

9. (C) IOM 26 May 1941

Fr: Lt. Col. A.E. Jones
Chief, Contr. Sect., WF
To: Chief, Mat. Div.
OCAC, Wash.
(File: Contract Files)

Contract W535-ac-17946 was to cover procurement of one XA-26 airplane, one XA-26A airplane, models and data, at a total estimated price of \$2,208,388.94, including a fee of 6%. A contract covering this procurement had previously been submitted to Chief, Mat. Div., OCAC, (Wash.) on 10 March 1941, but had been returned on 18 March 1941, with instructions to conduct further negotiations with Douglas in an attempt to secure a more reasonable price. The first contract was based on a fixed price of \$2,519,792.86, but at Douglas' request the contract was rewritten on a cost-plus-fixed-fee basis. The estimated cost of the CPFF contract was \$311,403.92 less than the fixed price, the reduction being due to the removal of contingencies from the fixed price, establishment of a 6% fee on an estimated cost, and the removal of \$60,000 from each airplane for flight insurance. The resubmission of the contract was delayed because Douglas was unwilling to accept the contract without a special clause pertaining to labor shortage and disputes. A decision had been reached to include a substitute clause. Because of greater strength, higher performance, and better crew facilities of the A-26 as compared with the A-20B series, Contr. Sect. (WF) considered it more feasible to procure an XA-26A airplane than to obtain 13 night fighter conversions of the A-20B.

May 26, 1941

Chief, Materiel Division, O.C.A.C.
Washington, D. C.

Contract W-535 AC-17946 with Douglas Company
For XA-26 and XA-26A Airplanes, model and data.

1. Forwarded herewith letter to the Under Secretary of War prepared for signature in the Office Chief of Air Corps, transmitting three (3) numbers of contract W-535 AC-17946, with Douglas Aircraft Company, Inc., Santa Monica, California, covering procurement of one XA-26 airplane, light bombardment, and one XA-26A airplane, light bombardment (night fighter) together with model and data at a total estimated cost of \$2,208,388.94, fixed fee included, as follows:

One XA-26 Airplane	Estimated Cost - \$1,220,849.91
One XA-26A "	" " 732,788.00
Models and Data	129,747.88
Fixed Fee 6%	125,003.15

2. A contract covering procurement of this material was previously forwarded to your office with inter-office memorandum dated March 10, 1941, under same subject and was returned with inter-office memorandum from your office dated March 18, 1941, with instructions that further negotiations be conducted with the manufacturer, leading to a more reasonable price for this project, and that the matter be resubmitted when such is obtained. The contract was previously based on a fixed price, totaling \$2,519,792.86. At the request of the contractor, the attached contract has been prepared on a cost plus fixed fee basis in lieu of fixed price, as the contractor was unwilling to reduce the fixed price quoted. The estimated cost, including the fee is \$311,403.92 less than the fixed price previously quoted. This reduction is due to the removal of contingencies from the fixed price, the establishment of a 6% fee on the estimated cost, and the removal of \$60,000 from each airplane for flight insurance. The removal of the flight insurance is in accordance with recent approval of your office pertaining to experimental airplanes.

3. Delay in resubmitting this contract was occasioned by the contractor not being willing to accept the contract without a clause similar to that included in contract W-535 AC-15847 pertaining to labor shortage and disputes. However, an agreement

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To Chief, Materiel Division
 Subj- Contract AC-17946
 May 26, 1941

has been reached to include a substitute clause which is contained in the contract as the 5th paragraph under sub-paragraph (b), Article 3, Page 4 of the contract. Reference in this connection is made to teletype from your office E-522 dated May 15, 1941.

2. The proposed procurement of one model XA-26A airplane equipped as a night fighter is considered more feasible than attempting to obtain 13 night fighter conversions of the A-20B type airplane. This opinion is due to the higher strength and performance and better crew facilities of the A-26 type as compared with the A-20B series. Advantages are more specifically set forth in paragraphs 2 and 3 of Douglas Aircraft Company's letter dated January 20, 1941, original attached.

3. For your information there is attached a copy of memorandum from the Chief, Experimental Engineering Section to the Chief, Contract Section, dated February 13, 1941, setting forth, for comparison purposes, characteristics and prices of certain experimental airplanes now on contract or in the process of negotiation. Direct comparison with prices incorporated in subject contract cannot, in justice to the Douglas Aircraft Company, be made however, for the reason that experimental costs in common with production costs are constantly rising and subject contract has been negotiated on the basis of absorbing all costs in connection therewith. Past procedure has been for the manufacturer to expect to amortize losses sustained on experimental contracts through later production contracts.

4. A copy of contract W-535 AC-17946 marked "Advance Copy" is forwarded for the files of your office. W.D. Form No. 36 in duplicate is also enclosed together with a copy of contractor's specification DS-538 including Appendix III thereto, and a copy of Pratt & Whitney Specification A-3051 covering R-2800 engines, with which these airplanes will be equipped.

5. The attached copies have not been signed by the contractor, or the Contracting Officer. Mr. Rodgers, Representative of the Douglas Company, has expressed a desire to sign the contracts in your office. The contractor's Advance Copy of the contract was previously supplied to him and was not returned to this Division at the time he desired modification in same, therefore, there is forwarded herewith one set of revised pages of the contract to complete the contractor's copy. There is also attached Preference Rating Certificate which should be given to the contractor at the time the contract is signed by him.

MAY 27 1941

Att-Specs. A-3051, DS-538 w/Aop III
 ltr to Under Sec/war
 w/encs.
 Dougl. let 1/20/41
 Exp. Eng. Memo 2/13/41
 Adv. Cy Cont. AC-17946 w/W.D. Form 36
 Sheets " in Dupl 57

A. E. JONES,
 Lt. Colonel, Air Corps,
 Chief, Contract Section.
 Lt. Col., Air Corps,
 Asst Technical Executive

CENTRAL FILES

MDAC-190-WF-3-15-41

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