84. (U) Ltr. 30 Nov. 1944 Fr: Col. W.F. Volandt Asst. Chf., Proc. Div. OAC/AS, M&S, Wash. To: Spec. Rep. of Under Secy. War (File: Contract Files)	Contract W33-038 ac-5140 was to cover the procurement of 2000 A-26 airplanes plus spare parts. Estimated unit cost was $7[illegible],008, and fixed fee at 3.75% was $6,814,440, making a total estimated price of $188,532,840.

ADDRESS REPLY TO
COMMANDING GENERAL, ARMY AIR FORCES
WASHINGTON, D. C.

10

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WAR DEPARTMENT
HEADQUARTERS OF THE ARMY AIR FORCES
WASHINGTON, D. C.

A.P. 3571

30 November 1944

SUBJECT: Contract W 33-038 ac-5140

TO: Special Representative of the Under Secretary of War.

1. Herewith one number and two cover sheets of Contract W 33-038 ac-5140 forwarded recommending approval under the provisions of Paragraph 308.2, Procurement Regulations No. 3, the First War Powers Act, 1941 and Executive Order No. 9001 dated 27 December 1941.

2. The following information is submitted in conformity with P. R. 308.4:

a. Contractor: Douglas Aircraft Company, Inc., Santa Monica, California.

b. Location of plant in which supplies are to be furnished: Tulsa, Oklahoma.

c. Material:

Item 1: 2000 AAF Model A-26C light bombardment airplanes.

Item 2: Spare Parts for airplanes called for under Item 1 (15%).

d. Prices: (Estimated)

	Unit Cost	Total Cost	Fixed Fee
Item 1:	$79,008.00	$158,016,000.00	$5,925,600.00
Item 2:		23,702,400.00	888,840.00

Total Estimated Cost -	$181,718,400.00
Fixed Fee at 3.75% -	6,814,440.00
	$188,532,840.00

e. Deliveries:

All of the airplanes called for under Item 1 shall be delivered to the Government in accordance with the following schedule:

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

84

Cont. F. 5140
(Pg. 2/4)

Quantity	During Month of
173	August 1945
350 additional	September 1945
350 additional	October 1945
350 additional	November 1945
350 additional	December 1945
350 additional	January 1946
77 remaining	February 1946
2000 airplanes	

All of the Spare Parts called for under Item 2 shall be delivered in accordance with Appendix No. 1 attached to the Contract.

f. The Contractor is the designer and developer of the A-26 series of airplanes and has previously manufactured several thousand airplanes of similar type with satisfactory and timely performance and production efficiency.

g. Deliveries are not conditional upon additional facilities being provided.

h. Contract placement policies were considered and applied. Competition was not invited for the reason that the contractor is the principal source for the A-26 series of airplanes. Allocation was approved by the Joint Aircraft Committee. Tulsa, Oklahoma where the work will be performed is in a Group III Labor Shortage Area. Established facilities exist and labor has been specially trained. The work cannot be placed with any other source with assurance of obtaining satisfactory performance and timely deliveries. No increase in employment will result.

i. The Contract has been placed on a cost-plus-fixed-fee basis because: (1) Prior contracts with the contractor have been on that basis; (2) the uncertainty of segregating inventories between cost-plus-fixed-fee contracts and fixed price contracts; and (3) complications in accounting. All other similar contracts at the contractor's Tulsa plant are on a similar basis.

Article 20 of the Contract - Authorization and Assistance - is a deviation from P. R. 335.6 which has been approved by your office (Mr. Kenyon) for use in cost-plus-fixed-fee contracts with Douglas.

j. Contractor's letter dated 21 August 1944 submitting its quotation on Proposal Form No. 43-1 dated 19 August 1944 and its letter dated 7 September 1944 are forwarded herewith for ready reference.

Cont. P. 5140
(pg. 3/4)

Negotiations were carried on with the contractor from approximately 20 July 1944 to 6 September 1944 based on the contractor's quotation dated 19 August 1944. The contractor was requested to furnish information on the current hourly rates and overhead and while it was contended that the quotation included an excess of approximately 1000 direct labor hours, the contractor was able to substantiate these objections. After considering the amount of subcontracting involved, the Procuring Agency recommended a fee of 3.75% of the estimated cost which was agreeable to the contractor.

Similar articles have been procured in the past from this facility, as follows:

Contract Number	Item	Quantity	Unit Price
W 535 ac-34433	A-26	500	$152,125.00
		1600	97,089.00

The reduction under the prior procurements is due to increased quantities resulting in increased efficiencies. Prices under the proposed contract have been reviewed and approved by the Price Analysis Branch, AAF - Air Technical Service Command, and are considered fair and reasonable.

k. Contractor's quotation dated 19 August 1944 forwarded herewith indicates that it is contemplated that 56% of the work to be performed under the proposed contract consisting of assembled units and machining operations will be subcontracted. A list of the proposed subcontractors with the articles to be subcontracted is set forth on Page 7A of said quotation.

l. No royalty charges are included in the estimated cost.

m. Controlled materials are involved and are expected to be available to meet the requirements of the scheduled production.

n. Spare Parts will be priced in accordance with Paragraph E-7 of AAF Specification AN-M-9 as provided in the Spare Parts Provisioning Appendix, a part of the Contract.

o. Articles are required and being procured in the interest of the War Effort and are listed for procurement under the "K" Program, Fiscal Year 1945.

3. The following information is submitted in connection with the Advance Payment Article:

a. Article 44 of the Contract provides that sums not to exceed $54,515,520.00 or 30% of the estimated cost of the Contract (exclusive of fixed fee) may be advanced to the contractor from time to time.

b. The outstanding balance of advanced payments will bear interest at the rate of 2-1/2% per annum.

c. The security proposed is the special bank account and lien provisions provided for in the Advance Payment Article. It is believed that the security proposed is adequate protection for the Government against loss.

d. The Advance Payment Article deviates from the standard form to the extent that the contractor is permitted to commingle funds received under this Contract with funds received under other contracts. The provisions which are incorporated in sub-paragraph (j) of the Advance Payment Article are the same as those incorporated in previous Douglas contracts.

e. All withdrawals from the special bank account will be subject to the prior written approval of a Contracting Officer.

f. Since contractor's latest balance sheet is already on file in your office, no further comment is made in this connection.

g. Contractor's character, production ability and financial condition are well known to the AAF, through the processing of advance payments and other dealings; therefore, no comment is made in this connection.

h. The advance payment is necessary to expedite the performance of the Contract and is in the interest of the War Effort.

i. There is inclosed for ready reference contractor's letter of request dated 8 September 1944. Performance bond has been waived.

For the Commanding General, Army Air Forces:

W. F. Volandt

W. F. VOLANDT
Colonel, Air Corps
Asst. Chief, Procurement Division
Office, Assistant Chief of Air Staff
Materiel and Services

3 Incls:
Incl. 1 - Cont. W 33-038 ac-5140
(1 Number and 2 Cover Sheets)
Incl. 2 - Contr.'s Ltrs. & Quotation
Incl. 3 - Contr.'s Ltr. of Request, dtd 8 Sept 44.