased awareness of the importance of full disclosure for one thing. Now this doesn't mean that everyone agrees that we should have full disclosure. I think that is a major issue, as I have mentioned before in my notes.

I would say this is the prime thing that has risen up. I think certainly people in the Congress are more interested in full disclosure and how they can go about getting it than they were previously. The concealment of this problem, I think, is the outstanding feature of the C-5A program. I don't consider it to be any worse run than many others we have, and I certainly don't consider Lockheed to be a worse contractor than others.

I think the whole problem here, the major problem, I should say, is concealment, and I think this is highlighting the need for full, honest, and prompt disclosure on these big weapons systems. There is so much money at stake.

Chairman PROXMIRE. Will the Senator yield for just a minute on this.

Senator PERCY. Yes, I yield.

Chairman PROXMIRE. I had said earlier in my questioning and it seemed logical to me that there is every prospect that we wouldn't have had this cancellation of the 5th and 6th squadrons. We would have gone ahead and procured something that is going to cost us \$2 billion more, if it hadn't been for the testimony that was brought to the attention of the country, and which has developed I think in a very vigorous appraisal of this in the decision they made, to not purchase 120 as they were determined to do and indicated they would, but to purchase only 81.

This I think is an enormous contribution, and I don't know anybody who has saved \$2 billion. This is the first man I have ever met who has done that.

Senator PERCY. Would you comment on your feelings as to the Chairman's statement? Has this kind of saving directly flowed from these hearings?

Mr. FITZGERALD. I don't really know. I appreciate the Chairman saying this. It is very kind. But I don't really know how much impact it had. I think certainly the increased scrutiny that has been given has helped bring about the decision.

I am not actually too happy about the termination or the cutback, rather. I always prefer to see us take corrective actions, save the money, and if we really need the airplanes—I don't know whether we do or not—buy them.

I think, in a sense, I feel that we failed, because we have not checked the growth of these costs to the extent that I think we might have, but there is no question that the increased scrutiny has helped to bring about a better decision in terms of need.

Senator PERCY. I don't know whether I would be fair in judging what the average person would feel your attitude would be toward the C-5A, but I presume you feel that you were something of a critic of the plane itself. I don't know whether it is in your field of competence, but certainly you have done a lot of thinking about the main mission of this plane.

If we are not to have forces deployed all over the world, and if we are to have a smaller force level but highly mobile so you can move forces rapidly and quickly as needed, do you feel the C-5A serves a very useful function regardless of whether it costs too much to build?

Does it serve a useful and needed function in the defense establishment?

Mr. FITZGERALD. I think certainly it does serve a function. I am not sure how many we need, and I am not certain how much of the airlift job could be done by other airplanes. I have not addressed myself to this.

I should say that I have no emotional feeling one way or another about the C-5A, and I have not seen the numbers which would justify the quantities or the purchase of this airplane versus others or the mix of airplanes it might involve. I simply haven't seen this. I don't know what they would show. But if they showed that it was the most economical way to do a job that we all decided we had to do, I would say yes, buy it. But that doesn't mean it is cheap at any price. It simply

isn't. This is not a mysterious function that the airplane performs, hauling cargo.

Senator PERCY. I have heard some implications that you were not a teamplayer.

Mr. FITZGERALD. Yes, this has come back to me also.

Senator PERCY. I don't know what a teamplayer is, but we have all worked in organizations where we have found people who simply didn't work and grated on others. They were something of a maverick or outsider, and sometimes a pattern developed in their personal behavior that sometimes was disruptive to the organization.

Mr. FITZGERALD. Right.

Senator PERCY. Because of that implication that may be made or that has been made by some that I know of, would you care to comment on how you see yourself as a teamplayer and whether you would classify yourself as one or not?

Mr. FITZGERALD. Yes. In the first place, I don't believe that accusation was ever made to me. I hadn't heard it until the last week or so, as a matter of fact, but it is a fact that I have not been on the team since a year ago. It was not of my choosing. I think the record very clearly indicates that I was on the team before my testimony over here. I don't think that is true, except to the extent that I have been kicked off the team against my will.

Secondly, I think if that is indeed the reason for my removal it ought to be so stated. I think that the manly thing to do would be to say, "We are firing Fitzgerald because he is not on the team," and make the case on that basis, rather than on the issue of saving my salary.

Senator PERCY. It sort of sounds like the inner club in the Senate.

Mr. FITZGERALD. Yes it does. I don't know. I wish I knew.

Senator PERCY. Can you try to define a little bit more why you consider that you weren't on the team? You say you weren't on the team. You know you weren't on the team. What would you have had to do to get on the team if that was your objective? Obviously, you didn't seem to care much about being on the team. What could you have done to have gotten on the team and been a regular fellow?

Mr. FITZGERALD. I suppose that there is probably very little chance of my being back on the team after my testimony last year, in retrospect. It appears that was the case, unless we had a complete change of heart on the part of our top management, and, for that matter, our middle management in the Air Force.

I suppose it might have helped some if I had recanted and repudiated my testimony and said that, you know, I was wrong, and that the things that I have raised were not real issues or that they had been solved, but I don't really think that would have helped. Of course I wouldn't have done it anyway because I felt I was right. I am not sure. I wish I knew. I wish I knew. I have never had any discussions with anyone on this subject of what they would like for me to do to be back on the team. If I were playing ball or something the coach would tell you. That is a knotty problem.

Senator PERCY. As I understand you, when some figures were put into this committee, they were represented as your figures. But actually in the time they had gone from your office up through the chain of command and back to the committee the figures had been altered. Who

was it that brought out the fact that these were not in effect your figures?

Mr. FITZGERALD. I did.

Senator PERCY. Is that sort of like going along and being a part of the team? If you just hadn't pointed that out you might have been all right, but you felt an obligation to point out the fact that those were not in effect your figures.

Mr. FITZGERALD. These figures were sent over to me from the committee. The committee staff sent them over to me when they finally got them, and I looked at them, and they weren't the figures that I had submitted, so I went to see my boss and I talked to him about it, and I tried to get it corrected.

The upshot of the thing was finally the submission of the numbers that we had agreed to previously, which were approximately what I had in mind when I had testified though the numbers had been rounded, and they were heavily qualified, as my own submission.

This was finally sent over along with the letter from General Giraud, which I mentioned earlier, repudiating the figures, and so this roused my competitive spirit, and we talked about it publicly.

Senator PERCY. Mr. Chairman, do I have time for one more question?

Chairman PROXMIER. Yes indeed.

Senator PERCY. You mentioned the greatest benefits that have come from these hearings are disclosure. It is pretty hard for me to believe that the Congress would want disclosed a lot of problems that we have. No administration that I know of, Democrat or Republican, is anxious to have too much disclosure. It is the problem of the fourth estate to root it out.

We had a problem as I recall in disclosing information about this overrun cost, because of its adverse effect upon the stock of the company that was the prime contract. Yet isn't this a case where failure to disclose would cause other people to buy that stock, or possibly if the company is going out of the mortgage market, lenders might lend to them over a long period of time without knowledge of a cost deficiency that would have to somehow be made up.

Could you comment from your general experience on why it would be that the Government would take upon itself not to disclose because of its concern about the financing of the company, when the very financing really has to come from the public.

Mr. FITZGERALD. I think through——

Senator PERCY. Even if it is an underwriting it has to come from insurance holders, from an insurance company or banks or depositors in those banks. It is the general public that would suffer if adverse news were not disclosed about this company. I can understand the companies' desire not to let the news out.

Mr. FITZGERALD. Sure.

Senator PERCY. Why would the Government participate in lack of disclosure? Do you feel that the Air Force did participate in failure to disclose which might have seriously misled investors in that particular stock?

Mr. FITZGERALD. I believe they said so by their own testimony. I believe this was before the committee on which Congressman Moorhead serves. He could verify that.

I do not believe that is proper. Obviously you can't condone that sort of thing either by the Government or anyone else. You are absolutely right in the effect on investors and other people. The very possibility of loss needs to be made known, as you well know, sir.

As to why they did it, I am not sure. You know one of the big problems in any of the military services, particularly in the Air Force, is pride. Having bragged about this contract, this program, as a model—I have even heard it referred to as a miracle of procurement—and put on the so-called dog and pony show to advertise that fact, it is a bitter pill to admit that it has come a cropper.

Senator PERCY. It had a few skeletons in the closet?

Mr. FITZGERALD. Yes.

Senator PERCY. Some time when I have more time I would like to ask you what you intend to do now, but my time is up.

Chairman PROXMIRE. Congressman Brown?

Representative BROWN. Thank you, Mr. Chairman.

On the exact point to which Senator Percy addressed himself with reference to the stock situation of Lockheed, I would like to submit for the record a story which appeared in the Wall Street Journal today, headline "Decision on C-5A May Prove To Be Blow to Lockheed" by Robert Keatley.

Chairman PROXMIRE. Without objection it will be admitted at this point.

(The article referred to follows:)

[From the Wall Street Journal, Nov. 17, 1969]

#### DECISION ON C5A MAY PROVE TO BE BLOW TO LOCKHEED

Air Force Cuts Order for Planes to 81 From 115; Budget Squeeze Is Cited

LITIGATION IS SEEN POSSIBLE

(By Robert Keatley)

WASHINGTON.—The Air Force decision to buy only 81 of Lockheed Aircraft Corp.'s C5A cargo jets could prove to be a major financial blow to the company.

Lockheed earlier estimated it might lose some \$15 million on production of 115 of the planes—34 more than it now will produce.

However, complex clauses of the unique C5A contract, plus possible litigation involving Lockheed and the Air Force, could mean that final costs, profit or loss, if any, won't be known for years.

The Pentagon cited mostly a budget squeeze for deciding to buy only 81 C5A Galaxies, rather than the 120 it once hoped to acquire. "Budget constraints require that the Air Force closely examine program requirements for the 1971 budget," an official statement said. "This examination has resulted in a reduction from 120 to 81 aircraft."

Lockheed said it might sue, unless contract-termination payments are deemed satisfactory. "The C5A contract has very complex provisions that may require extended negotiations and could lead to litigation," said Daniel J. Haughton, Lockheed chairman. But he professed to find some optimism in the otherwise gloomy sounding situation: "It is my belief, based on the opinion of our attorneys and contract specialists, that this termination shouldn't adversely affect financial results under this contract."

Lockheed contends it has a firm contract to make 115 Galaxies, plus an option for additional production that would bring the fleet up to 120 aircraft as planned when initial contracts were signed in 1965. The company probably will want the Air Force to make good any losses caused by the reduced purchase, the Air Force views contract clauses less stringently and probably will take a more limited view of its financial obligations to Lockheed.



### *Pentagon foresees lawsuits*

The Pentagon also concedes the matter could lead to lawsuits. It said the program's final costs "will, in all probability, be subject to interpretation of the contract provisions and may require adjudication in the courts."

The immediate reason cited by the Air Force for curtailing the C5A program was another upward revision of final cost estimates for the full 120-aircraft purchase. Originally, the 120 planes were expected to cost about \$3.4 billion, including some spare parts. This figure was continually revised upward, making the C5A a subject of major political controversy, until a year ago when new Air Force figures put the cost at \$5.2 billion, though with larger spare-parts orders. Since then, another run through the statistics produced an additional increase of \$149 million, the Air Force said, and this apparently was the last straw.

The Pentagon announcement came shortly after Congress conditionally approved a \$52 million Air Force request for money to begin buying long lead-time items for an additional 20 C5As, for an order total of 101 planes. But this authorization was a qualified one, pending Defense Secretary Laird's final decision on the program's size, and these funds won't be needed.

Just how Lockheed will fare financially remains undetermined. Mr. Haughton's optimism apparently isn't shared by the Air Force, for example. Last summer, senior generals testified that strict application of C5A contracts would leave Lockheed with a \$285 million loss on a 115-plane production order, and a \$671 million loss if the program were stopped at 58 planes—production run A. (Lockheed disagreed, placing its 115-plane loss at not more than \$15 million.) No figures have been advanced by any responsible officials about possible losses on the revised order for 81 planes, enough for four squadrons rather than the six once sought.

### *Contract concepts unique*

Much of the C5A controversy arose from its unique contracts, which used the "total package procurement" concept. Basically, this tried to tie Lockheed in advance to fixed prices for C5A development and production run A. Further production orders were to be priced according to complex formulas designed to reflect actual costs of earlier work; to some critics, this gave Lockheed an invitation to run up costs at first, get higher prices and tighten cost controls later so it could pocket unwarranted profits. The company strenuously denies such allegations.

The C5A controversy, even if it dies, will have a continuing impact on Pentagon policies. Because of the uproar over the "total package" contract, safeguards are being written into new purchase orders to prevent similar unexpected price increases. Award of the Lockheed S3A contract, for example, was delayed while last-minute revisions were ordered. Also, the company will have to complete development work to the Navy's satisfaction before it gets production orders. This wasn't true of the C5A. Likewise, progress payments will depend on "milestones," meaning scheduled development steps must be achieved before additional Federal money is released, rather than progress payments being made according to the calendar.

C5A contracts helped make Lockheed the nation's largest defense contractor during the fiscal year that ended last June 30. The company won \$2.04 billion of Pentagon business during that year, equal to 5.5% of all major military contracts and up from \$1.87 billion in fiscal 1968.

Since then, the company has suffered some other setbacks. Army production orders for its Cheyenne helicopter were canceled because of technical troubles, causing Lockheed to lose up to \$1 billion of business, by some estimates. An Air Force missile program, which uses Lockheed rocket engines, also has had development difficulties, causing production to be delayed.

On the brighter side, however, Lockheed last July won a \$461 million Navy contract to produce six prototype S3A jet antisubmarine-warfare planes. The pact includes an option to produce 193 additional operational aircraft if the research program is successful; total costs could reach \$3.2 billion, according to the Pentagon.

Lockheed's reported order backlog will remain at \$5.2 billion despite the C5A cutback, Mr. Haughton said. He added that this total includes only funded orders.

### *All Defense Works Affected*

Similar toughening-up is taking place in other new programs as well, affecting all defense contractors. Much of this has been ordered by Deputy Defense Secre-

tary David Packard, who has become the Pentagon's general manager of procurement programs.

The C5A is designed to provide the main U.S. military airlift during the next decade or so. The largest airplane ever built, it can carry most equipment used by an Army division, including large artillery pieces and tanks. With an expected reduction of U.S. bases overseas, the idea, as first conceived by former Defense Secretary Robert S. McNamara, was to have giant Galaxies ready to transport American combat equipment to trouble spots around the globe if necessary.

The cutback to four squadrons thus does more than curtail a costly airplane program that has become a political liability; it also indicates a Laird-Packard decision to reduce the U.S. ability to get itself involved in Vietnam-type wars in the future.

Little serious criticism of the C5A's performance has been heard; by most accounts the plane surpasses its expected performance characteristics, something highly unusual in the industry. But the decision apparently means that present senior defense officials don't see the need for U.S. troops to be able to fight overseas as easily as did their predecessors, at least if achieving this ability absorbs much of the shrinking defense budget.

Representative BROWN. I would like to make one or two observations and then as a final question, probably for submission for the record by Mr. Fitzgerald. It seems to me we have another problem in addition to the financial problem involved here on disclosure of procurement breakdown. We have an administrative problem of how to keep "new custodians of responsibility" (if that is what we should properly call those people over at the Defense Department and the Air Force with any new administration), from being influenced by the attitudes of their staffs subordinate to them, before they can change those staffs.

You indicated when you testified that you had developed your own concern as early as November about the future of your job, and that in January a memo regarding what might be done about your tenure was circulated, and you had been advised by your immediate superior that you had lost your usefulness to the Air Force, and the Defense Department, and in February that your carryover superior from the past administration also advised your peers and those above you to stop working with you, with reference to procurement problems.

Just a little bit later, about a month later, when we got a new Secretary of the Air Force, according to your testimony, the new Secretary of the Air Force advised you (or somebody speaking for him advised you) that you apparently did not get along with the staff—or perhaps better said the staff didn't get along with you.

Then 3 or 4 months after he had come in, in testimony before the House the Air Force Secretary raised the question about the propriety of your release of what was called confidential documents—

Mr. FITZGERALD. Yes, he raised questions about other activities of mine as well.

Representative BROWN. Right, and then some 4 months after Mr. Schedler took over his responsibility in July as your superior, he has participated in your relief from duty. Some 6 months after the new Administration took over, the Air Force in a letter prepared for the President's signature, discounted your testimony before this committee. And yet, in the report I have just asked be inserted in the record, the Air Force is apparently (and I would assume with the approval of your superiors up through the Defense Department), buying your premise about cost over-runs. But, as evidenced by the action taken

by Mr. Schedler, they have bought your premise, but they have decided not to buy you as an individual involved in this problem.

I am leading up to asking for your comments on this. Apparently we don't get changes within the hierarchy of the Air Force when we change administrations, because military jobs are even more locked-in jobs than civil service jobs. In elaboration of a comment you made to Mr. Conable, can you tell us who within the military and civil service have had it in for you since your testimony before this committee on the C-5A?

I can see embarrassment possible to people who don't want to be involved if you start naming names of those who have been given rough treatment because they share your views, but I can see nothing but advantage to come out of your listing of any military and civil service personnel within the Defense Department or the Air Force who have had it in for you or who have taken a negative attitude about your service with the Government because you appeared before this committee and testified as you did.

Mr. FITZGERALD. I don't really know, Mr. Brown, all the individuals. As I said my communication has been so poor, I have had so few discussions and such brief ones with the new group especially that it is not clear to me just who objects to me, and specifically why.

You know, the term, "The staff doesn't like you" really doesn't tell you very much, and that is about as cryptic as you can get. That is what I have had so far.

Representative BROWN. With all due respect, if we could get the information naming those people, either military or civil service, within the Defense Department and within the Air Force who have taken exception to your revealing the information on the C-5A, perhaps we could get to those people who would seem to be influencing the new superiors against the economies you advocate.

Mr. FITZGERALD. Yes.

Representative BROWN. I think that would be extremely helpful, if you could assist the committee in that way, because I for one would like to ask some of these people whether their attitudes cut to a matter of personal loyalty to superiors and inferiors within the Defense Department and the Air Force, or whether in effect their attitudes relate to a disinterest in economy and efficiency in government.

Mr. FITZGERALD. So would I.

Chairman PROXMIRE. If the Congressman will yield at that point I might say that tomorrow's witness will be the Secretary of the Air Force, Mr. Seamans. This line of questions will be very very relevant and useful.

Representative BROWN. With due regard, Mr. Chairman, I am not sure that Mr. Seamans is in position to make that judgment. I think that the witness before us is, and his own comment was made to this effect. I don't know whether on reflection you could submit some names that might be worthy witnesses before this committee in that regard or not.

Mr. FITZGERALD. Maybe I might submit the names of those who like me, and identify the others by exclusion. I will do my best. I am not certain I can do anything, Mr. Brown.

Chairman PROXMIRE. My point was Mr. Brown you are asking Mr. Fitzgerald to indicate who it was who influenced Mr. Seamans to

make decisions he has made in this respect and it seems to me Mr. Seamans is the man who can tell us. He was consulted though Mr. Seamans didn't know Mr. Fitzgerald, hadn't had a chance to talk with him at any length before he began to act adversely toward him, as you imply very well in your questions. Somebody along the line must have had this influence. With whom did he consult about Mr. Fitzgerald. This we ought to find out from Mr. Seamans.

Congressman MOORHEAD?

Representative MOORHEAD. Thank you. I would like to go back to this idea of teamwork and discuss your relations with the new Assistant Secretary, Mr. Schedler.

Has Mr. Schedler asked you to undertake any jobs for him?

Mr. FITZGERALD. Nothing very significant. One small thing that I did recently I think could be important, and this was a draft, a first draft, a very rough draft, of a "should cost" primer, that I submitted to him, and asked for his comments on. I have never gotten any response at all. I don't know whether it was because he didn't think it was worthy of comment or whether he had in mind that I would be leaving and therefore it would be a waste of time to follow up on this.

My relations with Mr. Schedler have been fairly good. I just haven't had much contact with him, far less than I had with the two previous assistant secretaries. I don't know how much time I have spent with him, not more than a few hours all told. I could get that for the record.<sup>1</sup> That is on my calendar.

Representative MOORHEAD. That "should cost" primer, is it in the form that we could take a look at it? I don't think it needs to be part of the record, Mr. Chairman.

Mr. FITZGERALD. Sure, of course.

Representative MOORHEAD. For the staff to take a look at.

Mr. FITZGERALD. It is a very simple sort of thing. It was intended to be a very brief pamphlet type of affair to explain the concept rather than tell how it would be done. I don't think it is possible to make a checklist of every step you go through on something like this any more than it is to program in advance every blow that is to be struck in a boxing match, but this was the purpose and I will be glad to submit it for study.

Representative MOORHEAD. Mr. Fitzgerald, you mentioned that in the past week or so that there were rumors that your ideas were impractical. In light of the substantial savings—over \$100 million—experienced by the Navy from their "should-cost" study of the TF-30 engines for the F-111 being built by Pratt-Whitney—how could anyone say that the concept is impractical?

Mr. FITZGERALD. I don't think it is impractical. It has worked very well in my own experience, and I think I have worked on every such study that has been done in the last several years in the defense area, at least where the Defense Department itself is involved. This committee, the subcommittee has heard testimony from others on the subject. Mr. Rule in particular.

Representative MOORHEAD. I remember Mr. Rule's testimony very well. Mr. Chairman, it is my understanding that this subcommittee

<sup>1</sup> Confirmed by Spencer J. Schedler, Assistant Secretary of the Air Force, who testified at the hearing on Tuesday, Nov. 18, 1969.

requested the technical information on the C-5A—as to whether the specifications or requirements have been downgraded—we did this about 6 months ago and we still have not received that information. Mr. Fitzgerald, do you know where this request of the subcommittee has been blocked?

Mr. FITZGERALD. No, I don't. I attempted to get it for several months, and I believe in mid-October finally wrote to the chairman telling him that I had been unable to get it as requested through channels, and conveyed the suggestion if he still wanted the information, that he resubmit the request, which was what I was told by my superior. I have been led to believe previously that attempts were being made to compile the information for transmission to the subcommittee.

Representative MOORHEAD. Do you have any knowledge of why this information hasn't been forthcoming?

Mr. FITZGERALD. No, no positive knowledge, Mr. Moorhead. I have long been suspicious of the technical health of the program. I think it will eventually work out, but I think it has been a persistent problem and there has been a great reluctance to talk about it, even though so far as I know it is not classified.

Representative MOORHEAD. There have been published reports of two wing failures under controlled tests at less than the contract requirement. You are familiar with those public reports, are you not?

Mr. FITZGERALD. Yes; I have read about those in the paper, and, in the case of the latest one, Congressman Pike revealed it in the Congressional Record.

Representative MOORHEAD. Thank you, Mr. Chairman.

Chairman PROXMIRE. Thank you, and thank you, Mr. Fitzgerald.

This has been a very interesting and a very useful hearing, and as I said at the beginning of my remarks, I want you very much to be here tomorrow. It may be that you will be called on to answer questions tomorrow in connection with the testimony of Dr. Seamans. The subcommittee will stand in recess until tomorrow morning.

Senator PERCY. Mr. Chairman, could I ask you one last question? Unless it has been asked before I would be most interested because we are concerned about you, Mr. Fitzgerald, as an individual. Do you have any plans at all on what you intend to do now? Pick up your old profession industrial engineering or what?

Mr. FITZGERALD. I have always assumed that I would do that when I got out of the Air Force, but in actuality, Senator, I have been so busy since the news of my firing that I have had really no chance to make any definite plans. My father told me over the telephone that he thought that I was playing the role of a dead whale in a side show, so I think I will just have to wait until the hearings and things of that sort are over to make any definite plans. I would assume that I will go back to my old profession which I—

Senator PERCY. Do you anticipate any problem picking up your profession with the experience you have now had?

Mr. FITZGERALD. Oh, yes; I will have difficulty because I was working to a very great extent with defense contractors before, and I don't really think the prospect is too good there.

Chairman PROXMIRE. Furthermore, I think the Senator from Illinois was absent when it was brought out in the course of questioning that it is possible that adverse action has been taken in the file of Mr.

Fitzgerald, that he could be denied an appointment outside the Government dealing in the area where has had all of his experience. They can do that by simply denying him security clearance.

Mr. FITZGERALD. I hope to overcome that, of course, and I think the hearings here may contribute to that.

Senator PERCY. I would be very surprised if you become a hardship case in the future.

Mr. FITZGERALD. I hope you are right, Senator.

Chairman PROXMIRE. Our witnesses tomorrow will be Robert C. Seamans, Secretary of the Air Force, and Spencer J. Schedler, Assistant Secretary for Financial Management. The subcommittee will stand in recess until 10 o'clock tomorrow and we will meet in this room.

(Whereupon, at 1:05 p.m., the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, November 18, 1969.)

## APPENDIX A

(The following information was supplied for the record by Mr. Fitzgerald:)

DEPARTMENT OF THE AIR FORCE,  
Washington, D.C., December 9, 1968.

### *Memorandum for the record:*

In reviewing the letter to Senator Proxmire regarding limitations on my testimony (attachment 1), I was disappointed at the deceptive nature of the cleverly-worded document. I recorded my disappointment in a note to Mr. Nielsen commenting on a note he had written to Secretary Brown on the same subject (attachment 2). In my note to Mr. Nielsen, I also cast doubt on the veracity of the Office of the Secretary of Defense. Because of the seriousness of my statement, I am setting down in this memorandum the salient events of the Proxmire hearings episode.

1. I received an invitation from Senator Proxmire to testify before his Subcommittee on Economy in Government (attachment 3). My secretary informed me that the envelope containing the Senator's letter had been opened prior to receipt in my office. I was later informed by Legislative Liaison that they routinely open and read all mail with a Congressional return address regardless of addressee.

2. Before I had notified anyone of the receipt of Senator Proxmire's invitation, I received a telephone call from Mr. Moot, Assistant Secretary of Defense (Comptroller). Mr. Moot asked if I had received an invitation to testify before Senator Proxmire's Subcommittee. When I answered that I had, Mr. Moot told me that Mr. Morris, Assistant Secretary of Defense (I&L), was disturbed by the prospect of my testimony and by the manner of my invitation. He asked if I would turn the matter over to him, in effect assigning the invitation. I told Mr. Moot that my immediate superior, Mr. Nielsen, was out of town and that I would take no action without consulting Mr. Nielsen.

3. On Mr. Nielsen's return, I discussed the matter with him. Mr. Nielsen observed that the procurement people would undoubtedly be unhappy that I was to testify, but added that he thought I should be heard. We agreed that I should try to work with procurement to develop a constructive statement.

4. I was informed first by Mr. Tom Johnson, of Mr. Moot's staff, then by Mr. Bergquist, then by Mr. Nielsen that Mr. Bergquist, Deputy Assistant Secretary of Defense (Management Systems Development) would testify in my stead. It was further explained that I would serve as a "back-up witness" to Mr. Bergquist. I was told by Mr. Nielsen not to prepare a statement. I stated my opinion that this arrangement was unwise.

5. After reviewing Mr. Bergquist's proposed statement, I told Mr. Bergquist that in my judgment it was non-responsive to Senator Proxmire's request. I protested that it evaded the question of impact of management systems and controls, procedures and policies on pricing and procurement. Mr. Bergquist stated that he had been instructed to stay away from the subject.

6. Mr. Moot, Mr. Nielsen, and I met to discuss the proposed testimony and the subject of my support of Mr. Bergquist's statement. Mr. Moot stated that the directed arrangement was desired by the Secretary. He also spoke of a fear that, if allowed to testify, I would "leave blood on the floor." I told Mr. Moot emphatically that I could not support either Mr. Bergquist's proposed non-responsive testimony or the OSD handling of the development of acquisition management systems. I wrote a memorandum (attachment 4) to Mr. Nielsen summarizing my position.

7. I was asked by Mr. Nielsen to supply him copies of my memoranda to Colonel Fletcher, Director of Procurement Policy in ASD (I&L) and Colonel Fletcher's predecessor, Brigadier General Snavely. After Mr. Nielsen had read the memoranda (attachment 5), he and I discussed the memoranda and his

interest in them. He said Mr. Morris and Mr. Charles, Assistant Secretary of the Air Force (I&L), believed that Senator Proxmire had copies of the memoranda and intended to discuss their content during the hearings.

8. Copies of my correspondence with Snavely and Fletcher were distributed to OSD and within the Air Force Secretariat.

9. I was informed by Mr. Nielsen that I would not attend Senator Proxmire's hearings.

10. Senator Proxmire wrote to Mr. Stempler, Assistant to the Secretary of Defense (Legislative Affairs) regarding my appearance and the expected statement (attachment 6).

11. I was informed by Mr. Nielsen that I would attend the hearings as a "back-up" witness but without a prepared statement.

12. Dr. Brown, Mr. Nielsen, Mr. Charles and I met to discuss the Snavely-Fletcher correspondence and the upcoming testimony. Dr. Brown admonished me to avoid "policy conflicts."

13. In company with Mr. Bergquist and Mr. Moran of OASD(C), I met with Mr. Malloy, Deputy Assistant Secretary of Defense (Procurement) to solicit guidance on "policy conflicts" which should be avoided. He had none.

14. Mr. Bergquist, Mr. Moran and I met with Commander Dauchess of Mr. Stempler's office. Commander Dauchess restated the direction we had already received, but added that he understood Mr. Bergquist might not be called as a witness. He disclaimed any positive knowledge of whether I would be questioned. Mr. Moran, I, and to a lesser extent, Mr. Bergquist, all expressed misgivings at the handling of the preparations for the hearing. Commander Dauchess was unmoved. However, he did provide us copies of a memorandum signed by Mr. Vance, former Deputy Secretary of Defense, as guidance on the expression of personal opinions. I was emphatic in telling Commander Dauchess that I had no intention of attempting to answer possible questions calling for explanation of why I had no statement. I told him I would leave any such explanations to the legislative experts.

15. I was called on by Senator Proxmire to make a statement without formal preparation.

16. Following my testimony, I was told by Mr. Kaufman of Senator Proxmire's staff that OSD Legislative Affairs had been told repeatedly and consistently that I would be expected to present a prepared statement.

A. E. FITZGERALD,  
*Deputy for Management Systems.*

6 Attachments.

#### ATTACHMENT 1

THE SECRETARY OF DEFENSE,  
*Washington, D.C., November 27, 1968.*

HON. WILLIAM PROXMIRE,  
*Chairman, Joint Economic Committee,  
Congress of the United States, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your letter of November 18 regarding the recent appearance of Mr. A. E. Fitzgerald before the Subcommittee on Economy in Government.

It was our understanding from previous correspondence, as well as the press release issued by the Subcommittee, that official Department of Defense spokesmen were to appear as principal witnesses. When the Air Force learned that you had separately invited one of its staff to discuss "management systems and controls, procedures, and policies and their impact on pricing and procurement costs," this matter was brought to the attention of Mr. Robert C. Moot, Assistant Secretary of Defense (Comptroller), who has the DoD-wide responsibility in this field. Since Mr. Moot was scheduled to be in Vietnam on the date of the hearing, it was determined that his Deputy for Management Systems, Mr. Bergquist, should be made available as the official spokesman for the Department of Defense. Secretary of the Air Force Brown agreed with Secretary Moot that the formal Department of Defense statement, "which Mr. Fitzgerald helped review and edit," should be presented by Mr. Bergquist. In the light of your interest in the specific views of Mr. Fitzgerald, he was advised that he should appear as a backup witness with respect to matters relating to Air Force implementation of this program and, of course, respond to such other questions as the Committee might have.



While I did not personally participate in that decision, it does not appear unreasonable to me that the organization charged with the over-all policy responsibility for a program should present the basic formal policy statement. Our efforts, in this regard, were directed at assuring that the Committee have available the most expert testimony from those responsible for the program in addition to providing the specific witness requested. As you were informed, since Mr. Fitzgerald was not appearing as a principal Defense witness, a prepared statement was not considered necessary. While you may disagree with this customary procedure as regards the role of Department of Defense witnesses, it should be clear that this was in no sense a suppression of a statement.

In any event, I am satisfied there was no attempt to restrain Mr. Fitzgerald's testimony, and I believe the record of the hearing confirms this. It has been and will continue to be my policy to work closely and in the most cooperative manner with Congress in discharging our respective duties.

Sincerely,

CLARK M. CLIFFORD.

ATTACHMENT 2

DEPARTMENT OF THE AIR FORCE,  
Washington, D.C., December 5, 1968.

*Note for Secretary Nielsen:*

I agree wholeheartedly with your comment regarding the inference that I consented to the approach taken by OSD in responding to Senator Proxmire's invitation.

Furthermore, I believe there are a number of other half truths in the memorandum signed by Mr. Clifford. Taken together, these statements constitute a distortion of the truth. I think this is most unfortunate, but not surprising. As you will recall, I earlier expressed the fear that Mr. Clifford would be misled on this subject.

The rumor mill has it that Mr. Clifford is now stating that he is displeased with Mr. Fitzgerald. While he may have ample grounds for being displeased with me, I do think he should have the whole story on the inept handling of this affair. Again, I would like to request that I be allowed to explain the evolution of this situation to Mr. Clifford or Mr. Nitze.

A. E. FITZGERALD,  
*Deputy for Management Systems.*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
December 5, 1968.

*Memorandum for Secretary Brown:*

The words underlined are not an accurate reflection of Ernie's involvement in the preparation of Mr. Bergquist's statement. Ernie was quite concerned with the outline of Mr. Bergquist's statement and did not agree with its substance or content.

In addition, I reviewed the statement and suggested certain corrections. I am not sure which, if any, of these changes were made.

THOMAS H. NIELSEN.

ATTACHMENT 3

CONGRESS OF THE UNITED STATE,  
JOINT ECONOMIC COMMITTEE,  
Washington, D.C., October 18, 1968.

Mr. A. E. FITZGERALD,  
*Deputy for Management Systems, Office of the Assistant Secretary of the Air Force (FM), Room 5E975, The Pentagon, Washington, D.C.*

DEAR MR. FITZGERALD: This will confirm discussions with the staff of the Subcommittee on Economy in Government of the Joint Economic Committee concerning the hearings on military procurement to be held on November 11-13, 1968.

We welcome your appearance to testify on November 13 at 10:00 a.m. We will send you a list of the other participants and details.

4. Finally, when all other excuses are removed, the opponents present the argument that the cost control proposals are contrary to "national policy." This "national policy" is usually explained in terms of placing "social goals" or "economic objectives" ahead of the necessity to obtain more military hardware, to save the taxpayers' money or to encourage industrial efficiency as a means of remaining competitive in world markets. The fact that this view directly contradicts earlier arguments in favor of competitive free enterprise et cetera does not seem to disturb opponents of cost control measures.

Even demonstrations of the practicality of capturing savings do not sway those opposing cost control. Dramatic cost reductions are achieved from time to time through skillful analysis and good strategy for capturing savings. I have personal knowledge of such accomplishments on the SUBROC program, the SMT-1 program, the TF-30 engine program and small portions of Minuteman. In fact, of the actively pursued programs of systematic cost rollback I have been personally associated with, the only failures have been those in which the analysts were thrown off the job.

Despite overwhelming evidence of need and occasional demonstration of feasibility, the "national policy" argument has stopped, delayed, or emasculated most cost rollback efforts. Those of us responsible for designing, proposing and instituting improved cost management procedures are stopped cold by the "policy" pronouncements, particularly those involving procurement policy in which we have no voice.

This is the background for my July 9, 1968, memorandum to General Snavelly. As I mentioned previously, General Snavelly indicated to me that the time was right to issue a statement of the sort suggested. I believe we have already established that we have serious acquisition cost problems, that we can improve and that we should try to do so. Recognizing that you have only recently taken over from General Snavelly, I am eager to do anything I can to convince you of our need to act. I would suggest review of the performance data contained in the Autonetics report referred to previously as a start. The overhead and direct labor performance figures contained in the report can be updated readily. Performance is still poor. Improvements in this contractor's efficiency would benefit both the Mark II avionic and Minuteman programs. Subsequently, we can review any program or contractor you wish. All I ask is that we keep our attention focused on one program or overhead situation at a time, that we proceed contractor by contractor and that we settle the question of intent first to avoid wasting time on academic analyses.

Regarding overhead expense, appropriate analyses of the historical data collected for the Air Force Academy group recently working in your office will reveal lucrative opportunities for savings. These data would reveal even more savings potential if the principal ballistic missile contractors were added to the sample and if the periods covered were extended back through 1960.

While I intend to continue collecting and analyzing information, formulating improvement projects and trying to sell them, I am well aware that little will be accomplished until procurement policy questions affecting cost improvement are clarified. We must not continue to allow our primary management objectives to be obscured by periphery issues. If we want to support a unique source, then we should do so with full knowledge of any incremental cost involved. The same goes for decisions to generate employment for the disadvantaged. These are both worthy objectives in themselves, but our willingness to support them should not be interpreted as repudiation of efficiency objectives in general.

I personally believe that we should try to operate the defense establishment as efficiently as possible, that we should state our intention clearly and that we should act in support of our stated intention. My reasons for this belief are summarized in my July 9, 1968 memorandum to General Snavelly along with my suggestions for a combined policy statement and plan of action. If I have misinterpreted our principal top management acquisition objectives, I believe you should tell me so and set me straight.

At the same time, our whole organization would benefit from a clarification of procurement policy on several specific points:

1. Are we deliberately supporting an industrial base for social or economic purposes?
2. If so, to what extent, where and for how long?
3. Is there a system of priorities ranking military needs and socio-economic programs within the defense appropriations?

4. In those instances in which we are encouraging the disadvantaged to become defense contractors, is there any reason why we should not encourage efficiency in their operations?

5. If employment of a certain number of people is one of our goals, would it not be desirable to encourage greater efficiency for the purpose of obtaining more and better military hardware and services?

6. Has OSD evaluated the impact of low industrial efficiency on our export trade?

7. How can "policy statements" such as the one quoted on pages 1 and 2 of this memorandum be answered?

Straightforward answers to these questions will clarify large areas of uncertainty regarding our procurement policy. If definitive answers have not been formulated, even a meaningful dialogue on the basic questions would help.

I earnestly solicit your assistance in clarifying the questions outlined.

A. E. FITZGERALD,

*Deputy for Management Systems.*

MEMORANDUM FOR BRIG. GEN. WILLIAM SNAVELY, OSD (I & L)

ACQUISITION COST CONTROL

On June 18, 1968, you asked me to suggest a policy letter on identification and elimination of inefficiencies and on the handling of contractor discretionary expenses.

I have combined these into an action letter which, if signed and transmitted by the Assistant Secretary of Defense for I & L, then followed through to capture results, would do more to establish policy than any number of words. This proposed letter is attached as Tab 1.

As we have discussed in the past, there is no single method or routine which can be guaranteed to produce cost improvements in any given contractor situation. At the same time, all major contractor operations with which I am familiar are fat. Attainable in-house savings of 20-80% could be realized in the operations of the large contractors I know well. Therefore, it is clear to me that although no single scheme can be depended on to capture this latent savings potential, we should be expending a mighty effort to capture it. As I view it, there are two broad problems which must be solved in order to achieve improved acquisition cost levels.

1. Identify the savings potential.

2. Capturing the identified potential.

The first of these problems should be solved by a good review of the sort performed by Gordon Rule on the TF-30 engine. This is not to say that an exact repeat of the TF-30 "should cost" study would identify the same magnitude of cost savings in another plant. However, the general approach of aggressively seeking out inefficiencies with a highly skilled team of analysts is a necessary first step. In passing, assembly of teams of skilled, motivated analysts may be a problem. As you know, many people qualified to do this work have been systematically eliminated from the defense business in recent years. Once we are in possession of should cost information, a number of alternatives and strategies are open to us. Without such information, your options are severely limited. I should add that we need not expend as much time and effort on subsequent studies as was spent on the pioneering TF-30 project. We can identify sufficient savings to satisfy our initial goals in eight to twelve weeks with teams of four to six professional analysts.

In recent years, we have tended to depend blindly on contractor incentives to capture latent savings potential without really identifying magnitude of the potential. I have never really understood how a designer of an incentive contract could properly construct his incentives without some clear idea of attainable improvement potential available. In addition, misinterpretations of the intent of "disengagement" have weakened fact-finding efforts drastically. The net effect of our past actions has been to lose sight of should-cost baselines in many of our large programs. A major difficulty at this time in conducting should-cost analyses is the fact that some acquisition programs are so fat as to be scandalous, and hard-nosed should-cost studies will reveal this. The typical reaction to such disclosures has been to try to make them go away with words or to limit disclosure of the situation. Before embarking on a widespread program of should-cost

When known, reasons should be given for any extraordinary change in level of expenses in these areas.

We recognize that some amount of discretionary expenses are necessary for the conduct of business. However, our studies indicate that these expenses have grown inordinately in recent years and we must now balance the desirability of the activity represented by these expenses against the need for additional weapons which we could buy for the same money or against the desirability of returning the money to the Treasury.

I should emphasize at this point that we have no intention of saying to contractors that they cannot conduct these activities. We are, however, considering telling them in some case that we do not intend to continue paying for them at the levels of recent years.

In addition to our review of discretionary expenses we will, of course, review other major areas of overhead expense. Overhead reviews will be a part of the broader should-cost studies of the major acquisition programs. Because of the importance of this cost area and its impact on prices of everything we buy, my office will monitor the overhead analyses of all major contractors.

Your wholehearted cooperation in this necessary and difficult undertaking will be greatly appreciated.

#### OVERHEAD DATA

#### Company/Division

#### CONTENTS

1. Burden account structure.
2. Summary 1, all costs.
3. Summary 2, all pools by item.
4. Engineering burden.
5. Indirect manufacturing expense.
6. Material burden.
7. Field burden.
8. General and administrative expense.

#### BURDEN ACCOUNT STRUCTURE

#### Salaries and wages

Indirect labor and direct charging indirect	Overtime premium pay and night shift bonus
	Sick leave and paid absences

#### Fringe benefits

Employee benefits	Social security tax
Indirect vacation and holidays	Unemployment compensation

#### Supplies

Office and laboratory supplies	Standard tools
--------------------------------	----------------

#### Fixed charges

Rent, equipment and space	Insurance
State and local taxes	Depreciation, amortization
Plant rearrangement	

#### Travel telephones and telegraph

Transportation and living expense	Telegraph
Telephone	

#### Utilities

Heat	Water
Light	Power

## Bid and proposal

Proposal labor  
ConsultantsComputer  
Printing

Corporate, division expense

General office

Division headquarters

Miscellaneous services

Repair facilities and equipment

Snow removal

Trash removal

## SUMMARY 1—ALL COSTS

[Dollars in thousands]

Burden pool analysis

Burden pool	Calendar year							1968 (months) DLH
	1961 DLH <sup>1</sup>	1962 DLH	1963 DLH	1964 DLH	1965 DLH	1966 DLH	1967 DLH	
Engineering.....								
Manufacturing.....								
Material.....								
Field.....								
General and administrative.....								
Total-burden.....								
Direct labor.....								
Direct materials.....								
Other direct costs.....								
Total-direct.....								
Total-direct and burden.....								

<sup>1</sup> Direct labor Dollars/hours:

## SUMMARY 2—ALL POOLS BY ITEM, COMPANY/DIVISION

[Dollars in thousands]

Composite—all pools

Total Item	Calendar year							1968 (months) DLH
	1961 DLH <sup>1</sup>	1962 DLH	1963 DLH	1964 DLH	1965 DLH	1966 DLH	1967 DLH	
Base data:								
Direct labor hours.....								
Material.....								
Cost of sales.....								
Expense:								
Salaries and wages.....								
Indirect classified.....								
Direct charging Ind.....								
Total.....								
Fringe benefits.....								
Total labor association.....								
Supplies.....								
Fixed charges.....								
Travel telephone and telegraph.....								
Utilities.....								
Bidding and proposal.....								
Corporation/division expense allocation.....								
Materialoverhead.....								
Miscellaneous services.....								
Employee transfer.....								
Other expense.....								
Total overhead.....								
Total overhead (\$/DLH).....								

<sup>1</sup> Dollars/Direct labor hours.

## GENERAL &amp; ADMINISTRATIVE EXPENSE; COMPANY/DIVISION

[Dollars in thousands]

## G. &amp; A cost analysis

	Calendar year							1968 (months) DLH
	1961 DLH <sup>1</sup>	1962 DLH	1963 DLH	1964 DLH	1965 DLH	1966 DLH	1967 DLH	
Base data: Cost of sales.....								
Expense:								
Salaries and wages.....								
Indirect classified.....								
Direct charging industry.....								
Total.....								
Fringe benefits.....								
Total labor associa- tions:.....								
Supplies.....								
Fixed charges.....								
Travel telephone and telegraph.....								
Utilities.....								
Bidding and proposal.....								
Corporation/division expense allocation.....								
Material overhead.....								
Miscellaneous services.....								
Employee transfer.....								
Other expense.....								
Total G. & A. expense.....								
Total G. & A. expense (dollars/DLH).....								

<sup>1</sup> Dollars/Direct Labor Hours.

VISIT OF JOINT DOD/NASA OVERHEAD STUDY COMMITTEE TO THE EVENDALE,  
OHIO PLANT OF THE GENERAL ELECTRIC FLIGHT PROPULSION ON APRIL 24, 25,  
AND 26, 1967

## REPORT ON GENERAL ELECTRIC FPD MANPOWER CONTROL PRACTICES

*Introduction*

The manpower control subgroup consisted of Mr. Robert Dorn, NASA, Mr. D. E. Traeger, DCAS, and the writer, A. E. Fitzgerald, SAF-FM. The views, comments and recommendations expressed in the body of this report are my own and not necessarily those of Mr. Dorn or Mr. Traeger.

In terms of adding to our body of knowledge about manpower control, the trip was a waste of time. We were given the consummate "idiot treatment" by General Electric. Consequently, I shall deal quickly with the specifics of our review, and then pass on to the more important environmental aspects of the overhead control problem.

*Specific results*

As indicated in the introduction, our visit was nonproductive of specific results. The General Electric presentations and followup discussions were very general, and it was clear that the G.E. people had no intention of discussing specifics if they could avoid it. Many of our specific questions were answered with the broadest of generalities, usually long-winded explanations of the 'dynamic interactions within the group situation', and the mysteries of management of contracts with "high technical content", and the imponderables of "pushing the state of the art". When specific questions were pressed, they were simply ignored in many instances.

The G.E. management people assigned to work with our subgroup were Mr. Lafley, Mr. Russell and Mr. Lester. These gentlemen presented us the document *FPD Manpower Planning and Control* as their response to the questions raised in preliminary contacts with G.E. by General Snively and Mr. Deardorff. This document is included as Attachment 1. We were told that more details were available, particularly on comparative statistics, and that they would be mailed to us. However, nothing has been received.

Section 3 of Mr. Traeger's trip report (Attachment 2) summarizes the substance of what we learned about G.E.'s manpower controls. Section 5 of Mr. Traeger's report records his response to the specific questions raised by General Snavely and also his suggestions for improving the effectiveness of future visits to contractors. I endorse his views and recommendations.

#### *Cost control environment*

The cost control atmosphere at G.E. is most unwholesome. Both the J-79 production contract and the TF-39 package procurement are badly overrun. Unit prices for the 1968 J-79 buy are estimated at 30% over the current buy prices. Factory employee activity levels are extremely low. On the April 24 swing shift, I observed a total of 134 people, of whom 35, or 26% appeared to be working. The modal pace of work was quite low, approximately 70% of normal. Machine utilization appeared to be about 50% on the day shift and lower still on the swing shift. I did not observe graveyard shift operations.

This low activity level is, I suspect, a relatively recent development, at least in its present extreme form. In my experience, it is most difficult to maintain management discipline of any sort—quality, schedule or what have you—at such low activity levels. Therefore, since we don't know of any other symptoms of management breakdown, I suspect the activity level problem I observed is of relatively recent origin. The fact that degradation of performance is in progress, and that it is recognized by G.E. management, is illustrated in the sharp upturn in proposed hours per unit for J-79 engines.

TABLE 1.—PROPOSED FABRICATION AVERAGE MANHOURS PER UNIT FOR J-79 ENGINES 1964-66 AND 1968

	1964	1965	1966	1968
Proposed manhours.....	2, 270	2, 150	2, 020	2, 330

I as told that these statistics reflected a relatively stable make/buy structure.

The same apparent cost control degradation is also evident in the overhead accounts for components manufacturing. Although the past pattern of "actual" overhead rates is somewhat confused due to two conflicting sets of statistics furnished us by the government people resident at G.E. Evendale, the pattern of *proposed* rates is clear. They are going up. The bad news is summarized in Table 2.

TABLE 2.—FABRICATION OVERHEAD DOLLARS PER DIRECT LABOR HOUR

	1963	1964	1965	1966	1968
Actual rates:					
1st submission.....	\$4. 36	\$5. 13	\$6. 99	\$8. 15	.....
2d submission.....	6. 08	7. 55	7. 87	6. 90	.....
Proposed rates.....		7. 08	8. 63	8. 65	\$9. 82

Increases in these cost elements are reflected in increased proposed unit costs for the J-79. Proposed average unit cost for 1966 was \$121,420. For 1968, the proposed cost is \$157,651, an increase of 30%. The increasing cost outlook tends to be confirmed by the overrun/underrun history—4.4% under in 1964, 6.6% under in 1965, and 8.4% over in 1966.

We might ask ourselves at this point, "Are the G.E. people worried about their overrun? Are they not faced with the prospect of losing money, and therefore doing everything possible to reduce costs?" The answers to these questions are **not clear.**

Taken alone, the G.E. J-79 overrun for 1966 would cost them approximately \$7.5 million in before-tax profit, based on information furnished by the AFPRO. However, Evendale's C&A absorption increased by \$7.0 million. Moreover, we don't know the beneficiaries, if any, of Evendale's increased overhead. Therefore, without access to over-all profitability figures, it is not clear that the 1966 J-79 overrun cost G.E. anything at all. Furthermore, if we follow our usual pricing practices, G.E.'s elevated cost extrapolation base is money in the bank for future years.

- 3 Field support programs;
  - (a) Field service reps;
  - (b) Service shops;
  - (c) Logistics support and management;
- 4 Business management;
  - (a) Program management;
  - (b) Financial management;
  - (c) Personal and organization management; and
  - (d) Facilities management.

Verification and control:

- 1 Financial (illustrative):
  - (a) Monthly actual versus budget (salary and wages);
  - (b) Audit and counsel.
- 2 Organization and manpower control;
  - (a) Structuring the organization;
  - (b) Establishment of positions;
  - (c) Establishment of position levels/grades/rates;
  - (d) Establishment of compensation plan;
  - (e) Authorized manpower levels:
    - 1. Weekly/monthly actual versus authorized;
    - 2. Periodic progress reviews;
    - 3. Direct versus indirect ratios; and
    - 4. Applied versus unapplied.
  - (f) Top management reviews and audit:
    - 1. "Least essential work" reviews;
    - 2. Talent review;
    - 3. Low 5 percent;
    - 4. Compensation; and
    - 5. Organization structure.
- 3 Work performance reviews:
  - (a) Goals and milestones;
  - (b) Manpower versus plan;
  - (c) Workforce productivity; and
  - (d) Shop measurements.

DoD/NASA Ad Hoc STUDY GROUP

REPORT OF VISIT TO GENERAL ELECTRIC COMPANY, EVENDALE, OHIO  
FLIGHT PROPULSION DIVISION

24-26 April 1967

Subject: Techniques of Managing and Controlling Overhead Costs

1. The team consisted of 14 members representing the three military services, NASA, DCAS, OASD, and DCAA. The contractor was provided advance notice of the purpose of the visit and identification of the team members. A briefing was also requested from the contractor.

2. The contractor provided a briefing on the organization, management concepts, and the overall company operation. The DOD team broke into small teams to pursue individual assignments. I was assigned to the sub-group to investigate how the contractor controls quantities of people, which was headed by Mr. A. E. Fitzgerald.

3. The results and/or conclusions reached by the undersigned are summarized as follows:

a. General Electric Co., Evendale, controls manpower and manpower costs through firm budgets established one year in advance. These budgets are, in turn, based on negotiated contract targets. Within the overall budget limitation, the contractor uses various techniques to allocate this budget to the various functional groups. The primary control technique over the functional groups appear to be a system which periodically requires the groups, units or functional managers to justify and explain their performance against the budget. The extent of control exercised to reduce costs appears to be predicated on how well the contractor succeeded at the negotiation table.

b. The Government's primary influence on the contractor's management and control of costs, both direct and indirect, appears to be directly correlated to the degree of insight and expertise the Government negotiating team can bring to



the negotiating table. In this connection, it is interesting to note that the AFPRO has only five price analysts.

4. Following are some observations and comments on the mode of operation and the accomplishments of the team visit to General Electric.

a. The presentations provided by the contractor were for the most part not pertinent to the subject of the visit. In addition, the presentations consumed too much of the time available.

b. The information (statistics) requested by Mr. Fitzgerald of the AFPRO and DCAA was very informative and identified items of cost and trends that precipitated questions in addition to providing data to compare contractors.

c. The smaller subteam meetings were more beneficial than the full team meetings for two reasons:

(1) The contractor's personnel attending were from a lower level of management than the representatives briefing the entire team; consequently, they were better informed on the detail we were seeking.

(2) With the smaller subteam, we could more effectively pursue our specific assigned task.

5. The following suggestions are offered as possible ways to improve the effectiveness of the team on future visits.

a. Request from the AFPR, Navy, Army, DCAS, and DCAA specific data to be submitted at least two weeks prior to making a visit. Some of the data that would be helpful are:

(1) Items of general interest to the entire team, such as types of contracts and dollar value, yearly sales, location and size of facilities, amount of Government and commercial business, etc.

(2) Contractors overhead structure, e.g., Christmas tree breakdown of the flow of costs through the various overhead pools to contracts.

(3) Narrative statement on the contractor's policy of classifying employees direct and indirect.

(4) Narrative explanation of how the contractor establishes manpower requirements (e.g., standards applied to tasks, allocated budget, rule of thumb guides, etc.) If contractor uses budget, describe how budget is developed (i.e., allocation of negotiated target, etc.) or if standards are used, how are they developed and how frequently are they updated.

(5) Weighted average number of people on the payroll by year for the past five years. This should be segregated by direct and indirect, and the indirect further segregated as to hourly and salary.

(6) Breakdown of the various overhead pools and a summary of all overhead pools by cost elements for each of the past five years.

(7) Overhead distribution base and rates applicable to (6) above.

b. After receipt and review of the data requested, any further questions or requests for data that the team may have could be relayed on to the AFPRO, DCAA, or the contractor. This additional data could be available to the team upon arrival at the contractor's plant and/or arrangements for specific briefings could be made.

c. Requests for briefings from the contractor should be specific and the amount of time specified.

d. The size of the teams could be limited to one man representing each major area task or area assigned. This would mean probably four or five member teams. With the review of the requested data in advance of the visit, I believe the visit could be limited to two or three days each.

e. There appears to be some reluctance to obtain cost statistics on specific contractors. This is apparently due to the tendency of the team members to evaluate the reasonableness of the statistics rather than utilize them to identify trends and problem areas that will lead us to answers we are seeking. Periodic reminders of our objectives should overcome this problem. In addition to providing the team insight into the contractor's operation, statistics will be necessary for the team to evaluate the effectiveness of the various techniques used by contractors.

2. *Reduction in Force.*—In the event his job is abolished, Mr. Fitzgerald is in Tenure Group I in the Excepted Service and has the right of full application of all reduction-in-force procedures insofar as “bumping” and “retreat” rights *within his competitive level grouping*. However, since he is the only employee in his competitive level grouping and since he did not progress to this position from other lower grade positions, the net result is that he is in competition only with himself. He could neither “bump” nor displace anyone.

These are the rights involved should charges be preferred or should his position be abolished. There is a third possibility, which could result in Mr. Fitzgerald's departure. This action is not recommended since it is rather underhanded and would probably not be approved by the Civil Service Commission, even though it is legally and procedurally possible. The Air Force could request conversion of this position to the career service, utilizing competitive procedures, and consider all the eligibles from the Executive Inventory and an outside search. Using this competitive procedure, Mr. Fitzgerald might or might not be selected. If not, displacement action would follow.

When Mr. Fitzgerald was appointed in September 1965 by Assistant Secretary Marks to fill the vacancy created by the departure of Mr. J. Ronald Fox, it was with a mutual understanding that this was to be a Schedule A appointment of *two or three years duration*. There is nothing in official records to support this understanding. Dr. Flax contacted Mr. Marks by telephone on January 2, 1969, and verified this understanding and reflected the conversation in his memorandum to the Secretary of Defense, a copy of which is attached. We have carefully screened all files and records and can find no formalized confirmation of this understanding.

If you desire additional information or more detailed specifics, I have the complete files available.

JOHN A. LANG, JR.,  
*The Administrative Assistant.*

## NOTIFICATION OF PERSONNEL ACTION

(EMPLOYEE — See General Information on Reverse)

(FOR AGENCY USE)

1. NAME (LAST-FIRST-MIDDLE) FITZGERALD, ANTHONY E.		MR.—MISS—MRS. MR.	2. (FOR AGENCY USE)	3. BIRTH DATE (Mo., Day, Year) 07-31-26	4. SOCIAL SECURITY NO. 423-28-7001
5. VETERAN PREFERENCE 1—NO 2—3 PT. 3—10 PT. DISAB. 4—10 PT. COMP.		5—10 PT. OTHER	6. TENURE GROUP	7. SERVICE COMP. DATE	8. PHYSICAL HANDICAP CODE
9. FEGLI 1—COVERED 2—INELIGIBLE 3—WAIVED			10. RETIREMENT 1—CS 2—FICA 3—FS 4—NONE 5—OTHER	11. (FOR CSC USE)	
12. CODE NATURE OF ACTION 002 CONNECTION 550 CONV TO EXCEPTED APPOINTMENT		13. EFFECTIVE DATE (Mo., Day, Year) 09-20-68		14. CIVIL SERVICE OR OTHER LEGAL AUTHORITY SCH A REG 213:3109(a)	
15. FROM: POSITION TITLE AND NUMBER		16. PAY PLAN AND OCCUPATION CODE	17. (a) GRADE OR LEVEL	(b) STEP OR RATE	18. SALARY
19. NAME AND LOCATION OF EMPLOYING OFFICE					

20. TO: POSITION TITLE AND NUMBER		21. PAY PLAN AND OCCUPATION CODE	22. (a) GRADE OR LEVEL	(b) STEP OR RATE	23. SALARY
24. NAME AND LOCATION OF EMPLOYING OFFICE OFFICE OF THE SECRETARY SAFETY WASHINGTON, D. C.					

25. DUTY STATION (City—county—State)				26. LOCATION CODE	
27. APPROPRIATION	FUNCTIONAL CODE	AFSC	28. POSITION OCCUPIED 1—COMPETITIVE SERVICE 2—EXCEPTED SERVICE	29. APPORTIONED POSITION FROM: TO: STATE	
30. REMARKS:			A. SUBJECT TO COMPLETION OF 1 YEAR PROBATIONARY (OR TRIAL) PERIOD COMMENCING		
			B. SERVICE COUNTING TOWARD CAREER (OR PERMANENT) TENURE FROM:		
SEPARATIONS: SHOW REASONS BELOW, AS REQUIRED. CHECK IF APPLICABLE:			C. DURING PROBATION <input type="checkbox"/>		
			D. FROM APPOINTMENT OF 6 MONTHS OR LESS <input type="checkbox"/>		

CORRECTS ITEMS 12 AND 14 ON SF 50 DATED 09-06-68 WHICH READ: "602. CONV TO CAREER TENURE" AND "REG. 315.202", RESPECTIVELY.

31. DATE OF APPOINTMENT AFFIDAVIT (Accessions only)	34. SIGNATURE (Or other authentication) AND TITLE FOR THE APPOINTING OFFICER <i>Martha J. Collins</i> CHIEF, ADMINISTRATION BRANCH
32. OFFICE MAINTAINING PERSONNEL FOLDER (If different from employing office) HQ USAF (AFRSP) WASH., D. C. 20330	35. DATE 11-25-68 2195
33. CODE EMPLOYING DEPARTMENT OR AGENCY AF 11 DEPARTMENT OF THE AIR FORCE	

1. EMPLOYEE COPY

## ENVELOPE COPY MISSING

When the letter reached Fitzgerald, both the envelope and the copy of Proxmire's letter to Brown were missing. It was not until later, when Kaufman mentioned the Brown letter in a conversation with Fitzgerald, that Fitzgerald learned he was supposed to have received it.

On the back of the letter when it got to Fitzgerald on Jan. 10 was a rubber stamp imprint in which an investigation division number, a correspondence control number, the date and the name of the action officer had been inked in. The printed name of the action officer was "L-C LaPlante."

Kaufman said a Lt. Col. Cliff LaPlante serves as Air Force liaison officer for contacts with Proxmire's committee.

Fitzgerald and Kaufman said they were aware of one previous occasion on which mail addressed to Fitzgerald from Proxmire apparently had been intercepted. That was just before Fitzgerald's first appearance before the committee. On that occasion, what Fitzgerald received appeared to be a duplicating machine copy of the original.

Shortly before his Nov. 13 testimony, Fitzgerald received a notice that he had been granted tenure as a government employee. A few days after his testimony, he got another notice telling him the first one was an error.

Air Force officials testified Thursday that the original notice had been sent out because of a mistake made by a new computer system and that it was an obvious error because Fitzgerald could not be granted tenure without special action by the Air Force and the Civil Service Commission.

They also denied that any effort had been made to punish or harass Fitzgerald because of his testimony before the committee.

Proxmire then made public a memo to Brown from his administrative assistant which, Proxmire said, listed three ways the Air Force could fire Fitzgerald—including one that was described as "underhanded" and not recommended.

Proxmire yesterday demanded that the Air Force provide assurance it will not fire Fitzgerald.

## APPENDIX C

(The following information was supplied for the record by Mr. Fitzgerald:)

### SAFFMM FUNCTIONAL CHANGES

#### *Source Selection Reviews*

DEPARTMENT OF THE AIR FORCE,  
Washington, July 18, 1969.

To: SAFUS, SAFRD, SAFOI, SAFFM, SAFGC, SAFIL, AFCCS.

Subject: Memorandum of Understanding, Policies and Procedures for Reviewing Source Selections within Hq USAF, June 27, 1967.

The procedures contained in subject Memorandum are hereby declared void. If after I have had an opportunity to observe the AFR 70-15 Source Selection Procedures, there seems to be a need to reconsider the type of review performed by the SASG, these procedures, or modifications thereof, may be reinstated.

R. C. S., Jr.

#### MEMORANDUM FOR SECRETARY SEAMANS

Subject: Memorandum dated 6 June 1969 to SAFOS from the Chief of Staff, subject, "Special Air Staff Groups."

By memorandum dated June 13, 1969, Colonel Gunderson forwarded subject memorandum to me for comment.

Based on SAFEM participation in Special Air Staff Group (SASG) activities, it is my opinion that the SASG's have made a major contribution toward clarifying the area of risk, the financial implications of alternative awards, and providing timely and pertinent information to the Source Selection Authority (SSA). While the importance of timely selection is recognized, this objective should not be obtained at the sacrifice of a thorough and comprehensive review by OSAF. The question should be whether the source selection procedures are considered adequate by the SSA, not whether they are considered adequate insofar as the Air Staff is concerned. In this connection, I must assume that the June 27, 1967 Memorandum of Understanding, as referred to in subject memorandum, would not have been written if the procedures outlined in AFR 70-15 and AFM 70-10 had been considered adequate by those who signed that Memorandum.

In my opinion, this is most certainly not the time to discontinue the Secretarial participation in, and overview of, our source selection procedures. To the contrary, such procedures should be strengthened to the maximum extent possible. In this connection, the procedures followed by the SASG's might be improved, and streamlined, if the SASG's were placed under the direct control of the Secretary of the Air Force. The leader of the SASG could be an OSAF member of Deputy rank, preferably from SAFRD. Air Staff participation is perhaps desirable, but not necessarily required. Further, the SASG's should probably be limited to five people, including the leader.

In summary, I recommend that the SASG's be strengthened—not dissolved—if we are to obtain increased confidence in source selections in which a statutory appointee acts as the source selection authority. However, if it is determined that the SASG's should be dissolved, then I strongly urge that the Secretary of

## MEMORANDUM FOR LIEUTENANT GENERAL McNICKLE

DEPARTMENT OF THE AIR FORCE,  
Washington, March 27, 1969.

Subject: Demonstrations of Contractors' Management Control Systems Under C/SPCS Annex 4.

Your letter of February 26, 1969, its attachments, and the extensive discussions I have had recently with Air Staff and AFSC representatives on C/SPCS have crystallized what I judge to be the basic issues which must be resolved in this program.

First, we need to decide the real objectives of C/SPCS. Are the criteria intended to require what is primarily a cost tracking system or in addition to assure the government that contractors have the capability to plan and *control* cost?

A cost tracking system comparing actual cost with a firm baseline representing planned value of work scheduled/accomplished has real value. It can even be said to provide control in the sense that when the tracking system discloses problems, management attention and control can be focused on the problem areas. A true cost control system as I see it, however, requires that actual plans for applying resources to the tasks to be performed at the lowest organizational unit must bear a demonstrated relation to the planned budgets and schedules reported to higher levels of management. To confirm the existence of this type of cost control system, the validation process would necessarily have to include verification that the budgeted factory direct labor hours for work packages, as an example, are fully consistent with the detailed shop labor system used in the factory to plan and control work. From discussions with AFSC representatives, it appears that the command may not be prepared to extend the scope of its validations to that extent.

As merely a cost tracking system, C/SPCS can provide the Air Force with valuable data not available heretofore. Demonstration against the criteria with this objective in mind however, will not assure the government that the contractor has the ability to control costs. If, as I believe it should, C/SPCS is intended to insure that the contractor has an effective cost control as well as cost tracking system, specific procedural guidance needs to be developed for use by the demonstration teams. In this connection, I have asked my Deputy for Management Systems working with the Air Staff to prepare a manual providing guidance to the demonstration teams. In this undertaking he will consolidate and update material already in being as well as develop new material.

Second, regardless of the decision on the first issue, all parties appear to agree that Annex 4, the present C/SPCS criteria, requires strengthening. I understand that the Air Staff and AFSC are working to develop revised criteria that will provide for a firm baseline against which to measure contractor's cost performance. I am very interested in the progress of this effort and look forward to seeing the result. I share the judgment of some in the Air Staff who believe that a contractor's system could suffer from a "rubber" baseline and still be acceptable under Annex 4.

Annex 4 is, of course, the C/SPCS clause presently included in contracts for a number of major systems. Despite its weaknesses it is probably an order of magnitude better than anything we have used before. Because of its weaknesses, however, and the Air Force's intention to upgrade the criteria, it is important for the contractor to understand that validation of his system under Annex 4 does not signify an end to the Air Force's efforts to encourage improvement in his management control systems.

Viewed in these terms, I would agree with your recommendation to charge AFSC with the responsibility and give them the authority for deciding, on the basis of demonstrations, which contractors' systems meet the requirements of the C/SPCS criteria on contract. Under this arrangement SAFFM and the Air Staff would continue to exercise their responsibilities of providing guidance on acceptable C/SPCS criteria, procedures to be accomplished in demonstrations and training material for demonstration teams.

I expect early submission to this office of the proposed revised C/SPCS criteria so it can be incorporated at the earliest possible time in the major program contracts now under consideration (AWACS, F-15, AMSA). Pending issuance of a manual, approved by this office, for use by the demonstration teams, I would like the Air Staff to immediately review the concepts and procedures the demonstra-

tion teams are following in comparison with those outlined in the Air Force Systems Command C/SPCS Threshold Training Course as revised in early 1967. Finally, I expect AFSC to officially notify the Air Staff and this office of any validation actions taken.

THOMAS H. NIELSEN,  
*Assistant Secretary of the Air Force.*

MEMORANDUM FOR SECRETARY NIELSEN

DEPARTMENT OF THE AIR FORCE,  
*Washington, February 27, 1969.*

Re SAFFM Memorandum of 20 February 1969, same subject.

Subject: Demonstrations under C/SPCS.

I wish to offer some comments on your proposal and related subjects. I would also appreciate clarification of the referenced memorandum of 20 February 1969.

It is apparent that the proposed delegation of contractor systems certification authority to Air Force Systems Command will effectively remove me from the chain of approval of demonstrations. If it is our intention to enforce previously agreed-to requirements, I believe you should reconsider the proposed course of action. To summarize my reasons for this belief, let me list the key points in the current situation:

1. Based on the evidence of demonstration reports and backup documents, AFSC demonstrations are poorly done.
2. I detect and report shortcomings in the AFSC demonstrations.
3. You acknowledge these shortcomings.
4. AFSC and the Air Staff are unhappy.
5. As a solution, it is proposed to remove me from the approval chain.

Now, if we are truly interested in solving the point 1 problem, is the point 5 proposal appropriate? I submit that it is appropriate only if solutions to the problems of points 2 and 4 are of foremost importance.

Under your proposal, how will we be assured of proper execution of guidance to Systems Command through the Air Staff regarding examination of contractor systems? "Review and comment" won't control the situation at this point. There is considerable evidence that Systems Command no longer shares the originally agreed-to objectives of reviewing contractor planning and control systems. Furthermore, I believe the Air Staff reviews as performed currently are of little value as controls on quality and validity.

Colonel Ayres, AFRPDO, admitted as much to me after our session on February 19. He restated his position that we "must depend upon AFSC." In the ensuing discussion, Air Staff representatives made it clear that they considered rejection of a Systems Command recommendation a personal reflection on General Ferguson. Therefore, outright non-concurrence is not a practical option available to working level Air Staff reviewers, regardless of how poorly the Systems Command performs. Working level Air Staff members also admit that the needed technical competence does not exist to evaluate critically the adequacy of systems demonstrations.

Given these limitations, what is the point of Air Staff reviews and coordinations? In the area we are concerned with here, I can see little "value added." If anything, uninformed and politically biased voting by the Air Staff inhibits objective evaluations at the Secretariat level. Air Staff evaluations and recommendations should either be made more substantive or discontinued.

I also wish to raise a question regarding the requirement to have authority commensurate with responsibility. What is the responsibility of the Secretariat with regard to financial management, of which our demonstrations are a part? I do not believe ultimate responsibility can be avoided by delegation. Therefore, it follows that the Secretariat must retain some authority. I believe this authority should include the right to reject poor work.

On a related subject, I suggest that we formally reassess our C/SPCS objective. I believe we should be honest with ourselves and candid with the Air Staff and AFSC regarding abandonment of the cost control objectives of Cost/Schedule Planning and Control Systems requirement. Based on our lengthy conversation of February 24, it appears to me that you have accepted this change of objectives. If this is indeed your intention, I believe we should reflect the change of objectives by renaming the approach "Cost Planning and Tracking System" or something similar. As I have reported to you, the de facto relaxation of requirements and

- 20003 PPBS Procedures Review.
- 20004 Budget Review in preparation for hearings.
- 20005 Integrated Logistics Support.

After (March 4, 1969)

FINANCIAL MANAGEMENT—PROJECT LISTING—SAFFMM

*Project Number:*

- 30000 Management Systems.
- 30001 DODIs 7000.6 and 7000.7.<sup>1</sup>
- 30002 Demonstration Review CE/Reentry Systems.<sup>2</sup>
- 30003 Demonstration Review Boeing SRAM.<sup>2</sup>
- 30004 HAF C-225 Reports.
- 30005 Accounting for R&D
- 30006 GEEIA Management Systems.
- 30007 F-15 Source Selection.<sup>2</sup>
- 30008 AMSA Tech Development Plan.<sup>2</sup>
- 30009 Management Summary Formats.
- 30010 Accounting for Military Personnel.
- 30011 Cost of Food Service.
- 30012 Accrued Expenditures.
- 30013 DODI on Inventory Control Points.  
Minor Construction in Thailand.

FINANCIAL MANAGEMENT—PROJECT LISTING—SAFFMS

*Project Number:*

- 40000 Cost and Economic Analysis.
- 40001 Cost Analysis in Weapon Acquisition.
- 40002 Advanced Logistics System Management Plan.
- 40003 MITRE/CRL Program on Application of Cost Effectiveness in ADP  
Source Selection.
- 40004 CIR Data Plan Review.
- 40005 SAR Report Review.
- 40006 Special Interest Cost Reviews: C-5, F-X, A-X, F-111, AWACS,  
SRAM, Maverick.
- 40007 DPM Cycle Reviews.
- 40008 Professional Military Comptroller Course.
- 40009 T-Day Planning.

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, February 19, 1969.*

Memorandum for Mr. Fitzgerald, SAFFMM.

I appreciate your comments on the proposal to establish a Deputy for Economic and Cost Analysis. However, your assumption that there would be a transfer or overlap between your present responsibilities and those of the newly proposed position may not be in context. It is my intention to establish the capability to perform, with objectivity, the full range of cost analysis, and it is imperative that a separation from the management systems take place in order to insure both the objectivity and acceptability of this analytical capability. I believe this proposed position designation reflects increased attention by this office to the problem of cost performance as well as those of management systems and provides a more viable feedback capability. Moreover, this separation parallels the organizational arrangement in OSD. This is not to say that the quality of the cost performance information is not affected by the quality of the system in operation. It does mean that if continuing analysis of performance data indicates a deficiency to be the direct result of a system deficiency, close coordination between the respective offices would obviously appear appropriate.

<sup>1</sup> Management Systems Control. Fitzgerald already removed from this activity.

<sup>2</sup> Functions lost in subsequent decisions.

NOTE.—Note especially the absence of the key functions noted (footnote 2) on the Feb. 7, 1969, listing. Item 14 on the earlier list, "Weapon Systems Cost Analysis and Control", is particularly important.



With respect to your comment about poor timing, the change would seem most appropriate for several reasons, in addition to the one above about consistency with OSD organizational arrangement. First, in my judgment, it is a better use of the personnel spaces we presently have available. Second, it explicitly focuses responsibility for this effort within SAFFM. And finally, this change responds to direction from ASD(C) to establish this sort of capability. I hope, of course, that similar focus of responsibilities will take place in the Comptroller's organization to support this office.

With respect to your final paragraph, I generally agree concerning the need for higher grade position authorization, either military or civilian; however, I do not agree with the comment concerning a military officer being reduced to a ceremonial role. It may be difficult for a junior officer to impose policy or advocate positions upon an organization headed by a senior officer. However, this new position should be one of professional analytical capability, not one of policy making, or "advocacy"; thus the primacy of competitive seniority is much less important. If, at a particular point in time, individuals are highly qualified yet cannot be considered as "senior or high ranking," then assignment of specific responsibilities should be sufficient to establish the necessary authority to accomplish the job.

THOMAS H. NIELSEN.  
*Assistant Secretary of the Air Force.*

FEBRUARY 14, 1969.

Memorandum for Secretary Nielsen.

Following are my comments on the proposal to establish a Deputy for Economic and Cost Analysis.

First, I wish to comment on the effect of the proposal on the responsibility of the Deputy for Management Systems "for the development of improved management controls and the broader use of statistical analysis within the Air Force." During Ron Fox's tenure and most of mine, these responsibilities were discharged for the most part by live application of management controls to on-going programs. As General Ferguson mentioned in his speech the other day, our approach has been to *evolve* management systems through lessons learned through application. From my point of view, this approach is absolutely essential to development of viable management controls. If these are to be "improved" controls, then improvement should be manifest. In the case of improved cost controls, improved cost performance should be demonstrated. As I pointed out in previous correspondence (see attachments) improved cost systems to be effective must include provisions not only for reporting but also for improvement of benchmarks (e.g., cost estimates), analysis and corrective actions. I gather that much of this sort of work would be performed by Lt Colonel Pewitt under the new proposal.

In passing, I was led to understand in late 1967 and early 1968 that the proposals contained in the attachments had been accepted subject to availability of manpower. Furthermore, despite the fact that I served only as a member of the "steering group" on the C-5 study, traditionally this office has led such efforts in behalf of SAFFM. I believe timing is poor to remove this responsibility.

Finally, I believe it unwise to set up a deputate to be headed by a Colonel or Lt Colonel. While I have the highest regard for Colonel Pewitt's abilities, it is a poor precedent. Moreover, any officer in the Secretariat, especially one below General Officer rank, is in a poor position to resist being relegated to a ceremonial role. I believe that a better choice to fill such a position would be a senior civilian such as Mr. Riner C. Payne.

A. E. FITZGERALD,  
*Deputy for Management Systems.*

Attachments.

FEBRUARY 7, 1969.

Memorandum for Major Metcalf, SAFFM.

Subject: Project listing.

The attached information is provided in response to your memorandum of 4 February 1969, subject as above.

You will note that ours is a generic list rather than one which is comprised of specific projects. I assumed that this is what you wanted based on the examples contained in your referenced memorandum.

This material is transmitted to meet the established suspense date.

RINER C. PAYNE, SAFFMM.

Attachment.

Before (Feb. 7, 1969).

SAFFMM<sup>1</sup> PROJECT LISTING

- |   |  |
|---|--|
| 1. SAIMS  | 15. Program Element Definitions  |
| 2. Project PRIME  | 16. Secretary's Status Book <sup>2</sup>                                 |
| 3. Accounting for R&D                                     | 17. RAND Interface   |
| 4. Systems Engineering Management <sup>2</sup>            | 18. Accrued Expenditures   |
| 5. DODI's 7000.6 and 7000.7                               | 19. Cost of Food Service   |
| 6. Demonstration Reviews <sup>2</sup>                     | 20. Review of Proposed AFR's, <sup>2</sup> AFL's, HOI's, etc.            |
| 7. Output Measurement                                     | 21. Miscellaneous Management Systems and Procedures                      |
| 8. GEEIA Management System                                | 22. Member, DOD/CODSIA Advisory Committee for Management Systems Control |
| 9. R&D Management Systems <sup>2</sup>                    | 23. Member, DOD/Industry Assets Management Systems Advisory Committee    |
| 10. Stock Fund Procedures (Assist SAFFMA)                 | 24. Member, OSD PRIME Survey Team  |
| 11. DMIF Procedures (Assist SAFFMA)                       | 25. Member, SAIMS Coordinating Committee                                 |
| 12. F-15 Source Selection                                 |  |
| 13. Management Summary Formats                            |  |
| 14. Weapon Systems Cost Analysis and Control <sup>2</sup> |  |

<sup>1</sup> SAFFMM equals Fitzgerald.

<sup>2</sup> Key functions lost in subsequent decisions.

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, February 4, 1969.*

Memorandum for SAFFMA, SAFFMB, SAFFMM, SAFFMS.

Subject: Project Listing.

A project listing for each deputy is being compiled for SAFFM. Request each of the addressees prepare a list of projects assigned to his particular office, such as:

SAFFMA:

Project Lite

SDC

SAFFMB:

PPBS Review

RDT&E versus Procurement Funding

SAFFMM:

SAIMS

Project Prime

Accounting for R&D

SAFFMS:

T-Day Planning

C-5 Cost Review

Request your project listings be furnished to SAFFM by 1200 hours, 7 February 1969.

CHARLES D. METCALE,  
*Major, USAF, Deputy Executive.*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, January 28, 1969.*

Memorandum for SAFFMA, SAFFMB, SAFFMM, SAFFMS.

The attached memorandum to John Lang requesting that the position of

Special Assistant for Economic Analysis be converted to Deputy for Economic and Cost Analysis, is forwarded for your coordination.

THOMAS H. NIELSEN,  
*Assistant Secretary of the Air Force.*

Attachment.

I recommend the words "Programming, Budget, and" in para. 2 of Duties and Responsibilities be deleted, as they interject confusion in connection with my responsibilities.

JOHN HOLLERAN.

Department of the Air Force: Position description.

Organization location: Office, Secretary of the Air Force. Office, Assistant Secretary (Financial Management).

Position title: Deputy for Economic and Cost Analysis.

#### I. INTRODUCTION

The purpose of this position is to advise and assist the Assistant Secretary of the Air Force (Financial Management), other OSAF offices, and the Secretary of the Air Force in the economic review and analysis of Air Force programs, systems, and studies to assure optimum benefit for the Air Force.

#### II. DUTIES AND RESPONSIBILITIES

1. Serves as a focal point in the Office of the Assistant Secretary (Financial Management) to insure that significant Air Force programs, intended for review by the Secretary of the Air Force or his staff, receive adequate cost effectiveness and systems analysis evaluations to support decisions and/or recommendations on alternative programs, forces and weapon systems.

2. Analyzes and determines the adequacy of costing of marginal or incremental costs of competing systems. Monitors and performs cost analyses and cost estimating studies, as appropriate. Conducts research individually or in conjunction with others in economic and financial aspects of programming, and resources management area, Presidential Memoranda and Air Force special studies. Participates in the development of improved programs for use of resource management data utilizing automation and advanced analytical techniques.

3. Evaluates the education and training programs within functional areas of responsibility of Assistant Secretary (Financial Management). Assures necessary research liaison with Air Staff, Major Commands, Air University, Air Force Academy, Air Force Institute of Technology and other research resources.

4. Represents the Assistant Secretary (Financial Management) in intra- and inter-agency representations and negotiations, involving Resources Management Analysis of above responsibilities. Serves as an advisor to the Assistant Secretary (Financial Management) and the Secretary of the Air Force while they are appearing before Congressional Committees.

5. In accomplishing these functions, applies a comprehensive knowledge and background of experience in management practices, concepts, and theories. Works with officials in OSAF, OSD, and Air Staff organizations in the interest of assuring mutual understanding and consistency of effort. Employs tools of mathematics, statistics and economics as required to insure that such analyses are of the highest technical standards.

#### III. CONTROLS OVER WORK

Serves under the general direction of the Assistant Secretary (Financial Management).

#### IV. OTHER SIGNIFICANT FACTS

This position calls for the highest level of professional and technical experience and requires access to Top Secret information

Memorandum for the Administrative Assistant.

It is my intention to convert the position of my Special Assistant for Economic Analysis to one of "Deputy for Economic and Cost Analysis." Attached is a position Description, AF Form 1378, outlining the duties and responsibilities for a Deputy for Economic and Cost Analysis.

In 1967, that office was deeply involved in the cost analysis of the Phase II Computer Source Selection and award, designing procedures for overall EDP selection in this regard. A more recent example has been the review of the C-5 cost estimates and the associated management information requirements over the longer term. During the accomplishment of these tasks, my Special Assistant for Economic Analysis has been performing the tasks above without formal functional contact with representative staff agencies.

Another of the many tasks which require specific coordination and interaction with OSD and the Air Staff is the analysis of costs of programs and forces within the Draft Presidential Memoranda cycle. This requires that the incumbent work closely with the Cost Analysis section of the Budget Directorate and OSD (Systems Analysis).

On October 3, 1968, the Assistant Secretary of Defense (Comptroller), by memorandum, suggested that this office monitor cost performance in weapons acquisition management. Indeed, he is establishing in his office a small qualified group to provide analytic expertise in this area and encouraged that this office provide similar support and visibility in this important effort.

The above reasons warrant redesignation of the position from Special Assistant to Deputy for Economic and Cost Analysis.

For the present time the position should be classified for Colonel but, of course, with flexibility as desired by future incumbents in this office.

I would appreciate your effecting this change at the earliest convenience.

THOMAS H. NIELSEN,  
Assistant Secretary of the Air Force.

Attachment.

*Management Systems Control*

OFFICE OF THE SECRETARY OF DEFENSE,  
February 6, 1969.

Memo for Mr. Bergquist

"I just wanted to make sure that I heard Mr. Nielsen right this morning because until that moment I thought I was dealing with the man who had the con on the AF implementing instructions of 7000.6 & 7. As I understand it he said that I should deal with the Air Staff, Col. Ayres, Col. Shively, Paul Wight, and stop working with Fitzgerald. I can't quite understand this since Ernie's hangup with the Air Staff's drafts is that Nielsen's office is omitted from the control loop. However, if you agree that I heard the words correctly, I shall offer the services of my office to the Air Staff (Col. Ayres) to help get the instruction out."

DHM.

*Secretary Laird's Letter*

THE SECRETARY OF DEFENSE,  
Washington, D.C., February 11, 1969.

HON. WILLIAM PROXMIRE,  
U.S. Senate,  
Washington, D.C.

DEAR BILL: I have now familiarized myself with the basic details of the situation involving Mr. A. E. Fitzgerald, a Deputy Assistant Secretary in the Air Force.

I am aware of his appearances before your Subcommittee on November 13, 1968 and January 16, 1969. I have reviewed his testimony and the events surrounding the unfortunate mistaken notification of conversion of his position to a career appointment. I have also discussed this matter with Secretary Brown and have read his exchange of correspondence with you.

I am completely satisfied that Mr. Fitzgerald has not had any adverse action taken against him nor have any of his rights been compromised. He is not being fired, and I can assure you that Mr. Fitzgerald's rights under existing laws and Civil Service regulations will continue to be fully respected.

Sincerely,

MELVIN R. LAIRD.

## APPENDIX D

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(The following information was supplied for the record by Mr. Fitzgerald:)

JANUARY 15, 1969.

Hon. WILLIAM PROXMIRE,  
*Chairman, Joint Economic Committee,  
Congress of the United States*

DEAR MR. CHAIRMAN: IN your most recent letter you made reference to certain information which you had requested of Mr. Fitzgerald during the November hearing.

The inserts for the record previously provided represent our position on the points in question and were considered responsive to your request. However, in view of your letter, I am forwarding the enclosed attachments.

These attachments, of course, do not reflect a coordinated Air Force view. For example, the weighted guidelines paper is a discussion piece developed by the Office of the Secretary of Defense for use at the October 1968 meeting of the Industry Advisory Council, and the Pratt and Whitney paper was developed by an employee of the Department of the Navy. "The attachment which purports to cover the estimated C-5A program costs is one submitted by Mr. Fitzgerald to back up his previous testimony. The Air Force does not support these figures as a substitution for the costs previously supplied to your subcommittee."

Sincerely,

JOHN C. GIRAUDO,  
*Brigadier General, USAF,  
Deputy Director, Legislative Liaison.*

Attachments.

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DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE SECRETARY,  
*Washington, July 16, 1969.*

Mrs. ELEANOR B. WALTERS,  
*Tuscaloosa, Ala.*

DEAR MRS. WALTERS: On behalf of President Nixon, I am replying to your recent letter regarding Mr. A. Ernest Fitzgerald.

Please be assured that the Air Force is dedicated to improving management and cost control. In this regard, when assessing the personal views of any one individual as related to such issues, it should be emphasized that they represent a single opinion rather than a balanced picture of the situation.

By way of information, Mr. Fitzgerald is continuing to perform assignments as required by his supervisor, the Assistant Secretary, Financial Management. As Deputy for Management Systems, Mr. Fitzgerald has continuing responsibilities for resolving management problems associated with the acquisition of major weapons systems.<sup>1</sup> Specifically, he is involved with developing policy and guidance to assist the Air Force in implementing the Office of the Secretary of Defense Instruction relating to "Performance Measurement for Selected Acquisitions."<sup>2</sup> This requires serving as a member of several Department of Defense/

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<sup>1</sup> It was no longer clear what they were. I had no specific weapon systems problems assigned to me.

<sup>2</sup> I was specifically excluded from this process. Already approved procedures were sent to me for "comment."

Industry working groups reviewing Government/Industry relationships in management systems development and control, in addition to direct involvement with Office of the Secretary of Defense/Air Force working groups. Additionally, he is responsible for the development of training programs to insure effective implementation of the "Guide for Performance Measurement."<sup>3</sup>

Among other tasks, the Office of the Deputy for Management Systems has been assigned the job of reviewing an audit report concerning our internal management systems as they pertain to construction in Thailand.

Your interest in this matter is appreciated.

Sincerely,

B. M. ETTENSON,  
*Colonel, USAF.*

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<sup>3</sup> Not true.

## APPENDIX E

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(The following information was supplied for the record by Mr. Fitzgerald:)

### DISTINGUISHED CIVILIAN SERVICE AWARD

This citation describes my principal activities and accomplishments in the Air Force.

#### SUPPORTING JUSTIFICATION FOR AWARD

Ernest Fitzgerald's efforts for the Air Force and for the Department of Defense are, and have long been in the most distinguished traditions of government service. His overriding concern has consistently been the best and most permanent interest of the United States, and to this he has devoted exceptional initiative, outstanding ability, and an unusual breadth of experience. He is by every standard a most appropriate nominee for the Department of Defense Distinguished Civilian Service Award.

Mr. Fitzgerald's responsibilities as Deputy for Management Systems to the Assistant Secretary of the Air Force (Financial Management) encompass an unusual variety of complex and important issues. He serves as the focal point in the Air Force for the development and implementation of resource management systems and serves on several DOD/Industry committees and groups concerned with controlling management systems development in the Department of Defense. His responsibilities also include the analysis and review of Air Force plans and programs upon which financial requirements for resources are based in order to develop or direct the development of effective management control systems. As Air Force representative on the Department of Defense Resources Management Steering Group, Mr. Fitzgerald's unique experience and sincere dedication has provided the primary force behind progress made to date in achieving many of the Department of Defense objectives.

In his designated role of overall resources management program coordinator, Mr. Fitzgerald displayed a remarkable insight with respect to the kinds of problems that had to be resolved, both with respect to Project PRIME and Selected Acquisition Information and Management Systems (SAIMS). This insight into the issues served to alert other Air Force participants in time to develop solutions far in advance of the other Services. An example was his early identification of the need to examine the proposed OSD chart of accounts in relation to OSD program element definitions and output measures. He explained the application of performance measurement concepts to Air Force activities and the relationship of the present Air Force work measurement program to this concept. This approach can be expected to pay large dividends in future years by insuring optimum use of Air Force resources.

In the area of SAIMS, Mr. Fitzgerald's unusual background and exceptional initiative were responsible for the approach currently being pursued by the Department of Defense for the management of all future major systems acquisitions. This approach calls for the development of a specification, outlining the basic criteria that contractor's internal management systems must meet to satisfy government requirements. Contractors' existing systems are then evaluated against these criteria. Reports to the government, while at a summary level, are derived from the contractor's own system and reflect the true status of the program. The concept of a systems specification in lieu of past imposition by the government of specified systems, which most often resulted in redundant reporting systems at contractors facilities, has been labeled by many as a quantum advance in Defense Management thinking. Under his direction and guidance, the Air Force has taken the lead in the Department of Defense and is already successfully applying this new management approach on several major systems acquisitions.

Because of his demonstrated technical competence, Mr. Fitzgerald has earned the respect of all major aerospace contractors. The status which he enjoys throughout industry has enabled him to gain a degree of acceptance of Air Force and DOD management programs far in excess of that which would have been accomplished by other fully qualified incumbents. His personal acquaintances in industry, which cover the spectrum from shop foreman to president, have provided entrees for other Department of Defense personnel which were of inestimable value in resolving conflicts and in obtaining industry coordination on DOD proposals.

Mr. Fitzgerald has also displayed outstanding leadership in improving the Air Force cost analysis capability as chairman of a committee to evaluate costing and pricing activities of the Air Force. He identified the existing limiting factors and has initiated action to resolve them. Specifically, he has been instrumental in accomplishing a specific delineation of responsibility between the Deputy Chief of Staff, Systems and Logistics, and the Comptroller of the Air Force with respect to cost analysis for planning. Successful resolutions of this relationship will in turn improve the definition of responsibilities within AFSC and other major commands.

He provided essential guidance and analysis in evaluating successive F-111 cost studies which have been prepared for the Secretary of the Air Force. It is generally acknowledged that his incisive review of these cost data contributed to better understanding and acceptance of the Air Force estimates at all levels of the Department of Defense. As a by-product of this effort, Mr. Fitzgerald identified the need to employ revised procedures to be used in the preparation of future systems cost estimates.

Mr. Fitzgerald has undertaken his responsibilities with characteristic vigor and exceptional initiative, and has performed them all ably and with an intense dedication to excellence. He has consistently and gladly accepted the most difficult responsibilities. His counsel has been actively sought by and freely given to the Air Staff, the Air Force Secretariat and other government agencies on a variety of problems outside his ordinary responsibilities.

Based on the above, the Air Force proudly recommends Ernest Fitzgerald, Deputy for Management Systems to the Assistant Secretary of the Air Force (FM), for the Distinguished Civilian Service Award.



# THE DISMISSAL OF A. ERNEST FITZGERALD BY THE DEPARTMENT OF DEFENSE

TUESDAY, NOVEMBER 18, 1969

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMY IN GOVERNMENT  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The Subcommittee on Economy in Government met, pursuant to recess, at 10:05 a.m., in room 1202, New Senate Office Building, Hon. William Proxmire (chairman of the subcommittee) presiding.

Present: Senators Proxmire and Percy; and Representatives Moorhead, Conable, and Brown.

Also present: Richard F. Kaufman, economist, and Douglas C. Frechtling, economist for the minority.

Chairman PROXMIRE. The Subcommittee on Economy in Government will come to order.

Before I ask for your statement, Mr. Seamans, I have a brief observation to make. The law specifically protects the right of all persons to testify freely and candidly before committees of Congress. It provides criminal penalties for all those who would violate that right, whether by threats, intimidation or acts of reprisal. Everyone is bound by that law. No exceptions are provided for officials of the Department of Defense or any other agency of the executive branch. The right of individuals to give testimony and to tell the truth during congressional investigation is an elementary condition of representative government.

The legislature simply could not operate with any degree of effectiveness if we were denied complete access to the facts, and if citizens were impeded from telling it the truth.

Every committee therefore has a responsibility to the Congress and to the American people as well as to the individuals whom it invites to testify to defend that right.

Mr. A. E. Fitzgerald, an Air Force employee, was invited to testify before this subcommittee a year ago, and by his testimony helped us to identify enormous waste and inefficiency in the purchase of weapons systems. His honesty and courage in responding to our invitation, and to our questions, may have already saved the taxpayers of this Nation hundreds of millions, perhaps even billions of dollars. In my view he should have been given a medal. Instead he was fired.

The Air Force official explanation for his dismissal was that it was necessary as an economy move, as part of the retrenchment that was required because of the Presidential directive to hold down expenditures.

Today we hope to be enlightened on the economy of firing the economy experts.

Our witness this morning is Robert C. Seamans, Jr., Secretary of the Air Force; accompanied by Spencer J. Schedler, Assistant Secretary of the Air Force, Financial Management, and I am delighted to see Mr. Whittaker who has worked so hard and so well in this C-5A area who is also present.

Mr. Secretary, you may proceed in any way you wish.

**STATEMENT OF HON. ROBERT C. SEAMANS, JR., SECRETARY OF THE AIR FORCE; ACCOMPANIED BY SPENCER J. SCHEDLER, ASSISTANT SECRETARY OF THE AIR FORCE, FINANCIAL MANAGEMENT; AND PHILIP N. WHITTAKER, ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS AND LOGISTICS**

Secretary SEAMANS. Mr. Chairman and members of the subcommittee, I welcome the opportunity to appear before your subcommittee and to provide you with my knowledge of Mr. Fitzgerald's situation as it relates to your inquiry. I believe that the basic policy issues to be addressed in this hearing are critical to the effective performance of our Government.

I must say right here, Mr. Chairman, that I share your view that it is important for witnesses that appear before committees to testify freely and openly and give full knowledge in response to inquiries.

I also feel strongly that if a Secretary is to fulfill his responsibility, he must be in a position to organize his top management team in a way that in his judgment will best get the job done.

With reference to the language of your invitation, I want to state that Mr. Fitzgerald has not been removed for cause. However, we have found that it is necessary to restructure the Office of the Assistant Secretary for Financial Management. In this process, Mr. Fitzgerald's job has been abolished, and we have not found a suitable new position in which he could make a contribution. I will discuss this matter further in my testimony, and Mr. Schedler is prepared to discuss his requirements and the reorganization we found necessary.

Certainly, the reorganization of Mr. Fitzgerald's office did not stem from his reporting cost increases, nor did it stem from his testimony before Congress. As you know, I was not Secretary of the Air Force when the C-5A contract was negotiated, nor when the costs began to grow, nor when Mr. Fitzgerald testified to Congress in November 1968 on these increases. And, of course, neither was Assistant Secretary Schedler, Mr. Fitzgerald's immediate superior, who arrived on the scene only last summer.

We are currently installing new management systems that will do a better job of controlling such costs in future contracts. Our intent is to prevent unwarranted or unknown cost increases. Mr. Laird and Mr. Packard have encouraged us to develop new management approaches in cooperation with them and their staff. They are working with us to develop an improved cost estimating capability, both in the Services and in the Office of the Secretary of Defense. We, in the Air Force, are also working to improve cost consciousness and efficiency at all levels.

Cost control requires the development of manageable work packages which can be costed and controlled. It demands a logical system for channeling cost and schedule information to responsible managers.

Toward these ends, we in the Defense Department and in the Air Force are introducing a system of development milestones under which a contractor must meet specified goals before he is given authority to proceed to the next step. This will provide an orderly system of mandatory program review points. For example, we will insist that a newly developed aircraft, such as the F-15 air superiority fighter, pass certain critical tests before it will be ordered into production.

I might say parenthetically that these tests cover many factors that influence aircraft performance, including aerodynamics, structure, and avionics and each must be carried out successfully before we proceed onto the next phase.

This was one area of management systems requiring drastic reform. Also, we have instituted a tight control over initial schedules and specifications as well as subsequent changes. Only essential changes will be approved. All these controls will be put into effect in the case of the F-15 and subsequent weapon system acquisitions. Unfortunately these controls were not in effect during the development of the C-5A.

Mr. Fitzgerald has been the Deputy for Management Systems in the Office of the Assistant Secretary for Financial Management, for the past 4 years. He was given that job with the initial understanding that it was for a limited term, and that it was a special Schedule A appointment. In other words, he did not compete for his job as he would have had to do in the competitive Civil Service.

As to the C-5A contract, my review indicates that Mr. Fitzgerald did not personally prepare the associated cost information, nor did he reveal anything that would not otherwise have been disclosed. He was one of several key people in the Air Force charged with following the cost of major programs. He did, however, make the announcement to Congress while the Air Force was still trying to determine the exact causes of the increases and the amounts of the increases, and what should be done about them.

In the normal course of affairs, the Air Force would have presented a careful analysis of the C-5A cost increases to the Armed Services Committees of Congress within the following 2 or 3 months. Nevertheless, Mr. Fitzgerald's testimony focused attention on the problem a few months sooner than would otherwise have been the case. And, certainly, the fact that he testified before Congress on C-5A costs or on any other matter was not the reason Mr. Fitzgerald's job has been abolished. As I indicated in my confirmation hearing, Air Force witnesses are expected to give responsible, accurate testimony to congressional committees, whether or not weaknesses are revealed in Air Force management.

One of the first actions of this administration was to undertake a complete review of the C-5A. The Whittaker report clearly laid out the details of the problem. Secretary Whittaker briefed you, Mr. Chairman, on several ambiguous areas in the contract. Following the release of that report, we began negotiations with Lockheed to resolve our contractual differences. The question is not one of excess profit, since it appears that Lockheed may actually suffer a loss. Rather, the C-5A situation highlights our more general problem which is one of cost estimating and management control.

We are proceeding with production of the C-5A because the Air Force badly needs this transport, even though budgetary constraints

are causing us to reduce the total number we plan to buy. Without the C-5A we simply could not do the airlift job. As a result of the decision made in 1964 to buy the C-5A, the planned C-141 force was cut back from 320 to 224. Moreover, the C-5A will be the only aircraft available to carry large and bulky equipment when the older C-124 and C-133 propeller-driven aircraft are retired in the next few years. Hence the urgent need for those C-5A aircraft that have now been authorized by Congress.

In short, we recognize the serious nature of the C-5A cost increases, and this cost growth has been a factor in our decision to buy less than the full six squadrons of 120 aircraft.

We have made cost control a key objective of this administration. In attaining this objective, however, I must make many judgments on the overall effectiveness and makeup of the Air Force management team.

It became apparent to my Assistant Secretary, Mr. Schedler, who is appearing here with me, as well as to myself that the financial management office had not been functioning as it should have functioned. For this we do not hold Mr. Fitzgerald responsible. Rather, it appears that an inadequate management approach was used. We found that we did not have the kind of cost visibility and management decision points that we wanted.

It was clear to us that a new approach and a new beginning were necessary—especially in the area of management systems and in the overall assignment of responsibility on major programs. In the financial area, Mr. Schedler spent several months after his arrival in June reviewing the problems of the Air Force and in assessing how best to restructure his office. We felt that a reorganization was necessary. As part of that reorganization we decided that Mr. Fitzgerald's responsibilities should be combined with other related functions.

Mr. Fitzgerald's work, along with the efforts of many other Air Force civilian and military personnel, has resulted in a substantial improvement in the data gathering part of the weapons procurement financial control system. Now we are moving to reorient the system toward better transmission and analysis of costs for use by Air Force management. The reorganization of functions was designed to help us effect these latter goals.

Mr. Laird indicated in his testimony before the House Committee on Armed Services in May that there would be a reorganization of the financial management operation in the Air Force. With respect to Mr. Fitzgerald, he said:

The decision as to who will occupy the high level offices, the GS-17's and the GS-18's, the supergrades—these are not the little people you are talking about, they are the supergrades and those that are not within the competitive Civil Service—will be the responsibility of this new Assistant Secretary for Financial Management. Those appointments will be made by him and recommended to the Secretary of the Air Force. And so to give you an answer to that question as to the personnel that the new Assistant Secretary for Financial Management will have aboard, I am not going to tie his hands and dictate to him with regard to these positions, the name of any individual that he has to hire or fire.

Mr. Laird and I have made an effort over many months to find a way to use Mr. Fitzgerald in some other capacity. We have talked to Mr. Fitzgerald personally and have considered him for other positions in

the Department of Defense, but did not find a suitable solution. Therefore, he has been given notice that his position has been eliminated. Of course, Mr. Fitzgerald is not alone in this category. In the Office of the Secretary of the Air Force alone, we are eliminating a total of three positions at his high level and 80 positions of all grades.

In the Office of the Secretary and the Air Staff combined, we are making a reduction of about 850 positions. This involves all offices in the Headquarters, including my own immediate office. This is part of an overall Air Force reduction of over 60,000 military and civilian positions.

A Service secretary cannot have meaningful responsibility for running his Department unless he can plan his own top level organization and select his own management team. I have to form an organization that I can depend on to work together to prevent such cost increases as occurred in the C-5A case.

To this end we have streamlined the management of the Air Force Systems Command so that I may hold the Commander of the Air Force Systems Command personally responsible for progress on the new major programs where most of our problems normally occur. I will use my staff, including the Assistant Secretary for Financial Management, to work with key Air Force officials and contractors to see that the necessary management systems are installed and operating. While I cannot guarantee that the Air Force will experience no difficulty—I am sure there will be some—in managing its affairs in the future, I can assure you that we are cost conscious.

I might say in this regard that since I have been in office the Air Force has made plans and is carrying out a reduction in expenditures in this fiscal year of \$1½ billion below the Johnson estimate.

As Mr. Laird testified yesterday, recent budget cuts in the Pentagon indicate that we all understand the national necessity to operate our Department of Defense and Air Force programs at minimum costs. We expect to keep close watch on the Air Force progress, and to make appropriate additional changes as necessary to enhance the Air Force reputation for cost consciousness. I assure you that all of our key people know of my interest in cost control, and we are considering many additional ways to reduce costs.

Thank you, Mr. Chairman. That completes my statement.

Chairman PROXMIER. Thank you, Mr. Seamans.

Mr. Seamans, what makes it so hard for me to accept your testimony this morning on its face is that here we have a man, Mr. Fitzgerald, with a good, solid background, good training, good education in this area, competent industrial engineer, a fine record in private industry before he came to the Air Force, a man that you praise here and you praised before for some of the ability that he has shown, a man who was cited in 1967 for his capability by the Air Force, recommended for an award, a man who was told that he had tenure in his office in September of 1968, and then he testified before this subcommittee.

Then after he testified before this subcommittee, 12 days later his tenure was canceled. At least he was told it was a computer error. A few weeks later we received, we got hold of a memorandum which indicated three ways to fire this man. Incidentally, the second way which was recommended is the way that has been adopted for removing him from the service now.

A little after that, he sent up testimony that we had asked, that this subcommittee had asked, and that testimony was changed by the Air Force without his knowledge before we got it. Subsequently he was taken off the very important work he had been doing and put on work analyzing costs in messhalls and bowling alleys in Thailand.

Then after you came in, all these incidents occurred I would agree before you took office, but after you came in the proposals that Mr. Fitzgerald made were not only ignored, they were not even acknowledged.

Furthermore, in testifying before the House of Representatives, you said earlier this year, you made the following statement:

It is very interesting that in the testimony in front of a number of committees documents keep appearing some of which are confidential, that were obtained from Mr. Fitzgerald.

Now, it seems to me this is about as serious an allegation as you can make against an employee, especially one in the Defense Department where keeping classification is of such great importance, and it was a charge that I have not seen documented yet, and I would hope this morning you would be able to enlighten us on that very serious charge, most damaging to Mr. Fitzgerald.

Mr. Fitzgerald testified to us that although he had this record and this background and was in your office that his direct personal conversations with you over the past few months has been a total of about one-half hour.

He testified, and we believe, I believe that it seems to be evident that he was isolated in his office, and he was not allowed to discuss matters of importance in detail even with his immediate superior, and then when he was dismissed he was told by you that the staff did not like him, and that this seemed to be one of the reasons why it was necessary to have him go.

In the light of all this, Mr. Seamans, it is very hard for me to accept your assertion that Mr. Fitzgerald has been dismissed not for cause, and that this is simply a matter of a more efficient organization of your office.

Would you like to comment on this?

Secretary SEAMANS. Mr. Chairman, you have raised a number of points that I would like to address myself to. I might go back to a letter that I received from you on January 27 of this year, before I came into office, when you enumerated many of the things that you have stated here today, and enumerated things that you had in your statement of yesterday.

One item certainly of note in that letter was the fact that a memorandum prepared in the office of Secretary Brown indicated the civil service requirements and restrictions on individuals in schedule A which has been Mr. Fitzgerald's type of appointment.

I was interested when I read the letter that this was an in-office type memorandum. It was dated January 6, and it certainly led me to believe that I was inheriting a situation that was not without considerable interest inside and outside of the Department of Defense.

I was also interested in the item—

Chairman PROXMIRE. May I just ask at that point, Mr. Seamans, you are not implying that that document was classified?

Secretary SEAMANS. That document was not classified, and I will come to the matter of classification and security in just a minute, but I would very much like to clear the record on that score. But also in that letter there was the matter of the so-called computer error.

Secretary Brown asked that there be a thorough investigation of that error, and I believe the report of that study has been presented to this committee. If not, I would be happy to submit it for the record. It indicated that on September 20, 1968, a personnel form had been issued which indicated that Mr. Fitzgerald had career tenure. Actually a schedule A appointee does not have career tenure. Such was never requested by the Department of Defense or by the Air Force, and as a matter of fact it takes civil service approval to provide career tenure.

(The following information was subsequently supplied for the record by Secretary Seamans:)

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE CHIEF OF STAFF,  
U.S. AIR FORCE,  
Washington, D.C., February 28, 1968.

To: SAFOS.

Subject: Personnel actions concerning Mr. A. E. Fitzgerald.

A complete report of the circumstances surrounding recent personnel actions relating to Mr. Arthur Ernest Fitzgerald, and corrective actions taken to preclude recurrence of the errors associated therewith, is forwarded as requested in the 30 January 1969 memorandum from your office. This information confirms, in writing, those facts which were previously reported by Air Staff personnel for use in preparing responses to OSD and Congressional inquiries.

Lt. Gen. SETH J. MCKEE, USAF,  
Assistant Vice Chief of Staff.

#### REPORT ON PERSONNEL ACTIONS AFFECTING MR. ARTHUR ERNEST FITZGERALD

##### 1. EMPLOYMENT AND TENURE STATUS

a. *Position Held.*—Mr. Arthur Ernest Fitzgerald occupies the GS-17 position as Deputy for Management Systems in the Office of the Assistant Secretary of the Air Force, Financial Management. Mr. Fitzgerald holds one of three Schedule "A" positions (positions other than those of confidential or policy determining character for which it is not practicable to examine and which are excepted from the competitive service) authorized by the following section of the Civil Service rules:

"213.3109 Department of the Air Force: (a) Office of the Secretary. (1) Three Special Assistants in the Office of the Secretary of the Air Force. These positions have advisory rather than operating duties except as operating or administrative responsibilities may be exercised in connection with pilot studies."

The Civil Commission approved the establishment of this position in the Excepted Service (Schedule A) on 9 August 1962. (Actions prerequisite to excepting a position from the competitive service are: recommendation by the agency, approval of the Civil Service Commission, and publication in the Federal Register.)

b. *Appointment.* Appointments to Excepted Service positions are made under Excepted Service Regulations which permit selection without the normal competition of the examining processes required for appointments in the Competitive Service. Mr. Fitzgerald was given an Excepted Appointment—Conditional on 20 September 1965 citing as Civil Service or other legal authority, "Sch A Reg. 213.3109(a)." Both of his predecessors in this position had Excepted Appointments under this same Schedule A authority.

c. *Conversion from Conditional Status.*—All employees serving under conditional appointments are automatically converted on completion of three years of service: Career Conditional employees (competitive service) are converted to Career Appointment; Excepted Conditional employees are converted to Ex-

cepted Appointment. As an Excepted Conditional employee, Mr. Fitzgerald was entitled to be converted to Excepted Appointment within Schedule "A" status when he completed three years of service on 20 September 1968.

2. **Incorrect conversion of Mr. Fitzgerald:** On 6 September 1968 through an oversight in programming, the computer produced a Standard Form 50, Notification of Personnel Action, which reflected "Conversion to Career Tenure" rather than the correct "Conversion to Excepted Appointment" within Schedule "A" (copy attached). The error occurred in the following manner: Conversion Standard Forms 50 are processed on an IBM 7080 Automatic Data Processing System. The computer was programmed to automatically issue a notice of change in employee's conditional status based on a comparison between the date the employee entered conditional status and the current date for each weekly processing cycle. The computer was not, however, programmed to differentiate between Competitive and Excepted employees. While this information was included in the master records processed by the computer, the computer program did not provide for such a check. Item 28 (Position Occupied) of the Standard Form 50 correctly indicated that Mr. Fitzgerald occupied an Excepted position by the Code 2 printed in item 28. Thus, he was retained in all personnel records and documents as an Excepted Service employee in Schedule "A". The House Post Office and Civil Service Committee publication, "Policy and Supporting Positions" prepared by the Civil Service Commission on 1 November 1968, on page 45 clearly sets forth the position of Mr. Fitzgerald, by name, as an "Excepted" or Schedule "A" employee. There was no authority to confer Career Tenure on Mr. Fitzgerald. He could not have been given it without action by the Civil Service Commission and the Air Force had never instituted action to obtain the approval of the Civil Service Commission.

3. **Corrected conversion action:** The error came to light during the course of continuing post-audit reviews by the clerical staff of the Civilian Personnel Division, Office, Secretary of the Air Staff. Action was taken on 25 November 1968 to issue a corrected notice to Mr. Fitzgerald showing the correct action: "Conversion to Excepted Appointment." The error should have come to light prior to 20 September 1968 in the process of the reviewing computer produced Standard Forms 50 prior to authorizing signature. The time lag in detecting the error in the post-audit process is attributable to three factors:

(a) Mr. Fitzgerald was, as explained in paragraph 2, retained in all personnel records and documents as an Excepted Service employee in Schedule "A". Accordingly, the erroneous personnel action terminology was not readily apparent as a discrepancy.

(b) Only 55 of the employees serviced by the Civilian Personnel Division are in the Excepted Service. This amounts to slightly more than one percent of the total number of civilians serviced by that office. During the period the computer-generated conversion program was subjected to intensive testing, there were no conversion actions involving Excepted Service employees. Therefore, Mr. Fitzgerald was the first Excepted Service employee eligible to be processed for conversion from Excepted Conditional to Excepted Appointment since the computerized production of Standard Forms 50 was initiated in June 1967.

(c) Because the computer conversion program had been verified and was considered perfected ("debugged"), priority was assigned to post-audits to personnel actions in programs still under test.

4. **Corrective measures to preclude future errors:**

(a) Positive action was taken immediately to correct the computer programming which caused this error and to detect any similar deficiencies in other computerized personnel programs.

(a) Increased attention is being given to verifying computer prepared personnel actions prior to their being released for signature and becoming effective.

(c) Official personnel folders of all Excepted Service employees have been distinctively tabbed to flag the need for intensive review of position, personnel, and pay actions affecting them.



Standard Form 50—Rev. Dec. 1961  
U.S. Civil Service Commission  
FFM B-1

## NOTIFICATION OF PERSONNEL ACTION

6 PART  
50-122-01

TRUE COPY

(FOR AGENCY USE)				2. (FOR AGENCY USE)		3. BIRTH DATE (Mo., Day, Year)		4. SOCIAL SECURITY NO.	
1. NAME (CAPS) LAST-FIRST-MIDDLE FITZGERALD ARTHUR E				MR.-MISS-MRS. MR		REQ NO CCV 07-31-26		423-28-7001	
5. VETERAN PREFERENCE 2				6. TENURE GROUP 1		7. SERVICE COMP. DATE 11-08-63		8. PHYSICAL HANDICAP CODE 00	
9. FEGLI 1				10. RETIREMENT 1		11. (FOR CSC USE)			
12. CODE NATURE OF ACTION 602 CONV TO CAREER TENURE				13. EFFECTIVE DATE (Mo., Day, Year) 09-20-68		14. CIVIL SERVICE OR OTHER LEGAL AUTHORITY REG 315:202			
15. FROM: POSITION TITLE AND NUMBER				16. PAY PLAN AND OCCUPATION CODE		17. (a) GRADE OR LEVEL (b) STEP OR RATE		18. SALARY	
19. NAME AND LOCATION OF EMPLOYING OFFICE				21. PAY PLAN AND OCCUPATION CODE GS 0301		22. (a) GRADE OR LEVEL 17		23. SALARY PA \$28000.00	
20. TO: POSITION TITLE AND NUMBER DEPUTY FOR MANAGEMENT SYSTEMS Q19886N				24. NAME AND LOCATION OF EMPLOYING OFFICE OFFICE OF THE SECRETARY SAFFMM WASHINGTON, D. C.		25. DUTY STATION (City-county-State) ARLINGTON, VIRGINIA		26. LOCATION CODE 45-0100-013	
27. APPROPRIATION 481		FUNCTIONAL CODE 1500		AFSC 0002		28. POSITION OCCUPIED 1-COMPETITIVE SERVICE 2-EXCEPTED SERVICE		29. APPORTIONED POSITION FROM: TO: STA 1:	
30. REMARKS: X		A. SUBJECT TO COMPLETION OF 1 YEAR PROBATIONARY (OR TRIAL) PERIOD COMMENCING 09-20-65 TO 09-20-68		COMPLETED		31. DATE OF APPOINTMENT AFFIDAVIT (Accession only)		34. SIGNATURE (Or other authentication) AND TITLE FOR THE APPOINTING OFFICER /s/AYK CHIEF, CIVILIAN PERSONNEL DIV	
X		B. SERVICE COUNTING TOWARD CAREER (OR PERMANENT) TENURE FROM:		C. DURING PROBATION		D. FROM APPOINTMENT OF 6 MONTHS OR LESS		33. DATE 09-06-68 2195	
SEPARATIONS: SHOW REASONS BELOW, AS REQUIRED. CHECK IF APPLICABLE.									
FEGLI - REGULAR ONLY - DECLINED OPTIONAL									
32. OFFICE MAINTAINING PERSONNEL FOLDER (If different from employing office) HQ USAF (AFESSCA) WASH. D. C. 20330				34. SIGNATURE (Or other authentication) AND TITLE FOR THE APPOINTING OFFICER /s/AYK CHIEF, CIVILIAN PERSONNEL DIV		33. DATE 09-06-68 2195			
B. CODE EMPLOYING DEPARTMENT OR AGENCY AF 11 DEPARTMENT OF THE AIR FORCE									

\* U.S. GOVERNMENT PRINTING OFFICE: 1148-O-772-488

TRUE COPY

4. PERSONNEL FOLDER COPY

Commonwealth of Virginia)

ss

County of Arlington )

TRUE CERTIFIED COPY

Dated 14<sup>th</sup> day of JANUARY .1940

*Camille Daniel*

CAMILLE DANIEL, Notary Public  
County of Arlington, State of Virginia

*My Commission Expires 1-29-7*

STANDARD FORM 50—Rev. December 1951  
U.S. Civil Service Commission  
FPM Chap. 295

NOTIFICATION OF PERSONNEL ACTION  
(EMPLOYEE — See General Information on Reverse)

6 PART  
50-122-01

(FOR AGENCY USE)

TRUE COPY

1. NAME (CAPS) LAST—FIRST—MIDDLE FITZGERALD, ARTHUR E.			MR.—MISS—MRS. MR.		2. (FOR AGENCY USE)		3. BIRTH DATE (Mo., Day, Year) 07-31-26		4. SOCIAL SECURITY NO. 423-28-7001	
5. VETERAN PREFERENCE 1—NO 2—5 PT. 3—10 PT. DISAB. 4—10 PT. COMP. 5—10 PT. OTHER			6. TENURE GROUP		7. SERVICE COMP. DATE		8. PHYSICAL HANDICAP CODE			
9. FEGLI 1—COVERED 2—INELIGIBLE 3—WAIVED			10. RETIREMENT 1—CS 2—FICA 3—FS 4—NONE 5—OTHER		11. (FOR CSC USE)					
12. CODE NATURE OF ACTION 002 CORRECTION 550 CONV TO EXCEPTED APPOINTMENT			13. EFFECTIVE DATE (Mo., Day, Year) 09-20-68		14. CIVIL SERVICE OR OTHER LEGAL AUTHORITY SCH A REG 213.3109(a)					
15. FROM: POSITION TITLE AND NUMBER			16. PAY PLAN AND OCCUPATION CODE		17. (a) GRADE OR LEVEL (b) STEP OR RATE		18. SALARY			
19. NAME AND LOCATION OF EMPLOYING OFFICE										
20. TO: POSITION TITLE AND NUMBER			21. PAY PLAN AND OCCUPATION CODE		22. (a) GRADE OR LEVEL (b) STEP OR RATE		23. SALARY			
24. NAME AND LOCATION OF EMPLOYING OFFICE OFFICE OF THE SECRETARY SAFFMM WASHINGTON, D. C.										
25. DUTY STATION (City—county—State)								26. LOCATION CODE		
27. APPROPRIATION		FUNCTIONAL CODE	AFSC	28. POSITION OCCUPIED 1—COMPETITIVE SERVICE 2—EXCEPTED SERVICE		29. APPORTIONED POSITION FROM: TO: STATE				
30. REMARKS: A. SUBJECT TO COMPLETION OF 1 YEAR PROBATIONARY (OR TRIAL) PERIOD COMMENCING B. SERVICE COUNTING TOWARD CAREER (OR PERMANENT) TENURE FROM: SEPARATIONS: SHOW REASONS BELOW, AS REQUIRED, CHECK IF APPLICABLE: C. DURING PROBATION D. FROM APPOINTMENT OF 6 MONTHS OR LESS										
CORRECTS ITEMS 12 AND 14 ON SF 50 DATED 09-06-68 WHICH READ: "602 CONV TO CAREER TENURE" AND "REG 315.202", RESPECTIVELY.										
31. DATE OF APPOINTMENT AFFIDAVIT (Accession only)				34. SIGNATURE (By other authorization) AND TITLE FOR THE APPOINTING OFFICER CHIEF, ADMINISTRATION BRANCH						
32. OFFICE MAINTAINING PERSONNEL FOLDER (If different from employing office) HQ USAF (AFESSPA) WASH., D. C. 20330				35. DATE 11-25-68 2195						
33. CODE EMPLOYING DEPARTMENT OR AGENCY AF11 DEPARTMENT OF THE AIR FORCE										

4. PERSONNEL FOLDER COPY

☆ U.S. GOVERNMENT PRINTING OFFICE: 1960—284-096

TRUE COPY

Commonwealth of Virginia)

County of Arlington )

SS

## TRUE CERTIFIED COPY

Dated 14<sup>th</sup> day of JANUARY, 1970*Camille Daniel*CAMILLE DANIEL, Notary Public  
County of Arlington, State of Virginia*My Commission Expires: 1-29-71*

Secretary SEAMANS. The computer that printed this personnel form was actually not programed to differentiate between competitive and excepted positions. The results were obviously most unfortunate, to the individual as well as to the Air Force since the situation was straightened out soon after Mr. Fitzgerald testified.

Moving on to the matter of assignments, I would like to say that the assigning of tasks to individuals in the Air Force is only my direct responsibility for those who report to me.

Mr. Neilsen, until June, was responsible for the assignments of Mr. Fitzgerald, and since then Mr. Schedler has had that responsibility. However, we have compiled a list of the assignments that Mr. Fitzgerald received during this whole period of time.

We can submit this for the record if you would like, but it certainly includes a great deal more than bowling alleys in Thailand, although I would submit that proper cost control of recreational facilities is not a matter to be taken lightly.

Chairman PROXMIRE. No, but let me just interrupt at that point, Mr. Seamans, by saying after all this is a man who on the basis of his whole experience, background, training, and the results that he had achieved certainly should have concentrated on the most important weapons systems that you have. We all know of the enormous inefficiency that the Defense Department has suffered over the past few years.

Certainly you knew of that when you came into the Defense Department, and to take this man off those responsibilities, and put him on mess halls and bowling alleys, while you might say recreational facilities are useful, I just wonder if a cost analysis of this kind is so vital, and if it is not also true that you were responsible for removing Mr.

Fitzgerald from the kind of work he had been doing. You not only assigned him to bowling alleys but you took away from him, which is much more important of course, the responsibilities he had in other areas.

At the same time you are telling us here that Mr. Fitzgerald's work resulted in a substantial improvement in the data gathering part of the weapons procurement financial control system. Yet you took him off that, and then you fired him. It is hard to understand the logic of that action.

Secretary SEAMANS. I pointed out in my statement that he and many other people in the Air Force were responsible for this. With regard to his assignments, I did not normally get into his day-to-day assignments. However, there were a few specific cases, one of which was when we carried out the review of the C-5A, with a special board that we set up under the chairmanship of Mr. Whittaker that I previously discussed. I remember discussing with him the need to have Mr. Fitzgerald's comments, and we can fully document the memorandum requesting this information of Mr. Fitzgerald, and his reply.

If I may go on to the last item you brought up, it has to do with my testimony on May 7 of 1969. The day before I testified, that is on May 6, 1969, there was a hearing held by Chairman Holifield, and I would like to just quote very briefly from that hearing:

Mr. MOORHEAD. Well, there has been another hero in this effort to control Pentagon costs, a deputy assistant secretary of the Air Force, who has helped not only this committee but also another committee on which I serve, the Joint Economic Committee, to try to unearth irregularities and to try to improve our whole procurement pattern. I think that you and he have done a great job in this field.

Mr. HOLIFIELD. Let us have the hero's name for the record.

Mr. RULE. Not of this hero because I am not trying to be a hero.

Mr. HOLIFIELD. But Mr. Moorhead had mentioned a hero.

Mr. MOORHEAD. It is Deputy Assistant Secretary Fitzgerald.

Mr. HOLIFIELD. Is he the one who has been furnishing you these documents?

Mr. MOORHEAD. Yes, and this document—

That was later changed in the official records to "Mr. MOORHEAD. This document," but when I testified the next day I did not have that change before me.

Then Mr. Holifield said:

I want to make it clear that these documents were furnished to Mr. Moorhead on his responsibility as a member of Congress and I have not seen them up until this moment.

Chairman PROXMIRE. Congressman Moorhead has asked me to yield to him since his name has been brought up and so I will yield to him.

Representative MOORHEAD. Then, Mr. Secretary, on a subsequent date before the Armed Services Committee, and I am now referring to page 2593 of those hearings, you say:

Secretary SEAMANS. It is very interesting that in the testimony in front of a number of committees, documents keep appearing, some of which are confidential, that were obtained from Mr. Fitzgerald.

Chairman PROXMIRE. At that point let me get back into it by saying I am chairman of this subcommittee and I think the general assumption might be that if there are other committees this is one of the committees to whom Mr. Fitzgerald is alleged to have made documents available. He did not. Mr. Fitzgerald has never made a confidential

document or a classified document of any kind available to me, and to the best of my knowledge to any member of my staff, and I have asked them and they have said "No".

By my staff I mean the staff of this subcommittee as well as my own personal staff, so that I would flatly deny Mr. Fitzgerald has ever violated security with respect to this subcommittee. As a matter of fact, I would go further than that and say Mr Fitzgerald has been very meticulous in making sure that when he testified before this subcommittee, what he said was either cleared or he did not respond. And I want to document that a little further but I will yield again to Congressman Moorhead.

Representative MOORHEAD. Thank you, Mr. Chairman. On page 2596 of the same hearings before the Armed Services it reads as follows:

Secretary SEAMANS. In my conversation a little earlier, I was talking about some of the reports that came out of the Holifield Committee, some of which are confidential that as indicated by Congressman Moorhead he received from Mr. Fitzgerald.

Mr. Secretary, that is a very serious charge not only against Mr. Fitzgerald but also against me and my staff. I have no knowledge of any document classified confidential at the time that I received from Mr. Fitzgerald. Can you identify a document for me that was confidential or do you mean confidential not in the technical sense, but just memoranda in your office that you considered administratively confidential, not in the legal classified sense of the word?

Secretary SEAMANS. If I might, Congressman Moorhead, I would like to address myself to that question by referring to an article that appeared in the Wall Street Journal on the 9th of May:

In a related development, Representative Moorhead said he is preparing a letter to Defense Secretary Laird to correct statements that he made in a congressional hearing earlier this week. Mr. Moorhead had said certain official Pentagon documents that he read in the record were given him by A. E. Fitzgerald, an Air Force civilian employee, who helped publicize C-5A cost overruns. Some of the documents were marked for official use only. According to the Congressman, none of the papers received from Mr. Fitzgerald carried that classification, and were in fact obtained from other unnamed sources.

Now to my knowledge Mr. Laird did not receive such a letter, but what I did was to review the material that had been submitted to the Holifield committee. I came to the conclusion that there had not been a violation of security.

If there had been, I would of course have been dutybound to run an investigation. I will say categorically now that Mr. Fitzgerald has not to my knowledge violated national security, and if this has been interpreted in this way, I would say that I am very sorry that this has been the case.

Chairman PROXMIRE. I very, very much appreciate that statement, Mr. Secretary. It is most significant and I appreciate that statement.

Representative MOORHEAD. Mr. Chairman, let me say that I also appreciate it.

Chairman PROXMIRE. My time is up. I yield to Congressman Conable.

Representative CONABLE. Mr. Secretary, we have had a good deal of information about Mr. Fitzgerald's qualifications. Would you tell us a little something about yours?

Secretary SEAMANS. Well, I guess basically I am an engineer. I had my first professional experience at MIT where I was involved in advanced developments and on the faculty for nearly 15 years. I was then a laboratory manager and a chief engineer at RCA from 1955 to 1960. I was the General Manager of the National Aeronautics and Space Administration for the period from 1960 to 1968. I served as the Assistant Administrator and as the Deputy Administrator. Following that I had a short reprieve. I went back to MIT—as the Hunsaker professor—for a little less than a year and then I became Secretary of the Air Force in February of this year.

It is the responsibility of the Hunsaker professor to prepare and deliver the Minter-Martin lecture each year. My lecture was published in the Journal of the American Institute for Aeronautics and Astronautics, and has also been bound and published. I would like to read a section from this lecture which I wrote before becoming Secretary of the Air Force.

Maintaining a healthy organization requires institutionalizing systems to provide continuous information about the status of the organization and changes in its environment. Documentation provides only some of the net indicators, however, although of major importance, particularly for budgets, financial resources, facilities and capital equipment, personnel, procurements, travel, transportation, safety and security. Perhaps the most important information about an organization comes from the attitudes, perceptions and evaluations of its members. Government organizations like large business organizations rely upon frequent meetings of both junior and senior personnel for exchanging information. In the final analysis the effectiveness of a project or a program depends mostly on the overall level of competence of the personnel and the goodness of fit between individual talents and their assigned responsibilities.

Representative CONABLE. You were the general manager of NASA you say for 8 years. This is a large-scale organization. How does it compare in size to the Air Force?

Secretary SEAMANS. The NASA organization itself has roughly 34,000 personnel or did at that time. We estimated that in this country, there were of the order of 400,000 people working on programs that were directly under the cognizance of NASA.

The Air Force is a larger organization. I believe that including the reserves, we have somewhat over 1 million people, and many more than that if our contractors are included.

Representative CONABLE. Can you tell us how many people in the Air Force are involved in cost control?

Secretary SEAMANS. I cannot give you an exact number, but I can assure you that cost control cannot be the responsibility of one man or two men. It must be the responsibility of a large number of people. Each major project has a project team of roughly 200 people.

That is the size of the F-15 team. All of these people must be concerned not only about performance and schedule, but cost. The three are intimately related one with the other.

Representative CONABLE. Did you have a good many cost control problems when you were serving as general manager of NASA?

Secretary SEAMANS. We always had to consider costs. NASA must operate within congressional ceilings obviously, both authorization ceilings, budgetary ceilings. So we were always concerned about our costs. We were working on the Apollo program with less than a 2-week carryover into each fiscal year.

Representative CONABLE. And you have implemented some fairly substantial changes in the cost control procedures of the Air Force since you came in? You testified to some of those here in your original statement. You have, however, brought with you some new ideas through NASA; have you?

Secretary SEAMANS. Yes, we are implementing new ideas, some of which have come from NASA, some of which come from other sources. Just to amplify briefly on what I said in my statement, we had implemented a series of monthly reviews of everyone of our major system acquisitions.

By review I mean review with me and with the Chief of Staff, and every 3 months we go into a very detailed review of each one of these major programs. The information that we are looking at is the same information that we are issuing to the Congress.

These reports are called SARS, or the Selected Acquisition Reports.

Now, of course, the reports that go to the Congress cannot be in the same detail as our reviews, but the overall cost increase information is the same as that now transmitted quarterly to the Congress.

Representative CONABLE. You have stated that you do not know exactly how many people among the 1 million Air Force employees are directly involved in cost control. Do you have any idea how many of them have been changed or their jobs have been eliminated since you came in?

Secretary SEAMANS. What we have done is to elevate the new project teams in the organization. We have a new project officer, General Bellis, on the F-15 superiority fighter. He was the project officer on the SR-71, and he now reports directly to General Ferguson who is in charge of the Systems Command here. General Bellis briefs me and the Chief of Staff monthly, and Mr. Packard once every 3 months.

Representative CONABLE. Before you took over, apparently Mr. Fitzgerald was, you now say, erroneously advised of career tenure. Do you know if other people were similarly advised in error, or is this something that would not be within your knowledge since it occurred before you took over?

Secretary SEAMANS. I do not know of any other case. I would say though that there are only three schedule A's in this category in the Secretariat, so it is a fairly select type of appointment.

Representative CONABLE. And it is a select type of appointment because it is expected that these people will be subject to direct personal control by the Secretary, or what is the reason for this?

Secretary SEAMANS. It is not like a Presidential appointee or a schedule C appointment. Rather a schedule A is for a specific job. Schedule A may be used when a person normally comes in for a matter of 2 years or so, to do a specific type job, and then when this is completed it is understood that he has done his work and he will move on to something else.

Representative CONABLE. Is it possible to put a dollar sign on the effects of Mr. Fitzgerald's work?

Secretary SEAMANS. I would submit that the cost reductions, the work that we are doing, cannot be attributed to any one individual. I really believe that the kinds of things that we are doing, that I have described, are what really matter, what really reduce costs, although it



is certainly true that it is in the public interest to know what is going on, and I certainly do not fault Mr. Fitzgerald for that.

Representative CONABLE. Do you have any concern, sir, about the morale of Air Force personnel in a situation like this, where a man who is alleged to have been doing his job finds his employment terminated? It is now being widely stated that it is because he did his job that his appointment is being terminated. I wonder if you have any comments about that?

Secretary SEAMANS. Well, this is, of course, erroneous, that his job was abolished for this reason. I believe that this will be understood throughout the Air Force.

Representative CONABLE. That is all, Mr. Chairman.

Chairman PROXMIRE. I am afraid it will be understood, but understood in an entirely different way unfortunately.

Congressman Moorhead?

Representative MOORHEAD. Thank you, Mr. Chairman.

Mr. Chairman, as I think you know, 60 members of the House of Representatives wrote a letter to the President asking him to intervene in this matter of the firing of Mr. Fitzgerald. The White House has replied and I think it would be appropriate to insert that letter and reply at this point in the record if you have no objection.

Chairman PROXMIRE. Yes, indeed. Would you care to summarize it, so that at this point—or is it a brief letter that you can read? I would like to know what—

Representative MOORHEAD. The letter to the President said:

Honesty and candor exhibited by public servants without fear of reprisal must remain a keystone of good government. Therefore we call upon the Administration to repudiate the type of action that was taken against Mr. Fitzgerald and restore him to his former duties.

In response a letter from a Deputy Assistant to the President said:

Your concern over the separation of Mr. A. Ernest Fitzgerald from the Department of Defense will be called to the President's attention at the earliest opportunity, as I know he will be interested in having your views in this matter.

Chairman PROXMIRE. Thank you. The entire exchange of letters will be printed in the record at this point.

(The letters referred to for inclusion in the record at this point follow:)

CONGRESS OF THE UNITED STATES.  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., November 7, 1969.

THE PRESIDENT,  
The White House.

DEAR MR. PRESIDENT: The Defense Department dismissed a conscientious public servant when they fired A. Ernest Fitzgerald on November 4. Mr. Fitzgerald for the past four years has worked assiduously to reduce waste and inefficiency in weapon systems procurement, which annually consumes in excess of \$20 billion of taxpayers' money. Defense Department officials have explained Mr. Fitzgerald's dismissal as an "economy move." What an incredible irony when a man who has identified billions of dollars of waste, is fired to save money. At best they have been penny-wise and pound foolish.

More than likely, however, the firing of this dedicated public servant was a punitive action—taken because he refused to knuckle under and rationalize the waste, inefficiency, and bureaucratic bungling he came across. It has been said that he who makes waves in the bureaucratic maze of the Pentagon will often drown in them. Unfortunately, this has been all too real in the case of Mr. Fitzgerald.

Honesty and candor exhibited by public servants without fear of reprisal must remain a keystone to good government. Therefore, we call upon the Administration to repudiate the type of punitive action that was taken against Mr. Fitzgerald and restore him to his former duties.

Sincerely,

WILLIAM S. MOORHEAD.

(The following Members of the House of Representatives signed this letter.)

Thomas Ashley	Donald Fraser	Arnold Olsen
Jonathan Bingham	Joseph Gaydos	Richard Ottinger
John Brademas	William Green	Wright Patman
George Brown	Seymour Halpern	Otis Pike
Joel Broyhill	James Hanley	Richardson Preyer
John Buchanan	Ken Heckler	Thomas Rees
Phillip Burton	Henry Helstoski	Ogden Reid
Shirley Chisholm	Andrew Jacobs	Henry Reuss
Don Clausen	Robert Kastenmeier	Peter Rodino
William Clay	Ed Koch	Paul Rogers
Jeffrey Cohelan	Robert Leggett	Fred Rooney
John Conyers	Clarence Long	Ben Rosenthal
John Dent	Allard Lowenstein	William Ryan
William Dickinson	Richard McCarthy	James Scheuer
John Dingell	Abner Mikva	Frank Thompson
Bob Eckhardt	Patsy Mink	Robert Tiernan
Don Edwards	William Moorhead	John Tunney
Jack Edwards	Brad Morse	Charles Vanik
Joshua Eilberg	John Moss	Joe Vigorito
Leonard Farbstein	David Obey	Charles Whalen

THE WHITE HOUSE,  
Washington, November 13, 1969.

HON. WILLIAM S. MOORHEAD,  
House of Representatives,  
Washington, D.C.

DEAR MR. MOORHEAD: Thank you for your letter to the President in which you were joined by 60 other Members of the House of Representatives. Your concern over the separation of Mr. A. Ernest Fitzgerald from the Department of Defense will be called to the President's attention at the earliest opportunity, as I know he will be interested in having your views on this matter.

With cordial regard,  
Sincerely,

WILLIAM E. TIMMONS,  
Deputy Assistant to the President.

Representative MOORHEAD. Mr. Secretary, although I think we have clarified the record on this matter of confidential documents, I would like to make it absolutely clear. Under Air Force regulations confidential information is defined. It says:

Executive Order 10501 defined the confidential category as follows: The use of the classification confidential shall be authorized by appropriate authority only for defense information or material, the unauthorized disclosure of which would be prejudicial to the defense interests of the Nation.

Now, Mr. Secretary, at the time you testified before the Armed Services Committee in May, and used the word "confidential" as it appears on page 2593 and again on page 2596, at that time did you mean confidential as defined in Air Force regulations?

Secretary SEAMANS. No, I did not, and I am sorry for the confusion that resulted in the use of the word.

Representative MOORHEAD. Thank you, Mr. Secretary. I appreciate that.

Mr. Secretary, is it your testimony that the removal of Mr. Fitzgerald was an economy move?

Secretary SEAMANS. We were faced with, as I indicated in my statement, the need for a very large economy move amounting to roughly \$1.5 billion since I have taken office. The reduction of the 60,000 personnel that I mentioned in the Air Force is for that reason.

As we make these moves, it is necessary to do some regrouping. It is necessary to redefine certain relationships, organization relationships, and I would say that what we are describing here is part of that total program; yes.

Representative MOORHEAD. I realize that your problem in trying to have people that you can count on, but I fear greatly and sincerely that the removal of a man who has been identified as a fighter for economy and against waste will be interpreted by other people in the Department of Defense as clear warning, do not make waves here or you will drown in them.

Secretary SEAMANS. I would say in answer to that comment that it is quite obvious I think to the organization that economy is absolutely necessary. I was in Spain yesterday looking over our various programs there. We are carrying out classroom discussions in a renovated-building there, but we have not been able to finance a space heater to warm the room, and the enlisted men are in their flying gear in order to keep warm. I think it is well understood throughout the organization that economy is a very necessary ingredient of our work today.

Representative MOORHEAD. I hope that this message is carried not only for the little pennies on space heaters, but for the big billion-dollar contracts where the real saving can be accomplished.

Mr. Secretary, yesterday I called you about a certain file which is identified as Office or Special Investigations File HQD-24-12052. Would you be willing to produce that file for this subcommittee, either in public or in executive session?

Secretary SEAMANS. Following your phone call, Congressman Moorhead, and also following a call from the Government Accounting Office, I met with General Cappucci, who is the Director of OSI, our Air Force investigative organization, and found out from him about the method of filing which I was not familiar with until then. I found out from him that the designation 24 covers information that has been brought to the attention of the Air Force by individuals, the news media, or other sources. The file consists of clippings from newspapers, summaries of meetings with individuals, and so forth. The number 12052 indicates that there were 12,051 files that preceded this one over the past twenty years.

This is the same method that is used by the Federal Bureau of Investigation.

I found from him that an investigation of Mr. Fitzgerald has never been requested nor has an investigation ever been carried out. It is not our custom, and I think you can see the reason why, to open this file.

It is felt that this would be unfair to the individuals in question as well as to those who have provided information.

Representative MOORHEAD. I am informed that this file or investigation or whatever was begun in June of 1969, is that not correct?

Secretary SEAMANS. General Cappucci assured me that, as I indicated, that there has never been an investigation requested of Mr. Fitzgerald, and one was never carried out, so that is in error.

Representative MOORHEAD. I am afraid the answer was not quite responsive. Does the file begin in June of 1969?

Secretary SEAMANS. I have not seen the file, so I have to say I do not really know, but it would appear that in Mr. Fitzgerald's case it probably was initiated in November of 1968, at a time that Mr. Fitzgerald was receiving a considerable amount of publicity.

Representative MOORHEAD. But you do not know. If I tell you I am informed that it is June of 1969, you do not know from your own knowledge that that is not the case?

Secretary SEAMANS. I know from my knowledge that an investigation was never called for, nor was an investigation ever carried out. As to when the file, the inquiry file was initiated, I do not know. I would be happy to supply it for the record, however.

(The following information was subsequently supplied for the record by Secretary Seamans:)

A file was initiated on May 17, 1969.

Representative MOORHEAD. Is it or is it not true that following Mr. Fitzgerald's testimony before either this subcommittee or the accusations made concerning the Military Operations Subcommittee hearings, is it not true that an investigation was started by the Air Force along the lines that General Motors used on Mr. Ralph Nader, to discredit Mr. Fitzgerald, and is it not true that the file contains nothing that would discredit Mr. Fitzgerald?

Secretary SEAMANS. Just to repeat, there has never been an investigation of Mr. Fitzgerald at any time except his routine background investigation for clearance purposes, according to the head of the director of the OSI in the Air Force, who maintains these files. The fact that I myself am not even aware of the details would indicate that this file has not had any bearings on the decisions that Mr. Schedler and I have reached with regard to our reorganization of the Office of Financial Management.

Representative MOORHEAD. Just in answer to my second question, is it not true that the file contains nothing that would discredit Mr. Fitzgerald?

Secretary SEAMANS. I cannot answer that because I have not seen the file.

Representative MOORHEAD. And finally if requested by this subcommittee, you would refuse to produce this file, (a) publicly, and (b) not even in executive session?

Secretary SEAMANS. My understanding is that these files have never before been released.

Representative MOORHEAD. My time has expired.

Chairman PROXMIRE. Senator Percy?

Senator PERCY. Mr. Secretary, one would get the general impression that Mr. Fitzgerald saved the Air Force \$1 billion or maybe \$2 billion. He did not claim this himself. Could you put to rest this assumption that he did? Is it possible that he could have even approached a figure like that in cost savings to the Air Force in the assignment that he had?

Secretary SEAMANS. The testimony that he made indicated that there was going to be an increase in the cost of the C-5A of about \$2 billion I believe was the figure he used. Our present estimate is that with respect to the contract that was signed with Lockheed, that we have an overrun of about \$1.4 to \$1.5 billion.

There is no saving there. The increase is there.

Senator PERCY. He pointed out a potential overrun cost of \$2 billion, but that itself did not save the Air Force that money.

Secretary SEAMANS. That is the very point I am trying to make, Senator Percy, that what we have done is, of course, to ride hard on the project. As I have indicated, we tried to clarify certain parts of the contract that are somewhat ambiguous, so that we would close the door on the ambiguity, and in some cases save the Government and the taxpayer, but this was not directly related to Mr. Fitzgerald and his testimony before the subcommittee. This is action that we have taken as responsible managers after we came into office.

Senator PERCY. As I understand it, the testimony that he gave on the cost overrun was authorized by the Air Force, is that right?

Secretary SEAMANS. That is my understanding, that there was some uncertainty before he testified as to whether he or others would testify. There were some discussions that took place, that I have not chosen to get into, as to who struck John, but that when he appeared, it was with the full understanding of the Department of Defense that he was to appear, and that he testified in a perfectly proper way.

Senator PERCY. As I understand it, because of these hearings, the public was informed several months earlier than it would have been otherwise. Is there any way that the Air Force could have covered up the cost overrun and avoided its responsibility to report these cost overruns to the Armed Services Committee? You indicate in your statement that you intended to do this 2 or 3 months later, after you had concluded your cost studies.

Secretary SEAMANS. What you say, Senator Percy, is absolutely correct, that we must discuss this with our committees of Congress. They are the ones that authorized the funds that are provided for these contracts. Obviously they should know and they must know. Otherwise we cannot receive the authorization.

Senator PERCY. The implication was made yesterday that possibly Mr. Fitzgerald was fired to intimidate other Government employees not to respond to requests from Congress. We have had one statement that Congressman Moorhead read that was helpful. Would you care to make any kind of a statement as to the circumstances under which it is appropriate for an Air Force employee to provide information to congressional committees when requested to do so?

Secretary SEAMANS. I think it is the responsibility of every witness appearing before a committee to be fully responsive to the questions that are asked. When documents are requested, these documents must be made available unless privileged, and that is the policy that I have always followed when I was in NASA, and certainly the policy that we are following in the Air Force.

Senator PERCY. So that you are disavowing any implication that this action is taken as a means of subtle warning to other Government employees?

Secretary SEAMANS. I certainly disavow that, and I can say that we proceeded in what I believed was a very responsible way to not only review our organization but to review all of the key individuals in the organization before taking any action.

Senator PERCY. Mr. Secretary, going to more substantive areas, could you indicate what steps have been taken to provide timely visibility in reporting status of programs and costs?

Secretary SEAMANS. Well, there are a wide variety of procedures for doing this. I mentioned some in my statement. I mentioned some in response to the questioning, as, for example, the fact that the project officer is coming in to the Chief of Staff and myself with information on a monthly basis. He is coming in personally, at least every several months. The fact is that this is the same information that we are submitting in summary form to the Congress.

Now we are doing other things that I might quickly mention. We have the milestone approach that I described, where to attain each one of these milestones requires a certain amount of work that can be costed out; where the milestone is something that is readily definable; and where you can be sure when you have reached it. There is no ambiguity about it. We are scheduling out the program on that basis.

Now, one of the problems that as I say has been very difficult has been the matter of cost estimating. In estimating these programs, since they are complex, it is very easy to overlook either certain very key items or the interrelationship between items that when added up in series can cause delays in the program and consequently increase in cost.

We are developing independently, an independent cost estimating capability within the Air Force so that we have our own complete cost estimates that we can match against the proposals that come in, and by matching them in detail, can pinpoint areas where the proposals are deficient.

Senator PERCY. The C-5A program has been kicked around a great deal.

I wonder if you could tell us how the C-5A production and test program is progressing in your judgment?

Secretary SEAMANS. Let me just first say that this has been going extremely well. We have I believe, well over 1,200 hours on the plane. I would like to have if I might Mr. Whittaker discuss this in some depth.

Mr. WHITTAKER. Supplementing what Secretary Seamans said, I might comment that we have eight C-5A aircraft in flight test.

The first flight of the aircraft was in June of 1968. Since that time as the Secretary indicated, we have accumulated something over 1,300 hours of flight test to date. The indications are very promising.

During this past summer and fall, the aircraft took off with a world record load weighing 399 tons, 798,200 pounds to be exact, which is 70,000 pounds over the designed gross weight. The aircraft has reached an altitude of over 40,000 feet.

The aircraft has attained a speed of 0.89 mach, which is about 500 knots, so that the performance of the aircraft appears to be very adequate.

As is normal with any new aircraft, during the flight test period there is what they call the 80 percent restriction on performance, on the utility of the aircraft, which means that you restrict the use of the aircraft until the flight test program has been completed, but all indications are that the program is successful, in spite of the July 13 wing fracture that has been publicized in previous months. It looks as though the fix for that problem is progressing satisfactorily.

Senator PERCY. You have cut back the number of C-5A's that have been ordered. Is this simply because of an absolute ceiling that has been placed on defense expenditures, a ceiling that I support, or is it that there has been a reduction in the requirement for the 120 aircraft originally ordered?

Secretary SEAMANS. In answer to that, Senator Percy, let me say that we have not cut back from 120 to the 81 contractually. As a matter of fact, contractually we only have 58, because we have only recently received authorization to go ahead with the fourth squadron of 23 additional that adds up to the 81. However, our plans had been to go to 120. We are currently reviewing the fiscal year 1971 budget and the forces that will be required. We in the Air Force would like to keep the production line open, to make some additional aircraft over the 81, but in view of the total budgetary constraint, we have agreed that 81 will permit us to carry out our assignments.

Senator PERCY. Thank you, Mr. Secretary. I would like to mention two innovations that the chairman has introduced into Government procedure that have been exceedingly helpful. First the quarterly review of the overall Federal budget which has enabled us to adjust periodically as we go along, and secondly I think the hearings have helped to focus attention on early detection of cost overruns which enables you to still do something about it. I think this is a very basic contribution that has been made as a result of the hearings held under his chairmanship.

Chairman PROXMIRE. Congressman Brown?

Representative BROWN. Mr. Secretary, we heard yesterday from Mr. Fitzgerald, who advised us roughly of the sequence of events, and I would like to review them briefly and some of the testimony that Mr. Fitzgerald gave prior to getting into specific questions with you.

He said he received notification on September 6, 1968, that he would get tenure under civil service rather than being in class A classification.

Then in early November he testified before this subcommittee on the C-5A overruns, and he said that at that moment he knew that his job was likely to be in jeopardy, I assume because of the reaction that the news of his testimony before this subcommittee had engendered in the Department of Defense and the Air Force.

Then he said 12 days later he received notification that his tenure assignment was a computer error. Then he pointed out that following that, he had been removed from consideration of major programs, and I would like to quote from his statement.

As I mentioned previously, I was cut off from direct contact with major acquisition programs immediately after my testimony on the C-5A in November of 1968. However, the formal shift of function took a little longer.

On January 6 the Lang memo on methods by which he could be terminated was circulated and then 2 days later he had a meeting with

Mr. Nielsen, his immediate superior at that time, and this was his testimony.

On the 8th of January of this year 1969 I was told by my then superior that as a result of my testimony and the ensuing publicity, "You have lost your usefulness. You work for me and you are not useful to me."

He later made reference to this as having lost his usefulness to the Air Force. And then on January 15 he said the Air Force, in response to this subcommittee, advised that the Air Force did not support the Fitzgerald figures that had been presented earlier to the subcommittee.

Then he went on to point out, and I quote :

Starting in February of 1969, I began receiving positive evidence that my functions were being officially stripped away. My first definite indication came on the 6th of February when I received a copy of a note which stated that Mr. Nielsen, then my immediate superior, had requested my counterparts in the Office of Secretary of Defense to stop working with me on management systems control problems, and to work instead with the Air Staff, that is, the military portion of the Air Force Headquarters.

Then as I understand it in mid-February you became Secretary of the Air Force, is that correct?

Secretary SEAMANS. Yes, I became Secretary the 15th of February.

Representative BROWN. And then on the 4th of March or thereabouts, he, Mr. Fitzgerald, indicated that he had a meeting with you, and about that he says this—let me go back to the full paragraph. And I quote again :

A few days later in an informal performance review I was told by this same man, my superior, Mr. Nielsen, that I had no future in the Air Force. This was confirmed in a conversation with or the fact that this was the general view which was conversations I had with Dr. Seamans on, I believe, about the 4th of March, a few days after that.

Apparently Mr. Nielsen had cleared the advice to me that I had no future in the Air Force with Dr. Seamans. I am not sure of this, but this was the gist of what was conveyed to me in the conversations. Dr. Seamans cited only one problem, "The staff doesn't like you." This had become abundantly clear by that point in time, of course—

Mr. Fitzgerald's comment on his own situation.

He mentions two other dates. In June he testified further before the Joint Economic Committee and on July 16 a letter prepared by the Air Force with the signature of President Nixon in response to an inquiry by a woman in Alabama said that Mr. Fitzgerald's view was a personal view and represented a single opinion rather than a balanced picture.

Mr. Secretary, had in fact Mr. Nielsen's comment about Mr. Fitzgerald losing his value to the Air Force been cleared with you?

Secretary SEAMANS. I am trying to in my mind think back to the rather hectic period following my swearing in on a Saturday, February 15, when there were a great number of issues that I had to become involved in. As I have already mentioned, of course, I was well aware that Mr. Fitzgerald's role in the Air Force had been reviewed, that he testified in November. I received a letter from the chairman here of his views, and what I was attempting to do at that time as I can recreate it mentally here was to try to form a view of his responsibilities and his interests and his capabilities.



I noted in the paper that I had said to him that the staff does not like you. I, of course, cannot remember in detail what happened at the meeting. There was no transcript. I wrote nothing for the file following the meeting. My endeavor at that meeting was to see what manner of person he was, to ask him a variety of questions about his interests in the Air Force, his long-term interests, and I would frankly doubt that I would make a categorical statement of that sort, but I cannot remember the specifics of the meeting.

Representative BROWN. Mr. Secretary, let me ask you this question. Prior to your interview with Mr. Fitzgerald, had you been given an impression which apparently Mr. Fitzgerald had, that the people with whom he worked, his supporters and his peers, had either lost confidence in him or that there was an inability to relate on the issues on which he was working with his peers or his superiors?

Mr. Fitzgerald indicates that he has the impression from Mr. Nielsen and others that prior to your becoming Secretary that he had had some of his power stripped away, and that he had, and I quote again:

Lost his usefulness to the Air Force and to his superiors.

Had you been given that impression prior to his interview or the interview you had with him?

Secretary SEAMANS. Congressman Brown, as you know, we are all individuals. All individuals are complex with many different kinds of capabilities and weaknesses, and these are often very, very difficult to sort out, evaluate, and judge. I would say that at that time I had the very definite impression that Mr. Fitzgerald's relationship with others in the Secretariat and in the Air Staff were not ideal, that he had in fact by his actions—I am not talking about his testifying but the way he had conducted himself with others—in some way made it difficult to gain their support.

Representative BROWN. Was this your reason for your interview with him at that time?

Secretary SEAMANS. No, my reason for meeting with him was a very simple one. Being aware of the obvious controversial nature of the man, and being as I say an engineer at heart, I like to get the data, and the way to get the data is to meet people and talk to them and see what makes them tick.

Representative BROWN. Did you reach a conclusion based on that interview as to whether or not, in terms that Mr. Nielsen used and Mr. Fitzgerald used in assessing his own case, that he had lost his usefulness to the Air Force or that he had developed a relationship which was difficult?

Secretary SEAMANS. No, I did not, Congressman Brown, reach the view that he had necessarily ended his usefulness to the Air Force. As a matter of fact, Mr. Laird and I worked every carefully on this, to see what jobs he might fill, as I indicated in my testimony, either in the Air Force or in OSD or possibly working with the Fitzhugh committee and we made arrangements for him to meet Mr. Fitzhugh, the chairman of the committee, but I certainly recognized that there was a difficulty here that was going to make it much, much harder to find a position for him that would match his capability and his acceptance, if you will, by those with whom he had been associated.

Representative BROWN. My time is up for the time being. I will pursue the question further.

Chairman PROXMIRE. Mr. Seamans, I wonder if you realize the damage that you have done to Mr. Fitzgerald, by your testimony before the House Armed Services Committee earlier this year.

It was after you said :

It is very interesting that in testimony in front of a number of committees—

And we have indicated that this committee could not have been one, at least to the best of the knowledge of the chairman—

Documents keeps appearing, some of which are confidential, were obtained from Mr. Fitzgerald.

It was after that that the chairman of the Armed Services Committee said :

If I had a fellow like that in my office, he would be long gone. You don't need to be afraid of firing him.

Now, Mr. Fitzgerald was understandably shocked and dismayed by that exchange, and he sent a note to Secretary Schedler on September 26 of this year, saying :

I learned of the exchange recorded in the attachment for the first time today. I am concerned that the statements accusing me of releasing confidential documents were not corrected prior to printing of the transcript. They are false. Dr. Seamans never spoke to me about his matter and I do not know where he received the information. With your permission I would like to talk with Dr. Seamans to attempt to clarify this serious matter.

That note was never answered. Here was a man in your office who directed his note to his immediate superior and never received a reply. And then subsequently on October 22 Mr. Fitzgerald sent a memo to Secretary Schedler, his immediate superior. He said :

On September 26 I wrote you concerning Dr. Seamans' accusation before the House Armed Service Committee. According to the committee transcript of the hearings, Dr. Seamans stated that I had given confidential documents to congressional committees without permission of the Air Force. I would be most grateful if you could obtain for me copies of the confidential documents which I am supposed to have transmitted to the congressional committees.

That was never answered. It was only today that you have come before us to say that Mr. Fitzgerald has never to your knowledge violated security, and it would seem to me that Mr. Fitzgerald deserved better treatment than this. What is your response?

Secretary SEAMANS. My response, Mr. Chairman, is that when the letter was received by Mr. Schedler from Mr. Fitzgerald, I advised Mr. Schedler that I was referring specifically to the testimony that I put in the record here this morning, and I asked him to review this with Mr. Fitzgerald, and if I might I would like to have Mr. Schedler discuss this with you at this time.

Chairman PROXMIRE. Fine.

Mr. Schedler?

Mr. SCHEDLER. Referring to that particular episode, after I heard from Mr. Fitzgerald, I asked him to come to my office and we spoke briefly. I pointed out to him that I did not know the circumstances surrounding the event, and I would have to check with Dr. Seamans.

At that time I did check with Dr. Seamans, who asked me to try and review the situation, which we did, and that took some time to determine if, from our records, we had the information. Incidentally, we could find no indication—

Representative BROWN. Mr. Schedler, I wonder if you would use the microphone?

Mr. SCHEDLER (continuing). We could find no indication. Dr. Seamans at that time, I believe, had a personal family tragedy which occupied a certain amount of his time, which resulted in some further delays.

Chairman PROXMIRE. Here is another example. We have a whole series of them, of these accidents that seem to happen wherever Mr. Fitzgerald is involved, whether it is a computer error or whether it is a memorandum, an unfortunate memorandum on how to fire him, a whole series of these things, and now it seems that there were other things that interfered with your giving this man justice.

Can you tell us, Secretary Seamans, whom you consulted with prior to making your decision to fire Fitzgerald? Did you talk the matter over with Mr. Fitzgerald?

Secretary SEAMANS. I did not decide to fire Mr. Fitzgerald.

Chairman PROXMIRE. Well, dismiss Mr. Fitzgerald if you prefer that word.

Secretary SEAMANS. I prefer to use the term, the correct term, which is to abolish his job. This is a recommendation that I received from, and obviously discussed with, Mr. Schedler. I discussed this with others within the Department of Defense such as Mr. Laird, Mr. Packard, and various members of the staff.

Chairman PROXMIRE. At any rate, you announced that you were abolishing his job in conjunction with the current reduction actions in the Air Force, which was construed widely by the press and it seems to me it was a logical construction that this was for economy purposes.

Now you are saying it was for reorganization purposes that would have some other kind of implication.

Secretary SEAMANS. No.

Chairman PROXMIRE. Did you discuss this matter with Secretary Laird?

Secretary SEAMANS. Yes, I did discuss this with Mr. Laird as I just indicated, Mr. Chairman. I think I indicated earlier that it had been necessary to economize in a very major way to bring down our budget this year by \$1.5 billion of expenditure, and that realignment and reorganization is necessary along with removal of individuals amounting to a total of 60,000 within the Air Force.

Chairman PROXMIRE. So this was part of an economy move, the elimination of Mr. Fitzgerald's job or firing or whatever you want to call it was a matter of saving money.

Secretary SEAMANS. It is a matter of, on the one hand, saving money. I am talking about the overall situation that we faced, and on the other hand, it is a question of attempting to improve our management capability by realignment of responsibilities both in headquarters and in the field.

Chairman PROXMIRE. I want to get back to saving the money in a minute. Let me ask you did you discuss this with anyone in the White House?

Secretary SEAMANS. I discussed this with Mr. Laird and I think it is not appropriate for me to go further than discussions I had within the Department of Defense.

Chairman PROXMIRE. Then let me ask you did you discuss it with the Air Force Chief of Staff or any other military official?

Secretary SEAMANS. I believe I did discuss it with the Chief of Staff.

Chairman PROXMIRE. You did discuss it with the Chief of Staff?

Secretary SEAMANS. Yes.

Chairman PROXMIRE. Did you discuss it with anyone from the Lockheed Corp.?

Secretary SEAMANS. No.

Chairman PROXMIRE. Mr. Schedler, let me ask you, will you give us your educational and professional background?

Mr. SCHEDLER. Yes, sir. I am an engineer by profession, graduate of the University of Tulsa and I worked as an engineer for several years. I graduated also from Harvard Business School where I have received my MBA. Since that time, that was 7 years ago, I worked in the financial control area dealing with the problems of designing and implementing financial control systems.

Chairman PROXMIRE. Where?

Mr. SCHEDLER. First with a small company in Houston, Tex., right after I graduated, and right after that, in early 1963, I joined Sinclair Oil in Tulsa, spent 2 years there at the divisional level, and was then moved to New York, where I was appointed Deputy Director of Budgets.

My charter at that time was the implementation of financial control systems, specifically budgeting and responsibility accounting, in the corporation.

Chairman PROXMIRE. As I understand it, you are Mr. Fitzgerald's immediate superior?

Mr. SCHEDLER. Yes, sir.

Chairman PROXMIRE. How much time have you actually spent in conversation with Mr. Fitzgerald since your appointment to your present position?

Mr. SCHEDLER. We have had several meetings. I do not have the exact tally of the time.

Chairman PROXMIRE. By several, what do you mean?

Mr. SCHEDLER. Four or five.

Chairman PROXMIRE. On what did you base your decision to eliminate his job?

Mr. SCHEDLER. On an analysis of his job and our needs in the Air Force, in my office, as I saw it.

Chairman PROXMIRE. Have you had any other meetings in addition to your meetings with Mr. Fitzgerald concerning his professional area of competence?

Mr. SCHEDLER. I have had discussions with the other deputies in the office, with the Controller in the Air Force, people in the Systems Command, the financial people there, and obviously with Secretary Seamans.

Chairman PROXMIRE. With all due respect, in view of your background and Mr. Fitzgerald's background and his experience, his longer experience in this job, do you think you are in a position to make an informed judgment about the qualifications of Mr. Fitzgerald to do his job?

Mr. SCHEDLER. I think I am in a position to make an informed judgment concerning the needs of the Office of the Assistant Secretary of the Air Force for Financial Management.

Chairman PROXMIRE. Secretary Semans, can you honestly say that Mr. Fitzgerald's dismissal will promote the efficiency of the Air Force? If so, how?

Secretary SEAMANS. I can truthfully say, and we will prove to you, Mr. Chairman, that the reorganizations that we are making in the Air Force are going to materially improve our capability to get on top of costs, and improve the performance of our ability to acquire new systems.

Chairman PROXMIRE. On that very subject of getting on top of costs, you implied in your statement that had Mr. Fitzgerald really done a good job, the C-5A cost increase would have been prevented. You said that he was responsible in part for it at that time, and this developed.

Is it your testimony that Mr. Fitzgerald should have done more to identify and bring to the attention of his superiors the C-5A cost increases?

I would like to ask you, incidentally, were you aware that he discovered the C-5A overrun in 1966 and tried for 2 years to bring it to the attention of his superiors in the Air Force?

Let me point out that in January of 1966 he pointed out the Lockheed overhead increases projected which if not offset by underruns elsewhere would result in contract overrun. In November or December of 1966, the overruns of 100 percent and more were detected by Mr. Fitzgerald in key activities in Lockheed C-5A program. At these times and on many, many subsequent occasions he continued to present analyses and recommend corrective actions and did not get any response. So that whereas you may say that the C-5A overrun occurred while Mr. Fitzgerald was in his present job, it is clear to me that he did everything he could to bring this to the attention of the Air Force, and they denied to the Congress as recently as March of 1968 that there were any overruns.

Secretary SEAMANS. Well, it is hard enough for me to get on top of my own job today and work on the problems that we face today and tomorrow, much less to dig into the total history and background of what has happened in the past.

However, it is my understanding that he did bring to the attention of the Air Force at that time that there were going to be increases in cost, and I think this is in the report that Mr. Whittaker prepared when he reviewed the C-5A, indications that the numbers of people working at Lockheed were over the estimate and that this could lead to cost increases.

I believe that during this period, that he was asked to take additional responsibility to get into this area and see what more could be done, but I am not in a position to really judge exactly who had what responsibility at that time.

Chairman PROXMIRE. As you know, we have had, let me say to Mr. Schedler, we have had great difficulty getting information on the technical performance of the C-5A. We asked Mr. Fitzgerald to provide us with this information, we publicly asked him, officially asked him last June.

He was first told by the Air Force the data would be given to him through the committee, but changed its mind. Did you first tell him that the information would be given to him and then after a delay of several months inform him that the Air Force had changed its mind and that the data would not be given to him?

Mr. SCHEDLER. I am sorry, sir, are you addressing the question to me?

Chairman PROXMIRE. Yes. Did you first tell Mr. Fitzgerald that this information would be given to him, and then after a delay of several months inform him that the Air Force had changed its mind and that the data would not be given to him, and therefore not to this committee?

Mr. SCHEDLER. Well, sir, Mr. Fitzgerald first came in and asked that question; originally we did start work, and as far as I know, he was given copies of all those papers. Then I think—I do not know what transpired, but Mr. Whittaker visited you in your office. I understood that you had a quite thorough and comprehensive review of the C-5A.

It was my assumption that the problems were resolved there, the problems, the questions that you had.

Secretary SEAMANS. I believe if I might elaborate on that. Mr. Chairman, following the hearing of Mr. Fitzgerald he asked the staff for certain additional reports, but these were not reports that had been requested by the committee. We would have been glad to supply whatever information the committee requested, but we wanted to have it come through official channels. I would like to ask Mr. Whittaker to further elaborate on this if I might.

Chairman PROXMIRE. Mr. Whittaker?

Mr. WHITTAKER. On June 24 Mr. Fitzgerald wrote me a memorandum saying that he was obligated to provide additional data to the Joint Economic Committee.

On July 9 I transmitted an analysis of 3,445 changes that had been introduced into the C-5A program, to Mr. Fitzgerald, by a memorandum saying:

I trust this will satisfy your request of June 24 covering additional information to be forwarded to the Joint Economic Committee.

In addition, sir, we offered at our meeting in your office on July 30, I believe, to review these changes in detail at that time.

I think the expression we used at that time was we were "loaded for bear" with detail on the changes.

Chairman PROXMIRE. We want to come back to that in detail a little later.

I would like to make the point, because unfortunately Senator Percy has left, he talked about, implied that there was a difficulty, maybe an impossibility in any one man saving anything like \$1 to \$2 billion on the C-5A. The point that I tried to make, and it is a point that has validity, that it would have been perfectly possible that the Air Force would have gone ahead with 120 C-5A's, and that the cost is in the area of \$40 million per plane, and those 39 planes would therefore cost \$1,560,000,000, if it had not been for this timely disclosure by Mr. Fitzgerald, and in view of the terrific delays that we have had, and the long, long time it has taken to get any agreement from the Air Force that there was an overrun on this plane, I am very skeptical that

the Air Force would have come before the Congress 2 or 3 months later and made this disclosure without the response that we got from Mr. Fitzgerald.

The other point I would like to make is that when Mr. Fitzgerald appeared before this subcommittee, No. 1, he did so at my invitation, and if you will review the transcript of that hearing, it was like pulling teeth to get this information out of Mr. Fitzgerald. It was not a matter of his announcing it to the Congress as you implied in your statement. I had to request his presence before the subcommittee and then come back again and again and again in questioning, and we still were not sure about the \$2 billion overrun and we asked the GAO to make an investigation, based on Mr. Fitzgerald's testimony. So this was not a man who was anxious to rush to the Congress and make an announcement. He was requested to come here. He was authorized to come here by the Air Force.

The official Air Force Liaison Air Force Officer stood up in the room when Mr. Fitzgerald testified and asked the question, said Mr. Fitzgerald was authorized to answer any question we asked of him as long as his replies did not breach security and there is no question that his answers did not breach security.

My time is up.

Representative MOORHEAD. I want to get back to this Air Force special investigation file on Mr. Fitzgerald.

I asked you whether you would produce this for the subcommittee and you said that you never had in the past as I understand it, for any committee. I understand that a file like this would probably contain as you mentioned unevaluated information which could be damaging to the individual, and that would certainly be good reason for refusing to make public a file of this type.

Let me ask you, Mr. Secretary, if the individual in question, Mr. Fitzgerald, would announce publicly or write you a letter that he had no objection, would that change your answer to my question?

Secretary SEAMANS. My view on that would be that one must protect not only the individual in question, certainly that is important, but we must also protect the sources of information. That rightly or wrongly, people do provide information that has not been evaluated. It could be damaging to both parties, and with that in mind, I personally think it would be a mistake to release that file.

Representative MOORHEAD. I can only say to you, Mr. Secretary, I think that there ought to be some way out of this dilemma, because it leaves, I think, an unhappy taste in one's mouth to say that there is a file in existence that was started after Mr. Fitzgerald's testimony up here as a reprisal, and not to have it reviewed by an outside source to say this man has been investigated and there is no hard damaging evidence against him. It leaves an unhappy inference, and so I would think you might want to consider let's say, a cleaned up file maybe with names removed, if this is necessary to protect informers.

Secretary SEAMANS. What we have done, Congressman Moorhead, in the past, and certainly could do if it is the wish of the subcommittee, is to excerpt from the file information that is believed to be pertinent, which I think is probably doing exactly what you are suggesting, sort of a cleaned up file. When this came in, this request came in last evening, there was not time to do that.

Representative MOORHEAD. I quite agree.

Secretary SEAMANS. And we are prepared to do that if that would be the wish of the subcommittee.

Representative MOORHEAD. I will discuss this with the Chairman and the other members of the subcommittee.

If they think as I do that an expurgated file would be helpful, in removing any doubts in people's minds, we will be back in touch with you, Mr. Secretary.

I would like to ask Mr. Schedler if it is your understanding that the removal of Mr. Fitzgerald from his office was an economy move.

Mr. SCHEDLER. Congressman Moorhead, I have been reviewing that situation in terms of the organization of the office ever since I arrived on the scene, and I would have to answer the question that that was not the reason.

Chairman PROXMIRE. I was not able to hear that.

Mr. SCHEDLER. That was not the reason, sir. The reason was basic reorganization in the office.

Representative MOORHEAD. Is it not true, Mr. Schedler, that you have told some of my colleagues in the House of Representatives that at least one of the reasons for the firing of Mr. Fitzgerald was the fact that he was not a teamplayer and he was leaking information to the Hill?

Mr. SCHEDLER. Well, sir, we did not fire Mr. Fitzgerald. We abolished the position.

Representative MOORHEAD. Then let me ask you then if you did not tell my colleagues that the reason for the abolition of the position was that the holder of the position was not a team player and was leaking information to people on Capitol Hill?

Mr. SCHEDLER. No, sir. The reason for—

Representative MOORHEAD. You are testifying that you did not tell this to other Members of Congress?

Mr. SCHEDLER. I am saying, sir, that the reason that we reorganized the office was to get the office to do its job more effectively, and that was the basis for the reorganization.

Representative MOORHEAD. And so this in your heart is the reason why you did it?

Mr. SCHEDLER. Yes, sir.

Representative MOORHEAD. However, did you say to any Members of Congress that one of the reasons, even if it was not in your heart, didn't you say to some people that it was because he was not a team player and was leaking information to people on the Hill?

Mr. SCHEDLER. Well, sir, I do not remember all the facets of my discussions. The point is that we are trying to make the Office of the Assistant Secretary more effective, and in order to do that, we had to reorganize to put emphasis on different areas of our operations.

Representative MOORHEAD. But would you say that it is true that after the announcement of the abolition of the job, that you came up to the Hill to explain the reasons therefor to Members of the House of Representatives?

Mr. SCHEDLER. I offered to answer questions, yes, sir.

Representative MOORHEAD. Thank you. And did you get questions or did you have discussions?

Mr. SCHEDLER. Yes, sir, I did both.



Representative MOORHEAD. But is it your testimony that you did not say to any of those Members that the reason for the abolition was that he was not a team player and that he was leaking information to the Hill?

Mr. SCHEDLER. Well, sir, again I do not remember all the details, but I do remember that the purpose—

Representative MOORHEAD. I am not asking you if these were the exact words, but the purport of it was along the lines of the words that I gave you?

Mr. SCHEDLER. Again, sir, I do not remember the details of my conversations with all the Congressmen and Senators.

Representative MOORHEAD. I would say that using the words "leaking information to the Hill" was not exactly a detail in connection with the firing or abolition of the job of someone who has had as much public attention as Mr. Fitzgerald has had.

Mr. SCHEDLER. Yes, sir.

Representative MOORHEAD. Mr. Whittaker, I would like to get your help, sir, on the change orders that you discussed with us—3,445 I believe. Earlier in testimony before the Military Operations Subcommittee, we were told that there were very few change orders with respect to the C-5A. Is 3,445 consistent with that testimony?

Or is that not considered a significant number of change orders?

Mr. WHITTAKER. Congressman Moorhead—

Representative MOORHEAD. Understand, I am not being critical of you, Mr. Whittaker. I merely find it a bit inconsistent.

Mr. WHITTAKER. There has been so much talk about this problem that I would like to go through this.

It will probably take me several minutes, if you will bear with me, sir.

Representative MOORHEAD. Mr. Whittaker, before you get started, let me say if you are going to take some minutes, I would like the answer to be directed at the question as to whether these change orders resulted in a downgrading of some of the requirements, specifications or flight characteristics such as we had testimony about the sink rate, for example, yesterday.

Mr. WHITTAKER. I understand.

Representative MOORHEAD. The load factors and the like. That would be No. 1.

No. 2, the effect of what appears to me to be a very large number of change orders on the original proposition that we had a fixed price procurement. I would think that with this number of change orders, that the allusion that we have a fixed price contract goes out the window, and with that introduction, you may proceed, sir.

Mr. WHITTAKER. Thank you, sir.

There have been a number of changes, not a large number as such programs go, but there have been a significant number of changes.

There were 3,445 changes identified in the study made by the System Program Office which had taken place through the 6th of June 1969.

It is essential to understand that the great majority of these changes are for such administrative purposes as adding to the contract items that could not be identified at the time the contract was entered into. Examples of these items are aerospace ground equipment, that is test

equipment, maintenance equipment, and the like, the descriptions of which were not available at the time the contract was entered into.

In fact, of the 3,400, over 2,000 of them were simply for that purpose, which do not represent, in my definition, a change in the contract, but simply represent a further definitization by the addition of these descriptions.

There are a large number of other administrative-type changes leaving a total of well under 100 which have any impact on the technical characteristics of the aircraft.

Let me come back to those in just a minute, sir.

All of the changes are very carefully monitored, controlled, and approved by the System Program Office, located at Wright Field, the C-5A SPO, as it is called.

In addition, because of all the interest in these changes, they have been audited by the Office of the Assistant Secretary of the Air Force for Research and Development, and there is a representative of that Office here this morning who can speak to that audit.

Most important, the conclusion that the Assistant Secretary's Office reached, and that all of us who have looked at these reach, is that there has not been any degradation in the overall mission performance of the aircraft.

It will still carry out its essential role of flying at 440 knots, of carrying a payload of in excess of 200,000 pounds for a distance of over 3,000 nautical miles, and for carrying 100,000-plus pounds over a distance of 5,500 nautical miles.

This is what the Air Force is buying in the case of the C-5A, and this is what we believe we will be getting, these changes to the contrary notwithstanding.

As a matter of fact, Congressman Moorhead, the changes which have been introduced result largely from refinements in design after the contract was established.

This is a normal and a necessary kind of an operation, in order to achieve a better balanced aircraft at a lower cost. Had these changes not been introduced, the aircraft would have weighed something in excess of 6,000 pounds more than it is now anticipated to weigh.

Further, as a part of the negotiation of these changes, the Air Force got in return an increased fatigue testing program. They got the commitment of the contractor to provide a 10-year fatigue experience tracking program, and they received additional considerations such as an additional auxiliary power unit, a secondary hatch, and other changes to the aircraft.

One final point I would make and that is that there has been a lot less change action on the C-5A than on most aircraft programs.

The contract was structured to discourage and provide a reduced motivation for the introduction of changes. As of the end of September 1969, we were 48 months into the C-5A program.

Forty-eight months after we had entered into the C-141 program, starting back in April of 1961, by comparison, the dollar value of the changes amounted, in the case of the C-141, to 3.6 percent of the contract face value, whereas in the case of the C-5A at the same relative point in time, the changes only approximated a percent and a half of contract value. So with all the ambiguities, with all the problems we

have been having with the C-5A contract, one area that I think has been an area of real payout has been the area of minimal changes that have not degraded the performance of the aircraft.

Now if you want, I would like to talk about the specifics of the sink rate and the flap speed. Not being an engineer, however, I do not pretend to be able to articulate very clearly in this area.

I would be glad to have our representative from research and development stand up and talk about it if you would like.

Chairman PROXMIRE. I think the best thing we can do on that is to ask you to put at this point in the record any further documentation from your experts that you would like to, because this point was raised by Mr. Fitzgerald, as you may know, yesterday.

Mr. WHITTAKER. I would be delighted to, sir.

(The following information was subsequently supplied for the record by Mr. Whittaker:)

#### C-5A CONTRACT CHANGES

There were 3,444 changes to the C-5A contract through June 6, 1969. One of the previously reported 3,445 changes had been counted twice. This total number of contract changes is not unusual, since the changes cover a number of categories of actions from word changes to aircraft design and performance changes. A brief description of each change category and the number of changes in that category are included in the attachments.

Changes that have affected the design and performance of the C-5 reflect and parallel the evolutionary process in the development of an aircraft. As the design evolves and test experience increases, changes in the criteria are required to achieve a "balanced" aircraft, that minimizes excess of "dead" weight and unnecessary structure. For example, the original contract required a structural design based on 0.5g side load factor while turning during ground operation. This is a general design requirement placed on all aircraft of this type in initial phases of procurement. A review of the Lockheed C-5A design revealed that the weight distribution and landing gear design precluded the generation of a 0.5g side load factor. Before reaching this load buildup during ground operation the nose gear will skid; thus the structure required to withstand 0.5g side load factor is not necessary. The contractual requirement was changed from 0.5g to 0.4g to be more compatible with the overall aircraft design and to save or allow more efficient use of structural weight.

Of the 45 contract changes that affected the system, or parts of the system, only two contract actions (which incorporated a number of design changes) actually affected the technical performance of the aircraft. All but one of these incorporated weight reductions in the process of achieving a better balance in design and precluding additional costs. Failure to reduce weight where appropriate would have resulted in a heavier aircraft, more expensive to manufacture and operate, or forced an even more expensive effort to reduce weight by use of additional high cost advanced materials and other expensive manufacturing techniques. Since added costs above target will be shared between the Government and the contractor on a 70/30 basis, (Government 70%, contractor 30%) until the ceiling is reached and the target and ceiling are subject to "re-pricing", it was to the advantage of the Government to minimize the manufacturing costs. In addition, where design or performance criteria for the C-5A has been reduced during the development process, the Air Force has received compensation from the contractor in the form of additional fatigue testing and tracking. These changes, therefore, were not to "let the contractor off the hook". They were made so as to minimize program costs and to provide the Air Force an aircraft that would perform our required mission, safely, and at a minimum cost to the Government.

The Military Airlift Command has concurred in our assessment that there will be no discernable impact on the ability of the C-5A aircraft to perform the originally specific airlift mission as a result of the changes in design criteria.

It should be noted that there has been considerably less contract change action that changed the cost of the C-5 contract than there has been on most other

aircraft contracts. At the end of 48 months of the C-5 contract, changes amounted to less than 0.6% of the dollar value of the contract (about \$13 million with a contract value of \$2,302 million); at the same point in the C-141 program, a similar system, contract changes amounted to 3.6% of the contract value.

*Contract change category*

	<i>Contractual actions</i>
Total contractual actions (Changes) as of June 6, 1969-----	3,444
AGE—Identification -----	2,047
<p>These contract changes involve the identification of specific items of field and depot AGE which were not able to be identified in the original contract, as well as specifying changes required in items already identified.</p>	
Specification -----	789
<p>Modifies program/planning documents or updates applicable specifications. The specification changes in this category do not affect the operation, performance or reliability/maintainability of the aircraft, except where the specification changes relate to the Design and Performance change actions described separately herein.</p>	
Administrative/Paper -----	206
<p>Represents nothing more than an administrative function involving a word change or clarification.</p>	
Data -----	184
<p>Consists of changes to the C-5A data requirements manuals, load-master checklists, crew comfort list, etc.</p>	
Delivery -----	42
<p>Authority to deliver certain equipment with shortages and/or variations.</p>	
GFP repair -----	40
<p>Provides for repair of Government Furnished Property (GFP).</p>	
GFP/CFE -----	27
<p>Items which were to be provided by the Government which were not available through that source.</p>	
Funding -----	25
<p>Reflects allocation of funds to the contract.</p>	
Test -----	21
<p>Testing of equipment to be used or associated with the aircraft.</p>	
New work -----	18
<p>Includes change in scope or additional and revised effort on the part of the contractor.</p>	
Design and performance -----	45
<p>Covers changes that directly affect the physical characteristics or performance of the system or its parts. The first 43 contract change actions listed below changed the design criteria or performance requirements for elements of the C-5A system, or the aircraft or subsystems of the aircraft in such a manner that the capability of the aircraft to perform the mission was not affected.</p>	
<ol style="list-style-type: none"> <li>1. Increase the pressurization limiting function in the pylon shutoff valve.</li> <li>2. Revised requirement for air vehicle maximum bank and roll angles.</li> <li>3. Delete the requirements for doppler radar altitude output.</li> <li>4. Deviation to AFSCM 80-1 to delete the overhead "eyebrow" window requirements.</li> <li>5. Deletion of requirements for sump box low level sensors.</li> <li>6. Revise hydraulic subsystem requirements.</li> <li>7. Combines the crew and troop compartment liquid oxygen system.</li> <li>8. Revise frequency modulation rate from 13 to 25 cycles per second of the constant speed drive.</li> <li>9. Revise the requirements for emergency evacuation time.</li> <li>10. Change to allow straightening of parts at room temperature after heat treatment.</li> <li>11. Improved anti-glare coating on flight compartment instruments.</li> <li>12. Authorization of usage of 7178 aluminum for specific structural applications.</li> </ol>	

13. Identification of quick engine change tool kit.
  14. Deletion of selected overwing fuel tank emergency fillers.
  15. Installation of two contractor-furnished in lieu of GFE student/instructor seats.
  16. Human engineering/increased installation dimensions for mission flight simulator.
  17. Increase in maximum size of disassembled sections of mission flight simulator.
  18. Comply with lower deck emergency egress test.
  19. Change in color requirements for instrument panels.
  20. Revision to radar altimeter test set requirements.
  21. Installation of removable troop compartment kit in the C-5A air vehicle prior to delivery.
  22. Revision to aircraft engine maintenance platform design and test requirements.
  23. Design changes to C-5A aircrew trainers and system requirements. (ECP Part III.)
  24. Design changes to C-5A aircrew trainers and system. (ECP Part II.)
  25. Delete engine inlet anti-icing on simulator.
  26. Revision to engine test stand program.
  27. Addition of requirements for inflatable emergency egress slides.
  28. Relocation of the fire warning equipment.
  29. Revision to corrosion resistant steel processing requirements.
  30. Utilization of contractor-furnished (CFE) standard wire clamp in lieu of GFE.
  31. Revision of requirements for portable oxygen bottles and smoke protection.
  32. Deletion of redundant throttle control system and thrust reverser from developmental simulator.
  33. Extension of revision to corrosion resistant steel processing requirements.
  34. Buffet-lavatory unit design change.
  35. Revision of landing gear emergency extension system requirements.
  36. Stress corrosion evaluation of main landing gear yoke forgings.
  37. Addition of requirements for remote horizonal situation indicator slewing.
  38. Revision of public address system for aft troop compartment kit.
  39. Change of the requirement for oxygen masks in relief crew and troop/courier compartment from GFE to CFE and add portable troop oxygen breathing.
  40. Deletion of the aft troop compartment external access ladder from the aft troop compartment kit.
  41. Electrical test program to determine effect of rain erosion boot and other materials on the electrical performance of the C-5A nose radome.
  42. Provides for frequency modulation data acquisition system in lieu of a pulse code modulation system for adverse weather landing system (AWLS) testing.
  43. Redefinition of wing panel interchangeability and replaceability.
- The following two change actions changed the design criteria or specification requirements for the aircraft in such a manner that the flight performance or the aircraft characteristics were changed:
44. Changes to specification requirements, additional fatigue cycles and fatigue tracking program.
    - a. *Landplane Landing Design Gross Weight.* The original specification requirement was:
 

Landing design gross weight will be the weight resulting from *Maximum* design gross weight (769,000 lbs) with maximum payload (265,000 lbs) less 50% of the fuel load.

This was changed to:

Landing design gross weight will be the weight resulting from *basic flight* design gross weight (728,000 lbs) with maximum payload (220,000 lbs) less 50% of the fuel load.

The landplane landing design gross weight requirement is not primarily mission oriented as are aerodynamic performance requirements. It represents the extremes of the envelope of landing occurrences that can be expected in *normal operations*. Basing the landing weight on the heaviest (i.e., the maximum design gross weight) is desirable. Actual operation of the aircraft at this maximum design gross weight, on the other hand, is not contemplated except in unusual

or emergency situations. The contractor's proposal to base the landing weight on the basic flight design gross weight was considered to be nearer the normal operational landing weight extremes of the aircraft.

b. *Turning Side Load Factor.* This change reduced the requirement for turning side load factor from 0.5g to 0.4g at the airplane center of gravity. The original specification requirement for 0.5g side load factor for turning reflected the MIL-A-8860 specification requirement.

This MIL Spec requirement is a generalized criteria which does not recognize any limitation that nose gear skidding might impose on actually achieving the specified side loads.

Side load factor at the aircraft center of gravity in turning is basically a function of turning radius and forward taxi speed. This loading condition affects both main and nose gears and their carry-through structure. Lockheed data show that a 180 degree turn on a 150 ft. wide runway would have to be made at 20 knots taxi speed with a 45 degree nose gear steering angle to develop 0.5g at the c.g. Furthermore, the nose gear will skid before this side load condition is reached. A reduction of 2 knots taxi speed in this sharp a turn reduces the side load factor from 0.5g to 0.4g for a 180 degree turn on a 150 ft. wide runway. A slower taxi speed is reasonable for such a tight turn. Considering the nose gear skid and gross weight reduction of 972 lbs., the 0.4g side load factor is a reasonable requirement.

c. *Taxi Conditions.* The original C-5A Specification MIL-A-8862 required a 2.0g static taxi limit condition applied to a rigid aircraft and also required a 1.0g impulse load. This criteria was changed to a dynamic analysis criteria which considered the variation in typical runway roughness of various fields with an estimated distribution of frequency of utilization of each runway. The revised design loads were based on these input data and the calculated dynamic response of the aircraft to these inputs. The static 2.0g taxi condition is generally critical for the landing gear backup frames and the wing root area. The more stringent dynamic taxi conditions would probably be critical for the same components as the static condition plus outboard wing down bending. As a result, a deviation from the requirement for the 2.0g static condition was approved.

The acceptance of the rational dynamic taxi analysis for design should have no adverse effects on performance of the C-5A aircraft. Taxi limitations should not be significantly different from previous designs. In effect, this change deletes arbitrary criteria and substitutes an up-to-date, state-of-the-art design method.

d. *Unsymmetrical Horizontal Tail Airload Distribution.* The original criteria for distribution of airloads on the horizontal tail called for an unsymmetrical 75-25 distribution of the total horizontal airload for all points on the positive maneuver envelope defined by aerodynamic stall. This initial distribution was changed to a rational unsymmetrical distribution based on C-141A flight test data. There is no analytical method of satisfactorily predicting buffet loads. Since the C-141A and the C-5A are of similar aerodynamic configuration and substantial C-141A test data are available, these data were used to empirically derive rational horizontal tail buffet loads for the C-5A.

The arbitrary 75-25 distribution results in maximum positive shear and bending moment over the horizontal tail span, maximum horizontal tail center section unsymmetrical load, and maximum bending in the extreme upper vertical tail. The rational distribution, which more nearly represents actually anticipated flight loads, would reduce the theoretical loads used in designing the horizontal and vertical tail. The original 75-25 distribution was intended to provide protection for the stall buffet loads when the aircraft is maneuvered into the stall regime and this is also accomplished by the rational distribution method. The weight reduction is estimated to be 356 pounds, primarily in the basic box structure of the inboard portion of the horizontal tail.

e. *Basic Ramp Design Gross Weight Definition.* This reduced the maximum design weight for full ground handling from 769,000 pounds to the ramp weight (732,500 pounds) for the basic flight design gross weight.

It was logical to impose ground handling restrictions on the C-5A at the heaviest (maximum design) gross weight since pilot conservatism is invariably increased when handling very heavily loaded aircraft. This restriction in han-

ding parallels the rational taxi analysis and the reduction in side load factor. Furthermore, it balances the taxi criteria with the landing criteria, in that operations at the maximum design gross weight are not "normal".

f. *Design Flap Speed, VLF*. The basic Military Specification for design of wing flaps, MIL-A-8860 contains general criteria for all aircraft. If fully implemented, MIL-A-8860 would result in a limit speed above 300 knots (approaching the level flight maximum speed for the C-5A). These criteria were considered obsolete and during Source Selection all competing contractors were given other criteria which was considered to be adequate for military usage. The maximum speed for use of full flaps was specified at 182% of the stall speed of the aircraft ( $1.82V_s$ ).

The new criteria proposed by Lockheed during June 1966 affected *only* the full flap position and reduced the speed margin for this position from  $1.82V_s$  (205 knots) to approximately  $1.65V_s$  (180 knots). The proposed margin was adequate for the partial and take-off flap positions, so only the full-flap limit speed was changed.

Since the flap system is not considered a slowdown device, the proposed placard reduction would not result in any adverse limitations to the C-5A operation or performance. An estimated 1274 lb. weight reduction in flap and flap support structure is possible.

g. *Substandard Runway Design Landing Gross Weight*. Reduction in gross weight for operation from substandard fields from 678,850 pounds to 571,000 pounds, (the gross weight associated with the basic tactical mission for delivery of 200,000 pounds payload and 1000 nautical miles flyback).

The requirement for operation on support area airfields (substandard) is defined in the contract specification as ". . . at a gross weight required for a landing with a 200,000 pound payload and sufficient fuel and reserves for a 1000 nautical miles unrefueled return flight. . . ."

The landing gross weight for support area airfields is not specified in the contract. The original 678,850 pounds landing weight was the original landing design gross weight of the aircraft for operation from standard airfields. The contractor can meet the contract specification requirement of offloading 200,000 pounds payload at a substandard field and 1000 nautical miles unrefueled return flight at a landing gross weight of 571,000 pounds. In view of the fact that additional landing gear structural beef-up would be necessary during taxi operations at the original heavy gross weight on a substandard field, the Air Force approved the landing weight reduction for support area airfield (substandard) operations. Thus the airplane still meets specification mission requirements without the cost and weight increases associated with beef-up of the landing gear.

h. *Design Landing Rate of Sink*. The original C-5A design landing sink rate criteria was a combination of the "worst case" for both FAA and Air Force requirements. A sink rate of 10 feet per second (required for FAA certification) and a 150% of limit load design strength were specified. The sink rate was reduced from 10 to 9 f.p.s., retaining the 150% margin. This strength criteria still exceeds FAA requirements that specify 10 f.p.s. landing impact without permanent deformation but do not specify that the design strength will be 150% of the limit load without failure.

The revised requirement for the C-5 is the criteria used on the C-130s, our tactical airlift aircraft that have been operating routinely out of short, substandard airfields in Southeast Asia for several years.

i. *Limit Speed  $V_L$* . Reduced the limit speed from 410 Knots Calibrated Air Speed (KCAS) to a value varying linearly with altitude from 402 KCAS at sea level to 392 KCAS at 22,400 feet. The limit Mach number of 0.875 remains unchanged, and is the limiting factor at normal operating altitudes.

The limit speed requirement is associated primarily with flutter margins although aircraft handling qualities and structural loads are also a consideration. The primary effect of the requirement is in the box structure of flutter critical components (wing, horizontal tail, vertical tail). Weight reduction possible is 505 pounds, largely in the outer wing box structure due to reduced stiffness requirements. This limit airspeed reduction applies to low and medium

altitudes. The reduced limits are still considerably above the normal operational speeds for these altitudes.

This change still satisfies the primary requirement for sufficient margin above the originally specified maximum horizontal flight speed ( $V_H$ ) to allow for a 7.5° upset for 20 seconds followed by a 1.5g pull-up before the limit speed is reached.

j. *Revised Flutter and Divergence Requirements from 120% of Limit Speed ( $V_L$ ) to 115% of  $V_L$ .* The reduction flutter speed from 120% of the limit speed ( $1.20V_L$ ), the FAA criteria, to  $1.15V_L$  is acceptable as  $1.15V_L$  is the standard USAF criteria. The change also resulted in an estimated structural weight saving of 1150 pounds.

The C-5A, unlike the C-141, is not intended for FAA certification, hence military criteria are warranted.

k. *Failure Rate Criteria for Probability Gust Analysis.* Gust data accumulated by the USAF subsequent to C-5A contract award showed the probability of gust encounter originally applied to the C-5A operation was very conservative. The Air Force proposed the requirement be changed to a realistic failure rate criteria based on the accumulated data. This change saved an estimated 410 pounds in structural weight.

l. *Increased Fatigue Testing.* The fatigue test program was doubled to require 1,600,000 load cycles on the wing-fuselage test article. This increase of 800,000 load cycles represented the equivalent of 60,000 equivalent flight hours.

m. *Fatigue Tracking Program.* Lockheed was required to accomplish an in-service fatigue damage tracking program. This tracking program covers all production Run A aircraft for a ten-year period beginning one year after the scheduled IOC data. A total of twenty-five critical fatigue damage accumulation points on the wing, empennage, fuselage, and main and nose gears plus back-up structure are to be tracked, with regular reports submitted to the Air Force.

45. *Redesign of C-5A Empennage Bullet Fairing.* Increase of 1340 lbs. in empty weight was in exchange for an Engineering Change Proposal (ECP) which streamlines the empennage bullet and reduces the drag count by two (2). As a result the performance for the heavy weight mission, 265,000 lbs. payload for 2700 NM, is unchanged. For all other missions, payload and range is improved very slightly. The modification enables the airplane to perform as well or better at the heavier weight, thereby avoided a potentially expensive increment of weight reduction effort.

Representative MOORHEAD. I hope, however, your experts will put it in language that those who are not engineers will be able to comprehend.

Mr. WHITTAKER. That is what I have been trying to get them to do for some months, sir, and they are getting pretty good at it.

Representative BROWN. Mr. Schedler and also Secretary Seamans, I would like to pursue this point of whether or not Mr. Fitzgerald is a temporary. It occurs to me that Mr. Fitzgerald had already been kicked off the team by the time you became his superior, Mr. Schedler, and I go back again to the fact that in February his function was being officially stripped away according to his testimony yesterday.

On February 8, your predecessor had requested Fitzgerald's counterparts in the Office of Secretary of Defense to stop working with him on management systems control problems, and according to his testimony again that it had become abundantly clear that the staff did not like him even at the time that Secretary Seamans did or did not give him that advice.

Now, he also advised that subsequent to the February actions by Mr. Nielsen, he was officially relieved of his previous responsibilities in weapons, cost reviews, performance measurements, systems approvals, and participation in source selections for major programs.



Did that occur under your stewardship or was that under Mr. Nielsen's stewardship?

Mr. SCHEDLER. I believe all of those episodes occurred prior to the time that I took the job with the possible exception of the latter.

I am not sure of the date on that.

Representative BROWN. What was the function being performed by Mr. Fitzgerald by the time you took your responsibilities as his superior, and what was that date?

Mr. SCHEDLER. That was the 24th of June, sir, I believe, and at the time he was performing the functions of the Deputy for Management Systems. During that interval, some of the things that he did were preparing a should cost primer which was a task I gave him and performing other chores in the form of responses, for example, to a questionnaire sent out by the Blue Ribbon Defense Panel, and a response to proposals that were made to the Air Force.

I think perhaps the best way of summing that up is; the office itself had the responsibility for the selected acquisition reports alluded to earlier, and for the program reviews which we conduct on a monthly basis on all the major programs. Mr. Fitzgerald is a very high ranking individual in the office. He is a GS-17, equivalent to a major general. I do not make it a policy to review on a day-to-day basis or task on a day-to-day basis an individual of that status. We have a mode of operating which in effect says deputies initiate proposals and projects and send them to the Assistant Secretary, who in turn responds and provides guidance.

Representative BROWN. Mr. Fitzgerald went on to say yesterday after he noted that he had been relieved of certain of these official functions that he had, he goes on to say:

To be fair, I should point out I believe the inter-secretariat had been effectively removed from the early stages source selection procedure, and it included a complete file of correspondence dealing with my loss of function again as a part of the backup material.

My question is To what extent did this loss of function occur after you assumed your responsibilities as his superior?

Secretary SEAMANS. I think if I might, Congressman Brown, I can discuss that better than Mr. Schedler, because this was an item that we got into long before he came into office.

The matter of source selection is extremely important. We obviously want to do as thorough and competent a job as we can of sending out our request for proposals, and then of evaluating these proposals when they come in. We not only want to pick the right contractor, but we establish a signed contract with the competitors before the decision is made. That will permit us to move ahead in the best possible manner, with the cost nailed down, the milestones nailed down, and we will have the schedules nailed down.

I found that unlike NASA, where I was involved in every major procurement that took place for 7½ years, that there was an advisory board to the Secretary of the Air Force. It is called the Special Air

Staff Group. Its function was to review the progress of the Source Evaluation Board, and to keep the Secretary of the Air Force informed as to their views on the program and so on.

I felt that this was the wrong approach. I believe that the person who makes the decision on who gets the procurement, which in the case of the F-15 is the Secretary of the Air Force, should not become involved ahead of time in all the pros and cons of the individual contractors, a very difficult position for the service Secretary to be in, and I think that he can form perhaps false ideas ahead of time. It is much better for him to look at the facts all at once and to cross-examine the Evaluation Board and the Source Selection Council at one time. Then if he is not satisfied, he can ask for more information.

I stated that we would not use this Special Staff Group on the F-15 procurement. I made it clear that we might want to use it in the future, but that it did not fit in with my understanding of the best way to do things, and it had absolutely nothing to do with the fact that Mr. Fitzgerald along with something like 10 others were on that group.

Representative BROWN. Let me pursue the question of the evaluation of Mr. Fitzgerald's service in Mr. Schedler's office.

Did you have conversations with your predecessor or with others to get an evaluation of the personnel who would be working with you when you took over your responsibilities, Mr. Schedler?

Mr. SCHEDLER. Yes, sir, I did discuss this with Mr. Nielsen.

Representative BROWN. And so you had the opportunity to have Mr. Nielsen's evaluation of Mr. Fitzgerald's services.

Mr. SCHEDLER. Yes, sir.

Representative BROWN. Could you summarize that evaluation?

Mr. SCHEDLER. Mr. Nielsen told me that he considered Mr. Fitzgerald's activities in the area of the CSCSC, which is part of our management control systems, to be very valuable. He felt that he had contributed highly in that particular area. That is specifically in the design of the CSCSC which is an acronym for Cost Schedule Control Systems Criteria.

Representative BROWN. Did he discuss his social relationships or his interpersonal relationships with other members of the team, whatever that is?

Mr. SCHEDLER. I do not remember specific conversations, though I am sure that those types of questions would arise in the normal course of events.

Representative BROWN. Mr. Secretary, you suggested that there had been some interviews of which you had knowledge with Secretary of Defense Laird and Mr. Fitzgerald. Could you advise what the subject of those discussions was?

Secretary SEAMANS. I think I have already discussed the conversation that I had with Mr. Fitzgerald.

Mr. Laird approached the discussions the same way I did. He wanted to better understand the man and his interests and his capabilities, and he had in mind the possibility that Mr. Fitzgerald might

operate effectively in some part of the Secretary of Defense's office other than in the Air Force.

He did, in fact, discuss with Mr. Fitzgerald certain kinds of special assignments that he might conduct. It was finally determined by Mr. Laird that there was not a position, a permanent position for Mr. Fitzgerald in his office. It was about that time that the Blue Ribbon Committee was coming into full bloom, and he suggested that Mr. Fitzhugh should have a conversation with Mr. Fitzgerald. This was arranged, and I believe there were several conversations, and Mr. Fitzhugh made the determination that he did not have a position for Mr. Fitzgerald on that committee.

Representative BROWN. In your testimony you said that Mr. Fitzgerald has been the Deputy for Management Systems for the past 4 years coinciding with the period in the last administration during which the C-5A cost increase occurred. He was given the job with the initial understanding that it was for a limited term and that it was a special schedule A appointment.

Do I understand that during the life of the C-5A then as a weapons system he would ordinarily be considered to be part of that operation?

Secretary SEAMANS. You must realize that he had a staff position, just as Mr. Schedler has in effect a staff position. He was not in the line organization managing the C-5A.

I would like to say that the phrase that you included; namely, "coinciding with the period during the last administration during the C-5A cost increases in which they occurred" was one that was in my original prepared statement. However, I did not include it when I gave my statement today. I felt there was a connotation there that I wanted to have removed, so I actually left that phrase out of my official statement. It is true he was here at that time, but as I have indicated, he did not have the direct responsibility for managing the C-5A program.

Representative BROWN. Nor certainly any limited responsibility in that regard; that is, it was not limited to him, although he had a staff responsibility.

Secretary SEAMANS. He had a staff responsibility to advise the Secretary of the Air Force, and his immediate superior, Mr. Nielsen, as to whether the proper mechanisms and systems were being used, were being set up in the first place, whether they were being used properly, whether the reporting was proper and complete, and so on. That was his responsibility. But he was not in the direct line management of C-5A.

Representative BROWN. Are you in any position to assess whether or not that responsibility was adequately performed by Mr. Fitzgerald during the time he had that responsibility?

Secretary SEAMANS. I indicated earlier, and this coincides with the chairman's point that Mr. Fitzgerald had noted I guess it was in 1966 or 1967 that there was a problem developing because the man-

power being used by Lockheed was over the plan. When you have more people, in general, you are going to have increased costs. It is usually very hard to retrieve that situation, so he had noted that, and I believe that this was directly in line with his responsibility, and that he had done certainly a satisfactory job in this regard.

Representative BROWN. One final question if I may, Mr. Chairman.

Mr. Fitzgerald suggested to this subcommittee that there are those permanent employees of the Air Force and the Defense Department, both military and civilian, who have it in for anybody who undertakes an effort to establish economy and efficiency in the operation of the service or the department. I do not know how many of those people still continue at the level at which the two of you are operating, that is you and Mr. Schedler, but have you taken steps to assure that if there is a personal denigration or an effort to discredit people interested in economy and efficiency by other members of your staff, that these people also are exposed to careful observation by you and by the people who are responsible for economy and efficiency in government?

Secretary SEAMANS. I think this is patently false. I think that the Air Force recognizes that the budget is definitely going down quite dramatically, and if we are going to have the force that we need for national security, that we have got to become more efficient, that we have got to become more cost conscious.

I officiated along with the Chief of Staff recently at Scott Air Force Base in the award to individuals in the Air Force at all levels, from airmen to major generals, who have made singular contributions in this regard. In addition we had a Department of Defense award ceremony, where the very singular achievements were recognized in all three services by Mr. Laird, Mr. Packard, and the Vice President. I do not think that anybody could fail to recognize the need to do this and do it effectively.

I would submit that anybody who is truly and conscientiously working toward this objective will not be ostracized. In fact, he will be embraced.

Chairman PROXMIRE. Embraced, is that the word?

Secretary SEAMANS. That is the word I used.

Chairman PROXMIRE. Now, this man has been liquidated or fired or dismissed or removed from his position, crushed, whatever you want to use, whatever term you want to use, and this message is loud and clear to all the people in the Air Force and every other branch of the executive. What kind of rewards for zeal in holding down cost will you set up to counteract this? Can you give me any examples of people that you have recognized or promoted or decorated, cited in any way who have achieved success in economy and efficiency, or have revealed to the public information the public has a right to know?

Secretary SEAMANS. Yes. I was just referring to the award ceremony that I officiated at. I could provide for the subcommittee a list of all those who were on order on that occasion. The man we picked for the project officer on the F-15 was the project officer on the SR-71, and he

received special recognition for the cost effective job that he did on that very difficult technological development.

(The following information was subsequently supplied for the record by Secretary Seamans:)

**AIR FORCE COST REDUCTION PROGRAM HOST—MILITARY AIRLIFT COMMAND, SCOTT AIR FORCE BASE, ILLINOIS, 16 OCTOBER 1969**

**COMMAND AWARDS**

Military Airlift Command  
Air Force Communications Service  
Air Force Accounting and Finance Center  
810th Strategic Aerospace Division (Strategic Air Command), Minot Air Force Base, North Dakota  
Sacramento Air Materiel Area, McClellan Air Force Base, California  
Space and Missile Systems Organization, Los Angeles Air Force Station, California

**UNIT AWARDS**

48th Tactical Fighter Wing (United States Air Forces Europe), RAF Lakenheath, England  
437th Military Airlift Wing (Military Airlift Command), Charleston Air Force Base, South Carolina  
756th Radar Squadron (Aerospace Defense Command), Findland Air Force Station, Minnesota  
6986 Security Group (U.S. Air Force Security Service), Wakkani Air Station, Japan  
4603rd Air Base Group (Aerospace Defense Command), Stewart Air Force Base, New York

**SPECIAL AWARDS**

Lt Colonel Roland W. Stephenson, Auditor General Representative (Tactical Air Command)  
Samuel J. Hinkle, Auditor, United States Air Force Auditor General, Resident Office, Tinker Air Force Base, Oklahoma  
Air Force Logistics Command

**INDIVIDUAL AWARDS**

Jack L. Woods (Procurement of F-100/102/106 Main Landing Gear Tires)  
Technical Sergeant James R. Buckner (Reuse of Main Landing Gear Lobe)  
Captain James R. Griffin (Alignment Periscope—Minuteman III)  
Ernie J. Broussard (Repair of Turbine Blades)  
Technical Sergeant Robert L. McFarland (Improved Leak Check Procedures)  
John E. Portz (Improved Leak Check Procedures)  
1st Lieutenant Dennis M. Drummond (Production of Inert Training Fuzes)  
Master Sergeant Myron L. Scroggs (Storage of Cooler Detector Assemblies)  
Lowell D. Massie (Use of Excess Silicon Solar Cells)  
1st Lieutenant Edward F. Straus (Cold Test of Computer Components)  
Commander, Headquarters Command, United States Air Force (Excusal from 60-1 Requirements)

Chairman PROXMIRE. Was it similar to the kind of an award that Mr. Fitzgerald got in 1967 for his distinctive service in economizing in the Air Force?

Secretary SEAMANS. I am not personally familiar with the details of those two awards, but I can supply that for the record.

(The following information was subsequently supplied for the record by Secretary Seamans:)

## AWARD NOMINATIONS FOR A. ERNEST FITZGERALD

Air Force personnel records indicate that:

Mr. Fitzgerald was one of five Air Force employees nominated for the Department of Defense Distinguished Civilian Service Award for 1967. One was selected; Mr. Fitzgerald and three others were not.

Mr. Fitzgerald was one of twenty Air Force employees nominated for the Air Force Association's Citation of Honor for 1967. Three were selected; Mr. Fitzgerald and sixteen others were not.

Mr. Fitzgerald was assigned "Outstanding" performance ratings on February 15, 1966, and February 15, 1967; "Satisfactory" performance ratings on February 15, 1968, and February 15, 1969.

Chairman PROXMIRE. Have you fired anyone for the C-5A fiasco?

Secretary SEAMANS. I believe the answer to that is that nobody has been fired, but that we have tightened up the organization, that we have certainly put more headquarters emphasis day to day on that program, including direct participation by Assistant Secretary Whittaker.

Chairman PROXMIRE. Do you know of anybody who has ever been fired for a cost overrun, who is responsible for excessive costs or been found responsible for excessive costs?

Secretary SEAMANS. I cannot give you the name of anybody.

Chairman PROXMIRE. At any rate, Mr. Fitzgerald is being eliminated, and it is the obvious conclusion on the part of many people, certainly my conclusion, that he worked hard and succeeded in achieving economy.

Now let me ask you, you said that you discussed this, Dr. Seamans, with Secretary Laird, with the Chief of Staff of the Air Force, is that correct?

Secretary SEAMANS. That is correct.

Chairman PROXMIRE. But you refused to tell us whether or not you discussed this with the White House. Why won't you tell us that? Are you pleading executive privilege?

Secretary SEAMANS. I just feel it is inappropriate for me to get into a discussion here of whom I talked to outside of the Department of Defense.

Chairman PROXMIRE. It is very, very important to us to know whose recommendation entered in here. It seems to me that the military, the Air staff seems to have gotten Mr. Fitzgerald. Mr. Fitzgerald testified to us that he was told that the Air Force Staff did not like him, and you do not recall that. But, you do not deny it.

Let me follow up on this by asking you which actions if not the testimony before this subcommittee had alienated the Air Staff from Mr. Fitzgerald?

Secretary SEAMANS. Actually, I was not asked specifically about any conversations I had with Mr. Nielsen in this regard, but I obviously did talk to him as I did with the other Assistant Secretaries, who were in office when I became Secretary. And he had advised me, and it is on the record here, that he also advised Mr. Fitzgerald that Mr. Fitzgerald had hurt his relationship with people in the Air Force for the manner in which he carried out his job, and this is not—this does not

specifically relate to any one of them. It does not simply relate to the appearance before your subcommittee.

Chairman PROXMIRE. I want to get that clear again. He had hurt the Air Force by the manner in—

Secretary SEAMANS. No.

Chairman PROXMIRE (continuing). In which he had discharged his responsibility.

Secretary SEAMANS. No, I am talking about relationships between people.

Chairman PROXMIRE. All right, he had offended—

Secretary SEAMANS. He had hurt those relationships.

Chairman PROXMIRE. And how did he do it? Did he offend the people he was involved with? Was he too firm, too zealous?

Secretary SEAMANS. Of course this is getting into a very subjective matter.

Chairman PROXMIRE. I know, but it seems to me what I want to find out is whether you really did dig into the issues behind Mr. Fitzgerald's difficulties with the Air Staff.

Secretary SEAMANS. I might just for one example note that he prepared a letter on December 15, 1967, to General O'Neill. At that time General O'Neill was the commander of the Space and Missile Systems organization on the west coast.

In this letter I might just quote one paragraph and you can judge for yourself whether this is the kind of paragraph that improves relationships:

Finally I think the Minuteman Program has suffered and is suffering from its own credibility gap. Some time back lying was a way of life in the program. Financial figures were plucked from thin air and deceptive technical information was presented as a matter of course. I believe this practice has done immeasurable harm to the program. A more serious and lasting effect is the example set for young officers and the damage done to the image of the Air Force.

Chairman PROXMIRE. I like that letter. I think that sounds like a good strong directive that the civilian branch of the Government should direct to its military when they think there is lying going on. It seems to me that rather than using terms that could not be understood this is an explicit and clear letter. How long a letter is this?

Secretary SEAMANS. This is a fairly lengthy letter. I will tell you in just a minute how many pages it is.

Chairman PROXMIRE. It is my understanding we learned that there was over a \$3 billion overrun on the Minuteman program, and it seems to me that it is proper to have some indignation about that kind of an overrun, and this indignation ought to be expressed clearly and in unmistakable language.

Secretary SEAMANS. It is a 10-page letter.

Chairman PROXMIRE. Can we have that letter for the record?

Secretary SEAMANS. You certainly may.

Chairman PROXMIRE. All right, without objection the letter will be printed at this point in the record.

(The following letter was subsequently supplied for the record by Secretary Seamans:)

DEPARTMENT OF THE AIR FORCE,  
Washington, December 15, 1967.

Lt. Gen. J. W. O'NEILL,  
Commander, SAMSO, Air Force Unit Post Office,  
Los Angeles, Calif.

DEAR GENERAL O'NEILL: As we discussed, I am sending along some of my thoughts on needed Minuteman management improvements.

Prior to reading the Minuteman Task Force Study Summary Report, I had assumed that you had reviewed the June 21, 1967, trip report which Gene Kirschbaum and I prepared. After reading the Summary Report, it appeared to me that you had not read our trip report. Consequently, I am sending along (Attachment 1) a copy of the June 21 trip report. I have gone over the document again, and I believe the recommendations it contains (Section VI) are as pertinent today as when they were written.

I want to elaborate on Section VI of our trip report, especially parts A, D, E, F, G and I (pp. 10-15). Taken together, the activities suggested in these parts would constitute a mechanically sound cost control function. However, as you might expect, there are problems.

To begin with, Minuteman cost problems are not generally recognized as such. In common with a broad segment of the weapon system management community, such problems on the Minuteman program are termed "funding problems." In general, one of two solutions to an imbalance of money and requirements for money is recommended by the SPO: one, more money; two, cut or "stretch" the program. With rare exceptions, this is true even when the cost of items in the program has escalated wildly, and avoidable inefficiencies are well documented. Some documentation of this type is contained in the reports Gene Kirschbaum and I had hoped to discuss with you during our September trip. I hope you have had an opportunity to review the reports in the interim, since I intend to discuss them during our visit next week.

In one instance, existence of a cost problem was acknowledged, and CMD made a commitment to take corrective action. Unfortunately, nothing came of it (see Attachment 2).

As we have discussed, financial people on the Minuteman are pre-occupied with fiscal year funding. Given this orientation, combined with the limited recognized solutions to funding imbalances, it is not surprising that most program financial efforts are directed toward justifying more money. This direction is supported and given impetus by pressures from the associate and SETD contractors who have a community of interest with the SPO in obtaining more money. In a commercial business situation, similar pressures are usually countered by a combination of top management restraint and the built-in awareness that excessive costs mean



disaster to the business and those dependent on it for livelihood. They are no comparable countervailing pressures in our situation. Indeed, the opposite is true; more costs and, hence, more funds mean increased personal security as long as the increases are tolerated.

In such an atmosphere, the would-be cost reducer, not high costs, is the problem to the military manager. The cost reducer offers a difficult, even unpleasant solution to the money/requirements imbalance. More money is an easy solution which makes nearly everyone happy.

If this situation could be reversed, that is, if managers could be convinced that success in their careers depended, at least in part, on their ability to achieve difficult cost goals without sacrifice of quality, schedule or program content, most would view cost reduction and control practices as aids rather than annoyances. Some of them might even invent improved practices.

I believe that you can establish the cost goals for Minuteman and supply the motivation to assure their accomplishment.

Another major problem, or perhaps it is merely a symptom of the problem I have just discussed, is the extreme shortage of people who understand tight cost control, who are motivated to work at it and are equipped to work at it. I say this may be only a symptom because I suspect that the problem would be greatly alleviated if the current poor atmosphere for cost control were to improve. It is likely that effective cost control people, experienced and skilled in the art, would be eager to join you if more opportunity were offered for exercise of their talent.

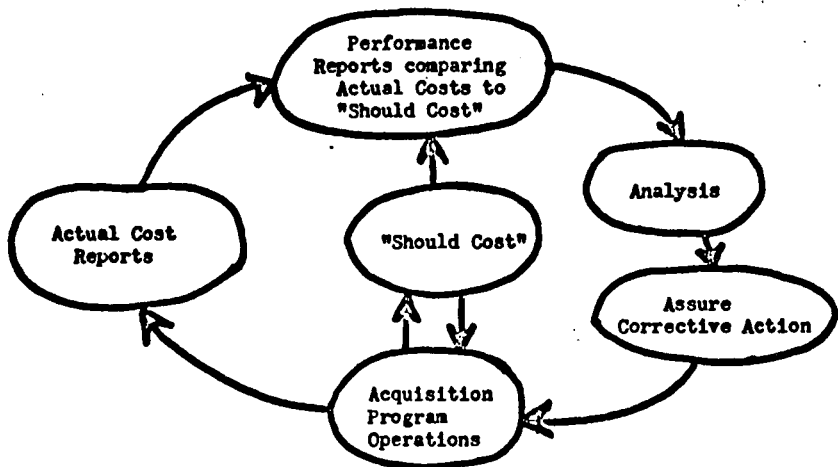
In any event, I believe these people will continue to be in short supply for some time to come. Therefore, it would appear desirable to provide an organizational home for cost control people and their function such that they can be concentrated for maximum effect. As I mentioned earlier, I do not believe cost problems and, hence, cost control, are recognized. Certainly the function of cost control is not understood. Let me explain.

Effective cost control, like any other form of control, is a closed-loop function. Starting with the operation we are seeking to control, we identify significant variables or characteristics of the operation which we wish to measure in order to evaluate the operation. Typically, in cost control we arrange reports of actual and anticipated costs to flow to SPOs and to various headquarters. Unhappily, some of our managers assume that such an arrangement constitutes a cost control system. Others, more astute, recognize that an effective control system must include provision for comparing actual costs to meaningful benchmarks. However, few if any appear to recognize the need for searching analyses of deviations from plan, followed by aggressive, timely corrective actions.

In short, the need for the feedback portion of the closed-loop system is not recognized. It is not surprising, then, that there is no organizational responsibility for closing the loop.

I suggest that an organization be established to establish "should-cost" levels for acquisitions, to perform variance analyses, and to assure that corrective actions are taken. Graphically, the suggested organization should be responsible for the shaded portion of the control system schematic shown below:

## COST CONTROL SYSTEM SCHEMATIC



This control cycle should begin to operate in a program's concept formulation stage, and should continue, with progressive refinement, throughout the program's life cycle. In addition, certain non-program functional expense areas, such as major contractor overhead, should be continually evaluated through the cyclic process.

The suggested cost control organization could be domiciled at the level of deputy SPD, as we have discussed, or in your immediate office. The latter location might be useful for spreading the concept and its application to programs other than Minuteman.

With all the suggested improvements, your cost control efforts could go for naught if the problems of folklore are not dealt with. Principal among these are the notions that

1. economic support of the industrial base is of paramount importance, and
2. tight cost control hurts quality.

The first of these arguments has wide currency just now. I hear it from many quarters, including the Minuteman SPO. In my last visit to Minuteman, I was told that Boeing personnel could not be cut because of our fear of labor union and Congressional reaction. In the last few days, "industrial impact" arguments were used as justification for adding millions of dollars to the Minuteman budget.

The military have little difficulty selling such propositions to certain politicians. Many endorse the concept wholeheartedly. Even those who do not endorse it believe a prime purpose of our spending is to support a massive, middle-class WPA. In a recent attack on the military-industrial-academic complex, Senator Fulbright said of our industrial base,

"Together all these industries and employees, comprising 10 percent of the labor force, will earn their living from defense spending. Together all these industries and employees, drawing their income from \$75 billion defense budget form a giant concentration of socialism in our otherwise free enterprise economy." (Underlining is mine.)

We have convinced Senator Fulbright, among others, that we are running a latter-day WPA. The dangerous thing, politics aside, is that many of the important people in our management group are similarly persuaded, and their actions are converting their belief to reality.

Meanwhile, as you know, Minuteman cost increases are being financed, at least in part, by cutting other programs, including those for new weapons needed by our operational forces.

You can do a great deal to alleviate this situation by your actions.

The second major folklore problem is the assertion now being bruited along that reduced funding caused the Antenetics quality problems. Even the Inspector General recently cited underfunding as one of the contributing causes of our Minuteman problems.

The facts do not support this contention. If you will review the document I cited in my December 14, 1967 note to you, I believe you will agree that the basic cause of our difficulty was the gross error in technical judgment in 1963. Many of our top scientists and engineers were parties to this error. I feel free to be extremely critical of this error because I am not doing so in hindsight. I reported the dismal outlook to the Minuteman SPD in September of 1963. I do not know whether he had prior knowledge of it.

Subsequently, far from starving the program financially, massive infusions of additional money were made in attempts to buy our way out of the technical difficulty. I believe that much of this money was wasted, but nevertheless, large amounts of money were available, and, so far as I know, minimal constraints were placed on the contractors in its use.

I have even heard the 1965 Minuteman overhead review and subsequent cuts blamed for the technical problems. This is absurd on the face of it, of course. The problem had existed for at least two years, and the overhead activities under attack had nothing to do with the problem anyway.

Attachments 3 and 4 provide some significant funding and cost comparisons. I believe that the near-automatic assumption that the cure for poor quality is more money is the most dangerous misconception now current in our business. It is true that we can absolutely ruin quality by failing to provide necessary resources. At the same time, I believe we can hurt quality with a superabundance of some resources, especially manpower.

In particular, I believe that underloading of factory personnel is a major cause of poor product quality and low yields. Underloading, that is, more people than the work requires, reduces concentration and attentiveness to a level detrimental to good workmanship, and rework soars. Some of the scrap produced invariably passes subsequent screening and shows up in field failures. Field failures too often result in the near automatic reaction I referred to earlier. More money is "turned on," more supernumeraries are hired, discipline is reduced, more failures occur, and the vicious cycle continues.

The cyclical process just described inflates the work force and reduces the apparent need for prudent, disciplined management of manpower resources. In the C/SPCS tests we have conducted to date, management discipline problems have proven to be the primary causes of failure. The contractors caught up in the fail-spend cycle, including Autonetics, have all failed our tests. The worst feature of this process and of the philosophy underlying it is that we tend to believe the theories, and therefore do not adequately examine fundamental causes of our difficulty. Let me illustrate this point with an example from my own experience.

Many years ago, when I was a young industrial engineer, fresh out of college, I was serving as quality control engineer in a manufacturing company. I was extremely interested in the business, and I studied incessantly. I took all the pertinent courses offered in the evening schools of the local universities, attended seminars and conferences and hounded all the recognized experts for scraps of knowledge. As a consequence, I learned a great deal about my specialty. Unfortunately, some of the things I learned weren't so.

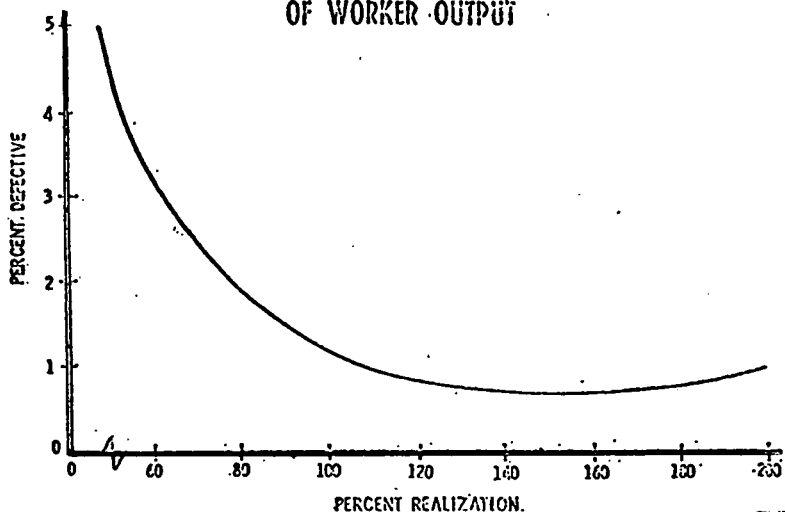
One of my theories at that time was that my company's wage incentive system drove the workers so hard that quality was degraded. In order to support my theory, I compiled records of the output and quality performance of several hundred individual workers for a period of several months. I expected that this compilation would show conclusively that the faster the people worked, the poorer the quality of their product.

Exhibit 1 summarizes my findings. As you can see, the facts were just the reverse of my theory up to an extremely high level of output. *The inefficient workers were producing the scrap.*

Much sobered, I then began to study the people. It quickly became obvious that the individuals possessed of superskill, the high-output, high-quality workers, were highly disciplined people. They had learned their trades well, they knew their jobs, and they did their work with a sure hand. The best prepared, best disciplined people did good work quickly.

The lengthy example just given has direct application to Autonetics. In April, 1965, I wrote to my project officer at BSD:

## PRODUCT QUALITY AS A FUNCTION OF WORKER OUTPUT



REF 111167

"At this point in our survey, the available analytical data for Autonetics factory labor is not as extensive or as well developed as compared to the overhead area. However, the data which is available indicates that factory labor utilization is extremely poor. Planned factors of actual to standard hours are in the range of 6-20 to 1, and actual recorded hours per unit are exceeding planned hours by a substantial margin. Even allowing for a high incidence of unrealistic time standards and low yields, all available data indicates that output per worker is less than one-half that being realized in manufacturing activities of other weapons of comparable complexity. Observations on the factory floor confirm the low labor utilization indicated by the control data.

"In our experience, under-loading of factory personnel is a major cause of poor product quality and low yields. We recognize that this statement flies in the face of currently popular trade-off theories, but experience supports our view. Under-loading of factory workers reduces concentration and attentiveness to a level detrimental to good workmanship, and rework soars. Every instance of dramatic improvement in factory unit hour cost we have been associated with has been accompanied by, and in part, caused by reductions in rework and improvement in product quality.

"Therefore, we are proposing a coordinated attack on the problems underlying high unit hours and high incidence of rework."

Corrective action taken as a result of this report consisted of revocation of the plant visit clearances of the BSD Project Officer, who endorsed the recommendation, me, and all of my associates.

Attributing the Autonetics quality problem to a shortage of money is, in my opinion, deceitful and hypocritical. In actuality, the experience illustrates the shallowness and lack of substance inherent in the unlimited funds theory. The real problem lies in quality of people and organization and in management discipline.

Because of the importance of the funding/quality misconception, particularly as it has affected Minutemen, I intend to give maximum publicity to my point of view and to the facts supporting my view. I solicit your assistance.

In formulating a broad management improvement plan for Minuteman, I believe you should consider the problem posed by the mass migration of Air Force officers into the management ranks of contractors with whom they have dealt. The AFPR who revoked our clearances at Autonetics is now a division manager at Autonetics. His predecessor, equally protective of the contractor's interest, is also now employed by North American Aviation. The procurement officer who blocked access by the Minuteman Program Control office to Autonetics contract negotiation records is now employed by North American

Aviation. The immediate superior of the project officer who was excluded from Autonetics' plant is now employed by Autonetics. The officer cited to me as responsible for killing the cost reduction project I contracted to perform at Autonetics is now employed by North American Aviation.

It is of course impossible to assess the effect of impending employment by contractors on the actions of officers still on active duty. I am sure that many of the individuals I have cited had no idea of going to work for North American at the time they were so vigorously protecting the interests of that company vis-a-vis the Government. On the other hand, it is perfectly clear to me that these same officers studiously avoided any action which might offend their ultimate employer.

Lest you accuse me of being unfair to North American and the officers they have employed, I concede that the condition I have described is not unique. Indeed, it is common enough to be our next national scandal. However, the fact that it is so widespread makes it imperative that the practice and its corrosive effect on our stewardship be controlled.

I believe publicity is the solution to the problem just cited. However, I do not have strong convictions on this point. I should like to discuss it with you further.

Finally, I think the Minuteman program has suffered and is suffering from its own credibility gap. Some time back, lying was a way of life in the program. Financial figures were plucked from thin air, and deceptive technical information was presented as a matter of course. I believe this practice has done immeasurable harm to the program. A more serious and lasting effect is the example set for young officers and the damage done to the image of the Air Force.

The solution to this problem is ultra simple: Tell the truth, no matter how painful.

Please excuse the length and bluntness of this memorandum. I want to make sure that we share a common understanding of the back-ground environment of the Minuteman program. As you know, many of us here have high hopes for your success. However, I believe it essential that you have a complete understanding of the genesis of the problems you now face. My reading of your Summary Report leads me to believe that you have not been fully informed on all aspects of the background problems. I intend to continue presenting my views on the situation as vigorously as I know how. In so doing, I hope I can help you in your difficult assignment.

Sincerely,

A. E. FITZGERALD,  
Deputy for Management Systems.

[Attachments.]

JUNE 21, 1967.

## CONSOLIDATED BSD TRIP REPORT WITH RECOMMENDATIONS

### I. INTRODUCTION

This report consolidates the findings and opinions of the representatives of Headquarters AFSC, AFSPD and SAF-FM regarding their visit to the Ballistic Systems Division on June 5, 1967. Because of the difficulty of arriving at a coordinated position on certain issues, this report does not contain all the points covered in individual reports of members of the group. In addition, all points included are not agreed to unanimously. Other findings and impressions of individuals are considered too delicate for inclusion in this report.

The Minuteman's program management disciplines appear to have collapsed. Hence, the strong tone of this report and recommendations.

### II. PURPOSE OF TRIP

The purposes of the trip were:

A. To discuss action taken and planned with Minuteman contractors in placing C/SPCS specification on the Minuteman contract and posturing contractors for system demonstration;

B. To examine selected Boeing contracts to determine status of the contracts and to assess the ability of Boeing to account for cost of work completed, estimates for work yet to be completed, and to identify funds spent to appropriations; and

C. To examine problems, if any, inhibiting cost control actions on the Minuteman program. Since we learned quickly that nothing had been done to implement C/SPCS, and that CFRE was essentially dormant, cost control failures and underlying problems became the focus of our attention at BSD.

### III. SYMPTOMS OF TROUBLE

#### A. Lack of definition

Lack of definition of work to be done appears to be the most fundamental symptom of trouble in the Minuteman program. This is traceable to inadequate original definition compounded by what appears to be a relaxation of controls over technical direction of contractors. Since, in many cases, definitive work statements do not exist, changes are obviously being generated without knowledge of the baseline from which changes are being made. The apparent lack of definition of work is carried forward to the contractual situation. For example, data shown during our visit indicated that only \$6.02 million of Boeing's estimated \$90.4 million of FY 67 RDT&E requirements have been definitized. Apparently, Boeing is accomplishing work and being paid. Subsequently, the work accomplished is defined and negotiated. A particular example is contract -791. This contract was originally established as a letter contract with an estimated total of \$70 million and 70% progress payments. While only \$18.7 million of the initial contract, plus \$5.5 million in CCN's have been definitized, an amendment has been added raising the estimated total to \$100 million with 90% progress payments. Thus, it appears that this contract is being used merely as an instrument to transfer funds to Boeing rather than as an instrument to exercise control. (This contract now has additional authorized changes raising the estimated total to \$181.2 million. Boeing anticipates an additional \$83 million over that.)

#### B. Decline in internal administrative effectiveness

The failure to maintain the CFRE (Contractors Financial Requirements Estimate) reporting system indicates a decline in the effectiveness of BSD and Minuteman internal administration. The CFRE procedures, providing as they do an orderly array of funding status, are essential to the internal administration of the Minuteman program. The CFRE presented at BSD as the latest available readout was dated December 1966. Questioning revealed that contractors had submitted reports in the interim, but that tabulating cards on which the reports are submitted had not been processed. No one seemed particularly disturbed by this omission. Furthermore, the Boeing CFRE, which was the focus of our funding interest, was improperly prepared. Again, while it was acknowledged that the preparation was improper and that the subject had been informally discussed with Boeing, no one seemed motivated to take official action to correct the reporting or report the discrepancy to higher headquarters.

#### C. Ineffective external administration

As noted previously, major portions of contractual effort are accomplished prior to definitization of contracts. SPO personnel readily admit the obvious fact that contractual restraints are ineffective as cost control devices in situations such as noted at Boeing. Despite this, no concerted activity to control or inhibit cost growth through contract administration was detected. The Minuteman SPO states that "Minuteman contractor manpower loading has not been seriously worked since 1965 and needs a critical review to assure that R&D manpower is phased down commensurate with R&D effort." To the credit of the Minuteman SPO, they have made efforts to enlist the support of AFCMD in improving external administration. The Minuteman SPO has initiated past efforts to analyze contractor cost outlooks. Reviews and valuations of the sore needed by Minuteman, however, were regarded as the responsibility of the CMD. It appears now that there is some question as to placement of this responsibility and that the CMD currently is doing little to directly attack the Minuteman problem.

#### D. Inability or unwillingness to comply with performance measurement and reporting requirements of Air Force Headquarters

As mentioned in an earlier section of this report, nothing has been done in recent months to further the performance measurement effort by Minuteman contractors. As will be recalled, AFSC, with the concurrence of Hq USAF, directed that all major contractual efforts be covered by the Air Force C/SPCS specification in March 1967. BSD, it appears, used this direction as an excuse to stop most of the effort on their Earned Value program, but, as of the time of

this visit, had taken no steps to require conformance with the C/SPCS specification. As of the visit date, the specification had not been placed on any contract at BSD. The foregoing conditions have contributed to the difficulties of the Minuteman SPO in complying with the direction from the Vice Chief of Staff dated February 8, 1967. At the date of our visit, there were no definite plans to do anything in the areas of performance measurement and reporting.

#### UNDERLYING PROBLEMS

##### *A. Personnel turnover*

The most readily apparent underlying problem in the Minuteman program has been the incredible mismanagement of personnel turnover. In a space of a few weeks last summer, the Program Control Director and his two principal assistants left this complex program. At about the same time, the Director of Procurement and his principal assistant also left the program in quick succession. During the same period, a new System Program Director was assigned, and numerous changes took place in the project offices responsible for the management of portions of the program. Management of the complex Minuteman program was always characterized by some degree of the symptoms noted in the previous section. However, the abrupt dismantling of the management organization has caused the previously existing problems to increase greatly in degree.

##### *B. Supposed Air Force policy*

As stated previously, contractual restraints are inadequate to control contractors' costs in major portions of the Minuteman program, and nothing is being done to provide alternative or supplementary controls. BSD procurement people told us that Air Force policy prohibits any other form of contractor cost control or restraint.

##### *C. Degradation of discipline*

To those of us who have been close observers of the Minuteman program for long periods of time, the degradation of discipline in the program appears to have reached serious proportions. The lateness of contractual and other administrative actions is, we believe, symptomatic of a general decline in discipline and attention to duty. Furthermore, compliance with direction from higher headquarters, up to and including the office of the Chief of Staff, is delayed indefinitely.

##### *D. Ethical situation*

Although it is impossible to quantify its effects, the ethical situation in the management of the Minuteman program has a derogatory impact on program management. There are many examples of failure by BSD and Minuteman management personnel to exert maximum effort in the government's interest, compounded by strenuous efforts to cover up problems and stifle criticism. A glaring example is the manner in which attempts to pinpoint responsibility for failure have been dealt with in recent months. It is generally believed that the System Program Director is being relieved of his responsibilities because he told the truth regarding failure of one of the Minuteman contractors to deliver as promised. Citing the failure of this contractor is viewed in some quarters as a reflection on the System Program Director's superiors. It is very difficult to envision anyone conveying an unpleasant truth to the headquarters in these circumstances. The outlook for full visibility by higher levels of management is dim indeed. Worse, the ethical and moral climate makes it nearly impossible to motivate people properly.

##### *E. Intermingling of "subsidy" requirements with hard program requirements*

In 1965, the Minuteman program control office compiled a set of figures showing the growth of "subsidy" accounts on the Minuteman program which was most alarming. This compilation was quickly buried and lost from sight. Presumably, the cleanly identified subsidy accounts have been diffused, thereby making more difficult any reconstruction of such a compilation. However, it appears still that the true Minuteman program requirements are inflated by excessive amounts of subsidy or maintenance of capability. This problem is closely related to the absence of definition of work to be done. Further, the disguising of subsidy items as true program requirements contributes heavily to the ethical problem just cited.

### ***F. Non-competitive environment***

Although there have been some isolated examples of competition in the Minuteman program, notably the Improved Third Stage and the Mark 17 re-entry system initial contracts, the program as a whole is characterized by lack of competitive acquisition. Many of the contractors in the Minuteman program have operated in a sole source environment for nine years. The situation cannot fail to engender complacency and disregard for management controls.

### **V. RESULTING OUTLOOK**

As a result of the problems and environment with which the Minuteman program is encumbered, there is no visible cost control on the program. Unless some of the problems are solved, and the environment changed, there is little chance of gaining control in the future.

### **VI. RECOMMENDATIONS**

#### ***A. Define the program and keep it defined***

1. Review systems requirements, compare to contracts and make necessary adjustments. This review should be performed by a highly qualified group including representatives of SAF-RD, SAF-I&L and SAF-FM. In those situations in which definition of work to be done is very poor, and the responsible contractor resists attempts at definition (e.g., at Boeing), existing contracts should be cancelled, and new ones written for only that work which can be defined.

2. Establish controls over "technical direction." The apparent ability of TRW and Aerospace Corporation to authorize changes without adequate review, justification or specific evaluation of impact must be controlled.

3. Institute a comprehensive program for the improvement of contract and cost change management.

4. Interface the technical direction contracting pricing and cost management responsibilities to preclude unilateral actions by any or all of these areas.

#### ***B. Firm up plans to "buy out" the Minuteman program***

In our opinion, management problems in the Minuteman program are so severe and deep-rooted as to necessitate a new start in our strategic ballistic missile development and deployment effort. The new start should be initiated soon enough to provide an overlap with the existing Minuteman programs sufficient to give continuity to this vital mission. New efforts should be initiated at a different location, using a new Air Force organization and, if warranted by competition, new contractors. Since any buy-out plan is likely to require several years, interim management improvement actions should be taken.

#### ***C. Introduce competition into the Minuteman program***

As mentioned previously, some major Minuteman contractors have been favored with sole source contract awards for nine years. The Air Force Staff is planning a program aimed at producing and capturing documentation which should enable us to compete sizeable portions of Minuteman production work. This effort should be pushed forward as rapidly as possible.

#### ***D.<sup>1</sup> Place greater emphasis on identification and elimination of inefficiencies in price proposals***

In common with pricing at most other locations, BSD price analysis is heavily dependent on extrapolation of trends of actual costs as their primary price analysis tool. Current procedures should be supplemented by "should cost" analyses of price proposals and tougher negotiations. In addition "subsidy" items should be identified for review by higher levels of management. Escalate price analysis, fact finding and price negotiation as necessary. Practically, it would appear that most escalations would be settled by AFSC Headquarters. Accordingly, consideration should be given to strengthening analytical capability of AFSC Headquarters either by consolidation of scarce talent or addition of new people.

<sup>1</sup>The following substitute for paragraph VI.D is suggested by Mr. Gordon Arthur:  
"D. Identify 'subsidy' items in price negotiations. 'Subsidy' items should be identified for review and approval when fitting, by higher authority rather than the present informal direction, or SPO acceptance of responsibility without authority for standby manpower."



**E. Identify and eliminate inefficiencies in ongoing contractor efforts**

1. Restart the 1965 Minuteman cost studies aimed at identifying large areas of inefficiency and overstaffing at contractor plants.

2. Conduct reviews in depth at the contractor plants of inefficient areas identified in the cost studies. Sufficient facts should be gathered to make logical cases for corrective action by contractor management. As in the case of contract price negotiations, these persuasive efforts should be escalated to a level in the Air Force sufficient to bring about corrective action. Examples of demonstrable inefficiency allowed to go uncorrected by contractor management should be disseminated as considered appropriate by OSAF.

**F. Make full use of "subsidy" funding included in Minuteman program**

If any "subsidy" funding is approved by higher headquarters, BSD and the minute SPO should assure that plans exist for efficiently utilizing such funding, and that these plans are followed.

**Clarify Air Force policy regarding cost control**

Air Force policy with respect to cost control should be clear enough following Secretary Brown's memorandum to the Chief of Staff dated May 18, 1967. However, the messages contained in the Secretary's memorandum might be specifically emphasized for the benefit of BSD and Minuteman.

**H. Work the personnel problem**

1. The level of management competence on Minuteman must be upgraded. Inexperienced or otherwise unqualified personnel in key positions should be replaced.

2. Stabilize SPO manning of key management positions. Once qualified personnel are placed in key spots, they should be left in place for a full four-year tour (or until completion of the program in the event of an early buy-out) unless they fail to perform satisfactorily.

3. Re-establish discipline. It is our opinion that one reason for the failure of Minuteman SPO and BSD to follow established procedures and new direction is that they are burdened by inexperienced or otherwise unqualified personnel. Temporary help should be provided by higher headquarters to assist in the re-establishment of basic Minuteman business procedures. Further, if responsibilities are unclear regarding new direction, assistance should be given in these areas also. However, once the excuses are removed, failures to follow direction promptly should be dealt with through disciplinary procedures. Failures in carrying out basic stewardship responsibilities should be dealt with now.

**I. REVITALIZE PERFORMANCE MEASUREMENT ACTIVITIES**

As recorded earlier, the Minuteman Earned Value program has been killed, nothing has been done on C/SPCS, and performance reporting requirements of Headquarters USAF are not being met. Efforts to comply with USAF performance measurement requirements have been actively subverted by BSD Air Force officers. These officers should be relieved, and compliance with USAF policy should be required of their successors. Headquarters AFSC has reaffirmed their instruction to BSD repeatedly. The latest such example is included as Attachment 1.

G. B. ARTHUR,  
*Technical Assistant, Pricing and Financial Division.*  
 LARRY KILLPACK,  
*Colonel, USAF, AFSPDMC.*  
 A. E. FITZGERALD,  
*Deputy for Management Systems, SAF-FMM.*  
 E. L. KIRSCHBAUM,  
*Technical Adviser, DCS/Comptroller, AFSC.*

\* The following additional change was proposed by Mr. Arthur: In E.2. eliminate "as in the case of contract price negotiations."

DEPARTMENT OF THE AIR FORCE,  
Washington, D.O., June 16, 1967.

— Implementation of the Cont./Scheduled Planning and Control Specification  
BSD (BSC)

1. This refers to meeting at BSD on 5 June 1967 on the above subject.
2. Confirming the request made at subject meeting, it is requested that a copy of your plan for implementation of the C/SPCS be furnished this Headquarters (SCC) at your earlier convenience. Such plan should include:
  - a. Schedule for incorporation of the specification in contracts of the various development and acquisition programs under the cognizance of BSD.
  - b. Action items, strategy, and timetable for completion of actions culminating in posturing affected contractors for team validation/demonstration of the contractors C/SPCS.
  - c. Schedule for validation/demonstration.
3. During the review at BSD, it was pointed out that as a part of your planned actions for the C/SPCS implementation that orientation briefings were being and would continue to be given contractors, especially Minuteman contractors. It is requested that a copy of the narrative and viewgraph content of such orientations be furnished.
4. While at Boeing on 7 June, we discussed briefly the need for the WPS level of reporting required for CFRE. There was a feeling that the level was too low and the reporting level was not being effectively utilized. Also, with regard to the various Project Elements, there was a question as to the intended use of the Project Element break and their relative value since most of the elements were commingled on contracts, were not identified and separately priced, and Boeing did not identify actual costs with the elements. Accordingly, the Project Elements, in effect, represented an estimated delta cost in much the manner as an ECP with no real capability of ascertaining the actual cost during intermediate points of completion or at completion. It would be appreciated if you would pursue this matter further and provide your comments and recommendations.
5. The cooperation of the BSD troops during our visit there and at hearing was excellent and sincerely appreciated.

For the commander:

E. L. KIRSCHBAUM,  
Technical Advisor, DCS/Comptroller.

PROJECTIONS OF AUTONETICS OVERHEAD RATES COMPARED WITH ACTUAL EXPERIENCE COMMITMENTS OF  
JULY 6-7, 1965

	1964		1965		1966		1967		Actual	
	Actual	AFPR commitments	Con-tractor	AFPR commitments	Actual	Con-tractor	AFPR commitments	Actual		
Manufacturing.....	\$3.42		\$3.50	\$3.42	\$3.49	\$3.64	\$3.42	\$3.68	\$3.78	\$3.78
Engineering.....	\$5.28		\$5.57	\$5.57	\$5.80	\$5.88	\$5.29	\$5.96	\$6.19	\$5.88
MPC (percent).....	10.1		10.7	10.8	11.5	10.8	10.4	9.9	10.8	9.8
G. & A. (percent)....	15.2		13.9	13.9	14.3	13.9	13.1	14.7	13.9	14.5

<sup>1</sup> Per DLN.

Note: Base, 15,000,000 manufacturing hours; 10,000,000 engineering hours.

SAVINGS IF AFPR RATES HAD BEEN ACHIEVED

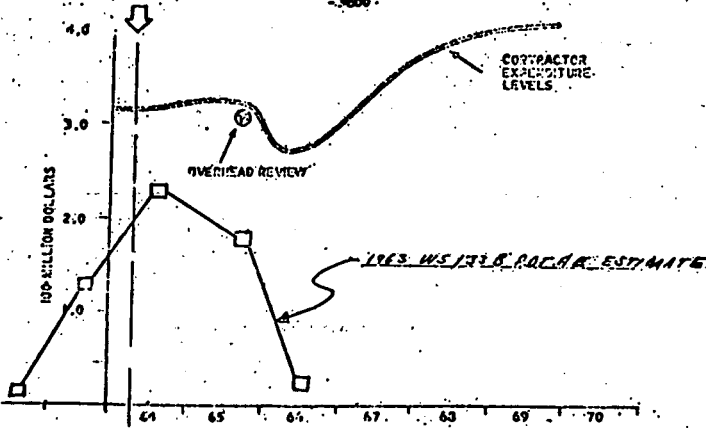
[In thousands of dollars]

	1965 expense			1966 expense			1967 expense		
	Actual	AFPR rate	Difference	Actual	AFPR rate	Difference	Actual	AFPR rate	Difference
Manufacturing.....	56,400	55,269	1,131	54,040	50,222	3,818	59,880	54,177	5,703
Engineering.....	54,162	52,014	2,148	58,498	55,657	2,841	79,421	67,805	11,616
MPC.....	14,127	13,267	860	13,377	14,053	(676)	16,835	17,179	(344)
G. & A.....	52,185	50,725	1,460	53,002	47,233	5,769	66,700	56,580	10,120
<b>Total.....</b>			<b>5,599</b>			<b>11,725</b>			<b>27,095</b>

Summary (in millions):

1965.....	5.6
1966.....	11.8
1967.....	27.1
<b>Grand total.....</b>	<b>44.5</b>

NOTIFICATION TO RDT&E Program Levels  
 CPO OF ASYMMETRIC TECHNICAL PROBLEMS

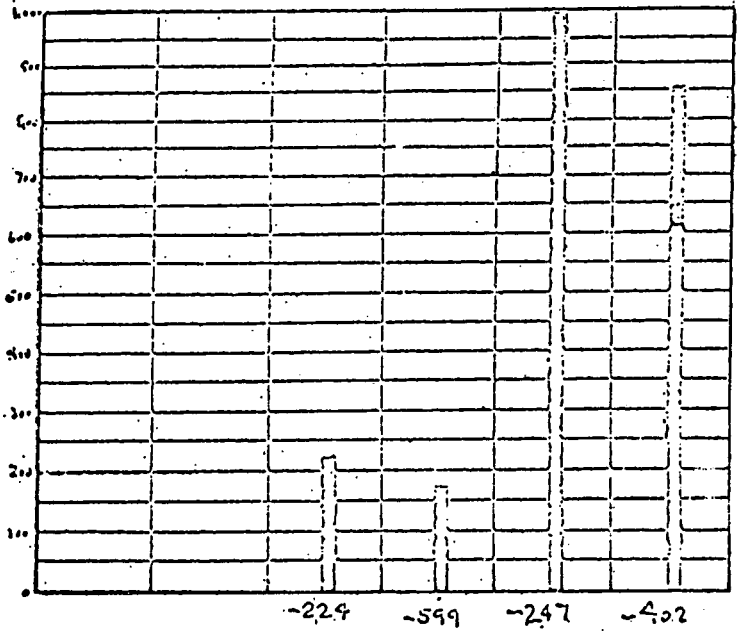


1963		1964		1965		1966		1967		1968		1969		1970	
7.9	112.50	119.0	111.57	112.2	112.2	112.2	112.2	112.2	112.2	112.2	112.2	112.2	112.2	112.2	112.2
7.9	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5	112.5

Excerpt from letter to General of Staff, Commander, SACD, Dec. 15, 1967. 11-5716-9

MINUTEMAN GUIDANCE - UNIT COST COMPARISON

Guidance and Control



	MM I		MM II	
	-224	-599	-247	-402
	NS-10	NS-10	NS-17	NS-17
Spec. Gyro	52.3	452.0	64.0	36.0
Total Cost	129.0	129.0	129.0	129.0
Est. Unit Cost	21.4	177.7	161.1	152.2

DATA SOURCE:

- Computer
- Gyro
- Assembly
- Other

PIGA

20-5

DATA

Chairman PROXMIRE. Is it possible that Mr. Fitzgerald was correct in whatever differences he had with the Air Staff? Did you think of this, that Mr. Fitzgerald might be right and the staff might be wrong?

Secretary SEAMANS. I have yet to meet any responsible person in the military or in the civilian side of the Air Force that I can accuse of lying, so I feel myself that this was a false accusation.

Chairman PROXMIRE. Well, Mr. Seamans, you and I have been around for a while, and you and I know that whether we tell all the truth, the precise truth all the time, I doubt if any of us get through a full day without shading the truth a little bit, whether it is to our wives or our children or our children to us. I don't think we all are that pure or that all the people in the Air Force are. But when you get a program that is this vital and this important to the taxpayer and to the security of our Nation, and people are making statements which are false and which they have every reason to know are false, it would seem to me that it is proper to speak up and you and I have different views.

Let me ask you this. Mr. Fitzgerald has expressed his fear that an adverse comment might be placed in his security file without his knowing. Has this been done so far?

Secretary SEAMANS. Not to my knowledge. I have not seen his security file, however.

Chairman PROXMIRE. Shouldn't you have knowledge of that? Here is what we are up against in this. As I understand it, a man can really be ruined, a man with Mr. Fitzgerald's background and experience. He can be kept from working in any branch of the executive. He can be kept from working on the Hill or in private industry if this kind of an adverse comment is put into his file, working in the areas where he has competence, because if he does not have security clearance, his experience is pretty much useless.

Now, he cannot know. He testified to us yesterday that he is not told, that a person on whom this kind of information is put in the file is not notified it is in the file so that he has a chance to appear and dispute the charge if it is not true. Apparently you tell us that you do not know. Who would know?

Secretary SEAMANS. Let me rephrase what I said. I have not seen the file, is what I was getting at.

Chairman PROXMIRE. Yes.

Secretary SEAMANS. But if his security clearance had been removed I would of course know it not from having seen the file, but I would know that this kind of action had been taken. It has not been taken, and I am certain that his security file would show that he has not in any way been jeopardized by an action he has taken.

Chairman PROXMIRE. For the public record right now, Mr. Kaufman has called to my attention that preceding the letter, the sentence preceding the paragraph you read us, that Mr. Fitzgerald had written to the Air Force general on the Minuteman, the preceding sentence Mr. Fitzgerald wrote:

The solution to this problem is ultra simple. Tell the truth no matter how painful.

Then he went into his part of that letter which you have read to us. It seems to me that this is the kind of conviction and expressed position

that we ought to cherish and reward in the Air Force and in the executive branch, rather than criticize.

I made an assumption here, Mr. Secretary, and I may be wrong. Is it possible to place such a comment in an individual's security file without his knowledge? We had that testimony yesterday, and I wanted to check it with you.

Secretary SEAMANS. I want to be sure I give you a complete answer. It would not be possible for him to have his security clearance changed without his knowing it while he is working, say, in the Department of Defense, or working anywhere else for that matter.

Chairman PROXMIRE. Can an adverse comment go into the file without necessarily changing his immediate security position, but serve as notice to people who might hire him that he is someone that they had better blackball?

Secretary SEAMANS. My understanding is that this is not possible, unless an investigation is run on an individual, and no investigation has been run on Mr. Fitzgerald.

Chairman PROXMIRE. Is any such investigation contemplated?

Secretary SEAMANS. No such investigation was approved by me and was not approved by anyone else.

Chairman PROXMIRE. Can you tell this subcommittee in view of the fact that Mr. Fitzgerald has now been eliminated from the Air Force that no such investigation and no such charge would have your approval, would have your direct explicit disapproval?

Secretary SEAMANS. I can say categorically that such an investigation would never take place with my approval, and it should not take place without it.

Chairman PROXMIRE. Thank you. That is very useful.

Now, Mr. Schedler, when you hired Mr. Dymont of Arthur Young & Co., did you realize that this company was the auditor for the Lockheed Corp., and did that not appear to be a conflict of interest inasmuch as Lockheed is not only an Air Force contractor but I guess the biggest contractor for any branch, the biggest procurement supplier the Federal Government has?

Mr. SCHEDLER. Yes, sir; I knew they were, and in my opinion that presented no conflict of interest.

Chairman PROXMIRE. Your opinion was what?

Mr. SCHEDLER. In my opinion this presented no conflict of interest.

Chairman PROXMIRE. You do not think it was a conflict of interest for a man retained and paid by Lockheed on their payroll and would continue to be on their payroll, his firm would be on their payroll, to come up at the same time and work for the Air Force in a position where his job is in part to help hold costs down on Lockheed contracts and other contracts? It seems to me that is a patent conflict of interest.

Mr. SCHEDLER. Mr. Dymont was not hired as such. He was a consultant to work about 8 or 10 days a year. Also there is—

Chairman PROXMIRE. Would he have had nothing to say at all, no voice whatsoever in any dealing with Lockheed?

Mr. SCHEDLER. That is substantially correct. One of his—

Chairman PROXMIRE. Is it completely correct? It seems to me if it is not clear that he would have absolutely nothing to do with Lockheed that there is a conflict.

Mr. SCHEDLER. Certainly one of the areas on which I sought Mr. Dyment's advice dealt with the system for channeling information on all contractors that we survey or actually watch, up to the top management of the Air Force, and, of course, Lockheed is one of these, one of quite a few.

Mr. Dyment was part of the management services division of Arthur Young and not a part of the audit division.

Chairman PROXMIRE. Well, if it was not a conflict of interest why did you dismiss Mr. Dyment after the contract hiring was disclosed in the newspapers?

Mr. SCHEDLER. Mr. Dyment informed me at that time he would be pleased to continue, but I felt there was not any point in continuing to expose a very dedicated person to unnecessary harassment.

Chairman PROXMIRE. Apparently that view would not apply to Mr. Fitzgerald, however. I am going to ask something unusual, but I think it will be most helpful. It would save the time of the subcommittee and would perhaps save your time, too; Mr. Secretary and gentleman. I would like to ask Mr. Fitzgerald to come forward and sit next to Mr. Schedler at the witness stand here.

Secretary SEAMANS. I wonder if I could just say one thing, Mr. Chairman.

Chairman PROXMIRE. Yes, indeed, Mr. Secretary.

Secretary SEAMANS. With regard to Mr. Dyment, I never met him. However, Mr. Schedler did advise me about a month before Mr. Dyment started working for us that this man was available, that he had considerable experience in management systems, that he, Mr. Schedler, had known the man at the Harvard Business School.

The man was as I understand it a partner of Arthur Young. He did not work for Lockheed. He felt that he could make available some 6 to 8 days a year to come down and work with us on holidays and weekends and things of this sort, where what we would pay him would be the going consultant rate, and that he would turn this over to his firm, to the other partners, that there would be no overhead expenses and things of that sort.

When this whole matter flared up, if you will, in the public media, I frankly felt that it was not fair to Arthur Young, it was not fair to the man himself, to have him continue just for 5 to 6 days per year.

Chairman PROXMIRE. I think that was a very good decision. After all, this man was an employee of Arthur Young. His financial well-being depended on the well-being of Arthur Young, and Arthur Young in turn I imagine one of their biggest, maybe their biggest client is Lockheed.

Secretary SEAMANS. Anyway, I concurred in the recommendation made by Mr. Schedler that he would not go ahead with the consultant.

Chairman PROXMIRE. Now may I ask you, may I ask you, Mr. Fitzgerald, in view of what happened since you testified just about a year ago before this subcommittee, do you believe you were removed for what one of the witnesses this morning called reorganization purposes, and another calls economy reasons in part at least? Is this in your judgment a reasonable description of what happened to you?

**STATEMENT OF A. ERNEST FITZGERALD, DEPUTY FOR MANAGEMENT SYSTEMS, OFFICE OF THE ASSISTANT SECRETARY FOR FINANCIAL MANAGEMENT, U.S. AIR FORCE**

Mr. FITZGERALD. Mr. Chairman, this is as I entered into the record yesterday the official reason, and I have been given no other by my superiors here. However, as I have also testified, I believe that my testimony before this subcommittee last year did set into motion a series of events which eventually did culminate in my dismissal or at least elimination of my job, whatever you choose to call it.

Chairman PROXMIRE. Do you believe that those who have worked with you over the years will be encouraged to try to cut costs as a result of your experience?

Mr. FITZGERALD. I think there is no question that they will be very hesitant to be aggressive in the areas that we have worked on in the past. That is clearly not a popular thing. As Dr. Seamans indicated, the directness that I had applied with respect to my dealings with Minuteman in particular, was resented. I knew the Minuteman quite well and I stand behind those statements. The lying on that program was very very serious indeed, to the point—

Chairman PROXMIRE. When you say lying what do you mean lying? I agree with Dr. Seamans that this is a strong term. It should be applied only when warranted.

Mr. FITZGERALD. Yes.

Chairman PROXMIRE. This is a very strong term.

Mr. FITZGERALD. That is right. And we ought to be as explicit as we can on it.

Chairman PROXMIRE. What do you mean by lying? Document that.

Mr. FITZGERALD. I will be glad to. I have submitted data to Mr. Roeback of the Government Operations Committee in the House substantiating the concealment of a very, very serious technical problem on the Minuteman. I was involved in the thing. I knew about it. The people I was writing to knew about it. There is just no question about it.

Chairman PROXMIRE. Did they make statements that were false, that they knew to be false?

Mr. FITZGERALD. Concealed technical problems which led to a very dangerous situation in the readiness of the Minuteman fleet.

Chairman PROXMIRE. Do you believe that civil servants will be willing, more willing than before, to testify truthfully to Congress and answer whatever questions Members of Congress ask them on the record, on the basis of your experience?

Mr. FITZGERALD. I think there is no question but that the climate for candor is worse. Certainly no one will be encouraged to speak candidly before congressional committees on controversial matters.

Chairman PROXMIRE. Did Secretary Seamans say to you that the staff did not like you?

Mr. FITZGERALD. Yes, sir, he did.

Chairman PROXMIRE. Did you make any note or do you have any other way of being sure that that is what he said because Dr. Seamans does not recall that conversation?



Mr. FITZGERALD. Well, I think Dr. Seamans recalls the conversations but not the particulars of it. That stuck in my mind because it was such a specific and to the point explanation of my difficulty, and I think he was quite correct. I do not argue with it, and I think it was told to me in all friendship. This was a fairly cordial meeting. It is the only time I have ever met Dr. Seamans. As a matter of fact, I have never seen him again until today, I do not believe. But the meeting was very pleasant from my point of view, and I thought it was good advice and I took it that way, and I believed him. I think he is right.

Chairman PROXMIRE. You heard about conversations with members of Congress, that you were leaking documents to the House, and you were not a team player?

Mr. FITZGERALD. Yes, sir, I certainly have. I mentioned yesterday that I had heard such rumors. I had not yet been able to run them down, although I believe some of the individual members who have been contacted are going to attempt to get them clarified and perhaps put in writing. I am not certain of this, and I would like to say that the line of questioning Congressman Moorehead was following was more or less what I have heard.

Chairman PROXMIRE. It is a long, long time but it is clear now, the Secretary makes it clear that you did not in his judgment, and I think he is in a position to know it, breach security in any way. He says to his knowledge you have not done that, and certainly he is the man who is in the best position to testify to that fact.

I would like to ask you about something, and the other gentlemen, too, I would like to join in, do you agree with the facts you know that the overrun in C-5A is only \$1.5 billion?

Mr. FITZGERALD. I think the difficulty there is the terminology, "overrun." I think that there has been a choice of words which enables spokesmen to say that the overrun as such is somewhat smaller than the total cost increase.

I would prefer to talk about the total cost increase, because this is what affects the taxpayer and Congress. The total cost increase has been much greater or would be much greater under the total program than \$1.4 billion, at least \$2 billion, perhaps much more.

Chairman PROXMIRE. The cost increase or cost growth or whatever you call it as distinguished from the improvement changes may have increased the performance of the C-5A and therefore you are buying more planes, you are buying better planes, is that the reason?

Mr. FITZGERALD. That is a unique definition of overrun that has been developed from time to time. The classical definition is amount of actual cost in excess of target cost, and there has been very, very little talk of that.

What has been done is to explain away part of the cost increase as not being overrun attributed to increased size of the airplane, increased economic growth over that forecast and so on, but the fact remains the subject that I have discussed or rather the phraseology that I have used in my appearances has been cost growth, and the total increase in the price to the Government is what I am interested in, and I believe that is what the majority of the members are.

Chairman PROXMIRE. You testified to us yesterday that there was some evidence, you didn't say that you had made a comprehensive

judgment, but some evidence that there had been a reduction in some of the standards for the C-5A, and that it was possible that the C-5A may not be more plane but less plane than it was when it was originally contracted for.

Mr. FITZGERALD. I mentioned also that I was not sure of all the changes that had been made. As I have written to Mr. Schedler's office, and to this office, to this subcommittee, I was very eager to present a balanced picture of all the changes. However, for several years since 1966 we have heard of relaxations of secondary requirements on the airplane, primarily those dealing with Lockheed's difficulty in making weight. Assistant Secretary Whittaker's report outlined some 12 changes in requirements which I believe we might agree were certainly not improvements, items such as reduction of payload on the rough field mission. Now, there may be offsetting benefits. I do not know about them, and I was attempting to get in response to your questions in June a full and valid, complete picture of these changes and their effect on the airplane.

Chairman PROXMIRE. Dr. Seamans and Mr. Whittaker, would you comment?

Secretary SEAMANS. I would like Mr. Whittaker to comment.

Mr. WHITTAKER. I am not quite sure what point to comment on, Mr. Chairman. Do you want us to talk about the cost or about the specific changes?

Chairman PROXMIRE. If you would like to, I am simply giving you an opportunity if you would like to answer the statement of Mr. Fitzgerald. Do you agree that it is an accurate statement? That would be satisfactory. If you think you would like to take exception in any way let us know.

Mr. WHITTAKER. I didn't understand we were going to have a debate here, Mr. Chairman. I would like to say, sir—

Chairman PROXMIRE. I just want to get the record as clear as I can. We are at the mercy of you gentlemen in the Air Force who have the information. I think we ought to make a record as clear and understandable as we can make it. Getting you two gentlemen together I think is one way of trying to get a better record here.

Mr. WHITTAKER. I have been trying to communicate with you, sir, since July 30 on the changes, and I would certainly hope we can now. We will try to put together a further detailed statement and present that to the committee for the record. (See p. 133, "C-5A Contract Changes.") I think I covered that in general this morning.

Chairman PROXMIRE. All right.

Mr. WHITTAKER. As far as the cost is concerned, I have been concerned, and again I hark back to the 3 hours we spent in your office, sir, on July 30. I have been concerned about on the one hand the complete candor that we tried to put into the Air Force report this summer on the C-5A program, where we spelled out all kinds of possible selections for the benefit of the reader of the report as to what he might want to consider to be the cost growth in the program.

We talked about what I think is the most equitable kind of comparison, which is the comparison between the target price at the time of contract and the cost estimated as of the point in time at which the comparison is made for the same pieces of hardware, that is the aircraft and the initial spares.

We have repeatedly gotten wrapped around the axle if you will on the problem of including replenishment spares and other items in the comparison. The obvious point that Mr. Fitzgerald made a few minutes ago that the taxpayer has to pay for replenishment spares, although he did not use that term, is certainly a valid point.

However, the difficulty, sir, is that it is like comparing an automobile that you buy today with an automobile plus the spares and all the repairs that are going to go into that car for the next 5 years. The question is, Is that a valid comparison? But the point is, sir, that we have tried in the C-5A report and since then, I believe, to be absolutely open and candid about our cost projections.

I reject emphatically any implication that we have been less than completely candid, since I have been in the Air Force, with respect to reporting the cost of the C-5A program.

Chairman PROXMIRE. All along we have had a lot of trouble getting something on this program and I do not blame you for the earlier difficulties, but as I have pointed out earlier Mr. Fitzgerald called attention to the overrun likelihood back in 1966, twice in 1966, but in 1968, in March, the Air Force testified before the House that there was no overrun, that the program was in fine fettle, and it was only last Friday that the Air Force finally admitted that this was a \$5.3 billion program, and that was based on a June estimate, so while the candor may be gradually being pulled out kicking and screaming, I do not see that we are getting—I do not see that we have a long record of complete and full disclosure by the Air Force to the Congress.

I would like to ask Mr. Fitzgerald if you agree with the argument made by Mr. Whittaker that we are not comparing the same plane at all, that when you talk about replacement spares this way that it is like saying if you buy a car you might have to buy a third and fourth set of tires and that that is not included in the purchase of a car and should not be.

Mr. FITZGERALD. I think I indicated in my submission to this subcommittee that there had been a change in the spares program. This was contained in the footnote of the cost comparisons, showing the growth in cost of some \$1,959 million. It is not entirely clear what provision was made for spares in the initial estimates, so I am unable to say for sure exactly how comparable the before and after estimates are on those points.

The record, I think everyone would agree who looked at it, is most unclear on it. There is a line item, spares, in the early estimate, but it is not really defined. The presentations made in the fall of 1965 stated that provisions were made for replenishment spares, but this is not supported beyond that assertion.

Chairman PROXMIRE. When you first saw the C-5A contract were the so-called golden handshake provisions in it? Would you have noticed that provision if it had been?

Mr. FITZGERALD. The portions of the contract that were distributed to my office on request did not contain this provision. I assumed that it was in, and was just not sent to my office.

Chairman PROXMIRE. What date was that?

Mr. FITZGERALD. I simply do not know. Pardon me?

Chairman PROXMIRE. What date was that?

Mr. FITZGERALD. This must have been in the latter part of 1965.

Chairman PROXMIRE. Why shouldn't you have been told that? If that was in it how could you possibly have made a proper evaluation of the contract?

Mr. FITZGERALD. I cannot answer that, Mr. Chairman. I do not know. I first learned of the exact nature of the so-called golden handshake formula in the very early part of 1968, and I was as surprised as most other people, I believe.

Chairman PROXMIRE. You heard earlier, Mr. Fitzgerald, the testimony about the C-5A technical information requested by the subcommittee in response to the Air Force. Can you comment on the difference between what was requested and what was received? Do you agree that the Air Force responded adequately to the request made of you by the subcommittee?

Mr. FITZGERALD. I am not sure what they have responded with as yet. I can recount for you, though, some of the events that took place, and the timing was as Mr. Whittaker indicated I think.

However, what Mr. Whittaker had sent me was a listing of the changes, the change actions, and documents by category; that is, those affecting design and performance, those affecting specifications, those affecting funding and so on. None of these bits of information revealed the effect on the aircraft, which is the question I had asked. The answer I got was a very complete answer, and well organized, but it was the answer to another question. So we attempted to go to the parties who Mr. Schedler thought would be most likely to give us the quick analysis of effect on the aircraft, and as I understood it, we were to renew a request, a similar request, which had been made in January of this year by Mr. Nielsen.

I think it is quite apparent that the technical status of the program, the technical health; that is, whether or not the airplane is likely to work or is likely to work only if the structure has been weakened so that we have exorbitant maintenance in the future or what not, is important to financial managers, and Mr. Nielsen was unable to get answers to these questions during his tenure, so Mr. Schedler agreed to attempt to help me get these answers. We have a series of correspondence on the subject which I will submit for the record.

Finally, I wrote on the first of August to Mr. Schedler's military assistant, Lieutenant Colonel Pewitt, and I will quote this letter:

As you know, I am going to be out of town most of next week. One thing which is hanging fire and which I would appreciate your help on is the submission of my supplementary information on the C-5A contract changes for my testimony last June. As you remember, I submitted some information as an interim reply on July 24, 1969. I would like to make sure that this gets to the Joint Committee as soon as possible if it has not already been forwarded.

Now, later, leaving the quote, I did say that events had overtaken just a simple listing of changes by category, because we had the meeting with you, Mr. Chairman, which provided that information, though not all the details. I will continue with the quote.

Furthermore if we do not get a complete and satisfactory response to the memorandum from Research and Development on the same subject, I would like to have the raw information available so that I can personally analyze it to complete the record of my testimony.

Now, there are a number of other documents in here, but I was never able to get a complete response to this. I have heard this morning that you can get it and that will solve the problem I suppose, if you do, but I wrote you then finally on the 15th of October, stating that I was unable to get the information you had requested, so I think that this will clarify the exact sequence of events, and just what was made available to me.

It was true that I did see the letter from Assistant Secretary Whittaker listing these changes by category and shortly after the newspapers received a copy of his report I got one too, and I read it with great interest and considerable enlightenment.

Chairman PROXMIRE. Do you gentlemen correct that at all, correct it from your standpoint or take exception in any way that Mr. Fitzgerald was notified only after the public account?

Mr. WHITTAKER. First of all this is one of the troubles with the English language, his comment a moment ago was he saw the transmittal. The transmittal of the analysis of the changes was addressed to Mr. Fitzgerald in a memorandum that I signed, so I am glad he saw it.

Mr. FITZGERALD. Yes, that is right.

Mr. WHITTAKER. The implication I read into the remark was that he had inadvertently or somehow picked up a copy.

Mr. FITZGERALD. I will correct that implication. It was not intended.

Mr. WHITTAKER. The other point is that the newspapers are pretty astute. As for the C-5A report, if he is referring to this report, it was released simultaneously to the newspapers and to a lot of people in the Pentagon.

Chairman PROXMIRE. But it was a public release?

Mr. WHITTAKER. Yes, sir.

Secretary SEAMANS. Definitely.

Chairman PROXMIRE. Mr. Fitzgerald, this has been quite an ordeal for you, lasting for about a year. I would like to ask you finally is there any part of the testimony you have heard today that you disagree with and would like to comment on further at this time, particularly testimony relating not to the technicalities involving the C-5A. I think we have had some very useful testimony with regard to that. But with regard to your future and with regard to your relationship with the Air Force, with regard to your relationship with Mr. Schedler and Mr. Seamans.

Mr. FITZGERALD. Regarding my relationship, my personal relationships with Mr. Schedler and Dr. Seamans, I would like to state here that I hold no animosity toward them whatsoever. As a matter of fact I barely know the gentlemen. I have met with Dr. Seamans a half an hour last March and with Mr. Schedler here for a very few hours on a half dozen other occasions and that is all. For the most part, they have been pleasant meetings, but of not much substance really, so I have no personal animosity whatsoever.

I was interested in finally beginning to get at some of the underlying issues, and I was pleased that Dr. Seamans did bring out the letter which I had written to General O'Neill in December of, I believe that was 1967, wasn't it, Dr. Seamans? And I think we are beginning to get at some of the real reasons for my departure.

I was interested also in the line of questioning regarding the issues.

Chairman PROXMIRE. Tell us what were the real reasons for your departure that you think we are getting at now.

Mr. FITZGERALD. Well, I believe that the fundamental issues of full disclosure, complete dedication to the hard things that have to be done—

Chairman PROXMIRE. You are telling us that because you believe in full disclosure and practiced it, because of your dedication to reducing costs, that this involved frictions that made it impossible for your superiors to feel that they should retain you?

Mr. FITZGERALD. Well, apparently the vote was taken and I lost. Yes, I think that is—

Chairman PROXMIRE. You are using an analogy that strikes home.

Mr. FITZGERALD. I think that is a fair statement. However, the key event still, I would repeat, was my disclosure of the C-5A cost increases last year. There was a marked change in the atmosphere immediately after that. Yes; I was involved in controversy beforehand, but, as I mentioned yesterday, I had been accustomed to that. Dr. Seamans has shown that as far back as 1967 I had written something that apparently offended some of the individuals involved. Yet I had overcome that, for the moment at least, and was involved in the controversy of intent in procurement policy at the time I testified, but I fully expected to be proven correct in my stand on that issue. I think that I might have, had I not gotten in such deep trouble after having testified truthfully on the C-5A over here. There was a very definite and strong reaction against me personally the very afternoon that I returned from this room.

Chairman PROXMIRE. I would like to say now, Mr. Secretary, that I understand you differ very strongly with Mr. Fitzgerald on that.

You have made that clear. You have made clear the reasons why you feel you removed or dismissed Mr. Fitzgerald, whatever you want to call it, clear to the subcommittee, but I do think you must realize how this must look to your own employees—I am sure you do—and to the other employees who work in the executive branch, and how very serious this is, if we are going to have an effective system of controlling costs. You know better than almost anybody that the head of the Air Force cannot do it by himself. He has to rely on the people who work for him, and almost entirely, 99 percent plus. So I would hope that you would begin the most careful consideration to what you can do to make it clear to the people who work in the Air Force that this is an absolutely vital priority, along with the security of the Nation, which of course must be first, but right next to it certainly is the top priority of holding down costs and being, if necessary, ruthless about it.

You have to use the kind of strong language that Mr. Fitzgerald used; this ought to be something that perhaps has to be used sometimes. At any rate to err on the side of zealous work to keep costs down rather than to be afraid that you might hurt somebody's feelings and end up without a job and be blackballed.

Congressman Moorhead?

Representative MOORHEAD. One quick question.

Mr. Fitzgerald, today it was revealed that you were the subject of a file in the Office of the Special Investigation. If the Air Force will agree to submit that file to us after deleting names that affect future informers and the like, would you have any objection to their submitting such a sanitized file to this subcommittee?

Mr. FITZGERALD. I have no objection to submitting it to either executive session or open session of this subcommittee. It is not clear to me why informers' names have to be left off, but if that is necessary, so be it. I am not clear on that point.

It would seem that anyone with information to convey should be willing to attach their name to it, but if that is a qualification, I would agree to that.

Chairman PROXMIRE. Thank you.

I want to thank you gentlemen very much. This is most painful for everybody concerned here I am sure, and I know how difficult it is, Mr. Secretary and gentlemen, for you to come before this subcommittee under these circumstances. You have been most responsive and cooperative and we deeply appreciate it, gentlemen.

The hearing will not adjourn. It will be recessed until further call of the Chair.

(Whereupon, at 12:50 p.m., the subcommittee was recessed, to resume subject to the call of the Chair.)

## APPENDIX A

(The additional questions asked by Congressman Moorhead and answers were subsequently supplied for the record by Secretary Seamans:)

**Question 1:** This Subcommittee has just held extensive hearings on economic analysis and the efficiency of government and I am interested in how the Pentagon makes some of their decisions. What kind of study was made to justify the second buy of C-5As? Was the study made by Systems Analysis in OSD or was it made in the Air Force?

**Answer:** The national strategy forms the basis for planning and programming adequate mobility force levels. The actual number of C-5A aircraft required to achieve rapid deployment objectives is dependent on the number of Army divisions, Tactical Air units and support elements to be deployed to various overseas areas and the closure times specified for each.

The "second buy" of C-5As was an integral part of the total buy of 120 aircraft. Procurement of 120 C-5As was to provide the minimum number of aircraft required to achieve rapid deployment objectives and was based on several indepth OSD/USAF studies. These classified studies included the following:

<i>Date and document</i>	<i>Origin</i>
May 64: Specific Operational Requirement (SOR) for Heavy Logistics Weapon Systems-----	Hq USAF.
Sep 64: AIRTRANS--70's-----	Army/Air Force.
Nov 64: Draft Presidential Memorandum (DPM) _	OSD.
Nov 65: Revised SOR-----	Hq USAF.
Nov 65: DPM-----	OSD.
Oct 66, 67, 68 and Dec 69: JSOP-----	JCS.

Throughout all of the above documents the Air Force and the Secretary of Defense recognized a need for at least six squadrons of C-5As as part of the airlift/sealift mobility force mix.

**Question 2:** Could you provide an unclassified version of this study for the Committee?

**Answer:** A study, "Air Force Review of the C-5A Program (July 1969)", referred to as the Whittaker Report, provides an unclassified documentation of the requirements for the C-5A. Copies of this document have been provided to the Joint Economic Committee.

**Question 3:** How did the assumption differ from the two earlier studies which concluded that there was no economic or military justification for this further buy?

**Answer:** Subsequent to the original studies, which confirmed the requirement for 120 C-5 aircraft, there were numerous exercises representing various points of view on the number of C-5A aircraft required. Many evaluations, such as MOVECAP and JSOP, are annual reviews of requirements and capabilities which confirm or adjust force levels. The only subsequent study not supporting the fifth and sixth C-5A squadron was part of the 11 June 1969 OSD Major Program Memorandum (MPM) on Mobility Forces. The Air Force disagreed with the conclusions of that study since: (1) the total requirement omitted some essential elements such as Army initial support increments and Air Force support units, (2) planned flying hour utilization rates were too high.

**Question 4:** What was the reason for cutting out the 5th Squadron? Was a study made of this question? By whom? Could you provide an unclassified study of this for the Committee?



*Answer:* See answer to question 5.

*Question 5:* If the decision to cut out the 5th Squadron was for budget constraint reasons, does this mean the C-5A ranked lowest among Air Force major weapon systems in defending national security?

*Answer:* The reduced C-5A procurement was a direct result of dollar limitations imposed by budget constraints and an across the board increase in cost of major programs. Reductions have been made in all major programs. Each program has been reduced consistent with its requirement for Air Force resources, its effect on the overall Air Force capability and its ability to satisfy the commitments set forth in the national strategy.

*Question 6:* What alternative cuts were examined before coming to this conclusion—Minuteman, F-111, Maverick, etc.?

*Answer:* During the FY 71 budget cycle no force element or major program was reviewed in isolation. Within the budgetary constraints imposed, overall Air Force requirements were examined to provide the best balance in resource allocation. The resulting program offers the best force balance and force mix to fulfill response capability within budgetary constraints.

Reductions were made to all budget categories and were not limited to procurement.

*Question 7:* Did the decision to limit the C-5A buy to 81 aircraft have anything to do with the fact that after the 90th aircraft the reverse incentive comes into play?

*Answer:* As stated previously, the decision to limit the C-5A buy to 81 aircraft was caused by budget restraints. The implication of a possible reverse incentive beyond the 90th aircraft was not a factor in the decision.

*Question 8:* If the concern over the reverse incentive had anything to do with cutting off the additional aircraft, is this any way to plan our force levels?

*Answer:* As stated, the possibility of a reverse incentive was not a factor in the decision to stop at 81 aircraft. Further, determination of the force level did not involve any consideration of the impact of a possible reverse incentive.

*Question 9:* How much does the Air Force estimate Lockheed will lose if the contract is terminated after 81 aircraft?

*Answer:* First, it is the Air Force position that the contract was *not* "terminated after 81 aircraft"—rather the Air Force is funding the option for 23 aircraft out of Run B, which when combined with previously funded aircraft totals 81 aircraft. Because of the various contracted interpretations which affect the cost, some of which may require resolution by litigation, it is difficult, if not impossible, to precisely estimate Lockheed's losses for a buy of 81 aircraft. However, using the Air Force's latest cost estimate and assuming the Air Force's position will prevail on each contested issue, it is estimated that Lockheed losses could approximate \$500M for a 81 aircraft buy.

*Question 10:* What is Lockheed's estimate of their loss if the contract is terminated after 81 aircraft?

*Answer:* Lockheed has stated publicly that they anticipate no major loss. If a more precise answer is desired, it is recommended that it be posed directly to Lockheed corporate personnel.

*Question 11:* Is the contract to be renegotiated? When? How?

*Answer:* The Air Force has been meeting with Lockheed since July 1969 in an attempt to resolve conflicting contractual interpretations. These meetings are continuing and it is not possible at this time to provide a precise time table for completion.

*Question 12:* We were told in Military Operations Subcommittee hearings in the spring that there were very few change orders on the C-5. Now we find from the Whittaker Report there were over 3,400 changes, how does this affect the fixed price nature of the contract?

*Answer:* The information concerning changes furnished to the Military Operations Subcommittee referred to those changes which affected contract price. The majority of the 3,444 changes identified in the Whittaker Report were for the identification of Aerospace Ground Equipment (AGE) which could not be specifically identified in the original contract but were included in the initial con-

tract price. Thus these changes had no effect on the contract price. The net effect of those changes which did involve price changes was an increase of approximately 0.6% to the original contract price. A detailed explanation of these changes was previously furnished your Committee by Insert For The Record, subject: "C-5A Contract Changes".

**Question 13:** Mr. Schedler.—Where is the technical information that was to be supplied to the Joint Economic Committee Record in June? Are you not supposed to be coordinating the information? What seems to be the problem?

**Answer:** As noted at the hearings on 18 November, Mr. Fitzgerald did relay a question in this regard and Mr. Schedler's office initiated action. It is Mr. Schedler's understanding that Mr. Fitzgerald was provided copies of actions taken. It was further understood that Mr. Whittaker's visit to Mr. Proxmire's office provided a thorough and comprehensive review of the C-5 technical question and thus resolved whatever problems remained. Dr. Seamans also responded at this time as follows: "Mr. Chairman: Following the hearings of Mr. Fitzgerald, he asked the staff for certain additional reports, but these were not reports that had been requested by the committee. We would have been glad to supply whatever information the committee requested, but we wanted it to come through official channels." Mr. Whittaker provided an Insert For The Record on the 18 November hearings which details the technical information referenced in the question.

**Question 14:** Secretary Seamans.—Before or after the abolition of Mr. Fitzgerald's position, did you visit any Congressmen or their staffs to explain the action—if so, which ones and what explanation was provided each.

**Answer:** I consider that discussions I have with Congressmen in their offices private.

**Question 15:** Mr. Schedler.—In view of your stated praise for Mr. Fitzgerald's efforts in the development and implementation of the Air Force Cost/Schedule Planning and Control Specifications (C/SPOS), why was he removed from this project?

**Answer:** Mr. Fitzgerald was never removed from this project. As is implied by the question, the requirements of C/SPOS were gradually shifting from one of development into one of implementation. Mr. Fitzgerald's role in providing policy guidance during development was simply overtaken by progress in implementation. Thus such active participation in policy guidance was no longer required and, as has been noted, responsibility and authority for system validation was properly delegated to the Air Force Systems Command on 27 March of this year. Analytical evaluation of the system and the resultant output remains within the Secretariat. This shift is one of the bases for the reorganization within the Office of the Assistant Secretary of the Air Force (Financial Management).

**Question 16:** Secretary Seamans.—We would like to review our request for the information promised this Subcommittee by Mr. Fitzgerald last June. Specifically we would like a listing of all contractual changes, including Supplemental Agreement 235, together with a description of their impact, if any, upon (a) primary mission requirements; (b) airplane flight characteristics; (c) changes in support equipment requirements; (d) changes in training requirements or (e) potential changes in maintenance and operating costs.

**Answer:** Supplemental Agreement 235 was the contractual document by which the Air Force exercised the Run B option on the C-5 contract. It did not affect mission requirements, airplane characteristics, or the other criteria listed above. Insert For The Record, subject: "C-5 Contract Changes", which was recently furnished your Committee, discusses the 3,444 changes in considerable detail.

**Question 17:** Secretary Seamans.—We would again like to renew our request for an updated C-5A cost estimate. Specifically we would like estimates for both the 81 plane complement as well as the 120 plane complement, each with replenishment spares as a separately stated cost item.

**Answer:** Latest cost estimates for procurement of 120 aircraft are:

	<i>Millions</i>
R.D.T. & E.....	\$1, 003
Production.....	3, 494
<b>Subtotal .....</b>	<b>4, 497</b>

Initial spares-----	483
Total acquisition-----	4,980
Other AFLC support: <sup>1</sup>	
Replenishment spares-----	189
Other <sup>2</sup> -----	99
Total acquisition and support-----	5,268
Military construction <sup>3</sup> -----	23
Total program-----	5,291

<sup>1</sup> AFLC Support costs cover the current program extending through fiscal year 1974. These "operating-type" costs are updated annually as the Defense program is extended to cover an additional fiscal year.

<sup>2</sup> Includes common AGE, common AGE spares, modifications, and modification spares.

<sup>3</sup> Direct Military Construction costs associated with maintenance of the C-5A aircraft and operation and training of the MAC units.

Cost estimates for the 81 aircraft program will be presented in the FY 71 Budget.

*Question 18:* Secretary Seamans.—Could you supply the names of the attendees of each Designated Systems Management Group meeting held since January 1, 1966?

*Answer:* Attached are the names of the attendees at meetings of the Designated Systems Management Group since January 1, 1966:

#### C-5 DSMG ATTENDEES

21 JANUARY 1966

Hon. Harold Brown	Maj. Gen. R. J. Clizbe
Hon. N. S. Paul	Maj. Gen. H. H. Goldsworthy
Hon. A. H. Flax	Maj. Gen. J. A. Cunningham
Hon. R. H. Charles	Brig. Gen. W. G. Lee, Jr.
Hon. L. Marks	Col. A. B. Gaston
Mr. J. C. Jones	Col. K. N. Beckman
Mr. C. B. Hargis	Col. F. M. Rogers
Mr. J. E. Williams, Jr.	Col. G. A. Kirsch
Mr. A. E. Fitzgerald	Col. G. M. Townsend
Gen. W. H. Blanchard	Col. J. A. Loudermilk
Lt. Gen. J. Ferguson	Col. A. L. Cox
Lt. Gen. T. P. Gerrity	Col. D. H. Schuyler
Lt. Gen. J. C. Merrell	Lt. Col. I. B. Schoenberg
Lt. Gen. W. A. Davis	Lt. Col. C. B. Netherton
Maj. Gen. J. J. Catton	Maj. R. C. Blackwell
Maj. Gen. C. M. McCorkle	

22 JULY 1966

Hon. Harold Brown	Maj. Gen. G. A. Kent
Hon. N. Paul	Maj. Gen. C. H. Terhune, Jr.
Hon. A. H. Flax	Maj. Gen. J. S. Samuell
Hon. R. H. Charles	Maj. Gen. G. S. Boylan, Jr.
Hon. L. Marks	Brig. Gen. W. G. Hips
Mr. T. H. Dalehite	Col. Fred Vetter, Jr.
Mr. D. R. Jackson	Col. R. E. Robertson
Mr. William Curl	Col. F. E. Rundell
Mr. T. S. Liu	Col. C. P. Urquhart, Jr.
Lt. Gen. H. T. Wheless	Col. R. Fernbaugh
Lt. Gen. K. K. Compton	Col. F. M. Rogers
Lt. Gen. J. G. Merrell	Col. J. A. Kirsch
Lt. Gen. G. W. Martin	Col. Fred Porter
Lt. Gen. W. A. Davis	Col. G. M. Townsend
Maj. Gen. H. A. Davis	Col. J. A. Loudermilk
Maj. Gen. R. G. Ruegg	Col. H. D. Cox
Maj. Gen. H. E. Goldsworthy	Col. D. H. Schuyler
Maj. Gen. J. J. Catton	Lt. Col. G. R. Swant
Maj. Gen. O. J. Glasser	Lt. Col. J. E. Blake

16 FEBRUARY 1966

Hon. Harold Brown  
 Hon. A. H. Flax  
 Hon. R. H. Charles  
 Hon. L. Marks  
 Mr. J. C. Jones  
 Mr. C. B. Hargiss, Jr.  
 Mr. D. R. Jackson  
 Mr. Ernest Fitzgerald  
 Gen. H. M. Estes, Jr.  
 Gen. B. K. Holloway  
 Gen. James Ferguson  
 Lt. Gen. T. P. Gerrity  
 Lt. Gen. J. R. Holzapple  
 Lt. Gen. J. G. Merrell  
 Lt. Gen. R. J. Friedman  
 Lt. Gen. G. W. Martin  
 Maj. Gen. H. E. Goldsworthy

Maj. Gen. J. J. Catton  
 Maj. Gen. N. D. Van Sickle  
 Maj. Gen. H. A. Davis  
 Maj. Gen. J. J. Cody, Jr.  
 Maj. Gen. C. H. Terhune, Jr.  
 Brig. Gen. H. C. Teubner  
 Brig. Gen. J. R. DeLuca  
 Col. Jay Wallace  
 Col. R. E. Davis  
 Col. Roger D. Coleson  
 Col. G. M. Townsend  
 Col. J. A. Loudermilk  
 Col. H. E. Walker  
 Col. H. D. Cox  
 Lt. Col. B. J. Tooley  
 Maj. D. W. Brink

24 AUGUST 1967

Hon. Harold Brown  
 Hon. H. A. Flax  
 Hon. R. H. Charles  
 Hon. L. Marks  
 Mr. J. C. Jones  
 Mr. E. Fitzgerald  
 Gen. J. P. McConnell  
 Gen. H. M. Estes, Jr.  
 Lt. Gen. H. T. Wheless  
 Lt. Gen. J. R. Holzapple  
 Lt. Gen. J. H. Moore  
 Lt. Gen. G. W. Martin  
 Lt. Gen. J. J. Catton  
 Lt. Gen. C. H. Terhune, Jr.  
 Maj. Gen. A. J. Evans, Jr.  
 Maj. Gen. G. F. Keeling  
 Maj. Gen. L. D. Clay, Jr.

Maj. Gen. D. L. Crow  
 Maj. Gen. J. J. Cody, Jr.  
 Maj. Gen. H. E. Goldsworthy  
 Brig. Gen. G. M. Townsend  
 Brig. Gen. J. R. DeLuca  
 Col. Fred Vetter, Jr.  
 Col. C. N. Chamberlain  
 Col. R. E. Davis  
 Col. Roger D. Coleson  
 Col. Frank Benson  
 Col. J. A. Loudermilk  
 Col. H. D. Cox  
 Col. K. N. Beckman  
 Col. H. E. Walker  
 Col. John F. Groom  
 Maj. D. W. Brink

23 FEBRUARY 1968

Hon. Harold Brown  
 Hon. Townsend Hoopes  
 Hon. A. H. Flax  
 Hon. R. H. Charles  
 Hon. T. H. Nielsen  
 Mr. J. C. Jones  
 Mr. J. E. Williams, Jr.  
 Mr. E. Fitzgerald  
 Gen. B. K. Holloway  
 Lt. Gen. J. R. Holzapple  
 Lt. Gen. J. H. Moore  
 Lt. Gen. T. R. Milton  
 Lt. Gen. R. G. Ruegg  
 Lt. Gen. J. J. Catton

Lt. Gen. L. L. Mundell  
 Lt. Gen. C. H. Terhune, Jr.  
 Maj. Gen. L. D. Clay, Jr.  
 Maj. Gen. R. H. Ellis  
 Brig. Gen. G. M. Townsend  
 Col. Fred Vetter, Jr.  
 Col. R. D. Coleson  
 Col. R. E. Davis  
 Col. H. D. Cox  
 Col. H. C. Bayne  
 Lt. Col. P. V. Clifford  
 Lt. Col. R. B. Austin  
 Lt. Col. Ralph Blackwell

2 APRIL 1969

Hon. R. C. Seamons, Jr.  
 Hon. J. L. McClucas  
 Hon. G. L. Hansen  
 Mr. J. M. Steadman  
 Mr. D. R. Jackson  
 Mr. R. D. Bensen  
 Mr. J. P. Goode  
 Mr. William Munves  
 Mr. J. J. Holleran  
 Mr. C. B. Hargis, Jr.

Gen. J. D. Ryan  
 Gen. J. Ferguson  
 Lt. Gen. G. W. Martin  
 Lt. Gen. M. L. McNickle  
 Lt. Gen. S. J. McKee  
 Lt. Gen. R. G. Ruegg  
 Lt. Gen. L. D. Clay, Jr.  
 Lt. Gen. D. L. Crow  
 Maj. Gen. Clyde Box

Maj. Gen. G. S. Boylan, Jr.  
 Maj. Gen. F. J. Ascani  
 Maj. Gen. J. L. Zoeckler  
 Maj. Gen. T. S. Jeffrey  
 Col. D. H. Schuyler  
 Col. A. F. Brunelle  
 Col. W. Y. Smith  
 Col. C. Chamberlain

Col. K. N. Beckman  
 Col. G. Wallace  
 Col. H. E. Walker  
 Col. R. E. Davis  
 Lt. Col. M. C. Mumma, III  
 Lt. Col. R. Blackwell  
 Maj. T. E. Waiss

## OCTOBER 28, 1969\*

Hon. R. C. Seamans, Jr.  
 Hon. P. N. Whittaker  
 Hon. S. J. Schedler  
 Mr. J. M. Steadman  
 Mr. D. R. Jackson  
 Mr. J. C. Jones  
 Gen. J. C. Meyer  
 Lt. Gen. M. L. McNickle  
 Lt. Gen. J. W. O'Neill  
 Lt. Gen. L. D. Clay, Jr.  
 Lt. Gen. D. L. Crow

Lt. Gen. H. E. Goldsworthy  
 Lt. Gen. G. S. Boylan, Jr.  
 Maj. Gen. D. W. Graham  
 Col. D. H. Schuyler  
 Col. F. J. Simokaitis  
 Col. A. F. Brunelle  
 Col. K. N. Beckman  
 Col. W. Y. Smith  
 Col. R. F. Myers  
 Col. L. L. Dunning

## NOVEMBER 25, 1969

Hon. R. C. Seamans, Jr.  
 Hon. J. L. Hansen  
 Hon. P. N. Whittaker  
 Hon. S. J. Schedler  
 Mr. J. M. Steadman  
 Gen. J. D. Ryan  
 Lt. Gen. M. L. McNickle  
 Lt. Gen. D. L. Crow  
 Lt. Gen. H. E. Goldsworthy  
 Lt. Gen. G. S. Boylan, Jr.

Maj. Gen. R. E. Dougherty  
 Brig. Gen. J. S. Chandler  
 Col. D. H. Schuyler  
 Col. O. C. Moore  
 Col. W. Y. Smith  
 Col. R. E. Davis  
 Col. R. F. Myers  
 Lt. Col. T. W. Sherman, Jr.  
 Maj. T. E. Waiss

*Question 19:* Mr. Schedler.—Would you supply a list of all meetings to which you invited Mr. Fitzgerald along with the subjects of these meetings and list of other attendees.

*Answer:* As noted in the hearings of 18 November, Mr. Fitzgerald is a very high ranking individual in the Office of the Assistant Secretary of the Air Force (Financial Management). He is a GS-17, equivalent to a Major General, and accordingly he is not supervised on a day-to-day basis, or provided tasks on a day-to-day basis. The mode of operation says, in effect, that deputies initiate proposals and projects and send them to the Assistant Secretary, who in turn responds and provides guidance. In this regard, lists of meetings are published and the discretion of whether to attend or not is left up to Mr. Fitzgerald.

*Question 20:* Mr. Schedler.—After having had a chance to reflect upon it, can you supply the names of Congressmen or their staff members whom you visited to discuss the abolition of Mr. Fitzgerald's job as well as the explanation you provided each member of their staff.

*Answer:* I consider conversations and visits to the offices of Congressmen and their staff to be private. However, one of the members whom I visited, Mr. Dickinson (R. Ala.), is Congressman from the district in which Mr. Fitzgerald's family resides, asked that our discussion be made a matter of record in a follow-up letter and this was done.

*Question 21:* Secretary Seamans.—Again, we would like to request the names of any members of the White House staff with whom you discussed the impending abolition of Mr. Fitzgerald's position.

*Answer:* As I indicated early in my testimony, I discussed this with Mr. Laird, and I still think that it is not appropriate for me to go further than the discussion I had within the Department of Defense.

\*On Sept. 8, 1969, the Designated Systems Management Group (DSMG) officially became the Secretary of the Air Force's Program Reviews (SPR).

## APPENDIX B

(The following supplementary material was submitted for the record by Senator Proxmire:)

STATEMENT TO THE PRESS, SENATOR WILLIAM PROXMIRE, NOVEMBER 22, 1969

First I want to make it clear that this press conference does not mean that the Joint Economic Committee might not want to hold further hearings on this matter. I have called this press conference because I feel strongly that as a United States Senator I must act now—not only to protect the rights of Mr. A. E. Fitzgerald but to protect the capacity of Congress to secure the information it is entitled to have from the Executive Branch.

It is for this reason that I cite Title 18, section 1505, of the U.S. Code. The language of this statute is simple and clear.

“Whoever corruptly, or by threats or force, or by any threatening letter or communication, endeavors to influence, intimidate, or impede any witness in any proceeding pending before any department or agency of the United States, or in connection with any inquiry or investigation being had by either House, or any committee of the Congress, or any joint committee of the Congress or

“Whoever injures any party or witness in his person or property on account of his attending or having attended such proceeding, inquiry, or investigation, or on account of his testifying or having testified to any matter pending therein—

“Shall be fined not more than \$5,000 or imprisonment not more than five years, or both. (June 25, 1948, ch. 645, 62 Stat. 770; Sept. 19, 1962, Pub. L. 87-664, § 6(a), 76 Stat. 551.)”

Now consider what has happened to Ernest Fitzgerald before and after he appeared as a witness before the Joint Economic Committee last November.

Mr. Fitzgerald was a well trained, experienced, successful cost efficiency expert when he came to the Pentagon in 1965.

He was regarded so highly that in 1967 he was recommended by the Air Force for the Air Force Association's Citation of Honor. The Air Force justified its recommendation on the basis of Mr. Fitzgerald's exceptional contribution to the development, installation and utilization of improved management systems throughout the Department of Defense. Those are the words of the Air Force in 1967.

In 1966 he was the Air Force's candidate for the Civil Service Outstanding Performance Rating, a government-wide award.

In the course of his testimony before us on Tuesday of this week Air Force Secretary Seamans said of Fitzgerald, and I quote: “Mr. Fitzgerald's work, along with the efforts of many other civilian and military personnel, has resulted in a substantial improvement in the data gathering part of the weapons procurement financial control system.” This recognition of Fitzgerald's outstanding performance as a government employee is perfectly consistent with the judgments of his superiors made before Secretary Seamans came to the Air Force.

In October of 1968 as Chairman of the Joint Economic Committee and of the Subcommittee on Economy in Government, I invited Mr. Fitzgerald to appear before our Subcommittee to testify on the sharply rising cost of Air Force procurement, with special reference to the giant cargo plane, the C-5A.

Mr. Fitzgerald discussed his appearance with his superiors in the Air Force and the Defense Department. He was warned by Robert Moot, Assistant Secretary of Defense, Comptroller, that if he appeared that would be—according to Fitzgerald's testimony—“blood on the floor.” This ominous statement by itself was, to use the language of the statute, an attempt to “influence, intimidate or impede” a witness.

On November 13, 1968, Mr. Fitzgerald appeared before the Subcommittee. He was authorized to be present by his Air Force superiors. But he was told not to prepare a formal statement, although I had asked him to do so. Mr. Fitzgerald followed the instructions of his superiors and did not prepare a formal statement.

Before he testified I asked if the Secretary of the Department of Defense was represented at the hearing. Commander Ed Dauchess said he was authorized to speak for the Pentagon. I asked Commander Dauchess whether Fitzgerald was free to answer questions put to him by members of the Subcommittee. Commander Dauchess said that Fitzgerald was free to do so.

I then asked Mr. Fitzgerald about the costs of the C-5A. Mr. Fitzgerald's answers were cautious and limited but he did give estimates of the Air Force at that time of the cost of the plane and the degree to which the costs exceeded the contract provisions according to Air Force estimates. My estimate based on the Fitzgerald testimony and other information was that the C-5A was suffering an overrun of nearly \$2 billion.

And then the roof fell in on Mr. Fitzgerald.

If Fitzgerald had said or done anything out of line in any way after he testified before my Subcommittee last November, neither the Secretary nor anyone else has been able to think of it.

But after he testified as a witness, Mr. Fitzgerald suffered a series of clear reprisals.

Within twelve days after his testimony, the tenure he had been given in September was revoked on the grounds that it had been given as the result of a computer error. The computer had made less than one error for every five thousand actions. The error with respect to Fitzgerald had been signed by Audrey Kent, the civilian personnel chief of the Air Force. Was this a mistake or a harassment?

Two months later, my staff was able to secure a memorandum from the personnel director of the Air Force, John Lang, Administrative Assistant to the Secretary. The memo was written to Secretary of the Air Force Brown and set forth three ways to remove Mr. Fitzgerald. Nowhere in this memorandum was there any indication that the removal of Mr. Fitzgerald would contribute to economy, efficiency, or a better organization of the office. The third method suggested was called "rather underhanded."

Incidentally, when Mr. Fitzgerald was fired this month, the second method designated in this January memorandum was used. His job was abolished.

In my view the existence of this memorandum coming into being shortly after the Fitzgerald testimony and unrelated as it was to any economy action or office reorganization by the Secretary of the Air Force shows that Air Force officials were contemplating the ultimate obstruction of a Congressional inquiry by injuring a witness, which ultimate course they in fact followed this month when they fired Mr. Fitzgerald.

All of these actions took place before the new Administration took office and before Mr. Seamans became Secretary of the Air Force. After Mr. Seamans became Secretary, Mr. Fitzgerald was stripped of the responsibility for the cost of weapons systems, in spite of his demonstrated competence and the fact that he had been cited for his ability and service. Instead, he was given such assignments as analyzing the cost of a bowling alley in Thailand, and the operation of Air Force mess halls.

This is such a conspicuous harassment and intimidation of a distinguished cost expert as to be ridiculous. Air Force Secretary Seamans had no explanation of this transfer other than that bowling alleys and mess halls are important, too. I find this explanation to be a cynical effort to cover up the truth.

In May of this year Secretary Seamans appeared before the House Armed Services Committee. In the course of that appearance he said, and I quote:

"Secretary SEAMANS. It is very interesting that in the testimony in front of a number of committees documents keep appearing, some of which are confidential, that were obtained from Mr. Fitzgerald."

This statement properly shocked the chairman of the House Armed Services Committee who responded:

"The CHAIRMAN. If I had a fellow like that in my office, he would have been long gone. You don't need to be afraid about firing him."

Mr. Fitzgerald's first knowledge of this allegation that he had breached security and disclosed classified documents was on September 25. He immediately wrote his superior, Assistant Secretary Schedler, protesting this charge and

flatly denying that he had ever disclosed classified documents and asking for an opportunity to talk with Mr. Seamans about it.

Mr. Fitzgerald did not even receive the courtesy of an answer. That memorandum from Mr. Fitzgerald has not been answered to this day.

Again on October 26th Fitzgerald wrote a memorandum to Mr. Schedler asking for an opportunity to talk with Secretary Seamans about this allegation. And there has been no answer to that request.

It was not until Tuesday of this week, November 18, when I asked Secretary Seamans directly about this matter that he finally cleared Mr. Fitzgerald by saying, "I will say categorically now that Mr. Fitzgerald has not to my knowledge violated national security."

Here again Mr. Fitzgerald has suffered a clear harassment. For months, from May to November, he lived under a cloud as a violator of security. He has suffered from a charge which the Secretary of the Air Force has finally declared to be wholly false.

If this does not constitute harassment of this witness, what does.

In addition, Mr. Fitzgerald has testified—and neither Secretary Seamans nor Assistant Secretary Schedler has denied—that he has been isolated, ignored, and cut off from communications with others in his office. His conversations with the Secretary of the Air Force in whose office he had held a vital position was confined to about thirty minutes since last February.

And consider the man who was installed in July as immediate supervisor of Ernest Fitzgerald—Assistant Secretary Schedler. Who was Schedler? Who was the man who must have played a key role in the discharge of Ernest Fitzgerald? Schedler's expertise in military procurement costs was confined to employment by a small oil company in Texas and the Sinclair Oil Company. He also worked as advance man for the Spiro T. Agnew Vice Presidential campaign, helping to handle public relations while on vacation from his job at Sinclair Oil.

Even Mr. Schedler, Fitzgerald's immediate supervisor, has talked to Mr. Fitzgerald only five or six times and very briefly on each occasion in the period he has been on since July of this year.

This isolation is obvious and clear and it also constitutes a clear and conspicuous element in his injury on account of his having testified in a Congressional investigation.

Now we know a crime has been committed. The provisions of this statute have been clearly violated.

We know the victim is Ernest Fitzgerald, and we know an attempt was made to obstruct a Congressional hearing.

It is therefore the duty of the Department of Justice to identify the perpetrators of the criminal acts and to take the necessary actions against them, whoever they may be.

I have today written to the Attorney General asking for an immediate investigation into this affair. The law has been violated; its sanctions must be enforced. Someone should be fined or put in jail, or both. This is what the law calls for. The law should be enforced.

Here, in part, is what I have written to Attorney General Mitchell:

"The question that your investigation must now answer, in my judgment, is whether there is law and order in the Department of Defense. Is this powerful agency somehow exempt from the Criminal Code which governs the conduct of everyone else? Is there a double standard in the law which permits persons in high places to break it when it suits their purposes?"

Let me emphasize that this is in no way a partisan attack. Reprisals against Mr. Fitzgerald began during the Johnson Administration, and continued into the Nixon Administration. The ultimate reprisal, abolishing his job, occurred just a few weeks ago. However, it's likely that both Johnson appointees and Nixon appointees share responsibility for this affair.

Neither Democrat nor Republican, neither the Pentagon nor any other Executive agency, is exempt from the provisions of the Criminal Code. It is up to the Justice Department to investigate this case fully, and prosecute those who are responsible, regardless of political affiliation.

I believe the Federal government is on trial over the handling of the Fitzgerald affair.



NOVEMBER 22, 1969.

HON. JOHN N. MITCHELL,  
*Attorney General of the United States,*  
 Washington, D.C.

DEAR MR. ATTORNEY GENERAL: This is to request an immediate investigation of possible violations of the Criminal Code by the Secretary of the Air Force and other top government officials in connection with the firing of Mr. A. Ernest Fitzgerald, Deputy for Management Systems, Office of the Assistant Secretary of the Air Force for Financial Management.

As you may know, it is a criminal offense to threaten, influence, intimidate, or impede any witness in connection with a Congressional investigation. It is also a criminal offense to injure any witness on account of his having testified to a committee of Congress. (See Title 18, Section 1505, U.S. Code.)

The offense carries a penalty of \$5,000, or five years in jail, or both.

The facts surrounding the discharge of Mr. Fitzgerald indicate to me that both aspects of this law were violated. There were definite attempts to impede his testimony and there have been reprisals taken against Mr. Fitzgerald as a result of his testimony.

In other words, as far as this law is concerned, we have a violation and a victim.

In addition, Mr. Fitzgerald has alleged that mail addressed to him has been opened by the Air Force, and opened without his consent. He states that when he first learned of this practice, he complained about it to his superior and specifically asked that future mail addressed to him not be opened by any other person. Yet the practice continued, the letters were opened, including, I am told, letters that I addressed to him.

It seems to me that the laws providing for criminal penalties against those who take and open other people's mail should apply to members of the Air Force.

I wish, however, to place special emphasis on the reprisals taken against him following his testimony before this committee in November of 1968. A few days after he testified, he was stripped of his job tenure. According to the Air Force, this action was legal because an earlier action had been the result of a "computer mistake."

A few weeks later, written supplemental testimony prepared by him for transmittal to the Committee was "doctored" without his permission. That is, testimony was changed by others.

Some weeks later, the Air Force Secretary received a memorandum from his Administrative Assistant detailing the ways that Mr. Fitzgerald could be fired. One of these ways—reduction in force—was in fact the one ultimately used.

Throughout this time, Mr. Fitzgerald lost his major responsibilities one by one, as they were taken from him by his superiors. Having been previously given responsibilities for the major Air Force weapons systems including the C-5A, Minuteman, and the F-111, Mr. Fitzgerald was reduced to looking after the construction of an Air Force bowling alley in Thailand.

In May of 1969, the Secretary of the Air Force, Robert C. Seamans, Jr., accused Mr. Fitzgerald of giving out confidential documents to committees of Congress. Mr. Seamans' accusation, along with other vague and unsupported charges, was made before the House Armed Services Committee in Executive Session. However, they were published and released to the public in September.

Mr. Fitzgerald has denied ever giving any unauthorized person a confidential document and, in the recent hearings on November 18, 1969, Secretary Seamans admitted that Mr. Fitzgerald was correct. However the false accusation had been made and some damage to Mr. Fitzgerald had been done, in my opinion.

Mr. Seamans also admitted that a security investigation of Mr. Fitzgerald had been done by the Air Force, although the Secretary preferred to use the term "inquiry." According to Mr. Seamans, this "inquiry" was begun as a routine matter following Mr. Fitzgerald's testimony in November 1968, as a result of the publicity received at that time.

However, it now appears that the "inquiry" was not begun in 1968, but was begun in 1969, after Mr. Seamans became Secretary of the Air Force.

The official explanation for firing Mr. Fitzgerald seems to be that it was for reasons of economy. I believe any impartial observer would have a hard time accepting this explanation in view of the enormous contributions to economy made by Mr. Fitzgerald in the past few years and his dedicated fight to eliminate waste and inefficiency.

In fact, the Air Force itself recognized Mr. Fitzgerald's value, at least up until the time he testified before this Committee. In 1967, Mr. Fitzgerald was nominated by the Air Force as the outstanding Federal employee of the year.

Let me give you a word of warning at this point. When you inquire about these matters with Mr. Seamans, he will probably tell you that Mr. Fitzgerald was not fired. Rather, he will maintain, as he did before my Committee, that Mr. Fitzgerald was not fired, his job was abolished. I suppose Mr. Seamans can appreciate whatever subtle distinction there is between firing a man and abolishing his job. I might say that Mr. Seamans' distinction won the loudest guffaws of the day during the hearing.

On the other hand, it is no laughing matter for Mr. Fitzgerald. Underneath the cynical explanation offered to my Committee is the hard fact that a dedicated and conscientious Federal employee has lost his job because he testified to a Congressional committee.

The question that your investigation must now answer, in my judgment, is whether there is law and order in the Department of Defense. Is this powerful agency somehow exempt from the Criminal Code which governs the conduct of everyone else? Is there a double standard in the law which permits persons in high places to break it when it suits their purposes?

I eagerly await the results of your investigation.

Sincerely,

WILLIAM PROXMIRE, U.S.S.

Enclosure: Transcript of Hearing, Subcommittee on Economy in Government, Joint Economic Committee, November 17 and 18, 1969.

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DEPARTMENT OF JUSTICE,  
CRIMINAL DIVISION,  
Washington, November 28, 1969.

HON. WILLIAM PROXMIRE,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR: The Attorney General has referred to this Division for consideration your letter of November 22, 1969, and the accompanying transcript of the Hearings held on November 17 and 18, 1969, before the Subcommittee on Economy in Government of the Joint Economic Committee, concerning the dismissal of A. Ernest Fitzgerald from a position in the United States Air Force.

After we review the transcript, a determination will be made as to whether the evidence presented justifies further action by the Department. We will let you know when our review and appraisal of the case is completed.

Your courtesy in making a copy of the transcript available to us is appreciated.

Sincerely,

WILL WILSON,  
Assistant Attorney General.

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FEBRUARY 18, 1970.

HON. WILLIAM PROXMIRE,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR: In reference to previous correspondence with your office concerning the matter involving Mr. A. E. Fitzgerald, we desire to report that the Criminal Division has completed its study of the testimony introduced at the Hearings before the Subcommittee on Economy in Government from November, 1968 through November, 1969, and evidential material submitted by the Air Force.

The relevant statute in this matter is 18 U.S.C. 1505. In the context of the Fitzgerald matter, Section 1505 would require the Government to prove beyond a reasonable doubt that Air Force personnel corruptly, or by threat or force, obstructed the work of the Subcommittee on Economy in Government, or that Mr. Fitzgerald's employment was terminated "on account of" testimony he gave before the Subcommittee. In this connection we have noted that certain individuals who may have material information regarding the Fitzgerald matter did not, to our knowledge, testify before the Subcommittee. These include Mr. John A. Lang, Jr. and Mr. Thomas H. Nielsen.

Mr Fitzgerald has filed an appeal with the United States Civil Service Commission concerning the Air Force action in abolishing his position. We plan to obtain and review any transcripts or rulings prepared by the Civil Service Commission in this appeal.

After examination of the proceedings conducted at the Civil Service Commission, the Criminal Division will again review all of the available evidence at the time and advise you further with respect to this matter.

Sincerely,

WILL WILSON,  
*Assistant Attorney General.*

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STATEMENT TO THE PRESS, SENATOR WILLIAM PROXMIRE, MARCH 3, 1970

Senator William Proxmire (D.-Wis.) Tuesday condemned the Justice Department for stalling in its investigation into criminal violations arising from the Air Force's firing of Mr. A. E. Fitzgerald. Fitzgerald is the Air Force cost efficiency expert whose job was abolished after he told Congress of the \$2 billion cost overrun on the C-5A airplane.

In a letter to Will Wilson, Assistant Attorney General for the Justice Department's Criminal Division, Senator Proxmire said: "It is vital that the investigation in to the criminal conduct on the part of Air Force officials—and possibly others—proceed without delay. Unfortunately, your letter is full of red herrings which have no bearing on this case and which can only serve to postpone the enforcement of the criminal laws.

"The federal criminal code (15 USC 1505) is clear and unambiguous. It is a crime, punishable by up to five years in jail, to 'injure' anyone on account of his testimony before a Congressional committee.

"We know that Mr. Fitzgerald testified on the C-5A cost overruns before the Subcommittee; we know that as a result he is no longer working for the Air Force. It is clear that an 'injury' to Mr. Fitzgerald has occurred. It is equally clear that the injury was 'on account of' his testimony before our Subcommittee. It follows that the statute has been violated.

"The role of the Criminal Division should be to discover who violated the statute—who is responsible for Mr. Fitzgerald losing his job. No other aspect of this case is in doubt.

"I urge you to renew your criminal investigation immediately to determine who in the Defense Department is responsible for depriving Mr. Fitzgerald of his job. I should hope that you would vigorously enforce the same standards of law and order at all levels of our society."

Senator Proxmire's correspondence with the Justice Department is reproduced below.

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DEPARTMENT OF JUSTICE,  
*Washington, February 18, 1970.*

HON. WILLIAM PROXMIRE,  
*U.S. Senate,  
Washington, D.C.*

DEAR SENATOR: In reference to previous correspondence with your office concerning the matter involving Mr. A. E. Fitzgerald, we desire to report that the Criminal Division has completed its study of the testimony introduced at the Hearings before the Subcommittee on Economy in Government from November, 1968 through November, 1969, and evidential material submitted by the Air Force.

The relevant statute in this matter is 18 U.S.C. 1505. In the context of the Fitzgerald matter, Section 1505 would require the Government to prove beyond a reasonable doubt that Air Force personnel corruptly, or by threat or force, obstructed the work of the Subcommittee on Economy in Government, or that Mr. Fitzgerald's employment was terminated "on account of" testimony he gave before the Subcommittee. In this connection we have noted that certain individuals who may have material information regarding the Fitzgerald matter did not, to our knowledge, testify before the Subcommittee. These include Mr. John A. Lang, Jr. and Mr. Thomas H. Nielsen.

Mr. Fitzgerald has filed an appeal with the United States Civil Service Commission concerning the Air Force action in abolishing his position. We plan to obtain and review any transcripts or rulings prepared by the Civil Service Commission in this appeal.

After examination of the proceedings conducted at the Civil Service Commission, the Criminal Division will again review all of the available evidence at the time and advise you further with respect to this matter.

Sincerely,

WILL WILSON,  
Assistant Attorney General.

CONGRESS OF THE UNITED STATES,  
Washington, D.C., March 2, 1970.

HON. WILL WILSON,  
Assistant Attorney General,  
Department of Justice, Washington, D.C.

DEAR MR. WILSON: Your letter of February 18, 1970 concerning the Justice Department's investigation into criminal violations arising from the firing of Mr. A. E. Fitzgerald is most disappointing.

It is vital that the investigation into the criminal conduct on the part of Air Force officials, and possibly others, proceed without delay. Unfortunately, your letter is full of red herrings which have no bearing on this case, and which can only serve to postpone the enforcement of the criminal laws.

The federal criminal code (15 USC 1505) is clear and unambiguous. It is a crime, punishable by up to five years in jail, to 'injure' anyone on account of his testimony before a Congressional committee.

We know that Mr. Fitzgerald testified on the C-5A cost overruns before the Subcommittee; we know that as a result he is no longer working for the Air Force; we know he has been "injured" by the loss of his job. A *prima facie* violation of the statute is clear.

Your letter asserts that Mr. John A. Lang, Jr. and Mr. Thomas H. Nielson did not testify before the Subcommittee, and infers that this is in some way relevant. I am totally at a loss to understand how this affects your investigation.

First, let me set the record straight. Mr. Nielson, Assistant Secretary of the Air Force (Comptroller) did appear before the Subcommittee last summer, but not exclusively on the Fitzgerald matter. Mr. Lang was invited by the Subcommittee to testify at hearings held in January, 1969 on the Fitzgerald matter but expressly declined the invitation.

Mr. Lang's failure to appear is of no consequence, however; a memorandum written by Mr. Lang to Air Force Secretary Brown testifies eloquently (and perhaps more convincingly) to the Air Force's intention to initiate reprisals against Mr. Fitzgerald. The memorandum, dated January 6, 1969, is part of the hearing record. It details three ways of terminating Mr. Fitzgerald's employment: (1) Adverse action for cause; (2) Reduction in force; (3) Conversion of his position to career service, and holding a competition to fill it. Mr. Lang did not recommend the third method; he thought it was "rather underhanded."

Option #2 which Mr. Lang suggested—reduction in force—was eventually used by the Air Force for getting rid of Mr. Fitzgerald. Although an employee who is "rified" usually has the option of "bumping" those within his competitive level, in Mr. Fitzgerald's case there were no other employees for him to "bump" since he was "the only employee in his competitive level grouping." Mr. Lang's memorandum anticipated this.

It is clear that an "injury" to Mr. Fitzgerald has occurred. It is equally clear that the injury was "on account of" his testimony before our Subcommittee—the Lang memorandum testifies to this. It follows that *the statute has been violated*.

The role of the Criminal Division should be to discover who violated the statute—who is responsible for Mr. Fitzgerald losing his job. No other aspect of this case is in doubt.

One final point: I fail to see why the Criminal Division must await the outcome of the Civil Service Commission's proceedings before seeking indictments in this case. That Mr. Fitzgerald has filed an appeal with the Commission concerning the abolition of his job is uniquely a civil matter and should not affect the outcome of your criminal investigation.

I urge you to renew your criminal investigation immediately to determine who in the Defense Department is responsible for depriving Mr. Fitzgerald of his job. I should hope that you would vigorously enforce the same standards of law and order at all levels of our society.

Sincerely,

WILLIAM PROXMIER.

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, August 7, 1969.*

Memorandum for SAFLL.

Subject: Interim response.

Mr. A. E. Fitzgerald has submitted to SAFFM certain correspondence (attached) to be forwarded to the Joint Economic Committee as an interim response to certain questions addressed to him. This represents his reply.

Would you take the necessary action to transmit the interim reply for Mr. Fitzgerald.

J. D. PEWITT,  
*Lieutenant Colonel, USAF,*  
*Acting Executive.*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, July 24, 1969.*

Memorandum for SAFFM.

Attached is a copy of the recent correspondence from Mr. Whittaker and Mr. Jackson regarding C-5A contract changes. I would appreciate your asking Legislative Liaison to forward these to the Joint Economic Committee as an interim response to their questions on this subject.

I have not yet been able to arrange a meeting with Colonel Pewitt but hope to the first thing in the morning.

A. E. FITZGERALD,  
*Deputy for Management Systems.*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*July 9, 1969.*

Memorandum for Mr. Fitzgerald, SAFFMM.

Attached hereto is Mr. Jackson's report to me concerning all of the C-5A contract changes. I trust this will satisfy your request of June 24 covering additional information to be forwarded to the Joint Economic Committee.

PHILIP N. WHITTAKER,  
*Assistant Secretary of the Air Force,*  
*(Installations & Logistics).*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, July 7, 1969.*

Memorandum for Secretary Whittaker.

Subject: C-5A contract changes.

In verbal communications with Mr. Fitzgerald during June 1969, my office provided him certain information in response to his inquiry regarding performance changes made to the C-5A contract. Specifically, on June 12 he was advised that there had been three changes effecting the C-5A which were within his definition of "contract changes effecting the aircraft".

Mr. Fitzgerald apparently had some misgivings about this definition and in his memorandum of June 16, he stated that in the light of subsequent events and a possible difference of interpretation of "changes", it is important that we clarify the subject.

Your answer of June 17 stated that we would have a complete audit made by the SPO of all changes, by category, so that there could be no misunderstanding by either party. This has now been done and should satisfy Mr. Fitzgerald's obligation to furnish some additional information to the Joint Economic Committee per his June 24 memorandum to you.

The C-5A SPO audit identified a total of 3,445 contractual actions through June 6, 1969. These actions were effected by a total of 1,078 separate contractual documents such as Contract Change Notices (CCN), Change Orders (CO), and

Supplemental Agreements (SA). For ease of understanding and analysis, these documents and actions were sorted into one of eleven different categories as shown and briefly defined below.

Category	Number of documents	Number of actions
1. Design/performance—covers changes directly affecting the physical characteristics or performance of the system or its parts.....	38	46
2. Specification—(Over 23 percent of total) modifies program/planning documents or updates applicable specifications.....	145	789
3. Funding—reflects allocation of funds to the contract.....	25	25
4. Administrative/paper—represents nothing more than an administrative function involving a word change or clarification.....	141	206
5. AGE-identification (Over 50 percent of changes). This involves the identification of specific items of field and depot AGE which were not able to be identified in the original contract.....	506	2,047
6. Data—consists of changes to the C-5A data requirements manuals, Loadmaster checklists, crew comfort list, etc.....	77	184
7. Delivery—authority to deliver certain equipment with shortages and/or variations.....	42	42
8. New work—includes change in scope or additional and revised effort on the part of the contractor.....	18	18
9. GFP/CFE—items which were to be provided by the Government which were not available through that source.....	27	27
10. GFP repair—provides for repair of GFP by contractor.....	39	40
11. Test—testing of equipment to be used on or associated with the aircraft.....	20	21
Total.....	1,078	3,44

The three changes confirmed by myself on June 12 to Mr. Fitzgerald are included in Category 1, "Design/Performance". None of these, or any other changes effect the contractual mission performance in the airplane. It should also be noted that, in consideration for these changes, the contractor provided an expanded fatigue test program and a number of other design improvements which will either increase the aircraft performance, decrease the cost, or both.

I trust that the foregoing information will clarify our definition of changes and will fulfill Mr. Fitzgerald's obligation to the Joint Economic Committee for "a complete list, a balanced picture of all the changes effecting the C-5A aircraft."

DONALD R. JACKSON,  
*Deputy Assistant Secretary.*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, August 7, 1969.*

Memorandum for Mr. Fitzgerald, SAFFMM.

Reference your memo of 1 August 1969, the interim reply to Senator Proxmire submitted to SAFFM by you has been forwarded to SAFLL for transmittal as you requested. Some delay has resulted from Mr. Schedler's desire to explore this R&D question a little further.

In this regard, and responding to your second paragraph in above referenced memo, a draft memo to SAFRD is attached for your comment to me. I do not understand your request for making available "raw information" for personal analysis so I am not able to respond.

J. D. PEWITT,  
*Lieutenant Colonel, USAF.*  
*Acting Executive.*

DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE ASSISTANT SECRETARY,  
*Washington, August 1, 1969.*

Memorandum for Lieutenant Colonel Pewitt, SAFFM.

As you know I am going to have to be out of town most of next week. One thing which is hanging fire, and which I would appreciate your help on, is the submission of my supplementary information on C-5A contract changes for my testimony last June. As you remember, I submitted some information as an

interim reply on July 24, 1969. I would like to make sure that this gets to the Joint Economic Committee as soon as possible if it has not already been forwarded.

Furthermore, if we do not get a complete and satisfactory response to the memorandum to R&D on this same subject, I would like to have the raw information available so that I can personally analyze it to complete the record of my testimony.

A. E. FITZGERALD,  
Deputy for Management Systems.

Memo for Secretary Hansen, SAFRD.  
Subject: C-5 technical performance.

In the course of performing a directed cost review of the C-5 program, SAFFM forwarded to SAFRD a memorandum requesting that technical performance of the C-5 be evaluated (Atch 1). This was necessary because of the very critical assumption in cost projections that no major technical problems would arise. In addition it was assumed the aircraft would be delivered at the currently estimated weight. If these parameters change significantly there would, of course, be cost implications. We have received no response in this regard.

It has now come to our attention that a C-5 SPO audit has identified a total of 3445 contractual actions through 6 June 1969 (Atch 2). As you can see from the attached breakout these actions have been sorted into some eleven categories.

It is extremely difficult to assess the performance implications of these categories. Certainly Category (1), Design/Systems performance, and Category (2), Specification changes, must have major influence on the performance and cost implications. Issue #34 in the Whittaker C-5A Program Review (Atch 3) addresses this degradation but merely notes the change with no assessment of the operational implications involved. It could be assumed that as minimal contract cost increases were involved, these changes resulted in performance degradation.

Would you clarify for me the operational and performance implications involved in the changes to date in the C-5A?

S. J. S.

[Handwritten note below memo]

Optional form I & L:

In addition, it would appear that some of the other changes or acknowledged deviations have cost impact. As specific examples, the slip of 6 months in delivery schedule and the 16-month (note: check this) slip in portions of the test program presumably affect cost of the program. Even some of the administrative changes such as the combined ceiling provision which I understand is contained in 5A #235 may affect cost to the Government. Accordingly, I suggest that all changes or deviations be reviewed for cost impact.

NOVEMBER 22, 1968.

Memorandum for Assistant Secretary of the Air Force (R. & D.).  
Subject: C-5A cost review.

The attached report, dated November 8, 1968, on review of C-5 costs notes that the SPO estimate was based on, among others, the assumption that *no major technical problems remain*.

It is also true, however, that a substantial portion of Lockheed's cost increases to date can be traced to the correction of major technical problems.

In view of the sensitivity of any projection of costs to the assumption stated above, I suggest a special analysis of the technical status of the program be completed concurrent with our cost review.

THOMAS H. NIELSEN,  
Assistant Secretary of the Air Force.

Category	Number of documents	Number of actions
1. Design/performance—covers changes directly affecting the physical characteristics or performance of the system or its parts.....	38	46
2. Specification—(Over 23 percent of total) modifies program/planning documents or updates applicable specifications.....	145	789
3. Funding—reflects allocation of funds to the contract.....	25	25
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6. Data—consists of changes to the C-5A data requirements manuals, Loadmaster checklists, crew comfort list, etc.....	77	184
7. Delivery—authority to deliver certain equipment with shortages and/or variations.....	42	42
8. New work—includes change in scope or additional and revised effort on the part of the contractor.....	18	18
9. GFP/GFE—items which were to be provided by the Government which were not available through that source.....	27	27
10. GFP repair—provides for repair of GFP by contractor.....	39	40
11. Test—testing of equipment to be used on or associated with the aircraft.....	20	21
Total.....	1,078	3,445

## PERFORMANCE

34. *Issue:* Has there been degradation of the overall performance specifications?

*Finding:* There have been 46 design and performance changes to date. None of these changes degraded the mission specification performance requirements, e.g. payload/range, take-off and landing distance, or cruise speed. Nor did these changes reduce the safety factors below those standards associated with other USAF aircraft performing similar missions. There was a mutually acceptable "trade-off" with the contractor in the form of added work by the contractor in the area of fatigue testing. In addition, these deviations permitted a weight reduction of about 5600 lbs. in the empty weight of the aircraft, resulting in appropriately reduced production costs.

Some of the more significant specification changes were:

a. Reduction in landing design gross from the weight associated with a maximum weight payload to a basic mission weight payload, plus fuel. The revised landing weight more nearly approached the extremes of normal operation as compared to emergency conditions.

b. Reduction in turning side load factor during taxi from .5G side load to .4G side load. The original MIL-A-8860 does not recognize limitations due to nose gear skidding. The effect of this change was to reduce maximum taxi speed from 20 to 18 knots for a 45° nosewheel deflection (hard) turn.

c. Revision of taxi criteria from earlier static criteria to later criteria based on dynamic taxi analysis.

d. Revision of criteria for horizontal tail airloads distribution from the earlier arbitrary 75-25 unsymmetrical distribution to a distribution based on C-141 test data, since the C-141 has a similar aerodynamic configuration.

e. Reduction in ramp gross weight for full ground handling from 769,000 lbs. to 732,500 lbs. (the basic ramp gross weights). This ground handling limitation parallels the rationale for the taxi analysis and reduction in side load factor.

f. Reduction in maximum speed for full flaps from 205 knots (1.82 Vs) to 180 knots (1.65 Vs) since the flaps are not used as a deceleration device; maximum speeds for take-off and partial flap positions were unchanged.

g. Reduction in gross weight for operation from substandard fields from 678,500 lbs. to 571,000 lbs., (the gross weight associated with the basic tactical mission for delivery of 200,000 lbs. payload and 1000 NM flyback).

h. Sink rate reduction from 10 f.p.s. (FAA certification requirement) to 9 f.p.s. The current standard MIL-8862 specifies 10 f.p.s. but does not specify design strength at 150% of limit load without failure as used for the C-5 with 9 f.p.s. sink rate.

i. Reduction in limit speed (V1 from 410 KCAS to a linear variation with altitude from 402 KCAS at sea level to 392 KCAS at 22,400 feet. This reduced criteria still satisfies the basic requirements for margin in the event of upset and resulting dive recovery.



j. Reduction in flutter speed from 1.20 Vlimit (the FAA certification requirement) to 1.15 Vlimit, the Air Force standard.

k. Gust criteria was adjusted from initial conservative criteria to a more realistic criteria based on accumulated data.

l. Increase in the guaranteed weight empty by 1340 lbs. from 318,469 lbs. to 319,809 lbs. This change was made June 3, 1968 and was the weight increase associated with an improved and re-designed empennage "bullet" that reduced the drag by 2 counts, improving the cruise performance. Resultant payload/range performance was improved for all missions except one, which was unchanged.

No contract cost increases were involved.

Only three of these deviations are related to the mission performance: the weight increase, the reduction in full flap speed, and the decrease in the landing sink rate.

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DEPARTMENT OF THE AIR FORCE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., August 11, 1969.

Memorandum for SAFFM (Lieutenant Colonel Pewitt).  
Subject: Transmittal of reply to subcommittee.

Reference is made to your memo of 7 August 1969. It is assumed that the information which Mr. Fitzgerald wishes to transmit to the Subcommittee on Economy in Government, The Joint Economic Committee is in connection with his testimony of 17 June 1969. If this assumption is correct, an appropriate draft of a letter of transmittal, with proper references, should be prepared and re-transmitted to this office.

WILLIAM B. SWALD,  
Colonel, USAF  
(for William P. Reed, Colonel, USAF,  
Chief, Congressional Investigations Division  
Office of Legislative Liaison).

AUGUST 13, 1969.

Re Your memo of August 7, 1969, and Colonel Reed's memo of August 11, 1969.  
Memorandum for Lieutenant Colonel Pewitt, SAFFM.

Subject: Transmittal of supplementary information to Subcommittee on Economy in the Government.

Due to the long delay in transmitting supplementary information to Senator Proxmire's subcommittee, coupled with the upcoming Congressional recess, I am not sure there is any merit in forwarding the interim information which I proposed on July 24. Instead, I would like to concentrate on preparing a complete and balanced submission to Senator Proxmire by the time Congress reconvenes following the recess.

Regarding your question on my tentative request for raw information, I was referring to the unanalyzed contract changes. I would prefer to have all the contract changes analyzed by R&D. However, in the event we do not get a complete analysis from R&D, I wish to attempt an analysis of the contractual changes on my own rather than abrogate my commitment.

A. E. FITZGERALD,  
Deputy for Management Systems.

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DEPARTMENT OF THE AIR FORCE,  
Washington, D.C., December 11, 1969.

HON. WILLIAM PROXMIRE,  
Chairman, Subcommittee on Economy in Government, Joint Economic Committee,  
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your letter of December 8, 1969 requesting that I make available to the Subcommittee for its examination a file on Mr. A. E. Fitzgerald.

I would like to clarify the Statement that I "assured the Committee that the file was opened in November 1968." In my testimony, I said, "I have not seen the file, so I have to say I do not really know, but it would appear that in Mr. Fitzgerald's case it probably was initiated in November of 1968, at a time that Mr. Fitzgerald was receiving a considerable amount of publicity." (Transcript, page 152.) I do not feel that this should be interpreted as an assurance as to when the file was opened and, furthermore, I went on to state, at two points during the hearing, that I did not know when the file was initiated, but that I would be happy to supply the date for the record (Transcript, pages 152-153). This information, together with other inserts for the record, was furnished to the Subcommittee Staff on December 1, 1969.

As I indicated during the hearing, I believe it would be unwise to make the information in the file available to the public in order to protect the individual in question from possible harm caused by the release of unevaluated information which could be damaging to him, and the sources of such information (Transcript, pages 152, 179). On November 26th, at his request, the file was taken to Mr. Moorhead's office for his examination. General Murphy, my Director of Legislative Liaison, advised Mr. George D. Krumbhaar, of the Subcommittee Staff, of this action. Mr. Moorhead discussed the file with Mr. Ross of the Air Force but elected not to review its contents.

I am still prepared to make the file available to you and Members of your Subcommittee for your personal review. If you will advise me of a convenient time, I will see that the file is hand-carried to you, with the understanding that after your examination it will be returned directly to the Air Force.

Sincerely,

ROBERT C. SEAMANS, JR.

OFFICE OF THE SECRETARY OF DEFENSE,  
Washington, D.C., February 5, 1970.

HON. WILLIAM PROXMIRE,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR PROXMIRE: Your January 28 letter to Secretary Seamans requesting an extension of the security clearance for Mr. A. E. Fitzgerald has been referred to me for reply since this office has responsibility for handling all requests for clearance of Congressional staff members.

Clearances granted to Department of Defense employees expire at the conclusion of employment and there is no automatic extension such as that mentioned in your letter. However, based on your request, and in accordance with standards and procedures of the Defense Department for the granting of security clearances for Congressional staff members, a new Top Secret security clearance has been authorized for Mr. Fitzgerald and is on a need-to-know basis in connection with his duties.

We would appreciate your advising us if at any time in the future Mr. Fitzgerald no longer has a requirement for this clearance.

Sincerely,

RICHARD G. CAPEN, JR.,  
Assistant to the Secretary.  
(Legislative Affairs).

[Excerpt from the United States Code, Title 18, Crimes and Criminal Procedure]

SECTION 1505. OBSTRUCTION OF PROCEEDINGS BEFORE DEPARTMENTS, AGENCIES, AND COMMITTEES

Whoever corruptly, or by threats or force, or by any threatening letter or communication, endeavors to influence, intimidate, or impede any witness in any proceeding pending before any department or agency of the United States, or in connection with any inquiry or investigation being had by either House, or any committee of either House, or any joint committee of the Congress; or

Whoever injures any party or witness in his person or property on account of his attending or having attended such proceeding, injury, or investigation, or on account of his testifying or having testified to any matter pending therein; or

Whoever, with intent to avoid, evade, prevent, or obstruct compliance in whole

or in part with any civil investigative demand duly and properly made under the Antitrust Civil Process Act willfully removes from any place, conceals, destroys, mutilates, alters, or by other means falsifies any documentary material which is the subject of such demand; or

Whoever corruptly, or by threats or force, or by any threatening letter or communication influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the due and proper administration of the law under which such proceeding is being had before such department or agency of the United States, or the due and proper exercise of the power of inquiry under which such inquiry or investigation is being had by either House, or any committee of either House or any joint committee of the Congress—

Shall be fined not more than \$5,000 or imprisoned not more than five years, or both. (June 25, 1948, ch. 645, 62 Stat. 770; Sept. 19, 1962, Pub. L. 87-664, § 6(a), 76 Stat. 561.)

#### LEGISLATIVE HISTORY

*Reviser's Note.*—Based on title 18, U.S.C., 1940 ed., § 241a (Mar. 4, 1909, ch. 321, § 135a, as added Jan. 13, 1940, ch. 1, 54 Stat. 13; June 8, 1945, ch. 178, § 2, 59 Stat. 234).

Word "agency" was substituted for the words "independent establishment, board, commission" in two instances to eliminate any possible ambiguity as to scope of section. (See definitive section 6 of this title.)

Minor changes were made in phraseology.

#### REFERENCES IN TEXT

The Antitrust Civil Process Act, referred to in text, is classified to chapter 34 of Title 15, Commerce and Trade.

#### AMENDMENTS

1962—Pub. L. 87-664 substituted the catchline "Obstruction of proceedings before departments, agencies, and committees" for "Influencing or injuring witness before agencies and committees" and punished the willful removal, concealment, destruction, mutilation, alteration or falsification of documents which were the subject of a demand under the Antitrust Civil Process Act if done with the intent to prevent compliance with a civil investigative demand.

#### CROSS REFERENCES

Bribery of public officials or witnesses, see section 201 of this title.

[Excerpt from the Congressional Record, Aug. 3, 1939]

Mr. O'MAHONEY. I share completely the Senator's sympathy for the witness called before any group, and it is because I have such sympathy that I am urging the passage of this bill. Let me give the Senator an example how it would work. At the present time, if a witness should be called before the Interstate Commerce Commission, some person not a witness before that Commission could with complete impunity threaten him that if he testified to the truth he would lose his job, for example, and there would be no recourse. This bill provides that, if any person should so threaten such a witness, such person would be guilty of a criminal offense not punishable by the Interstate Commerce Commission but cognizable in a court of law and punished by such court. That is all the bill does. It extends to the witness before a committee of the House of the Senate, before a joint committee, or before a commission or board, the same protection that is now thrown about witnesses elsewhere. That is all I have to say about the matter.

[From the Congressional Record, Nov. 5, 1969]

#### PENTAGON FIRES EXPERT ON C-5 COSTS

(Mr. Tunney asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TUNNEY. Mr. Speaker, I saw in the Washington Post today that Ernest Fitzgerald has been fired by the Department of Defense, apparently because as an

Air Force efficiency expert he testified before the Senate Joint Economic Subcommittee last year and indicated that there was going to be an overrun of approximately \$2 billion on the C-5A aircraft. Shortly after he testified, he was relieved of his responsibilities and was put in charge doing such a tremendously important job as looking into the bowling alleys in Thailand to determine whether or not they were complying with cost efficiency policies.

Mr. Speaker, I cannot believe why the Secretary of Defense, a man who while he was in the Congress indicated that he was very much concerned about the importance of having cost reductions in defense expenditures, would allow Ernest Fitzgerald to be fired. The reasons for the firing were expressed to Fitzgerald by his boss, Assistant Air Force Secretary Spencer J. Schedler. According to the Post report Schedler said:

"We have the cost reduction exercise going, and in order to do our work with a smaller number of people, we are abolishing your job and one other, a secretary's."

It seems to me to be a rather ridiculous situation. Why should a man who testifies to the Congress that we are having incredible cost overruns, be the first fired in a cost-reduction program? If a man employed by the executive branch cannot in honesty testify to Congress any more on cost overruns without losing his job, what sort of oversight power does the Congress have?

It makes a mockery out of the proposition that powers of Government are balanced between the executive and Congress. The new creed apparently is that Congress is entitled to the facts only so long as these facts correspond with what department and agency chiefs believe Congress is entitled to know.

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[From the Congressional Record, Nov. 6, 1969]

#### FITZGERALD'S FIRING IS DEPLORABLE

(Mr. Dickinson asked and was given permission to address the House for 1 minute.)

Mr. DICKINSON. Mr. Speaker, the action of the Department of Defense in firing A. Ernest Fitzgerald is deplorable.

Mr. Fitzgerald's dismissal has been explained as an "economy move"—part of a reorganization. Everyone knows, however, that he was fired because of his disclosures of waste and inefficiency in the Department of Defense. No matter how much DOD spokesmen deny this allegation, I—and I know other Members of the House feel likewise—know the real reason for his dismissal.

The word has gone out to Government employees, Mr. Speaker. If you see waste and inefficiency, look the other way. If you see overruns on Government contracts, say nothing, or you will be transferred to a position overseeing a bowling alley in Thailand. If you think you can save the hard-pressed American taxpayer money, do not stick your neck out, or you will find yourself facing Ernest Fitzgerald's fate.

Mr. Speaker, this matter is far from closed. Mr. Fitzgerald's dismissal is going to haunt some Defense Department officials in the near future.

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[From the Congressional Record, Nov. 6, 1969]

#### MR. A. ERNEST FITZGERALD, AIR EFFICIENCY EXPERT FIRED BY THE PENTAGON

(Mr. Hanley asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HANLEY. Mr. Speaker, I was appalled to learn yesterday that Mr. A. Ernest Fitzgerald, the Air Force efficiency expert who had uncovered the fantastic cost overruns in the controversial C-5A program, had been fired by the Pentagon. As a persistent critic of the bloated Pentagon budget, and as one of the Members of this body who attempted to make responsible cuts in the defense procurement bill a few weeks ago, I find this action on the part of the Pentagon officials completely inexcusable. Instead of giving Mr. Fitzgerald his walking papers, the Defense Department should have given him a medal.

The Secretary of Defense recently noted in a press conference the tremendous accomplishments of this administration in its cost-reduction program. Yet, now they have decided that one of the best ways to reduce costs is to fire one of the most capable waste hunters in the Pentagon. I say the situation reeks.

The Federal Government goes to great pains to recruit competent executives. It spends all kinds of money on efficiency analyses to determine reasonable and responsible cost-benefit ratios. But in one of the worst shows of contrariness I have witnessed in a long time, the Pentagon has decided to can one of its most competent executives and apparently shelve all the hard work he put in attempting to save the U.S. taxpayers millions of dollars. This, in my estimation, is sheer idiocy.

Along with many of my colleagues, I am writing to the President asking him to personally intervene in this situation and to restore Mr. Fitzgerald to his position in the Defense Department. Anything less than this on his part will be a complete condoning of a program that was so badly bungled and so horribly mismanaged that it almost boggles the mind. His failure to do this will also be a serious blow to the morale of hundreds of thousands of conscientious Government employees who try to do the right thing but will refrain from any acts of initiative in the future lest they get egg on the faces of their superiors.

This incident is but another in a series of acts of smug high-handedness on the part of Pentagon officials who think they are above approach. I think this arrogance ought to be met head on.

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[From the Nation, Nov. 17, 1969]

#### PENTAGON LOYALTY

The Pentagon has exhibited its curious interpretation of economy by firing the Air Force efficiency expert who revealed to Congress the procurement shenanigans connected with the \$2 billion cost overrun on the giant cargo plane, the Lockheed C5A. Thus by abolishing the \$31,000-a-year job of A. Ernest Fitzgerald, who has done more than any single individual to expose the inefficiency and even duplicity of high-ranking Air Force officials, the Pentagon has shut the mouth of one of its most articulate critics. A number of Mr. Fitzgerald's duties have been taken over by the consulting firm of Arthur Young & Co.—which is also Lockheed's auditors.

Fitzgerald not only revealed that the C5A, originally estimated at \$3.4 billion, would cost an additional \$2 billion, but also that the Air Force had taken measures to hide this overrun. He says now that "concern for cost reduction at the Pentagon is regarded as an anti-social activity." The Pentagon, like that other military elite, the German High Command, regards loyalty to itself above loyalty to country. Fitzgerald, nominated by the Air Force in 1967 for the Defense Department's Distinguished Civilian Service Award, made the fatal error of taking his duties too seriously. The dismissal is a personal tragedy for him; for the country, it has broad implications as to the future handling of Department of Defense budgets. What other Pentagon officials, eager to trim the \$80 billion defense budget, will recall the experience of A. E. Fitzgerald and decide to be prudent?

If Secretary Laird really meant to carry out his pledge to cut the Pentagon budget "to the bone," he would scarcely have dismissed one of the Pentagon's best efficiency experts as an economy move. What kind of sense does it make to terminate the job of \$31,000-a-year employee who has revealed the mismanagement of billions of dollars? It makes the sense that those who make waves at the Pentagon will surely drown in them.

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[From the Congressional Quarterly, Inc., Nov. 21, 1969]

#### FITZGERALD "FIRING," DENIED BY AIR FORCE, STIRS PROTESTS

*Committee.*—Joint Economic, Subcommittee on Economy in Government; William Proxmire (D. Wis.), chairman.

*Began hearings*—Nov. 17 and 18 on the Air Force dismissal of A. Ernest Fitzgerald as deputy for management systems in the office of the Assistant Secretary of the Air Force.

*Background.*—Fitzgerald was first catapulted into prominence Nov. 13, 1968, when he disclosed mounting costs on the Air Force C-5A transport plane before the Proxmire Subcommittee. Shortly after he testified, Fitzgerald was told that a notification he had received a few weeks earlier stating his job was protected by Civil Service regulations was "a computer error" and that his position was not protected.

Later, Proxmire obtained a memorandum sent to the Secretary of the Air Force listing three ways through which Fitzgerald could lose his job. In addition, Fitzgerald was reassigned from his former duties examining major contracts to investigating such projects as bowling alleys. The service also refused to release material the Subcommittee had asked Fitzgerald to supply in a subsequent investigation.

On Nov. 4, it was disclosed that Fitzgerald's post would be abolished as a budgetary move. On the same day, the Air Force hired as a consultant a partner in an accounting firm that also worked for the manufacturer of the C-5A, the Lockheed Aircraft Corporation, and assigned him duties once performed by Fitzgerald. After Congressional opposition from Proxmire and Rep. William S. Moorhead (D Pa.), the Air Force Nov. 7 fired the \$107-a-day consultant, John J. Dymnt.

On Nov. 7, 60 House members sent a telegram to President Nixon protesting Fitzgerald's firing. Rep. Jack Brooks (D Texas) also asked the Justice Department to see if a U.S. criminal statute against "injuring" anyone because of their testimony before a Congressional committee had been violated.

The Air Force Nov. 15 also announced a decision to buy only 81 instead of the 120 C-5As it had originally planned. The service cited "budget constraints" as the reason for the change in plans. But it said the estimated costs for the projected 120 planes had risen again by some \$146 million. The announcement further said that the final costs would probably be subject to negotiations with the company. Lockheed officers also said the firm might undertake litigation to assure payment.

In October, Proxmire and other Members of Congress had indicated C-5A costs had climbed still further and the aircraft was experiencing technical difficulties. Proxmire had also complained that the Air Force was requesting \$36 million for construction of facilities for the giant aircraft when one of the big selling points for the plane during Congressional debates had been its versatility and adaptability.

Congress Nov. 6 approved \$52 million for advanced purchases on equipment for 20 planes more than the 81. Opponents of the expenditure, led by Proxmire, had cited internal Defense Department studies questioning the need for more than 81 planes. At first, defenders of the plane said the funds and planes would be absolutely necessary. Later the Pentagon hesitated about whether the \$52 million was necessary and finally made known its decision halting purchases at 81.

(For stories on Fitzgerald, C-5A, see 1968 Weekly Report, p. 3185, 1969 Weekly Report, p. 133, 148, 924, 1708.)

*Testimony.*—Fitzgerald told the Subcommittee that after he had "committed truth" by telling the panel about the C-5A's cost overruns he had been ostracized in his post at the Defense Department. He said the testimony had disturbed many high-ranking officials and that at one point his former boss, Thomas Nielsen, Assistant Secretary of the Air Force for financial management, told him "you have lost your usefulness." Later Air Force Secretary Robert Seamans added that "the staff doesn't like you."

Fitzgerald said he had been gradually removed from most of his important duties and had been impeded in testifying before Congress. "The actions I've cited are the direct result of my having told the truth," he continued. He added that other employees who had proposed stricter procurement procedures had also been subjected to "discrediting innuendo and personal attack."

Although he expressed no regrets about his actions, Fitzgerald vehemently denied implications he had leaked classified information to Congress. He said that unless refuted, such accusations could have a "devastating effect" on his ability to find a new job.

Fitzgerald also said his superiors had been upset by a request made by Rep. Wright Patman (D Texas), chairman of the House Banking and Currency Committee, that Fitzgerald aid in an inquiry which Patman's Committee was conducting in the use of hidden foreign bank accounts to finance acquisitions of defense contractors.

Proxmire commented that "this is a case of retaliation against a courageous public servant who did his duty and told the truth . . . instead of attacking the problem, the man who had the guts to point out the problem was sacked." He also noted that it was illegal for anyone to threaten, intimidate or impede a witness before a Congressional committee.

Nov. 18—Air Force Secretary Seamans insisted that Fitzgerald's job had been eliminated strictly on grounds of economy and that he and Defense Secretary

Melvin R. Laird had sought vainly to find another post in the Defense Department for Fitzgerald. He added that "we have found that it is necessary to restructure the office" that Fitzgerald worked in. He also denied that Fitzgerald had been harassed or reduced to menial jobs after his testimony.

When asked whether an investigation had been conducted in an attempt to discredit Fitzgerald, Seamans said that a file on Fitzgerald had been collected by the Air Force office of special investigations merely because he was a "news-worthy individual" and not to pin something on him. He said such files contained only newspaper clippings, phone conversations and other such information. He said he had not seen the contents.

The top Air Force official also praised Fitzgerald's efforts to try to hold down costs and said he had found no evidence that Fitzgerald had ever supplied classified information to Congress. "I will say categorically now that Mr. Fitzgerald has not violated the national security."

He did accuse Fitzgerald of making "false accusations" in some of the charges made about contracting practices and alleged coverups of mismanagement.

Proxmire commented it was "very hard for me to accept" Seamans' explanation of why Fitzgerald's job was abolished, especially since two years before the Air Force had recommended him for a distinguished civil service award.

Fitzgerald, who was in the hearing room, was recalled to make additional statements. He stated the belief that management experts remaining at the Pentagon "will be very hesitant to be very aggressive in the areas we have worked with in the past . . . the climate for candor is worse. Certainly no one will be encouraged to speak candidly before Congressional committees on controversial matters."

Spencer Schedler, Assistant Secretary of the Air Force for financial management, Fitzgerald's last superior, was also called to testify about reports he had sought to discredit Fitzgerald with Members of Congress. Schedler replied several times that he could not remember the details of his conversations on the subject. However, after the hearings, Reps. William L. Dickinson (R-Ala.) and Joel T. Broyhill (R-Va.) were reported as saying Schedler had told them Fitzgerald was not a "team player."

[From the Congressional Record, Jan. 22, 1970]

#### FLYING FICKLE FINGER OF FATE AWARD PRESENTED TO THE AIR FORCE

Mr. PROXMIRE. Mr. President, a year ago last November, A. E. Fitzgerald testified before the Subcommittee on Economy in Government of the Joint Economic Committee that there was a \$2 billion overrun on the C-5A.

Soon things began to happen to him. His newly won career status in the civil service was withdrawn on grounds that it was a "computer error." He was no longer invited to important meetings. Colleagues snubbed him. His major duties over the cost of major weapons systems were withdrawn and he was given the "important" job of examining the cost overruns in bowling alleys and military mess halls in Thailand. He was wrongly and spitefully charged with leaking classified information to Congress—a charge which is utterly untrue for he was absolutely meticulous in going through channels in presenting information to my committee. After publicly denying it, the Air Force in fact conducted a one-sided investigation into his past, hoping they might turn up something derogatory. They did not. All they found was that he was a cost-conscious civil servant who drove a Rambler to prove how parsimonious he really was. Incidentally, that investigation file failed to include some very favorable comments about Fitzgerald from those who were interviewed. I know this because I saw the file.

In addition to testifying truthfully about the overruns, Fitzgerald warned the committee last June about structural defects and poor performance of the C-5A. The Air Force denied this, but last week the few existing planes were grounded when a crack developed in the wing. Fitzgerald was right on this count too.

Finally, the Air Force, in an alleged economy move, abolished his job. The truth was that in turn he was harassed, ostracized, investigated, and fired.

In November when Secretary of the Air Force Seamans testified before my subcommittee, I asked him with whom he had consulted before he fired Fitzgerald. The Secretary demurred.

He said:

"I did not decide to fire Mr. Fitzgerald. I prefer to use the term, the correct term, 'to abolish his job.'"

When the Secretary said that, the audience laughed. In fact, the staff laughed, the press laughed, and the committee laughed. In my almost 13 years in the Senate, I remember no occasion in which a witness was so obviously embarrassed by his own statement.

On January 12, 1970, a few days ago, the Rowan and Martin "Laugh In" show on NBC memorialized that occasion. They gave the Flying Fickle Finger of Fate Award to the Air Force.

Mr. President, I will read the transcript of that portion of the program where Dick and Dan presented Secretary of the Air Force Seamans with the Flying Fickle Finger of Fate Award:

"FLYING FICKLE FINGER OF FATE AWARD, AS BROADCAST JANUARY 12, 1970

"Boys enter, Dick holds award.

"Music: Fanfare.

"DAN. Well, as they used to say on 'My Little Margie' . . . It's time for the Flying Fickle Finger of Fate.

"DICK. Tell me . . . who gets the potent prober this time?

"DAN. Just about to tell you . . . The United States Department of the Air Force.

"DICK. They go a little wild in the old blue yonder?

"DAN. In a way, yes . . . Mr. A. E. Fitzgerald, a top efficiency expert for the Air Force said that the cost of the C5A transport project would go two billion dollars over budget.

"DICK. Ah ha . . . so the Air Force commended him for his good work, uh?

"DAN. Not quite! You see, Mr. Fitzgerald blamed the extra cost on bad management and inadequate cost control on the part of the Air Force . . . And he said so before the Senate Subcommittee.

"DICK. But isn't that his job?

"DAN. Not any more.

"DICK. He got fired for *that*!

"DAN. Not according to an Air Force spokesman.

"DICK. Well, it *sounds* like he got fired for *that*.

"DAN. What the Air Force *did* was to eliminate his job.

"DICK. He got *fired* for that alright.

"DAN. Air Force secretary Robert Seamans said Mr. Fitzgerald's job was abolished in an effort to save money.

"DICK. Whoops . . . watch it, Mr. Secretary. You know what happened to Mr. Fitzgerald . . . for trying to save money!

"DAN. Better be careful . . . So here it is, Air Force Department . . . Take good care of it.

"DICK. With proper management and adequate cost control this can really help you take off!"

[From the Congressional Quarterly, Inc., Jan. 30, 1970]

FITZGERALD APPOINTMENT

A. Ernest Fitzgerald, former deputy assistant secretary of the Air Force who was dismissed by the Pentagon after he confirmed Congressional charges of cost overruns in the C-5A transport program, Jan. 27 was named a part-time consultant to the Businessmen's Educational Fund.

Fitzgerald Jan. 20 was appointed a consultant to the Joint Economic Subcommittee on Economy in Government by Sen. William Proxmire (D Wis.), chairman. (*Weekly Report* p. 202)

The Businessmen's Educational Fund, a nonprofit organization formed in 1968, sponsors research, education projects and government liaison activities to reassess national priorities and military spending policies. Fitzgerald will undertake a year-long program of seminars on waste in the military budget for local businessmen in cities throughout the country.

The fund is financed by voluntary contributions and by dues that range from \$100 for individual members to \$25,000 for other membership categories. Harold Willens, president of the Factory Equipment Supply Corporation, Los Angeles, is chairman of the organization.



[From the Armed Forces Journal, Jan. 10, 1970]

## NOTEBOOK

One more Fitzgerald probe.—A. Ernest Fitzgerald, the Air Force economy expert who revealed the cost overruns on Lockheed's Galaxy, packed his files at his Pentagon office this week and headed for a new job as a private consultant. Before leaving, though, he contended, in a Journal interview, that not only have the Air Force, Justice Department and Joint Economic Committee been interested in his case, but that a defense contractor conducted its own probe. Fitzgerald said a retired officer who is an employee of the company last summer questioned Fitzgerald's friends about his sex life, drinking habits, etc., and even wanted to know if he uses drugs. Fitzgerald declined to name the firm.

The 43-year-old industrial engineer was not ready to say who his clients will be as a private consultant, but he did remark: "I certainly haven't received any offers from the Air Force—or defense contractors." He said he did receive one tentative offer, though, from the Peace Corps. Fitzgerald met with a high-level Peace Corps official, who said there might be an administrative spot in that agency for the former DoD employee.

Discussing the \$100-million Peace Corps budget Fitzgerald wryly—and perhaps knowingly—noted that the Defense Department, with a budget 700 times as large, loses that much (\$100-million) every year "between the cracks." Fitzgerald said he is not interested in the Peace Corps job. He also hinted that even as a private citizen he intends to continue keeping a close watch on DoD spending.

[From the Washington Post, Nov. 5, 1969]

## PENTAGON FIRES EXPERT ON C-5 COSTS

(By Bernard D. Nossiter)

The Pentagon yesterday fired A. Ernest Fitzgerald the Air Force efficiency expert who first disclosed the \$2-billion cost overrun on the C-5A.

Fitzgerald, 43, was told his \$31,000-a-year job was being abolished to save money and that no other was available for him. In civil service parlance he was the victim of a reduction in force.

An Air Force spokesman said there was "absolutely" no link between Fitzgerald's dismissal and his testimony a year ago on the big cargo plane before a Senate Joint Economic subcommittee.

Sen. William Proxmire (D-Wis.), chairman of the subcommittee, called the firing a "reprisal." He said his unit will inquire into it.

## AIR FORCE EXPLAINS

Proxmire declared: "The firing of A. E. Fitzgerald is a clear message from the Pentagon to its employees. That message is, 'Do not try to reduce costs; do not aim towards efficiency; do not attempt to achieve economy in government; if you do, you will be isolated and fired.'"

The Air Force said that Fitzgerald's was one of 850 jobs abolished to economize. Proxmire charged that this was "a mockery of the term."

Fitzgerald is an industrial engineer who came to the Air Force in September, 1965, as deputy for management systems to the service's assistant secretary for financial management. He was charged with holding down costs on big weapons systems.

His troubles began soon after he told the Proxmire committee on November 13, 1968, that costs of the 120 C-5A planes and spare parts the Air Force expected to buy were soaring nearly \$2 billion above their original estimate of \$3.4 billion. The Air Force has since acknowledged an overrun of \$1.4 billion but argues that increases on the parts should not be counted.

On November 25, Fitzgerald was notified that he had been given Civil Service tenure through a "computer error." The stripping of tenure cleared the path for his ultimate dismissal.

Last January, the then Air Force Secretary, Harold Brown, received a memo from an aide describing three ways to get rid of Fitzgerald. One was the method used yesterday, wiping out his job.

"ABOLISHING YOUR JOB"

Since then, Fitzgerald has been quarantined. Instead of overseeing big programs, he was assigned to such tasks as exploring waste at an Air Force bowling alley in Thailand. His first question in this report was, "Why was this bowling alley built at all?"

At 5 p.m. yesterday, his new boss, Air Force Assistant Secretary Spencer J. Schedler, called in Fitzgerald and said:

"We have the cost reduction exercise going, and in order to do our work with a smaller number of people, we are abolishing your job and one other, a secretary's."

Schedler then handed Fitzgerald a letter, formally notifying him that he had 60 days left on the payroll. Fitzgerald was the Air Force's nominee in 1967 for the Defense Department's Distinguished Civilian Service Award.

Fitzgerald, who once testified that at the Pentagon cost reduction is "an anti-social activity," is a native of Birmingham, Ala. After several years in private industry, he headed his own management consulting firm, Performance Technology Corp. Congress has heard others testify that PTC was bankrupted by the Air Force because it was too clever at spotting waste.

Last night, he said he was certain that his testimony "set in motion a chain of events" that culminated in his dismissal. He added that he hopes to continue working at his specialty, cost reduction in defense.

[From the Aerospace Daily, Nov. 6, 1969]

PENTAGON CRITICIZED ON DISMISSAL OF FITZGERALD

A Congressman and a Senator are criticizing the Pentagon for the dismissal of A. Ernest Fitzgerald, the Air Force analyst who exposed the cost overrun on the Lockheed C-5 Galaxy transport last year.

"It seems to be a rather ridiculous situation," Rep. John Tunney (D-Calif.) remarked yesterday on the House floor. "If a man can't testify before Congress on cost overruns, what sort of democracy do we have?"

Sen. William Proxmire (D-Wis.) who, as chairman of the Joint Economy in Government Subcommittee gave Fitzgerald a forum to issue his charges of cost overruns and poor management, said late Tuesday that the Pentagon "has decided what to do about its own inability to manage programs. It has chosen to control its dedicated, cost-conscious employees rather than to control the costs of its programs."

[From the Washington Post, Nov. 7, 1969]

LOCKHEED'S ACCOUNTANTS GET EX-AF AIDE'S DUTIES

(By Bernard D. Nossiter)

Last Tuesday, the Air Force fired A. Ernest Fitzgerald, the efficiency expert who uncovered the massive cost overruns in Lockheed Aircraft's C-5A.

That same afternoon, the Air Force hired as a consultant a partner in Lockheed's accounting firm, Arthur Young & Co. The Young firm is also a co-defendant with Lockheed in a suit alleging that the two companies bilked Lockheed stockholders by concealing the big overruns.

The new consultant, hired for \$107.92 a day, is John J. Dyment, 36. He has been assigned some of the same tasks performed by Fitzgerald, determining how the Air Force can better oversee the cost and performance of its big contractors.

Dyment, who will turn his Pentagon fees over to the Young firm, was hired by Spencer J. Schedler, the Air Force assistant secretary for financial management and the man who handed Fitzgerald his walking papers. Schedler's wife, Judy, works as an auditor at Arthur Young's Washington branch for \$11,000 a year.

The decision to hire Dyment came to light yesterday and was promptly denounced by Sen. William Proxmire (D-Wis.), leader of the fight against the C-5A.

Proxmire called it a "shocking conflict of interest because the C-5A constitutes one of the worst scandals in procurement in a long time."

The hiring of the Young firm, he said, "is emphatically contrary to the public interest" and "conspicuously contradicts the Air Force contention that Fitzgerald was fired for reasons of economy."

Rep. William Moorhead (D-Pa.) said the employment of the Young company "is like sending a bulldog to guard the hamburger."

Both Schedler and Dymont, who were classmates at the Harvard Business School, strongly denied any wrongdoing.

Schedler, 36, said "I don't think there is any" impropriety because Dymont works in Young's management services division in New York and the alleged concealment of overruns concerns Young's auditing division in Los Angeles.

Dymont, he said, "is not working on anything concerning Lockheed as such. He won't be looking specifically at Lockheed reports. We monitor quite a few weapons systems. His chances of looking at a Lockheed report are rather slim."

Schedler said he had heard little about the suit against Arthur Young and Lockheed but it wouldn't change his mind. "It's a straight arrow approach," he said.

The suit, filed in New York federal court last May by Lockheed stockholder Richard J. Stull alleges that Arthur Young "aided and abetted the (Lockheed) management defendants in said acts of misconduct by omitting from their accounting reports certain losses sustained on such (C-5A) contracts by advising management and by signing reports in such behalf which reports were disseminated to the public and shareholders."

Lockheed management is accused of acting to "artificially inflate the market price" of the company stock by failing to disclose the losses resulting from the soaring costs on the first 58 C-5A cargo carriers.

The Securities and Exchange Commission had been conducting an inquiry for months to determine whether Lockheed directors wrongfully profited from their inside knowledge.

Consultant Dymont, reached by telephone in New York, said that he, too, saw no conflict of interest because "I know nothing of the audit side."

He said he was working for Schedler at a quarter of his normal consulting fee because he thought companies have a "responsibility to make this contribution" to the government. Dymont said Schedler wants him to provide "conceptual opinions" aimed at improving Air Force reports on the cost, delivery schedule and performance of major weapons systems.

Schedler said he expects to consult the Arthur Young partner eight or ten times in a year.

The Air Force planned on paying \$3.4 billion for 120 of the big planes and their spare parts. Fitzgerald discovered that the costs have risen nearly \$2 billion.

[From the Cleveland Plain Dealer, Nov. 9, 1969]

#### PROBE OF PENTAGON FIRING DUE

Serious doubts about the Pentagon's attitude toward cost efficiency are cast by its incredible performance in the Fitzgerald affair. An investigation is promised by a Senate subcommittee and it certainly is in order.

First, the Pentagon demoted and then fired A. Ernest Fitzgerald, the Air Force industrial engineer who first discovered that the C5A cargo carrying aircraft were going to cost nearly \$2 billion more than the Pentagon had estimated. This disclosure was embarrassing both for the Pentagon and Lockheed Aircraft, which made the plane, but the Pentagon denies Fitzgerald's firing was connected with his disclosure. It was simply that his job was being abolished to save money, said the Pentagon.

Yet, on the same day, the Pentagon hired a consultant—at \$107.92 a day—to devise methods for the Air Force to keep tabs on contractor costs, schedules and performance, the very sort of work Fitzgerald had been doing.

And the consultant hired was a partner in Lockheed's accounting firm, Arthur Young & Co. The accounting firm and Lockheed are codefendants in a suit alleging that the two companies bilked Lockheed stockholders by concealing the C5A cost overruns.

The Pentagon came to its senses and dismissed the consultant after one day when Sen. William Proxmire, D-Wis., protested the "shocking conflict of interest" involved.

Rep. William Moorhead, D-Pa., also joined the clamor, saying employing the consultant was "like sending a bulldog to guard the hamburger."

To Proxmire, the firing of Fitzgerald is a "clear message from the Pentagon to its employes: do not try to reduce costs; do not aim towards efficiency; do not attempt to achieve economy in government; if you do, you will be isolated and fired."

The Pentagon has some explaining to do when it cannot find work in 1969 for an efficiency expert who two years before was the Air Force's nominee for the Defense Department's distinguished civilian service award.

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[From the Louisville Courier-Journal, Nov. 11, 1969]

#### SUCH ECONOMY IS A BLOW TO TAXPAYERS

LAST SUMMER Ernest Fitzgerald, a civilian efficiency expert with the Air Force, complained that the C5A transport plane was costing the Air Force almost twice as much as it was supposed to. When his complaints brought no action from the Air Force, he aired them in public. The Air Force did not appreciate this. It does not appreciate having its waste of tax money exposed to public view. Mr. Fitzgerald could not conveniently be fired, so his job was abolished in the name of economy.

Last week the Air Force hired a man named John Dymont to take Mr. Fitzgerald's job, the one that had been abolished. Newsmen and suspicious members of Congress soon discovered that Mr. Dymont was employed by Arthur Young & Company, the accounting firm for Lockheed Aircraft, the firm that built the C5A. In fact, Arthur Young is co-defendant with Lockheed in a suit charging that the two firms cheated Lockheed stockholders by concealing from them the truth about the cost over-runs on the C5A.

#### SOME OTHER EYEBROW RAISERS

Nor was that all, Mr. Dymont was hired by Spencer Schedler, Air Force financial management executive, Mr. Schedler had reason to think he could hire an Arthur Young official without causing trouble; Mr. Schedler's wife works for Arthur Young & Company as a fiscal analyst. When fired for reasons of economy, Mr. Fitzgerald was making \$31,000 a year. Mr. Dymont was hired as a consultant at the rate of \$107.92 a day, which figures out at better than \$39,000 a year.

When Congress got wind of the incident, the reaction forced the Air Force to cancel Mr. Dymont's contract, though Air Force officials insisted that they could see no conflict of interest in his employment. Aside from the implication of poor eyesight on the part of the officials concerned, the episode makes several noteworthy points about the operation of the Pentagon.

Perhaps the most significant feature of the Fitzgerald-Dymont episode is the arrogance and disregard for public opinion implicit in the conduct of the Air Force. It indicates that the Pentagon, reassured by the willingness of Congress to do its bidding regardless of cost, feels it is now free to act without concern for what Congress or the public might do. It also demonstrates the shocking state of ethical standards in at least some areas of the defense establishment. When one man is fired for revealing waste, and another hired whose employment strongly suggests that future waste will not be exposed, there is something more than casually rotten in the Pentagon.

The incident also affords a convincing rebuttal to those who have insisted that the military-industrial complex is either a figment of newsmen's imaginations or a cooperative understanding that produces efficiency and thus works to the benefit of the taxpayer. This indicates it is neither. It indicates that the complex is, indeed, something on the other of a conspiracy. In light of it, the public can only wonder how many Pentagon officials represent the taxpaying public, and how many have ties to the very companies they are supposed to police?

[From the Washington Star, Nov. 15, 1969]

## AIR FORCE TO REDUCE C5A ORDER BY A THIRD

(By Orr Kelly)

The Air Force has decided to buy only 81 instead of 120 of the huge C5A super transport planes.

The Air Force said last night that the final cost "will in all probability be subject to interpretation of the contract provision and may require adjudication in the courts."

Originally, the Air Force expected to pay \$3.4 billion for 120 of the planes.

According to an Air Force report in July of this year the cost had risen to \$5.1 billion.

### MORE FUNDS NEEDED

The announcement last night said it is now estimated that an additional \$1.49 billion would be required to build the whole 120 plane fleet.

"Budget constraints require that the Air Force closely examine program requirements for the 1970 budget. This examination has resulted in a reduction from 120 to 81 aircrafts," the announcement said.

A Lockheed spokesman said:

"We regret the decision by the Air Force to reduce procurement of the C5 to 81 aircraft. We are examining the implications of this decision upon Lockheed and its subcontractors, including the effect on employment levels at Marietta and at other Lockheed plants."

The purchase of 81 planes will give the Air Force enough for four squadrons rather than the six that would have been provided in the 120 plane program.

### RAPID DEPLOYMENT

The plane is designed to carry virtually all normal pieces of army equipment and could be used to move troops rapidly from this country and deliver them to almost any point in the world, including areas with only primitive air fields.

Despite the sharp rise in cost, the Air Force said a special study completed last July showed that the C5A, "even at the currently estimated acquisition cost, will be the most cost effective military aircraft for transporting all types of cargo."

"The C5A should ultimately be effective in reducing the permanent stationing of forces overseas . . . thus, it should become a major instrument of national policy," the study concluded.

The decision to cut back from six squadrons to four is the latest in a series of steps pulling back from the policy of flexible response adopted by the Democratic administration of President John F. Kennedy in 1961.

The original plan was to provide the armed forces with a fleet of C5A planes and 30 fast deployment logistics ships which would be ready, loaded with combat equipment, to move to almost any part of the world.

Because of resistance in Congress, the FDL program has now been cut back to 15 ships and funds still have not been provided by Congress. The rapid movement capability once contemplated is being further reduced by the decision to reduce the number of C5As to be purchased.

The study concluded in July raised a question, however, whether the full 120 plane fleet was actually needed because that included a large number of spares. One of the issues under consideration was whether the number of spares could be reduced safely.

The decision to cut back the number of planes to be purchased came on the eve of hearings scheduled to begin Monday by a Joint Economic Committee subcommittee head by Sen. William Proxmire, D-Wis.

### PROXMIRE'S FIGHT

The hearings were called by Proxmire after the firing two weeks ago of A. Ernest Fitzgerald, the Air Force official who first called public attention to the large cost overrun on the C5 program in testimony a year ago.

However, Proxmire also said he intends to go into other aspects of C5 program.

Considerable uncertainty surrounds the eventual cost of the planes.

The most recent official figures from the Air Force are now more than a year old. "The Air Force is analyzing the cost impact of a reduction to determine the over-all change this will make to the current \$5.1 billion program cost. The fiscal year 1971 budget presentation will contain the results of the analysis," the Air Force announcement said last night.

The 1971 budget will have to include some funds in addition to those to be spent during that fiscal year "to cover abnormal escalation and prior year overtarget cost," the Air Force said.

The Air Force's report in July said it would not be until 1971 before all of the figures would be available to determine the exact costs of the program.

However, it said if all 120 planes were built, the Air Force estimated the company would lose \$285 million and the company estimated its loss would be \$13 million.

It is not yet clear how these estimates would be changed by the Air Force decision to buy only 81 planes.

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[From the New York News, Nov. 18, 1969]

#### HE SEES AIR FORCE IN NEW POWER GRAB

WASHINGTON, November 17 (News Bureau).—A. E. Fitzgerald, the man who blew the whistle on the C-5A cost "overrun" bungle at the Pentagon, warned Congress today of a new move that would increase the authority of military staff officers over civilian cost analysts in the Defense Department's procurement decisions involving billions.

He told a congressional joint economic subcommittee that the prime responsibility for the contractor selection on the potentially huge F-15 fighter and advanced manned strategic aircraft programs has been shifted from Air Force civilian officials to officers on the air staff.

Fitzgerald's job died, he testified today, after he appeared before the subcommittee a year ago to tell of a \$2 billion cost overrun in procurement of the giant Air Force C-5A jet transport.

The projected cost had soared to \$5.8 billion for 120 aircraft from an original cost estimate of \$3.8 billion, he testified in June. The Air Force said he was incorrect, and submitted figures that Fitzgerald charged today were doctored.

Fitzgerald testified today that an Air Force decision, announced Friday, to buy only 81 C-5As instead of 120 would save \$1 billion in cost overruns.

#### TELLS WHAT HAPPENED

"I am committed to truth," Fitzgerald said today. After "vast uneasiness" among Pentagon Procurement officials when he decided to testify before Sen. William Proxmire's subcommittee last year, he said this is what happened afterward:

He was "immediately cut off (the day he testified) from all direct contact with major weapons system acquisition." He has not been invited to a business meeting in nearly a year.

An Air Force official wrote a memorandum to the secretary outlining three ways that Fitzgerald could be fired, after the Air Force had promised Proxmire that there would be no retaliation against Fitzgerald.

Air Force Secretary Robert Seamans, who accused Fitzgerald before the House Armed Services Committee of unauthorized release of confidential documents, later told him "the staff didn't like him."

He was sent to examine military construction in Thailand, including a 20-lane bowling alley. His objections to the cost of the bowling alley received no response.

His job was terminated, as of next Jan. 5, in a "reorganization" that the Air Force said was for "economy reasons."

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[From the Washington Post, Nov. 18, 1969]

#### FULBRIGHT SEES FITZGERALD EFFECT

Sen. J. W. Fulbright (D-Ark.) said yesterday that the firing of A. Ernest Fitzgerald appeared to be having its effect on other government servants. For the first time in his chairmanship of the Foreign Relations Committee, he said, an American ambassador last week "took the Fifth Amendment . . . pleaded executive privilege."

[From the Washington Post, Nov. 13, 1969]

## C-5A TESTIMONY FEARED, SENATORS TOLD

(By Bernard D. Nossiter)

More than a year ago, the Pentagon feared the public testimony by A. Ernest Fitzgerald "would leave blood on the floor," a congressional inquiry was told yesterday.

This statement was attributed by Fitzgerald, the embattled Air Force efficiency expert, to Robert Moot. Moot is the Defense Department comptroller, the Pentagon's chief financial officer.

According to Fitzgerald, his invitation to testify last November before a Joint Economic subcommittee "caused consternation in some circles of the Pentagon."

Moot, and others, he said, were afraid he would disclose the hitherto concealed and massive overruns on the C-5A and also reveal his belief that most Pentagon officials were uninterested in holding down costs.

Their fears were justified. As Fitzgerald put it yesterday, "I committed truth," told of a \$2 billion overrun on the big plane and was fired two weeks ago.

Fitzgerald described his before-and-after experiences to the same Joint Economic Subcommittee under Sen. William Proxmire (D-Wis.) yesterday.

The subcommittee wants to know if Fitzgerald's treatment violates a section of the Federal criminal code that prohibits, on pain of five years' imprisonment, interference, intimidation or injury to a witness before a congressional committee.

Among others that Fitzgerald said were "overwrought" at the prospect of his testimony were former Defense Secretary Clark M. Clifford and two former assistant secretaries for procurement, Thomas Morris of the Defense Department and Robert Charles of the Air Force.

Fitzgerald, a stocky, graying man of 43, with a soft Alabama drawl and a taste for ironic understatement, testified for three hours before a largely sympathetic audience of Republicans and Democrats. He told at length how, after his 1968 testimony, a wall was built around him, cutting him off from his oversight of major weapons systems.

Last Jan. 8, two days after Air Force Secretary Harold Brown received a memo describing three ways to get rid of Fitzgerald, the efficiency expert was told by his boss: "You have lost your usefulness . . . you are no longer useful." This remark was attributed to Thomas Nielsen, Assistant Air Force Secretary for Financial Management.

Fitzgerald said that on March 4 he had a chat with the new Air Force Secretary, Robert Seamans. He told Fitzgerald, "The staff doesn't like you."

Although Seamans didn't elaborate, Fitzgerald said he took this to mean the high-ranking military officers working for the Air Force Chief of Staff.

About the same time, he said, he was removed from the inter-service group of experts in charge of devising controls over costs. In quick order, he continued, he also lost his job of reviewing costs on big weapons and determining techniques for measuring contractor performance.

Last July, Fitzgerald testified, he was formally stripped of his last important task, serving on the board to choose the contractors for the new, multi-billion-dollar manned bomber and the R-15 fighter. However, here he was not alone. Fitzgerald said that all civilians in the Air Force Secretary's office have been removed from this role and that contractors for the service are now recommended exclusively by military officers.

Fitzgerald said that what "really touched a nerve" was an invitation from House Banking Chairman Wright Patman (D-Tex.) to assist his forthcoming inquiry into the use of hidden foreign bank accounts to finance defense contracts and take-overs by conglomerates.

Patman wrote Defense Secretary Melvin R. Laird on Oct. 9, asking for Fitzgerald's services. The efficiency expert said that this request made his new boss, Air Force Assistant Secretary Spencer Schedler, "very agitated."

On Oct. 30, the Defense Department sent Patman an unresponsive letter and, four days later, Schedler handed Fitzgerald his dismissal notice.

The Patman inquiry opens on Dec. 4.

Sen. Charles Percy (R-Ill.) asked why Republican administration should have dealt so harshly with Fitzgerald since the C-5A and the other programs in which he uncovered waste were all started under Democrats.

Fitzgerald replied:

"There is a tendency for new appointees to be captured by the existing staff . . . They become committed to the party line as it were . . . They clamped these things to their breast."

In fact, the new administration took only part of the C-5A to its bosom, announcing Friday that it was cutting out 39 of the 120 planes that the Air Force had wanted to buy.

Fitzgerald repeatedly emphasized that there was nothing unique in his treatment except that "I have not gone away quietly as others have." He hinted that he almost welcomed the public fight over the C-5A and his own role.

"It's not that I have been a shrinking violet," he said. "I sought to sharpen the issue."

But he was fearful that the Pentagon would take its revenge by placing in his file unknown to him, charges that would strip him of his security clearance and cut him off from private work on defense contracts. He noted that Seamans had already hinted at this, asserting last May that Fitzgerald had slipped confidential documents to congressmen.

Fitzgerald denied the charge and said he sought to see Seamans, "man-to-man," to spell out the accusation. But the secretary had refused this as well as Fitzgerald's request for written charges.

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[From the Washington Post, Nov. 19, 1969]

#### AF SECRETARY DENIES FIRING C-5A CRITIC

(By Bernard D. Nossiter)

Robert Seamans, the Air Force Secretary, repeatedly and emphatically denied yesterday that he had fired A. Ernest Fitzgerald because of Fitzgerald's disclosure of cost overruns on the C-5A.

In fact, Seamans told a Joint Economic subcommittee, Fitzgerald was never fired at all; his job was simply abolished to save money and more efficiently reorganize his office.

The term "job abolition" provoked laughter from a packed hearing room. Subcommittee chairman Sen. William Proxmire (D-Wis.), told Seamans:

"It is hard for me to accept your testimony on its face."

At the same time, Seamans acknowledged that the Air Force Office of Special Investigations had opened a file on Fitzgerald after he made his C-5A revelations. The file, HQD 24-12052, Seamans said, contains information from anonymous informants and newspaper clippings.

Rep. William Moorhead (D-Pa.) suggested that the file was begun on orders of the Air Force Chief of Staff last June in an effort to turn up material personally damaging to Fitzgerald.

Seamans, however, insisted that the Office of Special Investigations routinely begins files on newsworthy people.

And that Fitzgerald had received "a considerable amount of publicity" after his C-5A testimony a year ago. Seamans thought the file "was probably initiated" last November, before he became Secretary.

An Air Force spokesman said later that the Office of Special Investigations conducts criminal and security inquiries for the service. The spokesman said that HQD 24-12052 was opened "last spring" on the initiative of the office's director, Brig. Gen. Joseph J. Carpucci. Seamans became Air Force Secretary on March 4.

Although Fitzgerald himself said he would welcome spreading the contents of the security file on the public record, Seamans said he couldn't do that. It would, he said, be "unfair to the individual in question and those who provided the information."

However, the secretary promised the subcommittee that the file would never harm Fitzgerald because he, Seamans, would never give his consent to an investigation of the Air Force efficiency expert.

Seamans, 51, tall, gray haired, wearing black horn rimmed glasses, was flanked by two of his assistant secretaries.

He praised Fitzgerald's chores at one point, in contrast to his testimony before the House Armed Services Committee last May. Then Seamans disparaged Fitzgerald for doing "extracurricular work" on Capitol Hill.



Seamans twice said he was "sorry" he had accused Fitzgerald before the House committee of leaking classified documents to congressmen. "Mr. Fitzgerald has not to my knowledge violated national security," he said yesterday.

As Proxmire's questioning went on, however, Seamans began to show some irritation. He said he had discussed the "job abolition" with Defense Secretary Melvin R. Laird. But Seamans declined to say whether he had also discussed it with anyone in the White House on grounds that that would be "in appropriate."

He conceded that no one has been fired for what Proxmire called "the C-5A fiasco" nor could he name anyone who has been punished for any cost overruns.

Finally, he was asked if Fitzgerald had been "too firm, too zealous."

"Judge for yourself," said Seamans. He read from a 1967 letter that Fitzgerald had written to Lt. Gen. J. W. O'Neill, commander of the Space and Missiles Organization.

The lengthy letter explored the problems of the Minuteman program, now estimated to be overrun by \$4 billion or more, and the paragraph Seamans read said:

"Lying was a way of life in the program. Financial figures were plucked from thin air and deceptive technical information was presented as a matter of course . . . A more serious and lasting effect is the example set for young officers and the damage done to the image of the Air Force."

Seamans labelled the letter a "false accusation" because "I have yet to meet any responsible person (in the service) I could accuse of lying."

Finally, Fitzgerald himself was summoned from the audience to sit alongside Seamans and his two aides.

Fitzgerald repeated his view that he was dismissed for his C-5A overrun testimony. Asked how his fate would affect his colleagues, he replied:

"They will be very hesitant to be aggressive in the areas we have worked with in the past . . . The climate for candor is worse. Certainly no one will be encouraged to speak candidly before congressional committees on controversial matters."

Fitzgerald's immediate superior, Spencer Schedler, Assistant Air Force Secretary for Financial Management, was also questioned about his alleged efforts to discredit Fitzgerald on Capitol Hill. He said several times, "I don't remember all the facets of my discussions . . . all the details."

After the hearing, however, Rep. William Dickinson (R-Ala.) told a reporter that Schedler had come to him and said that Fitzgerald "was not a team player" and had refused to give his superiors the recommendations they had sought. On Monday, Fitzgerald had displayed before the subcommittee three thick looseleaf volumes of proposals he had made to cut costs that had gone, he testified, largely unanswered.

Rep. Joel Broyhill (R-Va.) also said that Schedler had visited him last Wednesday and had explained Fitzgerald's dismissal on the same, team-playing grounds.

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[From the Philadelphia Inquirer, Nov. 19, 1969]

#### C-5A AIDE WAS FIRED ONLY TO SAVE MONEY, AIR FORCE REAFFIRMS

WASHINGTON, November 18 (UPI).—The Air Force held fast Tuesday to its insistence that saving money was its only reason for dismissing the civilian employee who disclosed big cost jumps on the C-5A cargo plane.

The employee, A. Ernest Fitzgerald, procurement expert and cost analyst, "has not been removed for cause," Air Force Secretary Robert C. Seamans told the House-Senate subcommittee on economy in government.

#### NEW JOB HINTED

In fact, Seamans said, he and Defense Secretary Melvin R. Laird had sought "to find a way to use Mr. Fitzgerald in some other capacity" but could find no "suitable solution."

Fitzgerald, 44, told the subcommittee on Monday he was harassed, given such menial jobs as running bowling alleys and finally ousted after testifying to the same panel a year ago that the C-5A program cost had increased from the originally estimated \$2.9 billion to more than \$5 billion.

## SERVICE'S VERSION

Seamans gave this version of Fitzgeralds release on Nov. 4 :

"We have found that it is necessary to restructure the office of the assistant secretary of financial management. In this process, Mr. Fitzgerald's job has been abolished, and we have not found a suitable new position in which he could make a contribution."

Seamans also denied that Fitzgerald had been given menial tasks, saying: "His assignments included a great deal more than bowling alleys in Thailand, although proper supervision of recreation facilities is not to be taken lightly."

## STAND MODIFIED

Seamans did, however, modify statements he made to the House Armed Services Committee to the effect that Fitzgerald had provided Congress with classified documents.

"I came to the conclusion that there had not been a violation of security," he said. "I will say categorically now that Mr. Fitzgerald has not violated the national security. If it was interpreted that way, I regret it."

Sen. William Proxmire (D., Wis.), subcommittee chairman who is seeking to intercede on Fitzgerald's behalf, said Seamans' explanation was "very hard for me to accept."

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[From the Aerospace Daily, Nov. 19, 1969]

## SEAMANS SAYS FITZGERALD LOST JOB BECAUSE OF REORGANIZATION

Air Force Secretary Robert Seamans said yesterday that cost efficiency expert A. Ernest Fitzgerald had lost his job because of a restructuring of the office of the assistant secretary of the Air Force for financial management, and not because of his testimony before Congress on C-5A cost overruns.

Testifying before the Joint Subcommittee on Economy in Government, Seamans also said that Fitzgerald had not released classified information to Congress, and that his earlier remarks had been misinterpreted.

"I will say categorically now that Mr. Fitzgerald has not violated national security. If it was interpreted that way, I regret it."

Seamans was referring to earlier testimony before the House Armed Services Committee where he mentioned confidential documents. He said he meant confidential as in-house, not national security, material.

Fitzgerald's immediate boss, Spencer Schedler, assistant secretary of financial management, backed up Seamans by telling the subcommittee that Fitzgerald's job was abolished because of a consolidation of positions within his office.

Both, however, told Sen. William Proxmire, (D-Wis.), subcommittee chairman, that there was dissatisfaction with Fitzgerald stemming from other personnel in the Air Force.

Fitzgerald, present at the hearing, said he believed earlier testimony showed that his cost overruns statements "set in motion a series of events that culminated in my dismissal or the eliminating of my job." He said there was "no question" that others will be less interested in cost cutting. The "climate for candor" is worse, he said, and "no one would be encouraged to speak candidly before congressional committees on controversial matters."

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[From the Baltimore Sun, Nov. 23, 1969]

## SEAMANS BROKE LAW FIRING COST EXPERT, PROXMIRE SAYS

Washington, Nov. 22—Senator William Proxmire (D., Wis.), demanded a Justice Department investigation today to determine whether the Secretary of the Air Force, Robert C. Seamans, violated federal law in ousting an efficiency expert who exposed vast C-5A cost overruns.

Senator Proxmire's demand, in a letter to the Attorney General, John N. Mitchell, was his latest move in the case of A. Ernest Fitzgerald, whose job was abolished, supposedly for economy reasons earlier this month. His 1968 testimony led to disclosure of a \$2-billion overrun in a \$3-billion contract.

## RECITES THE LAW

In his letter, Mr. Proxmire noted that it is a federal criminal offense, "punishable by up to \$5,000 and five years in prison, to threaten, influence, intimidate or impede any witness in connection with a congressional investigation, or to injure any witness for testimony to Congress."

Mr. Proxmire said the circumstances surrounding the abolition of Mr. Fitzgerald's job "indicate to me that both aspects on this law were violated.

"There were definite attempts to impede his testimony and there have been reprisals taken against Mr. Fitzgerald as a result of his testimony," he said. "As far as this law is concerned, we have a violation and a victim."

## TESTIMONY CALLED "DOCTORED"

The senator charged that Mr. Fitzgerald's mail was opened without his consent, and that his supplemental testimony on the C-5A cargo plane was "doctored" without his permission.

But he focused on the succession of events after Mr. Fitzgerald discussed the cost overruns. The Pentagon later acknowledged most of them and reduced its order for the giant plane because of the growing cost.

A few days after Mr. Fitzgerald's testimony last November to a subcommittee that Senator Proxmire heads, the senator said in a prepared statement that "Mr. Fitzgerald suffered a series of clear reprisals.

"The tenure he had been given in September was revoked on the grounds that it had been given as the result of a computer error," the senator said, noting "the computer had made less than one error for every 5,000 actions" and asking: "Was this a mistake or a harassment?"

## DEPORTED TO BOWLING ALLEY

Noting that Mr. Fitzgerald was assigned after Mr. Seamans took office to undertake such assignments as analyzing the cost of a bowling alley in Thailand, Senator Proxmire said, "This is such a conspicuous harassment and intimidation of a distinguished cost expert as to be ridiculous."

The senator said in May that Mr. Seamans told the House Armed Services Committee, "It is very interesting that in the testimony in front of a number of committees, documents keep appearing—some of which are confidential—that were obtained from Mr. Fitzgerald has not to my knowledge violated national security."

"Here again," Senator Proxmire said, "Mr. Fitzgerald has suffered a clear harassment. For months, from May to November, he lived under a cloud as a violator of security. He has suffered from a charge which the Secretary of the Air Force has finally declared to be wholly false."

[From the Birmingham (Ala.) News, Nov. 23, 1969]

## TOOK 2 TO BLACK EYE—'ERIE' WAS TOUGH, HONEST WHEN CHILD

(By Thomas F. Hill)

The 10-year-old boy turned one side of his face away from his father as they met at the street car line in Woodlawn.

The father was returning from work. The boy had walked home from school through a traditionally-tough neighborhood.

"I can see it," the father said sternly. "You have a black eye."

"Yes," the small boy said firmly. "But it took two guys to give it to me!"

This has been the philosophy of A. Ernest Fitzgerald from his early school days in Birmingham to his recent encounters with the high brass of the Air Force in Washington.

And today he might be secretly enjoying the fact that it took most of that high brass to give him one black eye when he blasted the excess spending of the C-5A project.

These qualities of fearlessness, determination and honesty that have been brought out in recent weeks are—his mother believes—part of the "peach tree limb and love" philosophy used by his parents in rearing him.

Fitzgerald, the Air Force economist who was axed for his views on excess spending on the giant cargo plane project, was born in the home of his grandmother, Mrs. Mamie Montgomery, on North 46th Street in Woodlawn. Mrs. Montgomery, now 92, still lives a short distance from there.

"It was a real stormy night," Mrs. A. A. Fitzgerald, mother of the economist, recalled this week at her home in Summerdale, Ala., where she and Mr. Fitzgerald operate a 200-acre farm.

"We rode that storm out, and we'll ride this one out," she laughed.

Details of the boyhood of Ernest (his friends called him Ernie) show the development of the character that has been brought to the fore in his dealings with the Air Force brass.

He started to grammar school at Gibson School and later went to Barrett School in East Lake. When he was 10, he was transferred to a special class for exceptional children. The only catch was that it met at Ensley-Minor School on the other side of town. Ernie had to take three street cars to get to school. It was on a return from school that the first black eye episode happened.

"Ernie was small, and he was smart. But he was no sissy," his mother said. "He never held back from taking on someone bigger than he was."

She recalled how even as a small boy he could not stand dishonesty.

During a neighborhood football game, Ernie caught a boy much larger than he cheating.

"Ernie grabbed this bigger boy by the collar," Mrs. Fitzgerald said, "and said 'If I was not older than you I would give you a good beating.'"

Ernie's childhood in East Lake and Woodlawn was a happy one. The Fitzgerald home was the home base for the neighborhood children. Each child had his own drinking glass on a window sill. The parents and children played together.

A nearby vacant lot was used for picnics, tennis, football, barbecues and croquet.

One of the neighborhood boys Ernie scrimmaged with on the lot was Harry Gilmer, who later was an All American back for Alabama at the same time Fitzgerald was an undergraduate there.

Ernie went to Woodlawn High School, and when the war came along, tried to get in Naval aviation, but an eye deficiency kept him out.

"He went to work to earn money for eye treatments which he hoped would get him qualified for the Naval Air Service," Mrs. Fitzgerald said. "But it didn't work and he finally enlisted in the regular Navy."

After his military service, he returned to Alabama. His family by this time had moved to Baldwin County. Ernie entered the University of Alabama, majoring in industrial engineering.

He met Nell, the girl he was to marry. They now have three children, Nancy, 13, John Patton, 11, and Susan, 6.

"Ernie loves our farm," his mother said. "When he visits us, he likes to get out the tractor, hitch it up to the bush hog and clear our land of underbrush."

Then Mrs. Fitzgerald chuckled. "Sometimes I think he considers every stump and piece of underbrush a big Washington spender . . ."

[From the Birmingham (Ala.) News, Nov. 23, 1969]

#### HE EXPOSED THEM—FITZGERALD LEAVING; EVILS ARE LEFT

(By James Free)

A. Ernest Fitzgerald will be leaving the Pentagon soon, but the evils of the C-5A contract which he exposed, unfortunately, are left behind.

The new civilian Air Force bosses, appointed by President Nixon, say they have better systems of saving money—systems that are being put into effect. But their reorganization for economy is suspect in the eyes of many members of Congress, because already it has resulted in the firing of Fitzgerald.

Technically, he wasn't fired. His job was abolished through re-organization. If this explanation makes the reader laugh, the reader is in the same class as many hearing room listeners who gave Air Force Secretary Robert Seamans the horse-laugh when he made the above distinction before the Joint Economic Committee in Washington the other day.

The C-5A contract was "executed" Oct. 1, 1965, so the Nixon administration could not be blamed for its weaknesses. Yet the new team is stuck with the pioneer "reverse incentive" factors in the contract. And the Nixon team, in spite of its high-level decision to the contrary, may sorely miss Fitzgerald in its attempts from here out to curb soaring costs of the giant C-5A airplane.

For Fitzgerald—a 43-year-old Birmingham native and industrial engineering graduate of the University of Alabama—had started to work for the Air Force as a deputy for systems management Sept. 20, 1965, less than two weeks before the C-5A contract was signed. One of his first acts was to ask for a copy of the contract and read it.

Strangely, though he didn't discover it until later, the copy Fitzgerald got did not contain the controversial "reverse incentive" provision. In brief, this provision enables the contractor to make up in the later production phases any losses incurred in the development and early manufacturing.

The idea of protecting a manufacturer—in this case, Lockheed—from possible losses on a complex new type airplane may not be too bad in theory. But as Fitzgerald has long since become convinced, the trouble is that this concept offers no inducement to the contractor to hold down on development costs in the first place.

Fitzgerald visited Lockheed's Marietta, Ga., plant where the C-5A development work was being done, early in January, 1966. This was part of his duties in checking on contract performance. He noticed even then that engineering and/or design costs were unusually heavy. At this stage, the government put up 70 cents of each dollar of above-ceiling (or over-run) costs.

On two other visits a few months later, Fitzgerald found that the engineering costs had not eased off, as he had been assured in January would be the case.

"In 1966 and 1967, it was obvious that the contractor was in deep technical trouble," said Fitzgerald in an interview, "but they made light of it. The fact is we couldn't find out just what the trouble was. Later an Air Force project officer said they had been told not to report the trouble, because to do so would have an adverse effect on a scheduled bond issue by the company in March, 1967."

Fitzgerald was still involved in efforts for corrective action within the Air Force when in November, 1968, he was invited to testify before the Joint Economic Committee of the Congress.

It was then, under questioning by Sen. William Proxmire, D-Wis., committee chairman, that Fitzgerald first disclosed publicly that the cost increase (over the contract ceiling) on the C-5A was about \$2 billion.

Air Force officials denied this at the time. A bit later Fitzgerald's superiors changed an analysis of C-5A costs submitted to the Joint Committee over Fitzgerald's name. Evidently, this was considered as a test of the Alabamian's loyalty to the Air Force "team." But he "committed truth"—to use his own words—and gave the committee what he considered to be the most accurate estimate obtainable.

After that he was taken off major contracts, left off lists of key officials in vital conferences, told he "had no future in the Air Force." His mail to the office from Sen. Proxmire was routed to, and opened by, an Air Force legislative liaison officer before delivery to him. (He was told this was routine for all mail with congressional frank).

Fitzgerald had reason to suspect his office phone was tapped, or at least monitored on occasion.

"I tested this with some 'planted' material I put into telephone conversations," he said. "And this material came back to me from sources indicating a 'tap.'"

It is unlikely that any more contracts of this particular type will be made by the Pentagon, but Fitzgerald thinks there ought to be more positive incentive to contractors to cut costs.

"There should be full disclosure of all non-security aspects of contracts," he says. "Defense department witnesses should have the right to testify before congressional committees without fear of retaliation, and there must be more dedication in the Pentagon to cutting costs."

Fitzgerald has every reason to be bitter about what his superiors, first in a Democratic administration and now in a Republican administration, have done to him. But he says he is not.

"I am saddened at the lack of genuine dedication to cost reduction in the big contracts in particular," he said. "Nearly all the savings claimed have been in personnel cuts or in closing or consolidation of bases, putting ships out of com-

mission—things of that sort. Little if anything is being saved on the large procurement contracts, and this is where the effective economies are possible.”

His \$31,000-a-year job has been abolished, effective 60 days after he got the official notice No. 4. So he's winding up his low-priority assignments at the Pentagon.

“I think I'll go back into private business as an industrial engineer,” he said. “I've had some feelers on writing a book and a magazine article or two. I may do that, and some special consultant work for a while. After that, I don't know.”

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[From the Washington Star, Dec. 1, 1969]

#### OTHER SIDE OF THE FENCE

When Air Force Secretary Robert Seamans appeared before the Proxmire subcommittee in the matter of A. Ernest Fitzgerald, his testimony provoked deep-down belly laughter. And no wonder. Fitzgerald is a crack efficiency expert who blew the whistle on billion-dollar cost overruns on the C-5A and other major weapons systems. Yet we are expected to believe that his job was abolished as an economy measure. Clearly and simply, he was fired for doing his job too well.

Reports are circulating that Fitzgerald may be hired by one or another congressional committee to do his thing from the other side of the fence. It would be poetic justice if he took such a job, then called Secretary Seamans to the stand and asked him about waste and inefficiency in defense spending. Knowing the answers to his own questions, Fitzgerald could doubtless elicit some very interesting testimony and perhaps Seamans would be next in line to have his job abolished as an economy measure.

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[From the Washington Star, Dec. 2, 1969]

#### AIR FORCE FIRED COST CRITIC, DEFENSE SECRETARY CONFIRMS

Secretary of Defense Melvin R. Laird has acknowledged the Air Force cost analyst who disclosed the \$2 billion C5A cargo plane cost overrun “was fired”—but had a chance to take on new Pentagon duties.

Laird said he had asked A. E. Fitzgerald to prepare a paper on how he could be useful to the Department of Defense as a whole but indicated the paper did not lead to a new assignment.

“That paper was presented to me,” Laird said, “and really the conclusion was that he did not want to be in any kind of staff position. He wanted to be in an operating position and he felt he could not make a great contribution in my particular area.”

Laird commented in October in testimony released yesterday by a House Appropriations subcommittee.

The Pentagon previously had said Air Force Secretary Robert C. Seamans Jr. made the decision to phase out Fitzgerald's job along with 856 others to cut costs, and Laird told the subcommittee he supported that decision.

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[From the Aerospace Daily, Dec. 8, 1969]

#### LAIRD SAYS FITZGERALD'S POSITION ON C-5 WAS “CORRECT”

A. Ernest Fitzgerald, the Air Force analyst who was fired recently in the climax of the year-long C-5 Galaxy transport cost overrun controversy, got a pat on the back from Defense Secretary Melvin Laird.

Testifying recently before the House Defense Appropriations Subcommittee, Laird said he upheld Fitzgerald's firing by Air Force Secretary Seamans but he believes that “Mr. Fitzgerald's position on the C-5A cost overrun has been correct.”

Laird said that Seamans has “assured me” that Fitzgerald was not fired because he disclosed last November before a joint congressional subcommittee that the C-5 total package procurement with Lockheed Georgia would overrun \$2 billion.

Fitzgerald, Laird said, "is right as far as his estimates are concerned on the C-5A program." Laird believes that Air Force officials under the Johnson administration, when the contract was let, "did not pay as much attention to his analyses as they probably should have that there was a significant increase in cost."

The overrun could have been disclosed at least two years before it came out, Laird said. Pointing to the previous administration, Laird testified that "when I became Secretary of Defense, being aware of the problem on the C-5A, I did not fully accept the explanation of Assistant Secretary (of Air Force Robert) Charles who came up and gave me a briefing and indicated that everything was all right.

"I ordered my own investigation on this matter. It bore out the facts that had been developed here in this committee and also the charges which had been made by Mr. Fitzgerald," Laird said.

Asked if Fitzgerald had "committed any act of disloyalty or anything inappropriate," Laird said that "to my knowledge, Mr. Chairman, he has not." Seaman suggested last summer to another committee that Fitzgerald had slipped classified information to Congressmen.

Laird said he discussed with Fitzgerald his "possible usefulness" in DOD but a paper the analyst prepared concluded that "he did not want to be in any kind of staff position."

[From the Chicago Tribune, Dec. 10, 1969]

#### NIXON ACTS TO REINSTATE COST EXPERT

(By Willard Edwards)

WASHINGTON, December 9.—The Nixon administration, despite some lingering resistance at the Pentagon, is giving serious consideration to reinstatement of A. Ernest Fitzgerald, an air force efficiency expert whose dismissal from his post aroused a storm in Congress.

The proposed plan is to give him a new position comparable in standing, authority, and salary to that he occupied as deputy for management systems in the office of the assistant secretary of the air force.

#### TESTIFIED YEAR AGO

President Nixon, it is reported, was prepared to announce this decision at last night's press conference if asked about the case. A woman reporter made a fleeting reference to it in a long and emotional denunciation of "intimidation" at the Pentagon. When she asked if Nixon could "do something about this," he merely replied, "I better after the way you put that question."

Fitzgerald lost his job after he testified more than a year ago, when President Johnson was in office, about a 2 billion dollar overrun on the C-5A giant transport plane, built by Lockheed.

#### 60 LAWMAKERS PROTEST

Almost immediately, he was informed that a notice he had received a few weeks earlier, stating his job was protected by civil service regulations, was "a computer error" and that his position was not protected.

He was then reassigned to investigating such projects as bowling alleys. Finally, his post was abolished in what was called "an economy move."

Fitzgerald said he was being punished for "committing truth" and many in Congress agreed. Sixty House members sent a telegram to Nixon protesting the dismissal.

Chairman William Proxmire [D., Wis.] of the joint economic sub-committee on economy in government, before whom Fitzgerald gave his initial testimony, called it "a case of retaliation against a courageous public servant who did his duty and told the truth."

The case had obvious parallels to that involving Otto F. Otepka, a state department security chief, fired in 1963 for candid testimony about conditions in his section. That injustice was also rectified by Nixon who appointed Otepka to a \$36,000 a year post on the subversive activities control board.

## LAIRD CLAIMS ECONOMY

The Fitzgerald case has brought considerable debate in Nixon administration circles. Air Force Secretary Robert Seamans had insisted as late as Nov. 17 that Fitzgerald's job had been eliminated strictly on grounds of economy. He said he and Secretary of Defense Melvin R. Laird had sought vainly to find another post in the defense department for Fitzgerald. He also denied that Fitzgerald had been harassed or reduced to menial jobs after his testimony. He praised Fitzgerald's efforts to hold down costs.

Some groups in the Pentagon opposed Fitzgerald's reinstatement on the grounds that he was not a "team player" and talked vaguely about other reasons for keeping him out of government. When pressed for specific reasons, they could give none.

The argument that finally prevailed was that the Nixon administration should avoid even the appearance of retaliation against an employee whose sole offense was truthful testimony when called upon by a congressional committee to give it.

## HAS UNBLEMISHED RECORD

It was noted that he had an unblemished record and had been recommended by the air force two years earlier for a distinguished civil service award.

Both the Kennedy and Johnson administrations came to regret the dismissal of Otepka which was stretched into a six-year battle with publicity embarrassing to both. The Nixon administration was warned that it might be initiating another Otepka case stretching thru the years.

The clinching point was that Fitzgerald's testimony was embarrassing only to the Johnson administration, and the Nixon regime would be implicated only if its actions appeared to be part of a coverup.

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[From the Washington Examiner, Dec. 11-13, 1969]

## FITZGERALD TO WORLD BANK?

(By Sarah McClendon)

A. Ernest Fitzgerald of Alabama, fired by top Pentagon officials for disclosure before Congress of \$2 billion in cost overruns in production of the C-5A aircraft, is going to be offered a job by the Nixon administration.

But the job will be with the International Bank for Reconstruction and Development (World Bank)—an area where the past administration placed another well known figure from the Pentagon, Robert S. McNamara, former Secretary of Defense.

Fitzgerald, however, doesn't seem to be looking forward to it and if he is offered the job, may not accept. Clark Mollenhoff of the White House staff tried his best to get the Pentagon to take Fitzgerald back, but bigwigs there, who had criticized his costs management systems from the start, didn't want him and were powerful enough to keep him from staying, even to the extent of bucking the White House.

Fitzgerald has made one promise to himself. If he takes the job, it's not going to mean he will stop working with the Proxmire committee in the Senate on continued investigations of defense production; and it will not mean that he will cease to pursue the law suits Fitzgerald very definitely is planning. Two law firms have agreed to take his cases.

The law suits are being sparked by the American Civil Liberties Union, which specializes in precedent-making cases. Two local representatives of ACLU have been assigned to work on the matter. They are with the firms of Howry, Simon, Baker and Murchison and Ivans, Phillips and Barker.

As he nears the end of his tenure in the Pentagon (Jan. 5), Fitzgerald is moved by the many friends in Congress, the press and among former and present Pentagon employes who have volunteered to help him. He could not have obtained his clearance from charges that he violated security if it had not been for the Joint Economic Committee's hearings with Sen. William Proxmire (D-Wisc) sitting in the chair and steadily questioning Defense Department and Air Force witnesses.



What disturbs Fitzgerald, however, is the large number of little people he now realizes may also have found errors, mistakes, mismanagement, too-close affiliation between government and contracting industry, who may have tried to do their duty as good citizens and report these to higher authorities and who might have been speedily demoted or discharged as a result.

"I was lucky in that I had a high ranking job with the Air Force," Fitzgerald says. He was deputy assistant secretary for management systems. "I know now that many with lesser grades than I had have cited mistakes and mismanagement and have really felt the heavy impact of punishment. Suppose a man is at a distant air base or military installation; he gets crucified and there is no one like a Congressional Committee or a Proxmire to come forward and defend him. He is out, ruined, crushed."

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[From the Washington Daily News, Jan. 12, 1970]

#### THOU SHALT HONOR THY SERGEANT

Has anybody noticed how ingenious military PR men are these days in explaining crackdowns on troublemakers?

First there was the firing of A. Ernest Fitzgerald, the Air Force accountant who told Congress about \$2 billion in excess costs on the C5A cargo plane program.

Mr. Fitzgerald was not dismissed for blowing the whistle, we were told. His job just was abolished. And, of course, no other position could be found for the man who in 1967 was Air Force nominee for the Pentagon's Distinguished Civilian Service Award.

Next comes Spec. 5 Robert E. Lawrence, the Army broadcaster in Saigon who said on TV that military newsmen were "not free to tell the truth." Spec. Lawrence promptly was hit with court-martial charges. The reason? Not because he accused the U.S. command of censorship, but because he was "disrespectful in language" to his sergeant and once refused to drive a truck.

We wonder whether young Lawrence would have been prosecuted for these heinous crimes had he not popped off about the brass. And we wonder what they're running at the Pentagon—the Department of Defense or the Department of Funny Coincidences?

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[From the Washington Star, Jan. 12, 1970]

#### THE FITZGERALD AFFAIR (CONT.)

A. Ernest Fitzgerald, the efficiency expert who told Congress about multibillion dollar cost overruns in the development of the C-5A cargo plane and other Air Force weapons systems, has lost his job. He was eased out under the palpably absurd guise of saving the government money by eliminating his \$31,000 a year position. But the matter must not be permitted to rest there.

Fitzgerald says he will appeal his dismissal and, if that fails, he may sue in federal court for reinstatement. We imagine that at this late date he is more concerned to prove a point than to get his old job back. Either way we wish him well.

Of decidedly greater moment is the news that the Justice Department is looking into Fitzgerald's dismissal to determine if any federal laws were broken. This inquiry should, by all means, be carried forward on a priority basis. And what better jumping off spot for the Justice Department than the investigation the Air Force now claims to have conducted into the Fitzgerald affair?

What an investigation that must have been! Air Force Secretary Robert Seamans somehow neglected to mention it when he testified before the Proxmire Committee on November 19, 1969. Also, it seems that the Pentagon authorities did not even bother to interview the principal in this controversy—Fitzgerald himself.

Needless to say, the results of the Justice Department probe into possible Air Force misbehavior will be awaited with considerable interest by pressed American taxpayer.

[From the Chicago Tribune, Jan. 20, 1970]

FITZGERALD IS NOW NIXON'S "OTEPKA"

(By Willard Edwards)

WASHINGTON, Jan. 19.—The Nixon administration now has its own Otepkas case, and the President has been warned by one of his top advisers that it may plague him for years.

As a symbol of government harassment and intimidation for telling the truth to Congress, A. Ernest Fitzgerald has replaced Otto Otepkas, a state department security chief, whose persecution lasted from 1963 to 1969.

Fitzgerald is the air force efficiency expert who aroused the fury of the Johnson administration for exposing widespread waste in Pentagon spending in testimony before a Senate investigating group headed by Sen. William Proxmire [D., Wis.].

The roof fell in on Fitzgerald immediately. He was headed for the exits when Nixon was inaugurated. As recently as six weeks ago, the President was prepared to correct this injustice, as he had in the Otepkas case, giving Fitzgerald a position comparable in standing to the \$32,000-a-year post he had occupied as deputy for management systems in the office of the assistant secretary of the air force.

Some baffling questions have since arisen. Why did the administration suddenly reverse its position? Since Fitzgerald's exposures affected only the Johnson administration, why did its successor, untouched by his testimony, continue the process of intimidation, abolishing his job as a so-called economy move, and retiring him to private life two weeks ago?

The answers, inquiry reveals, lie in a condition peculiar to many federal departments. They are still run by officials, below the highest level, who entrenched themselves years ago and are difficult to remove. The defense department is no exception.

These holdovers had genuine reason to feel themselves the targets of Fitzgerald's testimony. They stood accused by it of incompetence at best, of inexcusable negligence at worst. They organized to drive him out of government, thereby notifying all federal employees of the dangers of candor about waste in their departments.

The parallels to the Otepkas case are striking. He was isolated, put under surveillance, and had his phone tapped. Fitzgerald was reassigned to investigate bowling alleys. A "dirt file" was compiled on him, consisting of gossip, rumors, and innuendo.

The similarities, under inspection, continue to accumulate. Otepkas got into trouble with the Kennedy administration but holdovers continued the attack against him when Johnson came into office. When L. B. J. finally became weary of constant criticism about the treatment of Otepkas he ordered an end to it, but somehow this edict was frustrated. Even Nixon, who eventually gave an important post to Otepkas, was unable to return him to the state department, from which he had been ousted. Otepkas's enemies were still there.

Fitzgerald is, like Otepkas, a calm and determined man, well equipped to wage a long battle for vindication. He has put his case in the hands of attorneys, who may appeal his dismissal to the Civil Service commission or sue in federal courts for restoration to his job.

"I won't give up on this," he said. "I plan to give them hell."

The prospect is for long years of litigation during which critics of the administration will delight in citing evidence that Nixon is no better than his predecessors in seeking to cut Congress off from information about profligacy in the executive departments. Democrats plan to make capital of the blunder in this year's campaigning. Republicans, aware of the danger, are hoping that it is not too late to repair the damage by executive action.

The justice department, meanwhile, is studying a request to prosecute air force officials responsible for firing Fitzgerald. This requires discussion in a later column.

[From the American Civil Liberties Union Fund of the National Capital Area, News Release, Jan. 21, 1970]

ACLU FUND ON THE FITZGERALD CASE

The ACLU Fund is representing A. Ernest Fitzgerald in his attempt to seek reinstatement as Deputy for Management Systems in the Defense Department.

He also seeks back pay, expungent of the record against him, and an end to the Defense Department's campaign of harassment.

The first step in this effort is an appeal to the U.S. Civil Service Commission for a review of the circumstances under which Mr. Fitzgerald's services were terminated. That appeal was filed this morning. If necessary, the Fund, after exhausting administrative remedies, will seek redress for Mr. Fitzgerald in the courts.

The attached letter of appeal to the Civil Service Commission sets forth in detail how the Defense Department retaliated against Mr. Fitzgerald for exposing the waste of billions of dollars of public funds. It is a sorry record—a combination of duplicity and vindictiveness—which necessarily undermines public confidence in the judgment and probity of military and civilian leaders entrusted with the defense of this country.

The Defense Department claims that Mr. Fitzgerald was not fired for speaking the truth, but was released because of a "reduction-in-force which caused the abolishment of his position . . ." The attached record cites chapter and verse which makes it perfectly clear that the Defense Department was first determined to prevent Mr. Fitzgerald from publicly testifying on unbelievable waste in the Department. Having failed to gag Fitzgerald, they then determined to punish him for having exposed their incompetence.

The Defense Department, to protect its private interests, has flagrantly abused both the public trust and the basic constitutional guarantees of free speech and due process.

The reprisals against Mr. Fitzgerald affect not only his own right of free speech. They create a climate of fear which will drive honest men out of government. A corps of yes-men is no substitute for honest public servants.

By using the subterfuge of "reduction-of-force" the Defense Department has denied Mr. Fitzgerald his right to a hearing on the merits. As an extra punishment, they illegally revoked his Civil Service tenure without a hearing.

But as important as Mr. Fitzgerald's rights to free speech and due process are, even more important is the right of the American people to know the truth. Congress recognized this right as basic to maintaining integrity in government when it passed a law, 5 U.S.C., Sec. 7102, which safeguards "the right of employees, individually or collectively to . . . furnish information to either House of Congress or to a Committee or members thereof" without interference.

Congress also passed a criminal statute, 18 U.S.C., Sec. 1505, prohibiting the harassment or intimidation of any witness participating in a Congressional investigation. The Fitzgerald case may be the most flagrant violation of these statutes ever exposed.

The Military Mafia of the Pentagon went after the man they viewed as an informer, and they got their man. Unchecked, these officials would subvert the good government and the fair dealing to which all Americans are entitled.

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[From the Washington Post (Parade), Apr. 5, 1970]

### ERNIE FITZGERALD—HE TOLD THE TRUTH AND THE GOVERNMENT FIRED HIM

(By Lloyd Shearer)

LOS ANGELES, CALIF.—Can one man make a difference in our society?

Can one man successfully buck the system?

Can one man take on the U.S. Department of Defense and realistically reform that waste-ridden, million-footed behemoth?

One man, in the tradition of consumer-specialist Ralph Nader, is trying.

His name—and mark it carefully—is Arthur Ernest Fitzgerald.

"Ernie" is 43, 5 feet 10, a little overweight at 183. He has gray-speckled black hair, gray, twinkling, myopic eyes, and comes originally from Birmingham, Ala. A veteran of the U.S. Navy, a graduate in industrial engineering from the University of Alabama, he is married to the former Nell Burroughs of Tuscaloosa, Ala., who used to work as an auditor for the telephone company.

The Fitzgeralds have three children, two girls and a boy, ages 6 to 13, and reside in a two-story brick and frame house in McLean, Va. They drive a 1960 Rambler.

Ernie and Nell are the kind of Southern, conservative, handsome people generally described as "100 percent American."

You may remember reading about Ernie Fitzgerald last year. He was then working at \$32,000 per year as a civilian cost analyst in the office of the Secretary of the Air Force. An efficiency expert, he was called upon by Sen. William Proxmire to testify before the Joint Economic subcommittee on Economy in Government.

Poor honest, sincere, naive Ernie. He testified that the U.S. taxpayers' money was being wasted by the billions on such large weapons systems as the C-5A Galaxy Cargo plane, the Minuteman missiles, and the Mark II radar and computer systems for F-111 aircraft.

#### "WELFARE SYSTEM"

The cost overruns, he revealed, were fantastic, shocking, and needless. He confirmed what Adm. Hyman Rickover and others have long contended, that the U.S. weapons acquisition system is, in the words of Senator Proxmire, "a kind of welfare system for the military brass and the Department of Defense bureaucracy on the one hand, and the top aerospace and munitions manufacturers on the other."

Instead of rewarding Fitzgerald for his honesty, Secretary of the Air Force Robert Seamans Jr. not only abolished Fitzgerald's job but, according to columnist Jack Anderson, "told a House committee in secret last May that Fitzgerald was leaking classified documents to Senators. In September the Seamans testimony was made public. Fitzgerald refuted it, and Seamans backed down in November, six months after he'd done the damage in the dark." ("I came to the conclusion," said Seamans, that there had not been a violation of security.")

Worse yet, for simply telling the truth, Fitzgerald was made the target for character assassination by Air Force investigators. Rarely has any government agency and its officials behaved in a more vindictive manner.

As *The Los Angeles Times* so pithily put it in an editorial: "Tell the truth and lose your job . . ."

Ernie Fitzgerald does not look upon himself as an American Dreyfus, as a man falsely accused who must clear his name by re-establishing his loyalty. He has been accused only of rocking the boat, refusing to play the game declining to hide the Defense Department's dirty linen—in short, of telling the truth to Congress.

Those men in the Air Force and elsewhere who tried to ruin Fitzgerald will have to live with their own guilty consciences. "These holdovers," writes Willard Lewis in "Human Events," a column distributed by the Chicago-Tribune-N.Y. News Syndicate, "had genuine reason to feel themselves the targets of Fitzgerald's testimony. They stood accused by it of incompetence at best, of inexcusable negligence at worst. They organized to drive him out of Government, thereby notifying all Federal employees of the dangers of candor about waste in their departments."

Fitzgerald understands the fear of the Air Force and Pentagon bureaucracy which sought to destroy him, and he explains this in "The Case Study of Ernie Fitzgerald," the subject of a lecture he now gives throughout the country in Lions Clubs, Rotary and Kiwanis meetings, and elsewhere.

#### MORE FOR LESS

Basically, the thrust of Fitzgerald's missionary lecture is that the nation might easily provide for itself more national security by spending less, that the current Pentagon system of weapons procurement invites geometrically mounting costs, incredible extravagance and unconscionable delays.

"What I'm trying to do," Ernie declares, "is to wake up the average taxpayer, to show him what's happening to his hard-earned money. I'm trying to stimulate him to reduce his own tax burden. He simply doesn't know what's going on, and no one is about to tell him."

For disclosing the shenanigans of the military-industrial complex, Fitzgerald is being paid \$30,000 annually by the Businessmen's Educational Fund, which is run by a group of concerned businessmen who believe the original U.S. involvement in Vietnam was a big mistake. Fitzgerald also believes it was a big mistake but he is in favor of "the strongest possible U.S. defense forces and security just so long as the Russians and Chinese constitute any kind of threat to this nation."

Fitzgerald has a second job as a consultant for Senator Proxmire's subcommittee and recently helped reveal that the cost estimates for the Navy's nuclear-

tipped Mark 48 torpedo have risen 600 percent in six years, from the original estimate of \$680 million to \$3.9 billion since the development contract was awarded to Westinghouse Corp. in 1964.

#### VOICE GAINS VOLUME

Thus, the attempt by members of the military-industrial complex to silence Fitzgerald has backfired. He has now become a voice not only in U.S. Senate committee rooms but throughout the land as well. Moreover, Senator Proxmire has asked the Justice Department to move against those people in the Pentagon who tried to "get" Ernie Fitzgerald by spreading vague and false charges against him in a flagrant attempt at intimidation.

There is a section in the Criminal Code which penalizes threats intended to influence, intimidate, or impede any witness of a Congressional inquiry or "whoever injures any witness in his person or property," The maximum penalty is a \$5000 fine, five years in prison, or both. Says Senator Proxmire: "I intend to press Attorney General John Mitchell vigorously on this. It's vital to make clear that witnesses before Congress should not and must not be intimidated."

When Ernie Fitzgerald first went to work for the Defense Department in 1965 after years of experience (Hayes International Corp., Kaiser Aluminum, Management Systems Corp.), he was appointed deputy for management systems in the office of the Assistant Secretary of the Air Force.

His salary was \$23,000 per year, and his job was to devise and install improved cost controls for large weapons programs.

In 1967 he was nominated by the Air Force as its candidate for the "Distinguished Civil Servant Award." And the following year he was nominated by the Air Force Association for a similar award.

Early in his employment, however, Ernie learned that the top management people in Government were little concerned about the rising costs of weapons projects.

"The general feeling by people in the Government," he explains, "is, 'it's not my money. Who cares? These expenditures, wasteful or not, are supplying us with jobs. Why bite the hand that feeds us?'"

Fitzgerald learned that while there were some conscientious individuals who did care about the waste of taxpayers' money, few were or are willing to pay the price for speaking out.

#### A HIGH PRICE

"The price," he explains, "as I found out, can be very high. It starts with the subtle, then the obvious disapproval of the fellows you're working with. If you complain about the incompetence and the extravagance of defense contractors, then you're not considered a member in good standing. The amazing thing, of course, is that the enormous waste is immediately obvious. As soon as I obtained evidence of this, I rather naively went to my immediate bosses in the Air Force, first Ted Marrs, then Tom Nielsen, then Spencer Schedler who used to be an advancement man for Vice President Agnew in the 1968 campaign. Schedler is the one who finally fired me.

"All of these men," Fitzgerald continues, "told me something should be done about the waste and cost overruns. But somehow the hard means of accomplishment were always resisted.

"I didn't stop with these people. With their permission, I talked to practically all the assistant secretaries and secretaries of the military departments. Finally, I even ended up talking with Defense Secretary Melvin Laird and his deputy, David Packard. Both of them listened but were noncommittal. Laird asked me what job I would like to have, implying that there was a chance I could save the Government some real money. I told him I'd like to revitalize the plant representation contract administration function.

"He said to me, 'Fine, we'll be in touch.' That was on the 2nd of July, 1969. Next thing I knew I was fired."

Fitzgerald was fired because he testified before the Proxmire committee about the massive cost overruns of the C-5A—from \$3.37 billion to \$5.33 billion—approximately \$2 billion more than Lockheed, a defense contractor now in deep trouble, had originally estimated and the Department of Defense had agreed upon.

He also explained that while the Air Force told Congress that the cost increase was attributable in part to \$500 million in inflation, its previous estimates had been \$204 million for inflation. The Air Force was simply covering up.

Fitzgerald testified that costs on the Minuteman II missile had jumped from \$3 billion to more than \$7 billion. And sin of unpardonable sins, he revealed that the Air Force had been feeding former Defense Secretary Robert McNamara false information on the cost of the C-5A.

He reported privately that a major general in charge of one of the Government's heavily funded weapons programs had told him, "Inefficiency is national policy. We are not here to save money. We want to use these projects to employ people who really don't have jobs, and this is the only way that we can get money for social programs—through the defense budget."

Fitzgerald blew the whistle on the "Pentagon Club," the military and civilians who covered up and went along with defense contractors to protect and perpetuate a system rife with waste and inefficiency. The Pentagon Club, particularly the Air Force branch, thereupon set out to punish Ernie Fitzgerald.

He was promptly relieved of his responsibilities in analyzing costs for major weapons systems and assigned the job of reviewing costs of a 20-lane bowling alley in Thailand. Not only was his mail opened and a high-level gumshoe investigation under Brig. Gen. Joseph Cappucci ordered on his background and activities, but 12 days after he testified, his tenure as a career Government employee was abolished on the lame grounds of "computer error."

#### VINDICTIVENESS DENIED

Involved in this punitive campaign was a then Secretary of the Air Force, Harold Brown, who is now president of the California Institute of Technology in Pasadena. When Senator Proxmire objected to the obviously vindictive action of the Air Force, Brown had the temerity to write an indignant reply and say of Fitzgerald, "He has not been penalized for testifying before your committee by loss of career status."

Says Proxmire: "As a result of Fitzgerald's testimony, the Air Force not only denied him career status, but it began to detail three possible ways to fire him. These three ways were sent in a memo to Harold Brown. In all my 12 years in the Senate I have never witnessed a more vengeful retaliation."

Fortunately for the public, Ernie Fitzgerald decided upon his discharge last November to speak out. In his current lecturing crusade, he seeks to dispel "the well-established myth that simply pouring money into the Pentagon will keep us safe and rich, that gigantic defense budgets are necessary to sustain the economy." About 80 percent of the taxpayers who pay the Defense Department bills, he asserts, "do not benefit from defense spending."

#### END OF BLANK CHECK

More important yet, Ernie has convinced the Pentagon that the days of the blank check for the military are over.

Only a few weeks ago, in his new posture statement, Defense Secretary Melvin Laird, probably the most able member of Nixon's Cabinet, revealed that the Army has 300 new tanks which are unusable because of defective gun turrets, the cost estimate on the new F-15 fighters has zoomed from \$6 billion to \$7.3 billion, the Navy's two nuclear carriers are behind schedule by at least a year.

Joining in the act, the General Accounting Office added that 38 major weapons systems have increased in estimates from \$41.9 billion to \$62.9 billion.

Suddenly, and thanks at least in part to Ernie Fitzgerald, "visibility" has become a key-word in the Department of Defense. At long last the public wants to see and know what is happening to its tax dollar.

