DEFENCE

Sparry guilty, GD accused, of spares overpricing
WASHINGTON D.C.

United States Senator Bill
Roth, a Delaware Republican,
used a Christmas tree "to
demonstrate to US tax-
payers" how the defence aero-
space industry is over-
charging the US Services for
spares.

Roth gathered TV and
Press around his Christmas
tree and pointed out the
"presents" hung thereon. "A
simple 12 cent Allen wrench;
price proposed by General
Dynamics to the US Air Force
is $9,609 each". An antenna
motor alignment pin, 3in long
and 0 • 53in diameter,

"General Dynamics' price for
this is $7,417".
Although Roth chose a
somewhat novel way to high-
light the increasing scandal
over spares, behind the scenes
he has been chairman of the
Senate Governmental Affairs
Committee to review spares
and support equipment pric-
ing practices. The commit-
tee's efforts have so far led to
fines against Sperry, a
payback from Pratt & Whit-
ney, and General Dynamics
being investigated for alleged
fraud.

976 per cent mark-up

The committee findings
show that prime contractors
mark up subcontractor-
supplied equipment by
anything up to 976 per cent,
although the average GD
mark-up on 15 Westinghouse
items to service the F-16's
radar is 62-8 per cent. The
highest mark-up of these is 89
per cent on an RF load, up
from $1,716 to $3,249. The
lowest is 32 per cent, on a
wheeled workbench (with
electricity supply). This
"maintenance stand" is
supplied by Westinghouse for
$229,550 and passed on by
GD at $302,106.

Roth's committee picked
out the General Dynamics
F-16 weapon system for
investigation, although it is
clear that GD is not alone in
overcharging. The committee
found four main weaknesses
in Pentagon acquisition of
support equipment:
0 Costs for engineering
effort, related data, and other
loadings are being charged by
both the prime contractor and

the subcontractor, regardless
of which one expends the
effort and provides the data.
0 These costs for engineering
effort and data are being
applied to all quantities
procured, not just to the first
one of each item procured.
0 The engineering charges
are being applied fully, even
to items that have already
been designed and produced
by other companies, and
which are widely used
throughout the industry.
$ Costly and possibly unnec-
essary sophistication (gold-
plating) is being designed into
some items that should be
fully functional as presently
designed.

Billion-dollar support

In a letter to Deputy Secre-
tary of Defence Paul Thayer,
Roth says: "My investigators
reported that the accumu-
lative costs of the acquisition
of support equipment for the
F-16 aircraft system alone are
in the neighbourhood of $100
million. If this is relatively
typical of the proportion of
programme funds spent on
support equipment, and I
suspect it is, total Depart-
ment of Defence (DoD)
spending on support equip-
ment for all of its major
weapon systems probably
adds up to several billion
dollars.

"In my view, the signifi-
cance of the acquisition weak-
nesses I have identified and
the sheer magnitude of spend-
ing for support equipment are
compelling reasons for the
DoD to expand the scope of
its action in the area of spare
parts procurement to include
support equipment purchase
practices. Accordingly, I again
urge you to do so and would
appreciate hearing from you
on this matter in the near
future."

Possible fraud

Thayer then directed that
General Dynamics be
investigated by the US Air
Force for "possible fraudulent
activities" centred on a
0 • 187in-diameter spotface
metal cutter. General Dynam-
ics price to the US Air Force
is $1,158 after buying the tool
for $240. The committee tried
to buy one of these cutters

and was quoted $5 each by
ATI Industries in Escondido,
California. GD's mark-up on
this item was 474 per cent.
Other GD mark-ups for simi-
lar cutters in the series were
976 per cent.
General Dynamics denies
the fraud allegations, saying
the case "has been blown out
of all proportion" and "there
are indications that the
speciality house may have
increased the price signifi-
cantly over the price charged
by the manufacturer without
the knowledge of General
Dynamics".

While this could explain
the jump from $5 to $240, it
does not explain GD's price
leap of 474 per cent. But GD
is co-operating on the
Government investigation "to
determine whether any of its

employees were aware that
the price was inflated, or prof-
ited from the transaction".

Shock waves

Shock waves from Roth's
crusade against waste are
reverberating throughout the
US defence industry. Sperry
recently pleaded guilty to
three felony counts of
inflating bills for work on
Minuteman missiles in 1981
and 1982. The company has
agreed to pay back $850,000,
having overcharged the USAF
by $325,000. The payback is
made up of $650,000 in double
damages, $168,000 in interest,
and a $30,000 fine. Pratt &
Whitney has agreed to refund
$432,000 after Roth's

committee investigated the
company.

Hughes Aircraft is developing this manportable anti-tank missile, show in mockup form. The proposed weapon would use an infrared seeker tracker enabling fire-and-forget operation

FLIGHT International, 7 January 1984