

WITHDRAWAL SHEET

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FOIA ID: F1997-066/6, D. Cohen
Date: 08/11/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. letter	Frank Fahrenkopf to James Baker re enclosed material, 1p	6/18/84	B6 2/17/12 EDS

RESTRICTIONS

- B-1 National security classified information [(b)(1) of the FOIA].
- B-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- B-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- B-7a Release could reasonably be expected to interfere with enforcement proceedings [(b)(7)(A) of the FOIA].
- B-7b Release would deprive an individual of the right to a fair trial or impartial adjudication [(b)(7)(B) of the FOIA].
- B-7c Release could reasonably be expected to cause unwarranted invasion or privacy [(b)(7)(C) of the FOIA].
- B-7d Release could reasonably be expected to disclose the identity of a confidential source [(b)(7)(D) of the FOIA].
- B-7e Release would disclose techniques or procedures for law enforcement investigations or prosecutions or would disclose guidelines which could reasonably be expected to risk circumvention of the law [(b)(7)(E) of the FOIA].
- B-7f Release could reasonably be expected to endanger the life or physical safety of any individual [(b)(7)(F) of the FOIA].
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

THE WHITE HOUSE

WASHINGTON

August 22, 1984

Dear Frank:

I appreciate your letter of June 18 in which you mention the need for more competitive bidding on defense purchases, especially spare parts. We certainly agree with you, and have taken steps to help bring that about.

In 1982, the President issued an executive order on federal procurement reform. Implementation of that order has led to a single, simplified Federal Acquisition Regulation, which took effect government-wide on April 1, 1984. This year also witnessed two other significant actions in this area:

- the publication on February 16 of OMB guidelines for enhancing competition and evaluating agency procurement systems; and
- issuance of a government-wide policy letter which prohibits the use of non-competitive procurement practices except in certain specific circumstances set forth in the letter. This letter was to take effect on June 26.

In addition to the above, the Defense Department has set up a department-wide Advocates for Competition program, and has a number of other initiatives underway, all of which are designed to enhance procurement competition.

We fully recognize the magnitude of the task we have undertaken: inefficient contracting practices and pricing policies have, unfortunately, become entrenched over decades. Nevertheless, we feel real progress has been made, and I can assure you that both the President and Secretary Weinberger intend to give a high priority to continuation of our efforts.

Thank you again for your letter, and I hope you will let me know if you desire additional information on this subject.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim", written over a horizontal line.

James A. Baker, III
Chief of Staff and
Assistant to the President

Mr. Frank J. Fahrenkopf, Jr.
Chairman, Republican National Committee
310 First Street, Southeast
Washington, D.C. 20003

THE WHITE HOUSE
WASHINGTON

August 21, 1984

TO: JAB III

Attached is a draft reply
to Frank Fahrenkopf's letter
on competitive procurement.

It is for your review and
signature.

Thanks.



Have backup material on
this issue if you'd like to
go over in more detail.





Republican National Committee

Frank J. Fahrenkopf, Jr. Chairman

'84 JUN 18 F

TO KE
FER

JAB R.F. PLEASE
6/18/84
MDT

June 18, 1984

The Honorable James A. Baker, III
Chief of Staff and
Assistant to the President
The White House
Washington, D.C. 20500

6/22 To
JC:
Seems to me that
this is not just
good politics but
good policy
as well.
Anything
we can
do?
appropriately.
JAB:ll

Dear Jim:

I am enclosing, herewith, a letter and materials dealing with the question as to whether the United States Government should purchase goods and services, particularly replacement parts, through competitive bidding as opposed to single source procurement for major contractors. I receive consistent complaints from small businessmen concerning this problem, particularly related to the Department of Defense.

The enclosed correspondence from Bill Hardman, President of the National Tooling and Machining Association, is typical and suggests that we not allow the Democrats to run with this issue in 1984.

As you know, I do not normally bother you with things of this nature, but I believe strongly in this subject and also believe Mr. Hardman's concerns are well-taken.

Kindest regards,

FRANK J. FAHRENKOPF, JR.

FJF:cm
Enclosure



June 14, 1984

WILLIAM E. (ED) HARDMAN
President
and Chief Operating Officer

Mr. Frank J. Fahrenkopf, Jr.
Chairman
Republican National Committee
310 First Street, S. E.
Washington, D. C. 20003

Dear Frank:

Thanks so much for inviting me to join you for lunch today.

As I mentioned, we are very concerned over the fact that both the Administration and the RNC are being usurped on an issue of grave concern to the small business community, as well as American voters in general. The issue is whether the government should purchase its goods and services through open competition, which the small business community advocates, or on a sole source basis as seems to be the currently preferred method of government procurement, particularly in the Department of Defense. Admittedly, the issue is one of self interest to some small business groups like our own, who see themselves frozen out of the procurement process as government agencies continue the tendency to make their sole source procurements from major prime contractors. Even more important, however, is the voters' perception of this practice as it relates to waste and outrageous overpayments for items such as the \$13-20 billion worth of spare parts bought by DOD each year. Over 90% of DOD spare parts, particularly in the area of military hardware, are purchased on a sole source basis. SBA and GAO studies have proven conclusively that the Department of Defense pays far too much for its hardware, particularly in the area of spares.

Small Business Administration ran an experiment not long ago where nearly 200 of randomly selected spare parts were switched from sole source to open competition, resulting in savings of nearly half. A GAO follow-up

Mr. Frank J. Fahrenkopf, Jr.
June 14, 1984
Page Two

study concluded that SBA's savings and estimates were probably low. All we're talking about is a savings of between \$7 and 10 billion a year, depending on total purchases. In addition to resulting lower prices from open competition, the Department of Defense would be automatically broadening its industrial base, simply by using normal competitive procurement methods.

Last week a member of my staff attended the Small Business National Issues Conference, jointly sponsored by the National Federation of Independent Businesses, the National Small Business Association, Small Business United and the U. S. Chamber of Commerce. Four of the top ten legislative priorities related directly to this issue.

Democratic Committee Chairman Manatt was at the Conference, as he has been at other similar meetings, reminding us of where the Democrats are on this issue. They support open competition and small business, and Democrats were the first in the House and the first in the Senate to offer legislation requiring open competition in government procurement. He reminds small business groups at every opportunity that the T.V. commercial calling for an end to the purchase of the \$400 hammer by DOD was sponsored by the DNC and that the Republicans' inaction on this issue is a demonstration that they are not the party of business, but rather the party of big business. Not good stuff as we go into the election cycle! Nevertheless, there have been no substantive actions by the Administration. Secretary Weinberger crafted a very noble ten point plan designed to correct abuses in spare parts procurement. The problem is that it didn't address some of the most serious problems. (We asked some procurement officers at Tinker Air Force Base what effect they thought the Weinberger memo would have on the amount of open competition and they told us "none".) There is no evidence that we can see of a significant increase in the percentage of formally advertised sealed bid procurements nearly a year after the Secretary's plan.

The only Administration pronouncements on the subject are in opposition to parts of legislation requiring more competition in procurement. While we agree with the Administration's philosophical support of a company's rights to trade secrets, why has nothing been said and nothing been done in support of the many sections of the many pieces of legislation which would do nothing but

Mr. Frank J. Fahrenkopf, Jr.
June 14, 1984
Page Three

require open competition and save billions of dollars annually in the process?

The Administration must get out in front of the issue before it's too late. A strong statement from the President and pressure from the White House on House and Senate Conferees on the 1985 Defense Reauthorization would prevent this from being solely a Democratic campaign issue.

I am enclosing some background material that could be passed along to anyone in the White House who could be helpful. I would like very much to meet with someone at the Presidential Advisory level to discuss this issue and its importance. I will, of course, make myself available at any time.

Cordially,



William E. Hardman
President

WEH:dlk
Enclosures



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

24 MAY 1968

INSTALLATIONS AND LOGISTICS

AR

Col Scarborough

*5/27/68
For Action*

MEMORANDUM FOR Brigadier General William W. Snavely, Director for
~~Procurement Policy~~, OASD(I&L)CD

SUBJECT: Qualified Products: ASPR Case (68-121)

In response to the request in your memorandum of May 15, 1968, this correspondence supports the proposed ASPR amendment identified under Case 68-121.

The qualification process was instituted many years ago to permit the establishment of a list of approved materials for use when such list was essential in eliminating delay in procurement because of the long testing time which would otherwise be required for conformance tests under contract. The process was intended for use on a selected basis and to date is applied in approximately 5% of the existing Federal and Military specifications. This percentage has been on the increase in recent years and during 1965, the Assistant Secretary of Defense for Installations and Logistics directed that an in-depth study be undertaken to ascertain the reasons. By memorandum dated March 25, 1966 to the I&L Secretaries of the Military Departments and the Director, Defense Supply Agency, the ASD(I&L) endorsed the analysis of Product Qualification and Qualified Products Lists resulting from the study. A copy is attached as enclosure 1.

With respect to the proposed amendments to ASPR, the recommended changes are in consonance with the findings of the study and are designed to support the original intent of the qualification process, e.g., to eliminate delay in procurement because of the long testing time which would otherwise be required for conformance tests under contract.

The aforementioned study coupled with long years of experience in administering the qualification process reveals that there is a misunderstanding of the role of qualification and, in fact, basic procurement policy. Current policy prescribes that the quality of items to be procured be specified or described in terms of minimum requirements. The qualification process is a concession toward lesser assurance of quality. Advance qualification in no way insures that supplies being procured meet critical engineering, performance and compatibility ←

requirements implied in your memorandum. On the contrary, it introduces an added risk by precluding the full gamut of testing during production and at the time of delivery. Further, the qualification process in no way promotes competition for Defense contracts. Conversely, it becomes a bidders list restricted only to those manufacturers who have successfully met the qualification requirements. This is embodied in ASPR paragraph 1-1107.1(a) which discusses bids or proposals to the Government as being acceptable when they offer products which are qualified for listing on the applicable Qualified Products List at the time set for opening of bids or award of negotiated contracts. Similarly, ASPR paragraph 1-1107.1(b) requires prime contractors to furnish components which have been tested and qualified for inclusion in the applicable Qualified Products List by the time of award of the subcontract. It is interesting to note that at the time of the aforementioned study, there were 747 specifications of the approximate 2,000 requiring qualification that had only one supplier listed on its associated Qualified Products List. This condition most certainly does not insure the availability of competition for Defense contracts.

In keeping with the full intent of the qualification process, conditions constituting the basis for including qualification requirements in specifications have been narrowed. Acceptance of the proposed amendments would in effect, reduce misinterpretation of the reasons for and the results of the qualification process, and limit its use in specifications when product testing is of such duration, complexity or expense, as to render repetitive testing impractical. Repetitive testing is deemed impractical when to do so would result in delivery delay or the use of a specialized equipment that would incur added costs because it is uncommon in the plants of prospective producers and it would be unduly expensive to produce or procure. When testing exceeds the normal time for producing the first delivery lot by at least 30 days, delay in delivery is a factor. If, however, the testing can be accomplished within the time required for producing the first lot, delay is not a factor and qualification is not applicable.

It should be pointed out that administration of the qualification process is a complicated and difficult task. Items, once qualified, are essentially frozen to a given design, process and material. A change requires a costly requalification procedure and departmental engineering and procurement activities must be alert to these changes. Indiscriminate use of the qualification process increases its management difficulties and tends to defeat the real purpose of the process. Qualification therefore should very carefully be employed.

The proposed amendment to ASPR is in consonance with agreements reached among the three Military Departments, the Defense Supply Agency and this office on policy changes to Defense Standardization Manual 4120.3-M.

In this connection, it is strongly recommended that the ASPR Committee approve the proposed amendments so that policy, procedures, and implementation thereof will be consistent.



O. C. Griffith, Colonel USAF
Director, Technical Data
and Standardization Policy

Enclosure

Inside the Administration

1317 --
1717L --
WEH --
An
Inside
Washington
Publication

An exclusive report on the Reagan Administration's economic, regulatory and management policies

Vol. 3 No. 11 June 1, 1984

REAGAN, CONGRESS BATTLING OVER BILLS TO BROADEN STATE COASTAL POWERS

The Reagan Administration is battling the Republican-controlled Senate over legislation (S. 2324 & 4589) to amend the Coastal Zone Management Act (CZMA) to allow states to veto federal oil and gas leasing activities on the Outer Continental Shelf if they are found to be inconsistent with state management plans. The legislation is being backed strongly by the Senate which views the legislation as a major federalism issue for the states while the Administration opposes the bill because it would weaken Executive authority over resources in the Outer Continental Shelf. The legislation seeks to overturn a January Supreme Court decision which ruled that federal OCS lease activities do not have to be consistent with state plans. The legislation was approved by the Senate Commerce, Science & Transportation Committee this month with the House Merchant Marines & Fisheries Committee set to hold hearings on the bill June 26.

The legislation has fueled a heated debate between Congress and the White House — Congress views
(continued on page 7)

In abrupt policy reversal

REAGAN AIDES DRAFT BILL TO LIMIT FEDERAL ACCESS TO CONTRACTOR TRADE SECRETS

The Administration has reportedly drafted legislation to give it the authority to formulate government-wide rules and regulations restricting the government's access to federal contractors' trade secrets. The Administration's decision to draft its own bill comes as the House prepares to debate legislation (H.R. 5064) proposed by Rep. Bill Nichols (D-AL) which would give the government broad access to company trade secrets developed using federal funds — legislation vehemently opposed by Commerce officials who fear the bill would provide a disincentive to business research and development efforts.

Sources say the Administration's decision to draft its own bill is an abrupt policy reversal because just last month the Dept. of Defense had privately expressed its "unqualified support" for the Nichols bill, according to sources. Sources say the Administration's current legislative strategy is to defeat the

(continued on page 9)

Citing tax and regulatory reforms

ADMINISTRATION PAPER PROPOSES OPTIONS TO SPUR BIOTECHNOLOGY INDUSTRY

The State Dept. has reportedly prepared a draft report for the White House assessing how the federal regulation of biotechnology will affect the competitiveness of the emerging industry which proposes a multi-faceted approach — including tax reforms and reduced regulatory burdens — to maximize the development of the U.S. biotechnology industry. The paper was prepared under the auspices of the White House Office of Science & Technology Policy (OSTP) according to sources who say the OSTP has not officially endorsed the proposals. The paper details a 6-point plan to promote the commercialization of the industry, recommending: 1. the careful development of export controls which will have the twin goals of promoting the industry but at the same time safeguard U.S. technology; 2. the careful monitoring of foreign scientific advances in the biotechnology field; 3. support of education and research to further the science of biotechnology; 4. reforming tax, antitrust and patent laws to encourage commercialization; 5. government regulations be eased to spur the industry; and 6. improvements in government pro-

(continued on page 7)

Because of waning industry interest

FDA TEMPORARILY SHELVES REGS ON TV ADVERTISING OF PRESCRIPTION DRUGS

The Food & Drug Administration (FDA) has temporarily suspended development of regulations it was drafting to allow industry to advertise prescription drugs on television because of recent concerns voiced by major drug companies that the rules would pose major liability problems for the billion dollar industry, according to Administration sources. Under current FDA regulations, companies are required to include detailed labeling information on prescription drug advertisements, making it too costly for industry to advertise prescription drugs to consumers over the air. Sources say FDA had begun drafting regulations to allow industry to test the marketing of prescription drugs to consumers on television as a result of industry interest in the idea, but that interest has apparently subsided because of "liability con-

DINGELL URGES ADMINISTRATION TO CLARIFY BIOTECHNOLOGY REG PLANS

Influential House members, led by House Energy & Commerce Committee Chairman Rep. John Dingell (D-MI), last week told the Reagan Administration its Cabinet Council Workgroup on Biotechnology is not moving fast enough to develop a comprehensive Administration policy on biotechnology. In a May 24 letter to President Reagan's Science Advisor George Keyworth — signed by Dingell and Reps. Henry Waxman (D-CA), chairman of the Energy & Commerce Committee's subcommittee on health & the environment; George Brown (D-CA), chairman of the Agriculture Committee's subcommittee on department operations, research and foreign agriculture; and Albert Gore (D-TN), chairman of the Science & Technology Committee's subcommittee on investigations & oversight — the House members expressed an urgency for speedy review of the matter, saying "the substantial groundwork that began at EPA, [Environmental Protection Agency] shortly after EPA asserted its jurisdiction [to regulate biotechnology products] under the Toxic Substances Control Act... appears to have slowed down considerably." The members asked Keyworth to submit a copy of the working group's charter and a timetable for its deliberations by June 7.

The House members said the President's biotechnology workgroup is a "constructive first step" to develop a "suitable regulatory path for [biotechnology] products" but contended the Administration is not moving quickly enough saying "there are indications that this [pace] may have already resulted in delay in resolution" of some issues. Further, the members said "that existing legislation is probably adequate to provide for appropriate federal review of both research and commercialization of biotechnology."

The congressmen urged the Administration to "create a mechanism to quickly sort out any potentially conflicting jurisdictional issues concerning the regulation of biotechnology and to set in place a road map which would guide industry and assure the public that there will be appropriate review of any health, environmental and safety questions."

The congressmen asserted there is a need for "rapid clarification of the regulatory picture" pointing to a recent district court ruling which halted a federally-funded California biotechnology project on procedural grounds. The district court ruled the National Institutes of Health (NIH), which has statutory authority to regulate federally funded research, should have prepared an environmental impact statement prior to approving the experiment. Neither the NIH guidelines nor the district court ruling affect privately funded biotechnology research projects.

ADMINISTRATION TO DRAFT BILL ON CONTRACTOR TRADE SECRETS . . . begins page 1

Nichols' bill, which is expected to be attached to the FY-85 DOD reauthorization bill, or get its own bill approved.

Meanwhile, the Senate is expected to approve legislation (S. 2489) similar to Nichols' bill — to require federal contractors to disclose in contract bids the degree to which it will allow the government access to its trade secrets — which Administration and industry officials contend would greatly influence which companies are awarded federal contracts.

The debate over rights to trade secrets has recently become a top priority for the Administration as legislation to reform DOD procurement practices heats up in the Congress. Congressional sources say the Administration's last-minute decision to become active in the debate is "simply too little too late," sources contending an Administration interagency group chaired by George Keyworth, science advisor to the President, set up in April to develop a policy on government access to trade secrets in federal contracts has not yet begun its work.

Commerce General Counsel Irving Margulies, in a recent letter to Rep. Robert Kastenmeier (D-WI), said the Nichols' bill would "adversely affect the Administration's efforts to encourage private sector research and development of products." He also argued it would "act as a disincentive to firms interested in developing technology." Margulies also said the bill is premature, asserting further study was needed to determine if the Nichols bill would help to reduce DOD procurement costs. Margulies added the problems posed by H.R. 5064 far outweigh any benefits it might produce, contending it would: 1. develop a need for government suppliers who also do business commercially, to maintain separate data or cease doing business in one of the markets; 2. eliminate the proprietary nature of a company's trade secrets if that company used its trade secrets to carry out a federal contract; and 3. act as a "substantial disincentive to private investment" in Defense technology because contractors will be reluctant to disclose their trade secrets to the government.

Congressional sources say the Administration's last-ditch effort to draft its own position on trade secrets to sidetrack the Nichols bill will have little effect on the outcome of the congressional debate. Sources say only recently has the Administration been able to develop a consensus position on the issue, pointing out the Administration issued its Federal Acquisition Regulation (FAR) April 1 without trade secrets provisions because of internal bickering between Commerce, DOD and National Aeronautics and Space Administration (NASA) over what the Administration's policy should encompass.

handled, Mr. Reynolds said. He could not say just how many, but estimated there are hundreds.

However, Mr. Reynolds said, he is con-

against an individual must be remedied, but additional requirements are limited to affirmative hiring efforts — without hiring quotas.

Cost control in Defense said to have 'no teeth'

By Clark Mollenhoff
THE WASHINGTON TIMES

6/14/84

Sen. Charles Grassley says the Defense Department's so-called "cost control reforms" have "absolutely no teeth" and do not provide assurance that waste and fraud are under control at the Pentagon.

The Iowa Republican made his comments Tuesday in response to recent assurances from Joseph H. Sherick, Defense Department inspector general, that the defense-spending horror stories will be halted by Defense Secretary Caspar Weinberger's "ten commandments" for cost control.

"Tragically, the so-called reforms announced by Secretary Weinberger have absolutely no teeth," Mr. Grassley said. "They provide no goals, no timetables, no accountability."

Mr. Grassley has had his staff at work on Mr. Sherick's optimistic report on putting an end to "unreasonable costs" on spare parts for military weapons systems, and is preparing a report for release later this week that will challenge Mr. Sherick's thesis that only 6 percent of the spare parts costs are now "unreasonable."

The senator was a major force in focusing attention on various stories of spare parts overpricing and the corruption and compromise of the Defense Contract Audit Agency, which he said was a major weakness in the procure-

ment of those parts and major weapons systems.

Mr. Grassley has expressed skepticism about the effectiveness of Mr. Weinberger's "ten commandments" and stressed that tight monitoring of cost controls required that officials who are responsible for waste and mismanagement be penalized or fired.

Although one of Mr. Weinberger's commandments required that honest whistleblowers on waste and mismanagement be rewarded, the Defense Department has rejected suggestions by Mr. Grassley, Sen. Alfonse D'Amato, R-N.Y., and others for whistleblowing DCAA Auditor George Spanton to be given a special award for his efforts in exposing compromise and corruption in the DCAA.

Mr. Grassley contends Pentagon spokesmen have indicated that 94 percent of the spare parts purchased by the Defense Department are "reasonable" by the standards of the department.

He said his staff has been doing extensive work, in the last week, investigating where the Defense Department's inspector general obtained his figures on "reasonable" costs and what role the Air Force and DCAA had in contributing to reports they believe misled Congress.

Sen. Grassley has scheduled hearings beginning Tuesday on the responsibility for continual misleading of Congress on spare parts prices.



Another suit vs. Liberace

Try, try again. The man whose lifetime support suit against Liberace was unsuccessful now seeks \$36.2 million.

*Jim
draft
for JAB
re: Presidential
request*

THE WHITE HOUSE

WASHINGTON

April 4, 1984

Dear Verne:

I just wanted to let you know that the President took note of the attached article in the White House News Summary, which relates an incident involving the cost of a door for the C-141 aircraft.

The President expressed an interest in the Air Force's investigation of the matter, and asked that you apprise him of its results upon completion.

With best regards,

Sincerely,



James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Verne Orr
Secretary of the Air Force
The Pentagon
Washington, D.C. 20301



DEPARTMENT OF THE AIR FORCE
WASHINGTON, D C 20330

11 APR 1984

OFFICE OF THE SECRETARY

Mr. James A. Baker, III
Chief of Staff and
Assistant to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D. C. 20500

Dear Jim:

Thank you for informing me of the President's interest in the UPI press article regarding the apparent overpricing of a door for the C-141 aircraft. Unfortunately, the article contained misleading and inaccurate information which distorted the facts in this case.

First, the description of the item as an "airplane door" belies its complexity. Those doors are, in fact, large clam-shell type doors containing hydraulic and electrical components that open for the loading and unloading of cargo and personnel, both in flight and on the ground (please see attachment). Measuring 35' by 9' and weighing 2,250 pounds, they conform to the tapered aircraft fuselage, thereby requiring the forming of aircraft honeycomb aluminum into compound curved shapes. Because of their large size, technical sophistication and special loading requirements, large autoclaves (ovens) are required for the manufacturing process.

Second, the quoted "should cost" of \$2,448 resulted from an incorrect analogy drawn by the Sergeant investigating the case. Based on his discussions with Mr. Wear, Sergeant Jensen submitted a Zero Overpricing challenge on the door after comparing it to the only similar component at Fairchild he was familiar with--a B-52 bomb-bay door which measures 2' by 8' costing approximately \$2,500. It was upon this inaccurate correlation that UPI based its claim of a \$298,000 discrepancy.

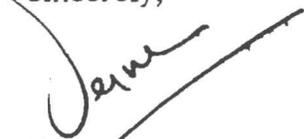
Finally, we consider the actual price to be fair and reasonable. In 1980, the Air Force procured 21 left-hand doors at the unit price of \$265,164 and 13 right-hand doors at a unit price of \$274,419. The contractor's proposal was audited by the Defense Contract Audit Agency. Additionally, the Defense Contract Audit Service gave a technical evaluation of the contractor's proposal. Extensive negotiations were conducted with the contractor when the above prices were agreed to and determined to be fair and reasonable. We also consider the 12.1 percent negotiated profit for this acquisition to be reasonable.

Unfortunately, no one from UPI contacted the Air Force before publishing the story. The reporter apparently got the story from Mr. Wear or other television newscasts, or both. Moreover, we have since been contacted by "Good Morning America," Cable News Network, AP, and Georgia Radio News, all of whom concluded there was no story after hearing an explanation of the type and reasons for the cost of the doors.

We applaud Mr. Wear's intentions. His cost consciousness is exactly what we are trying to foster among our own Air Force people in keeping with Secretary Weinberger's program to end spare parts price abuses.

I hope the above information will be useful in explaining the complexity and cost of the C-141 cargo door. Let me assure you we remain committed to providing the most military capability possible for the dollars we spend.

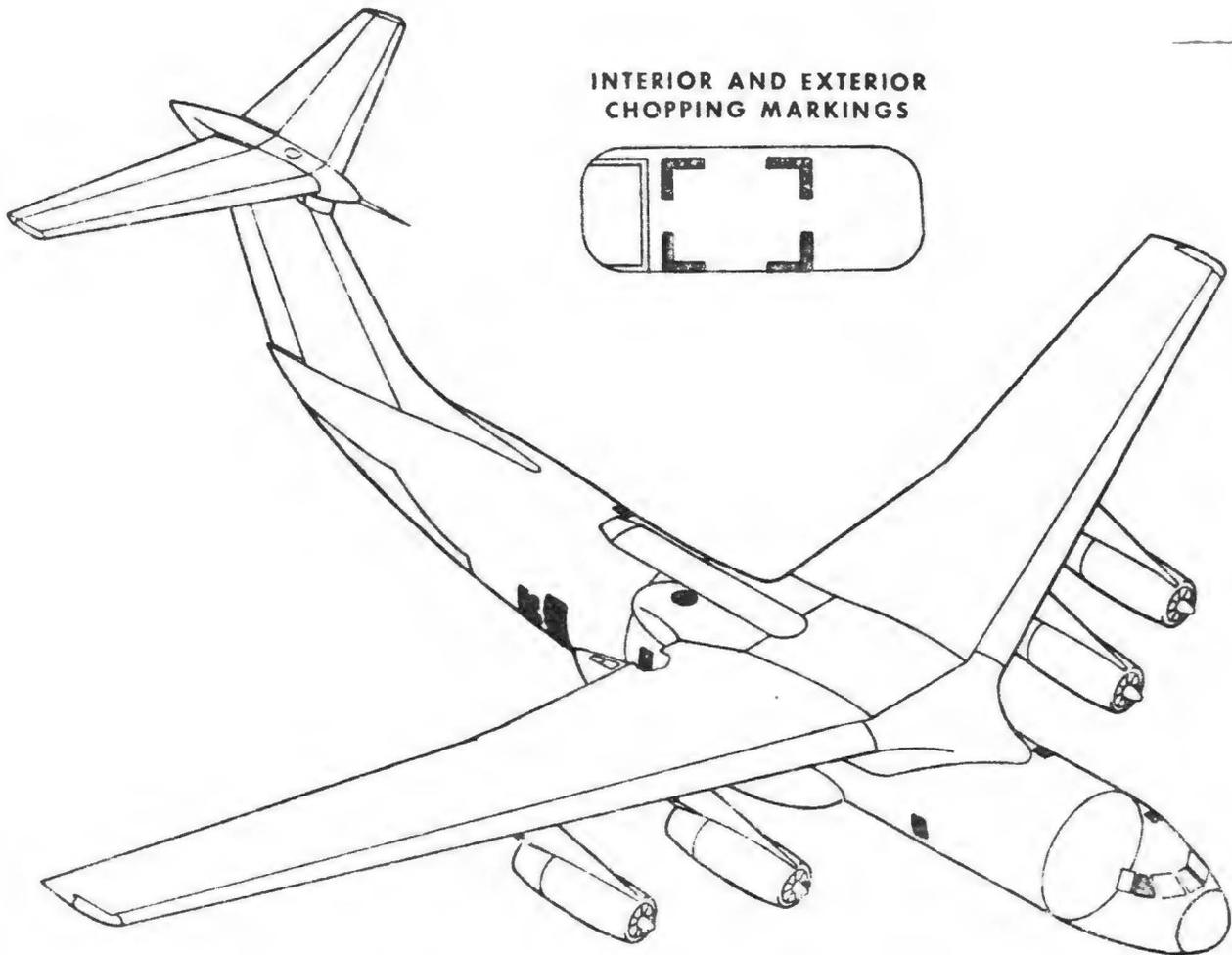
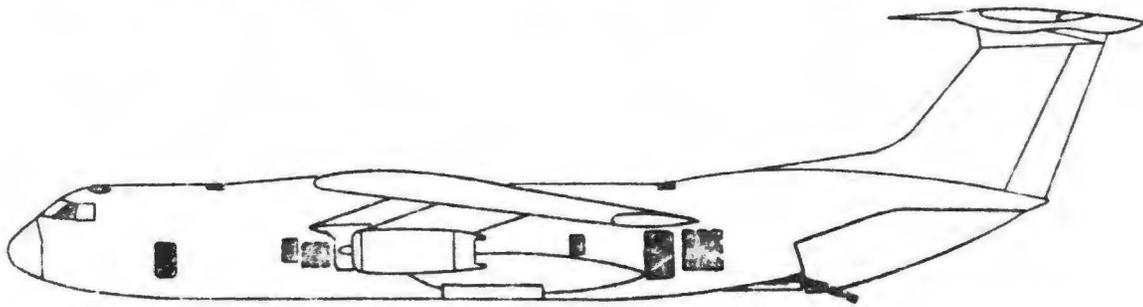
Sincerely,

A handwritten signature in black ink, appearing to read "Verne Orr", written over a diagonal line that extends from the top right towards the bottom left.

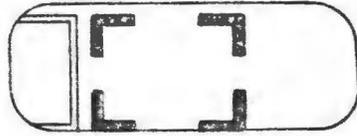
Verne Orr

Attachment

EMERGENCY ENTRANCES AND EXITS (TYPICAL)



INTERIOR AND EXTERIOR
CHOPPING MARKINGS

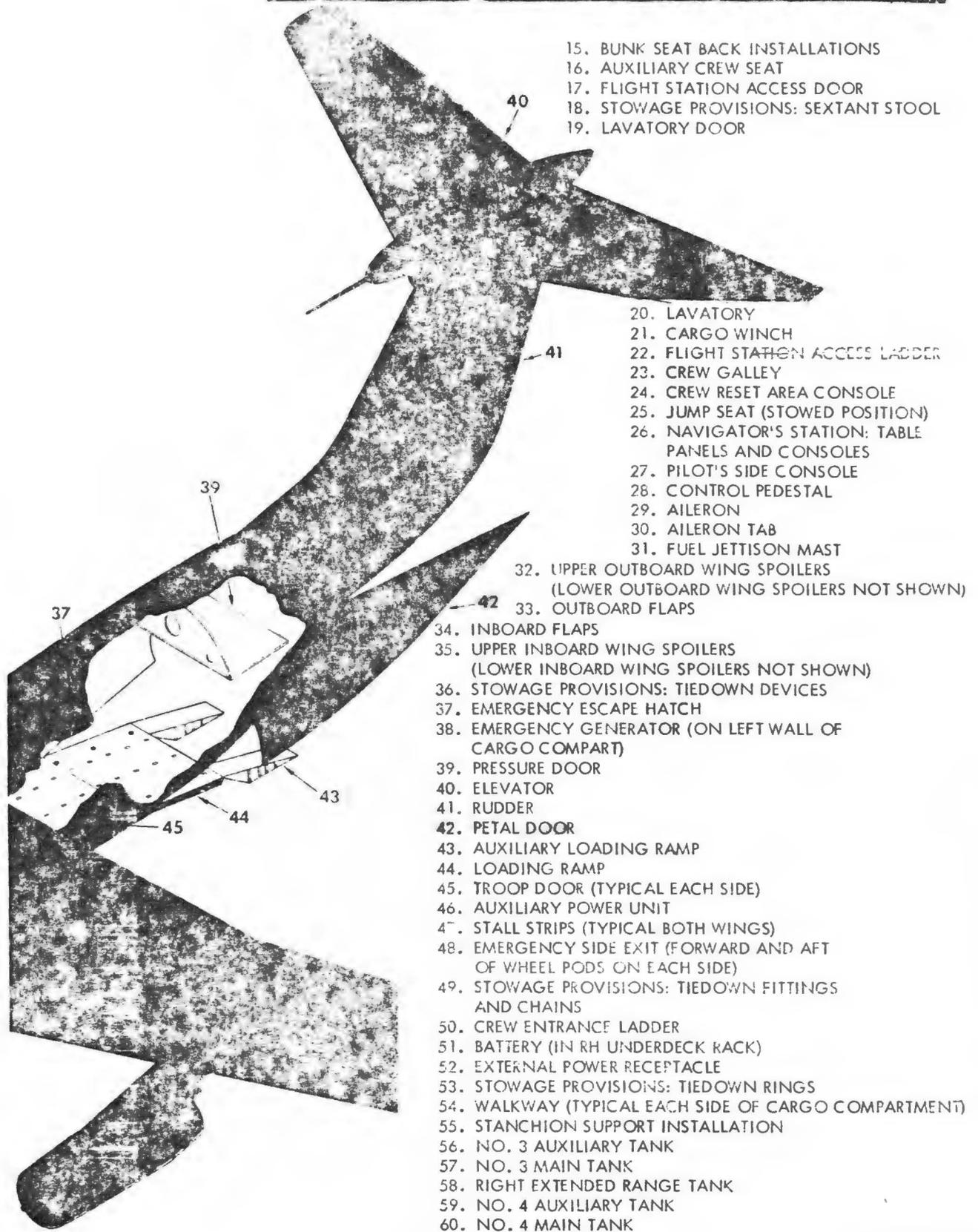


-  EXIT IN FLIGHT AND ON GROUND
-  EXIT ON GROUND ONLY
-  CHOPPING LOCATION

Figure 3-1.



GENERAL ARRANGEMENT DIAGRAM (TYPICAL)



141A-1-X3/0-001-2

Figure 1-1. (Sheet 2 of 2)

THE WHITE HOUSE
WASHINGTON

April 2, 1984

TO: JAB III

Attached is the note to Verne Orr
which you requested.

I wanted to question, though, whether
you would prefer to direct this to
Cap Weinberger. If not, suggest he
be copied, along with Bud McFarlane.

If letter needs to be retyped, please
return to me. Otherwise, Kathy can
process.

Thanks,

JC

cc to Weinberger
Maest

1 02-84 01:06 AES=

AIR FORCE PAID \$300,000 FOR \$2,000 DOOR
BY JERRY MCGINN

SPOKANE, WASH. (UPI) — A TRUCK DRIVER WHO DISCOVERED THE AIR FORCE WAS PAYING \$300,000 FOR AN AIRPLANE DOOR WORTH ONLY \$2,448 SAYS MORE CITIZENS SHOULD BECOME WHISTLEBLOWERS TO "SAVE THIS COUNTRY FINANCIALLY."

HARRY WEAR MADE HIS DISCOVERY LAST NOVEMBER WHEN HE DELIVERED THE C-141 DOOR TO McCHORD AIR FORCE BASE NEAR TACOMA. HE WAS ASTONISHED TO SEE THE BILL OF LADING VALUED THE DOOR AT \$300,000.

"THERE WASN'T AS MUCH METAL THERE," HE SAID, "AS YOU'D FIND IN ONE TRUCK FRAME."

WEAR SAID HE WAS EVEN MORE SHOCKED WHEN THE DOOR WAS CASUALLY STACKED NEAR 15 TO 20 IDENTICAL ONES IN THE STORAGE YARD.

"WITH ALL THOSE PANELS SITTING AROUND THE PARKING LOT, AND AT THAT PRICE," HE SAID, "I ASKED THE CLERK WHAT THE AIR FORCE WAS DOING WITH THEM. HE SAID, 'I DON'T KNOW. IT'S JUST SOMETHING WE BUY.'"

"THAT MADE ME MAD. I'VE FELT FOR SOME TIME THAT WE DON'T NEED TO PAY MORE TAXES, WE NEED MORE RESPECT FOR THE TAX MONEY WE'RE GETTING," HE SAID. "WE NEED TO SPEND WITH A LITTLE BIT MORE INTELLIGENCE AND QUIT WASTING IT. THIS WAS WASTING IT AND I PROMISED MYSELF I'D DO SOMETHING ABOUT IT."

WEAR, 49, AN AIR FORCE VETERAN, CALLED THE INTERNAL REVENUE SERVICE, WROTE REP. TOM FOLEY, D-WASH., AND WASHINGTON GOV. JOHN SPELLMAN.

"I COULDN'T GET ANY ACTION," HE SAID. "NONE OF THEM CARED."

"THEN ONE DAY I CALLED FAIRCHILD AIR FORCE BASE (OUTSIDE SPOKANE), TALKED TO AN OPERATOR, TOLD HIM THE SITUATION, AND HE TOLD ME ABOUT THE GOVERNMENT'S ZERO OVERPRICING MONITOR PROGRAM.

"I GOT HOLD OF A SGT. ROBERT JENSEN AND HE'S BEEN ON THE CASE SINCE THEN. THEY TELL ME I WILL KNOW THE DISPOSITION OF THE THE INVESTIGATION BY JUNE 12."

THE AIR FORCE SAYS THE DOOR SHOULD HAVE COST \$2,448 AND HAS ASKED THE MANUFACTURER, LOCKHEED, TO EXPLAIN THE \$298,000 DISCREPANCY.

JENSEN ALSO TOLD WEAR HE COULD RECEIVE A REWARD OF 10 PER CENT, \$29,000, FOR ACTING AS AN OFFICIAL "WHISTLEBLOWER" UNDER THE MONITORING PROGRAM. UNLESS, THAT IS, ALL THE C-141 DOORS FETCHED THE SAME PRICE AND WEAR GETS CREDIT FOR EACH OF THEM.

WEAR SAID HE'D NEVER HEARD OF THE PROGRAM WHEN HE BEGAN HIS CRUSADE BUT THAT HE COULD USE THE MONEY. HE'S BEEN UNEMPLOYED SINCE DECEMBER.

WEAR SAYS HE'S ANGRY ABOUT THE GOUGING OF TAXPAYERS AND GLAD HE RAISED HIS VOICE.

"WHAT WE HAVE TO DO, AS CITIZENS, IS START SAYING WHAT WE THINK," HE SAID. "WE NEED TO STAND UP FOR WHAT WE KNOW IS RIGHT, START WORKING TOGETHER AND DO SOMETHING TO SAVE THIS COUNTRY FINANCIALLY.

"THEY USED TO CALL PEOPLE LIKE THAT PATRIOTS. NOW WE'RE CALLED RADICALS, BUT WE CAN CHANGE THAT."

UPI 04-02-84 01:06 AES

UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

September 5, 1984

Jim:

Per our conversation this morning, attached are three background sheets on Job Corps Centers in Laredo, El Paso and San Marcos. The Secretary's feeling is that Laredo is the best of the three.

The Secretary was in Laredo and visited the Job Corps Center last May. Attached are news clips from the trip.

Also, this Center could be renamed is desired. Please let me know if I can provide any additional information.

SESome

ADC
PI file this (but I
may need to retrieve)
— Thanks
JE 9/7

BACKGROUND INFORMATION
LAREDO JOB CORPS CENTER

CENTER: Laredo Job Corps Center (Closest Center to McAllen,
P. O. Box 3134 Harlingen, and Brownsville)
Laredo, Texas 78041

CENTER DIRECTOR: Efrain Sanchez
TELEPHONE: (512) 727-5147

CONTRACTOR: SER-Jobs for Progress, Inc.

BACKGROUND

The Laredo Job Corps Center is housed in facilities at the Holding Institute and the Laredo Junior College. SER has been the operator of the center since it opened in 1980. Their first contract was a sole source award; their current contract was awarded through the competitive procurement process.

CURRENT INFORMATION

1. Center Capacity

	<u>Residential</u>	<u>Non-Residential</u>	<u>Total</u>
Male	75	30	105
Female	<u>50</u>	<u>20</u>	<u>70</u>
TOTAL	125	50	175

2. Enrollee Eligibility Criteria

In order to enroll in Job Corps, an applicant must be:

- at least 16 and not 22 years of age at time of enrollment
- a citizen of the United States, a U.S. national, a permanent resident alien
- in need of additional education; vocational training, and related support services.

- economically disadvantaged
- living in an environment so disruptive that the prospects for successful participation in a non-residential program are substantially impaired
- not on probation, parole, under a suspended sentence, or under the supervision of any agency without written assurance from the court that the youth has responded positively to supervision and that no personal supervision by a correctional official is required
- in possession of a signed consent form from parent or guardian if under the age of majority
- able to demonstrate that suitable arrangements have been made for the care of any dependent children for the proposed period of enrollment

3. Enrollee Input

- Corpsmembers are recruited primarily within the State of Texas by Women in Community Service (WICS) and Nero Associates.

4. Vocational Training Offerings

- Business and Clerical
- Retail Sales
- Carpentry
- Electrical Trades
- Welding

5. Center Funding

- Contract Period: May 1, 1983 - April 30, 1985
- Contract Amount: \$3,155,745
- Contract Cost per Corpsmember Service Year: \$8,619

6. Performance (Fiscal Year 1983)

Retention

90 day retention rate: 73.5%
180 day retention rate: 62.0%

Average Length of Stay: 9.9 months

(Note: The average length of stay for Laredo corpsmembers is nearly 2 months higher than the national average of 8 months).

Outcomes

	<u>Number</u>	<u>Percentage</u>
Job Entry	88	49.4
Education Entry	65	36.5
Total Positive Outcomes	153	85.9

BACKGROUND INFORMATION
EL PASO JOB CORPS CENTER

CENTER: El Paso Job Corps Center
11155 Gateway West
El Paso, Texas 79935
(El Paso County)

CENTER DIRECTOR: David Carrasco
TELEPHONE: (915) 594-0022

CONTRACTOR: Texas Education Foundation

DATE CENTER OPENED: September 1970

AUTHORIZATION: JTPA Title IV-B

CURRENT INFORMATION

1. Center Capacity

Male:	220
Female:	195
Total:	415

2. Enrollee Eligibility Criteria

In order to enroll in Job Corps, an Applicant must be:

- at least 16 and not 22 years of age at time of enrollment
- a citizen of the United States, a U.S. national, a permanent resident alien
- in need of additional education; vocational training, and related support services
- economically disadvantaged
- living in an environment so disruptive that the prospects for successful participation in a non-residential program are substantially impaired
- not on probation, parole, under a suspended sentence, or under the supervision of any agency without written assurance from the court that the youth has responded positively to

supervision and that no personal supervision by a correctional official is required

- in possession of a signed consent form from parent or guardian if under the age of majority
- able to demonstrate that suitable arrangements have been made for the care of any dependent children for the proposed period of enrollment

3. Enrollee Input: Primarily from El Paso

4. Vocational Training Offerings

- Automotive Service Repair
- Building Maintenance
- Cook Apprentice
- Electronics Assembler
- Welder
- Nurse Assistant
- Clerk Typist
- Machine Clerk

5. Center Funding

- Contract Period: January 1, 1983 - December 31, 1984
- Contract Amount: \$7,528,760
- Contract Cost per Corpsmember Service Year: \$8,808

6. Performance (Fiscal Year 1983)

Retention

90 day retention rate: 95.5%*
180 day retention rate: 85.3%*

Average Length of Stay: 11.8 months*

Outcomes

	<u>Number</u>	<u>Percentage</u>
Job Entry	161	44.2
Education Entry	137	37.6
Total Positive Outcomes	298	81.8

* Highest of all Job Corps centers

BACKGROUND INFORMATION
GARY JOB CORPS CENTER

CENTER: Gary Job Corps Center (Closest center to
Post Office Box 967 San Antonio)
San Marcos, Texas

CENTER DIRECTOR: Albert Perkins
TELEPHONE: (512) 396-6652

CONTRACTOR: Texas Education Foundation

DATE CENTER OPENED: March, 1965

AUTHORIZATION: JTPA Title IV-B

CURRENT INFORMATION

1. Center Capacity

Male:	1,624
Female:	576
Total:	2,200

2. Enrollee Eligibility Criteria

In order to enroll in Job Corps, an applicant must be:

- at least 16 and not 22 years of age at time of enrollment
- a citizen of the United States, a U.S. National, a permanent resident alien
- in need of additional education; vocational training, and related support services
- economically disadvantaged
- living in an environment so disruptive that the prospects for successful participation in a non-residential program are substantially impaired

- not on probation, parole, under a suspended sentence, or under the supervision of any agency without written assurance from the court that the youth has responded positively to supervision and that no personal supervision by a correctional official is required
- in possession of a signed consent form from parent or guardian if under the age of majority
- able to demonstrate that suitable arrangements have been made for the care of any dependent children for the proposed period of enrollment

3. Enrollee Input: Primarily from Texas

4. Vocational Training Offerings

- Clerical and Sales
- Food Service
- Automotive and Machine Repair
- Construction Trades
- Industrial Production
- Warehousing
- Nurse Aide
- Building Maintenance and Repair

5. Center Funding

- Contract Period: July 1, 1983 - June 30, 1985
- Contract Amount: \$41,754,344
- Contract Cost per Corpsmember Service Year: \$9,076

6. Performance (Fiscal Year 1983)

Retention

90 day retention	73.8%
180 day retention	52.7%

Average Length of Stay: 8.0 months

Outcomes

	<u>Number</u>	<u>Percentage</u>
Job Entry	1,158	59.8
Education Entry	386	19.9
Total Positive Outcomes	1,544	79.6

THE WHITE HOUSE

WASHINGTON

June 25, 1984

MEMORANDUM FOR SUSAN BORCHARD

FROM: JAMES W. CICCONI *Jim*
SUBJECT: Texas State Senator Buster Brown

Attached is the resume of Texas State Senator Buster Brown, a Republican who represents the area south of Houston (including Galveston). I would appreciate it if you could consider Buster for any appropriate vacancies we might have on criminal justice related boards or commissions.

Senator Brown is one of only five Republicans in the thirty-one member Texas Senate, and was recently named vice-chairman of the Jurisprudence Committee, which deals with all state criminal legislation. He also chairs a state-wide committee, Associated Texans Against Crime, which will advise the next session of the Legislature on possible anti-crime measures.

Buster is a very capable attorney, and would be a solid asset to any criminal justice board or commission on which we might ask him to serve. Such an appointment would also be very favorably received in the Houston-Galveston area.

Thanks for your help.

HOLD 6/25/84 —
Waiting for response
from Susan Borchard.
Placed call to SB on 9/21/84
asking status. waiting for
answer. ACC ADC

THE WHITE HOUSE
WASHINGTON

25 October 1984

TO: ROGER PORTER

Could you please take a look at the attached from Virginia Knauer, and advise as to what type of answer I might give her?

Thanks much.


Jim Cicconi

ADC
PI keep a complete
copy in pending
file. ~~Thanks~~
JC



Office of Special Adviser to the President
for Consumer Affairs
Washington, D.C. 20201

October 19, 1984

MEMORANDUM FOR: JAMES W. CICCONI
FROM: VIRGINIA H. KNAUER *Virginia Knauer*
SUBJECT: Adjustable Rate Mortgages

I would appreciate your consideration of the attached proposal for a Presidential task force on Adjustable Rate Mortgages and if you agree that it deserves further consideration, passing it along to John Svahn with your recommendation. This is an excellent opportunity for the President to demonstrate his commitment to consumer protection for ARM borrowers, as well as his support for fair, new innovative financing mechanisms for home buyers. In addition, it would give the Administration a chance to take the lead on this issue during the Congressional adjournment.

If there are questions on any of the details, Sally Narey is my staff contact at 634-4344. Thank you for your consideration.



Office of Special Adviser to the President
for Consumer Affairs
Washington, D.C. 20201

October 19, 1984

MEMORANDUM FOR: JOHN A. SVAHN, Assistant to the
President for Policy Development

THROUGH: JAMES W. CICCONI

FROM: VIRGINIA H. KNAUER *Virginia Knauer*

SUBJECT: Adjustable Rate Mortgages

Last June the Office of Consumer Affairs sponsored a conference on the current financial service revolution and its impact on consumers. During the conference the subject of adjustable rate mortgages (ARMs) was discussed, as well as the problems consumers are encountering with these financing mechanisms. In addition, I recently had an opportunity to discuss ARMs with Dr. Jack Carlson, Executive Officer of the National Association of Realtors.

ARMs are new to the marketplace, multifaceted, and potentially very costly to consumers. Although there has been a multitude of information prepared (much of it negative and confusing) about ARMs, there has been a dearth of meaningful information that is useful to consumers.

Many consumer and other organizations, as well as leaders in the financial community and Congress, have expressed grave reservations about the lack of standardization of ARMs, the misinformation that has accompanied ARMs, the inadequate disclosure for consumers, and the high default rate of ARM borrowers. Unfortunately, these factors, coupled with the negative publicity that has accompanied ARMs, threaten the success of these innovative financing tools.

Although two task force/councils have been established which deal with ARMs, some questions have been raised whether they have been sufficiently inclusive and effective. The first, a task force convened by the House Banking Committee, has been drafting a public information brochure on ARMs. We have been working with that task force. The second, The Federal Financial Institutions Examination Council, is studying many of the standardization questions ARMs have presented, but does not include broad representation from a number of housing and mortgage authorities.

While the work of both has been very good, it does appear that a number of unresolved, fragmented questions remain. In that regard, I would like to make a proposal for your consideration.

The President could name a task force comprised of top officials from the Federal Home Loan Bank Board, the Comptroller of the Currency, the Federal Reserve, FHA, FDIC, VA, Freddie Mac, Fannie Mae, HUD, FTC, my office, and perhaps some outside members. Such a task force could address standardization and disclosure issues, such as: requiring disclosure of negative amortization; simplification of ARM form; disclosure to the consumer at uniform times during the loan process, establishing standard cap disclosure information; providing information which discloses changes in actual payment costs as a result of changes in rates and discounts, identifying excessive discount rates; and standard clauses for this new instrument which address many of these points.

Such a task force would portray the President's commitment to consumer protection for ARM borrowers, as well as his support for fair, new innovative financing mechanisms for home buyers. Since the 98th Congress has adjourned, the President has an opportunity to take the lead on this important issue before the 99th Congress convenes.

Dr. Jack Carlson has indicated his support for a cabinet-level task force and his organization's willingness to promote such an effort. In fact, this support was outlined in an article in the September 24th edition of Realtor News (a publication of the National Association of Realtors). I have attached a copy of that article for your reference.

I do not believe a cabinet-level task force would be sufficiently broad to address many of the questions that are currently troubling the ARM market. The Presidential initiative which I have suggested would be more encompassing and able to resolve many of these issues. I believe Dr. Carlson would also be supportive of the Presidential initiative which I have outlined.

I would certainly appreciate hearing your reaction to this proposal and what, if any, course of action you would like to pursue.

REALTOR NEWS®

Volume 5, Number 31

September 24, 1984

The Advocate Newspaper for Private Property Rights

NAR suggests Reagan appoint special task force on ARMs

National Association of Realtors officials last week proposed to the Reagan administration that the president establish a cabinet-level task force on adjustable-rate mortgages to raise public awareness of the need for better disclosure of loan terms and to coordinate public and private efforts to educate consumers about ARMs.

Association officials are concerned that the many different ARM guidelines used by various government agencies and suggested by housing-related trade groups ultimately could add to consumer confusion. A presidential task force could organize the current fragmented efforts into one so that consumers could have one easily understandable set of guidelines to evaluate ARMs, they say.

Jack Carlson, executive officer and chief economist of the National Association, met with Virginia H. Knauer, special advisor to the president for consumer affairs and director of the U.S. Office of Consumer Affairs, at her request.

Emphasizing recommendations made by the Association to a U.S. House of Representatives subcommittee this summer, Carlson urged standardization of disclosure forms for use by lenders of ARMs. He said disclosures should include specific examples of changes that can occur in the dollar amount of monthly mortgage payments as a result of an increase in interest rates.

Carlson told Knauer that a special NAR task force is drawing up a model uniform disclosure statement that the Association would be willing to supply to a presidential task force on ARMs.

Growing publicity about the potential risk of "payment shock" for ARMs borrowers, coupled with election-year considerations, make appointment of a presidential task force this fall a possibility, Association analysts said.

The publicity about potential ARM risks prompted creation of a voluntary task force of housing, financial and consumer groups under the direction of the Federal Reserve Board and Federal Home Loan Bank Board to compile a consumer guide to ARMs.

Task force members now are reviewing the initial draft of the guide, which is expected to be ready Dec. 1 for distribution to homebuyers.

The task force was formed in August at the suggestion of the U.S. House of Representatives' Committee on Banking, Finance and Urban Affairs, whose housing subcommittee held hearings on potential risks to ARM borrowers.

Federal Reserve staff members prepared the first draft of the ARM guide, which then was sent to the Bank Board for comment. Its changes have been incorporated in a draft that has been sent to task force members for review.

"The goal of this effort would be to ensure that consumers, to the maximum extent possible, are well informed about ARMs when they enter into these transactions," said Preston Martin, vice chairman of the Federal Reserve, and Edwin J. Gray, chairman of the Bank Board, in an Aug. 15 letter inviting the National Association to participate in the effort.

John Wood, a Naples, Fla., Realtor who chairs the National Association's Real Estate Finance Committee, told the housing subcommittee of the House of Representatives in August that lenders should make uniform, written disclosures of ARM terms so that homebuyers fully understand all the ARM features.

Joining the National Association in the task force are the National Association of Home Builders, Mortgage Insurance Companies of America, U.S. League of Savings Institutions, National Council of Savings Institutions, Mortgage Bankers Association of America, Independent Bankers Association of America, American Bankers Association, Credit Union National Association, National Association of Federal Credit Unions, U.S. Department of Housing and Urban Development, Federal National Mortgage Association, Federal Home Loan Mortgage Corp., Consumer Federation of America and Consumers Union.

**September is
Realtor Voter
Registration Month**

THE WHITE HOUSE

WASHINGTON

October 2, 1984

MEMORANDUM FOR JAMES A. BAKER III
MICHAEL K. DEEVER

FROM: FAITH RYAN WHITTLESEY *FRW*
SUBJECT: Signing Ceremony
Child Abuse Prevention Act of 1984

I strongly support the recommendation by Legislative Affairs that a signing ceremony be held for the Child Abuse Prevention Act (H.R. 1904). Such a ceremony would emphasize the President's deep commitment to life and the need to protect handicapped infants. Listed on the attached sheet are some of the organizations deeply interested in such a ceremony.

I also endorse Bruce Chapman's recommendation that we combine the signing ceremony with a kick-off for the Computerized Handicapped Assistance Information Network.

- Have told Faith that a ceremony will be set up if time can be found on RR's schedule

Attachment

JK
10/4

Organizations that should be Invited:

American Bar Association
American Hospital Association
Catholic Health Association
National Association of Children's Hospitals and
Related Institutions
American Academy of Pediatrics
American College of Obstetricians and Gynecologists
American Nurses Association
American College of Physicians
California Association of Children's Hospitals
Nurse Association of the American College of Obstetricians
and Gynecologists
American Association of Mental Deficiency
Association for Retarded Citizens
U.S. Spina Bifida Association of America
Downs Syndrome Conference
People First of Nebraska
Association for Persons With Severe Handicaps
Disability Rights Center
Operation Real Rights
Christian Action Council
National Right to Life Committee
American Life Lobby
American Bar Association