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STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON ECONOMY IN GOVERNMENT
JOINT ECONOMIC COMMITTEE

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before your Subcommittee today. I will address myself to certain matters discussed in the May 1969 report of your Subcommittee, and to other significant areas in which you have indicated an interest.

DEFENSE PROFITS STUDY

As you know, Public Law 91-121 directed GAO to conduct a study and review on a selective representative basis of the profits made by contractors and subcontractors on contracts on which there is no formally advertised competitive bidding entered into by the Department of Defense, Coast Guard, and National Aeronautics and Space Administration. Similar contracts entered into by AEC to meet requirements of the Department of Defense were also included.

We are taking two basic approaches in accomplishing the study and these are (1) the use of a questionnaire to determine annual overall profit rates for selected defense contractors for the years 1966 through 1969, and (2) a review to develop profit data on individual randomly selected contracts.

Determination of overall contractor profit rates

The questionnaire we have developed provides for selected contractors to furnish information on sales, profits, total capital investment, and contractor equity capital investment for defense business and various other categories of sales. We are also requesting a breakdown of sales and profits by type of contract for DOD sales and for sales to the other Federal agencies included in the study. While the legislation only calls for a study of negotiated contracts, we will need information from the selected contractors concerning their advertised defense contracts and commercial work in order to check on cost and capital allocations for the various categories of sales. Also, for the negotiated contract profit data to be meaningful, we will need something to compare it with. We are, therefore, requesting contractors to furnish data to enable us to present a comparison of the profits on commercial and defense work in our study report.

The Profit Study questionnaire was distributed on March 26, 1970, to approximately 150 large and small businesses that perform negotiated prime contracts and subcontracts for one or more of the agencies included in the study. The contractors selected receive over 60 percent of the procurement funds expended by these agencies.

Subsequent to distribution, we called each contractor to offer assistance and consultation on completing the questionnaire. On the whole the contractors have been very cooperative and to date none has refused us access to his records. However, about 20 percent of the contractors have advised us that they do not believe they can complete the questionnaire by June 15, as we requested, and some have indicated that it will be September or October 1970 before they can furnish the data.

A random selection of about 30 percent of the questionnaires will be made and the responses to these will be verified to the contractors' records to enable us to form an opinion on the validity of the information being provided. We anticipate that this will probably be the most difficult part of the assignment.

In view of the importance of the data to be developed from the questionnaire, we took the time necessary to review a draft with several Government agencies experienced in obtaining information from industry. As a further step, we reviewed the questionnaire with several defense contractors to determine whether it would be possible and practical to obtain the information we desire. Because of these efforts to assure we had a questionnaire that would yield the data required, and the delays that are now indicated in contractors' completing the questionnaire, it is unlikely that we will be able to meet the December 31, 1970, deadline for furnishing a report to the Congress.

GAO review of individual contracts

In addition to the questionnaire, we are reviewing 144 prime contracts and subcontracts at 37 contractor locations. These contracts total about $3.8 billion and were awarded by the Department of Defense, National Aeronautics and Space Administration and the Atomic Energy Commission. The contracts range from in excess of a million dollars to over several hundred million dollars and include various cost reimbursement and fixed price types. Contracts selected were awarded after January 1, 1964, the date when the weighted guidelines for the negotiation of profit were implemented, and were substantially completed after June 30, 1968.

We believe that selection of contracts within the above time frame will provide a meaningful comparison of actual profits earned with estimated profit rates as negotiated under present procurement policies.

The contracts selected in our review were awarded for major weapon systems, subsystems and components, and cover research, development, engineering, procurement, maintenance and overhaul of items in the following product categories: aircraft, missiles, space systems, ammunition, electronics, communications, and vessels. One of the things we expect from our contract reviews is to determine the effect that the use of Government facilities and progress payments have on the rate of return on contractor investment.

FEASIBILITY OF USING "SHOULD COST" CONCEPTS

In the Subcommittee's report this definition of "should cost" was provided: "The should-cost approach attempts to determine the amount that weapons systems or products ought to cost given attainable efficiency and economy of operation."

Therefore, "should cost" reviews would not only utilize all the current concepts employed in evaluating price proposals but would include development and consideration of possible areas for attaining economy and efficiency in the procurement of the product or service. Under this approach less reliance is placed upon historical cost experience.

In May 1969, your Subcommittee recommended that GAO study the feasibility of incorporating into its audit and review of contractor performance the "should cost" method of estimating contractor costs. An interim statement concerning our progress in this study was presented before your Subcommittee in December 1969. In our report entitled "Feasibility of Using 'Should Cost' Concepts in Government Procurement and Auditing" we concluded as follows:

1. Our tentative opinion is that it is feasible for GAO to incorporate "should cost" concepts to a greater extent in its post-award reviews. However, in order to obtain better insight into the circumstances under which these concepts should be used, we are performing some trial applications. These trial reviews are intended to provide answers to such questions as (a) what problems may

be met in making these "should cost" reviews, (b) what size of program or contractor activity should be reviewed, (c) what type of contract would be most susceptible for these reviews, and (d) what benefits can be expected.

2. The greatest opportunity for savings to the Government in the application of a "should cost" review would be prior to the award of contracts--during the prenegotiation evaluations of contractors' price proposals. At this point in time the results would be of maximum benefit to the Government negotiator in arriving at a fair and reasonable price. In addition, the contractor is generally more willing to implement corrective procedures during this time, since he stands the greatest opportunity to realize the most benefits from any constructive recommendations developed during the review. Thus, we believe that the procuring agencies can make greater use of such reviews than at present prior to price negotiations.

3. In addition to the preaward reviews, Government agencies also should consider performing "should cost" reviews selectively on a post-award basis. These reviews could provide the Government with valuable data on contractors' performance and cost consciousness, and the adequacy of the Government's prenegotiation efforts.

4. The extent and depth of the application of "should cost" concepts should be flexible. "Should cost" reviews at one contractor location could cover his entire operation, whereas at another contractor facility, it might be feasible to review only one or two of his major functions. The degree to which the "should cost" concepts ought to be applied at any given location will depend upon the information developed in the initial stages of the review, and the confidence that can be placed on the efficiency of the contractor's day-to-day operations.

5. It should be recognized that the benefits that can be derived from these reviews are dependent in large part on the contractor's willingness to cooperate with the review team. Reviews of this type to be effective require not only access to all books and records, but also access to middle and top management officials, who can explain how the company's operations are managed and controlled, who are willing to discuss and consider suggestions for improvements made by the review team and who stand ready to make changes that appear to be constructive and practical.

The preceding comments pertain primarily to the work which is summarized in our report. I would now like to comment briefly on some aspects that developed in the work we are conducting at the selected contractors' plants. Although it is too

early to reach definitive conclusions from our trial applications of "should cost" concepts, I will comment briefly on our basis for selection of contractors for review.

Selection of Contractors for Review

In selecting the contractors for our trial reviews, we considered several factors to give some assurance that the reviews would provide us with information that would be helpful in planning future efforts of this type. In order to evaluate the various aspects and perform the work in a timely manner, we selected contractors or plants of contractors that were of medium size. The types of products selected vary, and so do the production capabilities. The plants selected can be categorized as (a) mass production, (b) semi-production line, and (c) job shop or development.

In this selection process we also considered the types of programs that were involved and the types of contracts that had been awarded to these plants. It was considered desirable to include cost-type and incentive-type contracts as well as firm fixed-price contracts. We included fixed-price negotiated contracts, because such contracts if awarded without full and free price competition could benefit from "should cost" reviews if other facts and circumstances warrant their being made. Probably one of the most common would be where a contractor can be expected to participate in future programs for the same or for similar type items, and the observations and recommendations from these reviews could assist the Government contracting officer during the negotiation and pricing of the follow-on work.

MAJOR ACQUISITION REVIEWS

The General Accounting Office issued a report entitled, "Status of the Acquisition of Selected Major Weapon Systems", B-163058, on February 6, 1970. We reported that as of June 30, 1969, there were a total of 131 major programs in various phases of the acquisition process, and their total costs were estimated to aggregate about $141 billion. Of this amount, funds proximating $55 billion had been funded to the programs by the Department of Defense (DOD) through June 30, 1969. The unclassified report was supported by a separately bound classified appendix reporting on the individual status of 57 systems as of September 30, 1969. The report included our comments on the Selected Acquisition Report (SAR) system of the DOD and our comments on cost schedule and performance experience of major weapon systems.

Highlights of that report are as follows:

-- Considerable cost growth had occurred and was continuing to occur. Available data on 38 systems disclosed that the current estimates through program completion were about 50 percent higher than the original planning estimates.

-- Significant variances either existed or were anticipated between the performance originally expected and that currently estimated for a large number of systems reviewed.

-- Slippage in the originally established program schedules

of from 6 months to more than 3 years either had been experienced or was anticipated to be experienced on many of the systems.

Review of Underlying Causes of Cost, Schedule and Performance Variances

Following the above report we undertook a further review to determine the underlying causes for changes, cost growth, schedule slippage, and shortfalls in performance of defense acquisition programs.

Classified reports on 26 individual weapons are to be prepared. An unclassified report will be prepared as an overview summary of underlying causes of problems in the defense acquisition process as determined in examining the 26 weapon programs.

Analysis of the frequency of occurrence and magnitudes of the categories of acquisition problems on the weapons examined disclosed that their underlying causes were as follows:

-- Unrealistic cost estimates and lack of stable relative priority

-- Unwarranted degree of concurrency of development and production

-- Lack of administrative discipline in preparing and fulfilling program authorities

-- Unrealistic initial requirements for performance and schedule

-- Changes in operational capability without recycling through prerequisites to development

-- Factors beyond the control of the Department of Defense

The classified reports will be handled as appendixes to the overall report.

Review of the Major Acquisition Process

Current efforts being undertaken are designed to satisfy the following three objectives:

1. Furnish data on individual weapon systems to the Congress that will be useful in its authorization and appropriation processes.
2. Provide an annual report on the status of major acquisitions.
3. Evaluate the fundamental management concepts and processes utilized by DOD in determining the need for and in acquiring major weapon systems.

Changes in quantities of weapon systems being bought materially affect the total estimates of cost of acquiring such systems. To ensure that our annual report on the status of major acquisitions more accurately shows the status of changes in systems acquisition programs, we plan to change our report format to show the cost data by system in terms of unit costs and total program estimates at three principal points in time as follows:

1. At completion of an approved technical development plan--usually accomplished at conclusion of concept formulation.
2. At the conclusion of contract definition.
3. Current estimate to complete programs at end of last available calendar period preceding our report.

In addition, we are hopeful that we can include in our report some data that might be helpful in gauging the effect of economic inflation on the cost of the systems being acquired.

MILITARY PROCUREMENT COST INDEX

The May 1969 report of your Subcommittee recommended that the "GAO should develop a military procurement cost index to show the prices of military end products paid by the Department of Defense, and the cost of labor, materials, and capital used to produce the military end products." Shortly thereafter, we convened an inter-agency meeting of experts to discuss the matter. It was learned at this time that the Department of Defense was preparing labor and material price indexes for categories of equipment such as airframes, aircraft engines, missiles and vehicles. In a letter to you of September 25, 1969, I outlined why I believed that the Department of Defense should have the responsibility for constructing military price indexes, and suggested that we should review the system developed, with the assistance of a small panel of expert consultants.

Since the latter part of last year, we have maintained contact with the Department of Defense to keep informed of the status of their efforts. We have also inquired into the Department's practices to determine the uses made of such indexes as a basis for payments to contractors. We have learned that some types of contracts contain clauses which are included for the purpose of providing a payment to the contractor if labor and material prices in the economy increase, and that there are wide differences in these provisions.

We have also learned that some consideration is being given to the cost indexes needed for contracting, budgeting, analysis, and cost status

reporting, but these efforts do not appear to be coordinated. Furthermore, the efforts made by the Office of the Secretary of Defense to develop military price indexes have not improved upon the indexes or expanded the coverage of those made available to us in 1969.

Since progress by the Department of Defense has not so far developed the kind of indexes suggested by the subcommittee's recommendation, we are exploring what actions we might take directly. For example, we are considering obtaining from the Department of Defense and the Bureau of Labor Statistics whatever pertinent information is available, and preparing general indicators of the price movements of the various types of labor and non-labor inputs typically used in the production of major weapons systems. The problems we expect to address involve such questions as, which statistics are appropriate for describing price changes, in what proportions should they be combined, and how do differences in contractor productivity influence the way in which the price indexes are applied.

In the course of developing these indicators, it will be necessary to assess the adequacy of price indexes developed by the Department of Defense and others for various uses, based upon criteria developed for this assessment. We plan to include in future reviews further evaluation of the provisions of the Armed Services Procurement Regulation related to price escalation due to inflation, and the application of these provisions in specific contracts. Most importantly, we will attempt to ascertain the extent to which price indexes can shed light on the causes of increases in the cost of major weapons systems.

SHIPBUILDING CLAIMS

In response to the Chairman's letter of February 12, 1970, we made an inquiry into the causes of claims for additional compensation submitted under Navy contracts for major ship construction projects. We found that the Navy recently made a settlement with Todd Shipyards on the DE 1052 program in the amount of $96.5 million which was over 60 percent of the original contract price. Also, about $450 million in outstanding claims are in process of review by various Navy settlement teams. A listing of the claims in process is provided as an appendix to this statement. In addition, there are about $340 million in claims which the Navy expects to receive in the near future. Thus, the total claims received and expected total nearly $900 million.

In my comments today, I will identify some of the reasons for the unprecendented size of the claims being made.

Use of Fixed-Price Contracting for Developmental Procurements

A common answer to the question "What caused the current claims situation?" is the Navy's increased use of formally advertised fixed-price contracts for ship construction during the 1960's. We believe this is a simplistic view of the problem. The Navy did increase its use of formally advertised contracts for ship construction work during the 1960's but this alone did not produce significant changes since the Navy had long used fixed-price contracts for ship construction and many such contracts were awarded by competitive negotiations using contracting procedures that were not very different from the procedures under which formally advertised awards are made. The difference, as we see it, is in the application of fixed-price

contracting to situations where the specifications were less firm.

In earlier days, the Navy used fixed-price contracts only for ships with relatively firm specifications and ordinarily awarded cost- or incentive-type contracts for ship procurements involving significant unknowns. The cost- or incentive-type contracts were sufficiently elastic insofar as costs were concerned so that, although unanticipated developmental problems may have existed, the price of the contract could be expanded to provide for cost increases attributable to these unanticipated developmental problems without having to resort to the use of claims.

During the 1960's, the shipboard hardware became much more complex. For instance, the Navy specifications for certain ships called for reduction in the level of noise produced by the ship and in its resistance to shock damage. These requirements were developmental in nature, and it appears that neither the Navy nor the shipbuilders knew very much about what was involved when the contracts were awarded.

Despite the increase in the complexity of ship construction in the 1960's, formally advertised, fixed-price contracts were awarded for ship construction work involving significant unknowns. The use of this type of contract did not necessarily affect the shipbuilders' costs one way or the other, but it did produce one startling difference. Under fixed-price contracts, the price could no longer be increased to absorb the additional costs as it could under flexible cost- or incentive-type contracts and the shipbuilders have resorted to

claims as a means of increasing the contract prices. Whether these ships will, in the final analysis, cost the Government more or less than they would have cost if cost or incentive-type contracts had been used is conjectural.

Principal Causes of Shipbuilding Claims

There are numerous reasons advanced regarding what caused the claims and I will not try to discuss them all. Instead, I would like to concentrate on the four most significant problems that came to our attention. These were:

1. Inaccurate plans prepared by the shipbuilder who builds the first of a class (lead yard),
2. Poorly written specifications,
3. Unanticipated increases in quality assurance requirements, and
4. Late delivery of Government-furnished equipment and information.

Inaccurate lead yard plans

It is a standard practice for following shipbuilders to buy working plans from the lead yard. This practice is practically mandatory because the cost of preparing working plans is so great--about $20 million in the case of the DE 1052.

One of the major causes of claims, according to the information made available to us, was inaccuracies in lead yard plans which created disruptions and defective work and thereby increased the shipbuilders' costs. One shipbuilder has several such claims which range from

$3 million to $8 million each. The Navy position is that it does not assume responsibility for lead yard plans, because of a clause in its contracts with the shipbuilders which disclaims responsibility for defects in lead yard plans. The shipbuilders dispute the Navy position and contend that the intent of the clause was to prevent numerous claims of a minor nature and that clearly they could not have been expected to absorb the impact of major disruptions caused by faulty lead yard plans.

Regardless of which view is correct, it appears that for future ship construction projects some action is necessary to see that inaccuracies in lead yard plans are detected before they result in significant increases in cost.

Poorly written specifications

A second problem which the shipbuilders cite as a cause of additional costs is poorly written ship specifications. According to the shipbuilders, the true meaning of the Navy's specifications has too often been left for interpretation after the contract was awarded. This not only causes shipbuilders to bid too low but also can lead to costly rework when work is done to the shipbuilders' understanding of the specification and then has to be redone to make it conform to what the Navy intended. In other cases, specifications have not been accurate and have had to be revised to produce what was really wanted. We believe that this matter merits considerable attention in future ship procurements.

Unanticipated increase in quality assurance requirements

The third cause advanced by the shipbuilders is the unanticipated

increase in quality assurance requirements. Their comments here indicate that this increase in quality assurance requirements was more than a vagueness in requirements but represented a change in the whole Navy attitude toward quality in ship construction. The increased emphasis on quality seems to have originated with the loss of the submarine "Thresher" in April 1963. **Following this incident, the Navy required more stringent quality control practices and applied its requirements to the construction of surface ships as well as submarines.**

While both the Navy and the shipbuilders agree that the quality assurance requirements were increased, there is no agreement on whether the shipbuilders should have recognized these requirements and provided for them in their bid prices. The Navy believes the shipbuilders were too slow in recognizing the changed environment on quality assurance and that many of the bid prices involved in these claims should have contained provision for the cost of these new quality assurance requirements.

The shipbuilders disagree with the Navy's allegation that they should have made provision in their bids for increased quality assurance requirements. Aside from the question as to whether the Navy or the shipbuilders should be responsible for increased quality assurance costs, shipbuilders have expressed the thought that many of the increases should never have occurred in the first place. They believe that there has been an increasing effort by demanding quality for quality's sake and inspection for inspection's sake rather than applying

added control only where it is really necessary.

We believe it important to future ship construction projects that the Navy decide what quality standards it needs and that these standards be made clear to shipbuilders.

Late delivery of Government-furnished equipment and information

Another cause of additional costs has been the late delivery of Government-furnished equipment and information. Such late deliveries prevent the shipbuilder from installing the equipment in logical sequence and cause ripout and rework. As an example, in one case involving an $81 million contract, the shipbuilder is claiming $3 million for late delivery of Government-furnished technical information and $9 million as a result of late and defective Government-furnished materials.

For the most part, it appears that these late deliveries result from planning to include on the ship equipment that has not been developed. When problems in development arise, the shipbuilder does not get his equipment, or the information needed to install and test it, on time.

Action needs to be taken to devise more effective ways of dealing with situations where the development of equipment falls behind schedule and, in turn, affects ship construction.

Navy Action

The Navy has been forcefully made aware of these problems as a result of the size and number of claims it has received. In response, the Navy has devised a program called "Project Improve" which it hopes will correct many of the problems that afflicted the ships being built under the contracts to which the claims apply.

LOCKHEED'S FINANCIAL POSITION

In your letter of March 10, 1970, you asked us for information on the financial condition of the Lockheed Aircraft Corporation and its ability to continue performance of its military contracts. As you know, the work on your request has been substantially completed except for information on Lockheed's cash position and its cash requirements for the next 2 years with respect to all major Lockheed programs.

Lockheed's financial problems were summarized by the Chairman of the Board of Lockheed in his letter of March 2, 1970, to the Deputy Secretary of Defense, and were discussed by the Secretary in testimony before the House and Senate Armed Services Committees on March 9 and 10. The Deputy Secretary, in his testimony, stated his intention to keep the committees fully informed as to the progress being made toward a workable solution.

In a letter dated March 27, 1970, the Deputy Assistant Secretary of Defense (Comptroller) informed us that while some preliminary information was available on Lockheed's financial position, the Department of Defense did not consider that the data were sufficiently complete on which conclusions could be based concerning the course of action which should be taken. We were advised at that time that more current and complete data were being gathered and that Defense expected to be in a position to provide data from this analysis to us by about April 20, 1970.

The Department of Defense could not meet that deadline because Lockheed's legal staff expressed reservations about release of certain financial data which the company considers to be proprietary in nature. We understand that Lockheed is attempting to develop a workable solution to its financial problems and, at the same time, enable production to continue so as to meet the

Government's needs. The Department of Defense is following this matter closely and we understand that any proposal for the Government to furnish financial assistance to Lockheed will be presented to the appropriate committees of the Congress before such assistance is furnished.

GAMA GOAT SYSTEM (M-561)

This Subcommittee informally requested that information on the Gama Goat be included in our testimony today. The Gama Goat is a $1\frac{1}{4}$ ton, 6x6 wheel drive, cargo truck. It is designed to have high mobility over adverse terrain with floating, swimming, and air-drop capabilities. This will permit its operation in the same environmental terrain as the units that the vehicle is intended to support. The Gama Goat is curreatly in production.

The following discussion on the status of the Gama Goat is based on the Army's Selected Acquisition Report (SAR) for the period ending March 31, 1970.

Cost

The cost of the Gama Goat program increased $370.2 million from the planning estimate of $69.1 million to the current estimate of $439.3 million. As we stated in our report to Congress in February 1970, the planning estimate of $69.1 million did not represent the Army's total program. This planning cost represented an estimate of only the first procurement.

The principal reason for the cost growth of the Gama Goat program is attributed to (1) the increase in the quantity of vehicles to be procured, and (2) the increase in unit cost of the vehicles.

The estimated number of vehicles to be procured during the total program increased by approximately 230 percent over the number shown as the planning estimate.

The unit cost of the vehicles increased by about 93 percent when compared to the estimated unit cost used as the planning estimate and the current estimate for the total program. The increase in unit cost is attributed by the Army to such causes as engineering change, unpredictable events (strikes), underestimates of certain components, procurement of less than an economical quantity, and cost escalation.

Due to fiscal funding constraints the Department of the Army is currently considering a plan to equip only the active force with the Gama Goat. This action would reduce the total quantity about half of that now considered as the total program. A decrease in total program cost should also be realized if such action is taken.

Schedule Experience

Our report of February 1970, showed that the Gama Goat program experienced slippage of 32 months. The latest Selected Acquisition Report shows that additional slippage has occurred since the June 30, 1969, report. The effect of this slippage is a later delivery date of the vehicle to the major commands. This delivery is now estimated for late 1970. The most recent delay is attributed to a revision of parts lists attendant to a change in the source for the vehicles' brakes and to a labor strike at the contractor's plant.

Performance Experience

With exception of vehicle weight, maintainability and realiability, the approved Gama Goat characteristics have not changed significantly since inception. The requirements established for weight and maintainability may have been unrealistic at the time approved. It also appears that the reliability requirements should have been recognized as inappropriate at the time of establishment.

In addition to the Army's Selected Acquisition Reports and our report to Congress in February 1970, further information on the Gama Goat is included in our January 1970 draft report titled "Need to Improve Management of the Tactical Vehicle Program." This report discusses several Army vehicle programs to demonstrate areas in need of management improvement by the Army. A copy of this draft report was provided to this Subcommittee on March 16, 1970. A summary of this report as it relates to the Gama Goat is as follows:

> The Gama Goat development program was initiated before performance requirements expressed by the user were determined valid and feasible. Those expressed characteristics were not met, however, and possibly were not realistically achievable. For example, the Gama Goat now has a curb weight of 7,400 pounds, whereas, the user desired a curb weight of 2,500 pounds.
>
> A combat item is approved for mass production when, through engineering and service tests, it has demonstrated the capability to meet all essential characteristics. The Gama Goat was approved for mass production in June 1966, despite known vehicle defects and the incompleteness of the technical data package. In our opinion, the approval of this item for mass production was premature.

This completes my formal presentation.

APPENDIX

PRINCIPAL CLAIMS FILED WITH THE NAVY

UNDER SHIP CONSTRUCTION CONTRACTS

Contractor	Program	Contract amount (including approved modifications)	Amount of claim
		---(in millions)---	
Avondale Shipbuilding, Inc. (Ogden Corp.)	Destroyer escort:		
	DE 1052 class - 7 ships	$ 92.9	$ 45.0
	DE 1078 class - 20 ships	228.2	98.2
	Subtotals	321.1	143.2
EDO Corporation	Variable depth sonar	42.6	10.9
Electric Boat Division of General Dynamics Corp.	Nuclear powered submarine SSN-671	44.4	8.0
	Nuclear powered submarines with ballistic missiles SSBNS - 7 ships	365.3	29.7[a]
	Subtotals	409.7	37.7
Lockheed Shipbuilding and Construction Co.	Destroyer escort with guided missile - DEG 1, 2 and 3	33.8	10.4
	Oiler - AO 106 and 109	20.1	6.2
	Destroyer escort -		
	DE 1048 and 1050	21.1	10.2
	DE 1052	68.9	50.7
	Landing craft -		
	LPD 9 and 10	54.3	30.7
	LPD 11, 12 and 13	75.6	27.1
	LPD 14 and 15	53.8	24.1
	Hydrofoil research ship -		
	AGEH-1	14.6	6.8
	Ammunition ship -		
	AE 22 and 24	17.8	7.2
	Subtotals	360.0	173.4
Newport News Shipbuilding and Drydock Co. (Tenneco, Inc.)	Aircraft carrier -		
	CVA-67	214.9	45.5
	Nuclear powered submarines:		
	SSN and SSBN (later is equipped with ballistic missiles)	435.4	41.0
	Subtotals	650.3	86.5
	Totals	$1,783.7	$451.7

[a]This claim is for increases in labor and material costs and is claimed pursuant to price escalation provisions of the contracts.