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[Defense Subcontract for Machine Tools to Mitsubishi International Corporation. PSAD-78-104; B-191079. May 3, 1978. Released May 10, 1978. pp.

Report to Rep. Thomas A. Luken; by Richard W. Gutmann, Director, Procurement and Systems Acquisition Div.

Issue Area: Federal Procurement of Goods and Services (1900).

Contact: Procurement and Systems Acquisition Div.

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Organization Concerned: Chrysler Corp.; Department of the Army; Department of Defense; Vail Associates, Inc.; Android Corp.; Mitsubishi International Corp.

Congressional Relevance: Rep. Thomas A. Luken.

Authority: Defense Manpower Policy 4. Defense Mobilization Order 2. DOD Instruction 4005.3.

A prime contract with the Department of Defense requires the Chrysler Corporation to use its best efforts to place subcontracts in labor surplus areas. Under this contract, a subcontract for a tank turret machining system will be performed by the Android Corporation and a Japanese firm, Mitsubishi International Corporation. Android will perform a portion of the work in a labor surplus area. Defense Mobilization Order Number 2 (DMO-2) identifies machine tools as an item to be maintained in a state of readiness to produce wartime requirements. There is no specific program to direct contract awards to mobilization-base planned producers except during national emergencies. (SC)

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Procurement and Systems Acquisition Division
By the General Accounting Office

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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5/10/78

PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

B-191079

May 3, 1978

The Honorable Thomas A. Luken
House of Representatives

Dear Mr. Luken:

In your February 13, 1978, letter you asked us to investigate whether the Department of Defense (DOD) considered Defense Manpower Policy Number 4A (DMP-4A) and Defense Mobilization Order Number 2 (DMO-2) in connection with the award of a subcontract by the Chrysler Corporation under an Army prime contract. The subcontract was for a tank turret machining system and will be performed by the Android Corporation and a Japanese firm, Mitsubishi International Corporation. We discussed this matter with officials in DOD and the Department of Commerce.

DMP-4A, which superseded DMP-4, concerns the preservation of the mobilization base through the award of procurement contracts and placement of facilities in labor surplus areas. DMP-4A directs more procurement to labor surplus areas than did DMP-4. The Army awarded the prime contract to Chrysler when DMP-4 was in effect and prior to the effective implementation date of October 27, 1977, for DMP-4A. A DOD official stated that the contract with Chrysler contains a labor surplus area subcontracting clause pursuant to the Armed Services Procurement Regulation implementing DMP-4. The contractor is required to use its best efforts to place subcontracts in labor surplus areas consistent with the efficient performance of the contract and at prices no higher than obtainable elsewhere. This official also stated that Android would perform a portion of the work in a labor surplus area.

DMO-2 identifies machine tools as an item to be maintained in a state of readiness to produce wartime requirements. Discussions with your staff regarding the application of DMO-2 by DOD indicated a concern for maintaining the viability of the domestic machine tool industry. However, a DOD official stated that DOD maintains the machine tools which it owns but does not maintain the machine tool industrial base. DOD

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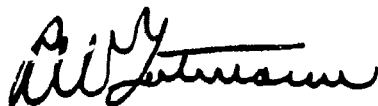
Instruction 4005.3 which addresses its industrial preparedness production planning procedures states:

"Planning with industry will not be undertaken by the Department of Defense for production of * * * machine tools, * * * planning for these items is the responsibility of other Government agencies."

The Office of Industrial Mobilization within the Commerce Department is concerned with the defense mobilization base and its ability to produce in times of national emergency. Part of this function includes planning for machine tool production during such emergencies. A Commerce official informed us that this program includes the monitoring of the domestic machine tool industry base during peacetime. There is no specific program, however, to direct contract awards to mobilization base planned producers except during national emergencies. We were advised further that the Carlton Machine Tool Company, a competitor for the Chrysler subcontract, is one of the planned producers under the mobilization base program.

We hope this information satisfies your needs. If we can be of further assistance, please let us know. As agreed with your staff, no further distribution of this report will be made until 7 days from the date of the report. Unless you publicly announce its contents earlier or notify us otherwise, at that time we will release the report to interested parties.

Sincerely yours,



R. W. Gutmann
Director