

FROM THE BELL SYNDICATE

DREW PEARSON MERRY-GO-ROUND, RELEASE MONDAY, JAN. 14, 1963

DREW PEARSON

ON

THE WASHINGTON MERRY-GO-ROUND

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DREW PEARSON SAYS: (CAPS) SENATE PROBES BIG CONTRACT AWARD TO GENERAL DYNAMICS; WAS CONTRACT INFLUENCED BY COL. CROWN'S POLITICAL CONTRIBUTIONS?; WAS IT FOR PURPOSE OF BAILING OUT COMPANY IN DISTRESS? (END CAPS)

WASHINGTON.--SENATE RACKETS CHAIRMAN JOHN MCCLELLAN, WHO HAS BEEN INVESTIGATING LABOR RACKETEERS, HAS TURNED TO THE PROBE OF A \$62,000,000 RESEARCH CONTRACT TO GENERAL DYNAMICS. HE HAS EVEN ASKED THE DEFENSE DEPARTMENT TO HOLD UP THE CONTRACT UNTIL HIS INVESTIGATORS CAN LAY THEIR CARDS ON THE TABLE.

AT STAKE IS FAR MORE THAN THE ORIGINAL \$62,000,000 OUTLAY. THE CONTRACT CALLS FOR THE DEVELOPMENT OF A SUPERSONIC FIGHTER BOTH THE NAVY AND AIR FORCE CAN USE, AND IN THE END SHOULD LEAD TO CONTRACTS WORTH MORE THAN \$5,000,000,000 (B) TO GENERAL DYNAMICS.

THIS COLUMN, WHICH HAS DONE ITS OWN INVESTIGATING OF THE GENERAL DYNAMICS DEAL, CAN DESCRIBE THE CARDS MCCLELLAN HOLDS:

CARD NO. 1--FOR THE FIRST TIME, THE CIVILIAN CHIEFS IGNORED THE

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RECOMMENDATIONS OF THEIR MILITARY BOARDS ON A MAJOR CONTRACT. SECRETARY OF DEFENSE MCNAMARA, SECRETARY OF THE NAVY KORTH, AND SECRETARY OF THE AIR FORCE ZUCKERT SPENT LESS THAN THREE WEEKS REVIEWING THE INTRICATE PAPERWORK, THEN ARBITRARILY OVERRULED THE FINDINGS OF AN ELABORATE EVALUATION PROCESS WHICH HAD TAKEN 18 MONTHS.

CARD NO. 2--THEIR DECISION WILL RESCUE GENERAL DYNAMICS FROM THE

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FINANCIAL ROCKS WHERE IT HAS BEEN FLOUNDERING FOR TWO YEARS AS THE RESULT OF A \$425,000,000 BLUNDER. THE LOSS HAS BEEN BLAMED UPON MISMANAGEMENT. THIS IS NOT REASSURING TO THE TAXPAYERS, WHO WILL HAVE TO PAY THE BILL ON ANY FURTHER MISMANAGEMENT.

CARD NO. 3--GENERAL DYNAMICS' BIGGEST STOCKHOLDER, CHICAGO FINANCIER HENRY CROWN, WHO TOOK CHARGE OF AN EMERGENCY COMMITTEE TO SAVE THE AILING CORPORATION, PULLED POLITICAL STRINGS IN WASHINGTON. EFFECTIVE IN THE BACK ROOMS, CROWN IS CREDITED WITH HOOKING THE DESPERATELY NEEDED CONTRACT.

MORE

MCCLELLAN MAY NEVER PLAY HIS LAST CARD, WHICH MIGHT EMBARRASS HIS FRIEND, VICE PRESIDENT LYNDON JOHNSON. FOR CROWN MADE A PITCH TO JOHNSON, WHO OBLIGINGLY CHECKED ON THE CONTRACT NEGOTIATIONS AT THE PENTAGON.

--PLACED MONEY ON BOTH CANDIDATES--

CROWN IS AN ASTUTE BUSINESSMAN WHO HAS ALWAYS DEALT OUT HIS POLITICAL CONTRIBUTIONS WHERE THEY WOULD DO THE MOST GOOD. HE DONATED HEAVILY TO THE REPUBLICANS WHEN EISENHOWER APPEARED A CERTAIN WINNER, THEN HEDGED HIS BETS IN 1960.

UNSURE WHETHER NIXON OR KENNEDY WOULD TRIUMPH, CROWN CONTRIBUTED TO BOTH CAMPS. HE TOOK CARE TO CHANNEL \$1,000 OF HIS DEMOCRATIC DONATION TO JOHNSON'S CAMPAIGN.

BUT TWO YEARS LATER, WITH KENNEDY AND JOHNSON IN POWER, AND WHILE GENERAL DYNAMICS' FORTUNES AWAITED THE OUTCOME OF THE FIGHTER PLANE CONTRACT, CROWN DUMPED THE REPUBLICANS AND CONCENTRATED ON RAISING MONEY FOR THE 1962 CONGRESSIONAL CAMPAIGN WHICH KENNEDY WAS DETERMINED TO WIN.

HE CONTRIBUTED \$2,500 TO THE DEMOCRATIC NATIONAL COMMITTEE OUT OF HIS OWN POCKET, AND HIS SON, ROBERT, THREW IN ANOTHER \$2,500.

ONLY A FEW INSIDERS KNEW HOW DESPERATELY GENERAL DYNAMICS NEEDED THE FIGHTER PLANE CONTRACT TO BAIL ITS STOCKHOLDERS OUT OF THE RED. THE GREAT CORPORATION LOST \$425,000,000 ON JET AIRLINERS, AN ILL-CONSIDERED VENTURE THAT EXPOSED SHOCKINGLY BAD MANAGEMENT AND POOR ORGANIZATION.

MEANWHILE, THE ALARMED DIRECTORS NAMED CROWN CHAIRMAN OF A SEVEN-MAN, EMERGENCY COMMITTEE WHICH SHOOK UP THE MANAGEMENT AND SOUGHT A FINANCIAL TRANSFUSION.

THE BIGGEST TRANSFUSION, MORE THAN ENOUGH TO SAVE THE STOCKHOLDERS FROM ADDITIONAL LOSSES, IS COMING FROM UNCLE SAM.

--BEHIND THE SCENES--

HOW GENERAL DYNAMICS GOT THIS CONTRACT, POTENTIALLY THE BIGGEST EVER OFFERED BY THE KENNEDY ADMINISTRATION, IS A STORY OF HIGH-POWERED NEGOTIATIONS.

THE DETAILS AREN'T SUPPOSED TO BE KNOWN OUTSIDE THE PENTAGON, BUT THIS COLUMN CAN SUMMARIZE WHAT TRANSPIRED.

EARLY IN 1961, SECRETARY OF DEFENSE MCNAMARA INVITED AIRPLANE MANUFACTURERS TO SUBMIT PROPOSALS FOR A SUPERSONIC FIGHTER THAT COULD BE USED BY BOTH THE NAVY AND THE AIR FORCE.

DESIGNS CAME IN FROM MOST OF THE BIG MANUFACTURERS AND WERE PROCESSED THROUGH THE AIR FORCE'S PROCUREMENT MACHINERY. HOWEVER, NAVY REPRESENTATIVES SAT ON ALL THE BOARDS TO MAKE SURE THE BEST PLANE WAS SELECTED FOR CARRIER OPERATIONS.

MORE

THE FIRST JOINT EVALUATION BOARD, HEADED BY COL. CHARLES GAYLE, CONCLUDED AFTER FOUR MONTHS THAT BOEING HAD SUBMITTED THE BEST DESIGN. BOEING HAD BEEN THE FIRST, FOR INSTANCE, TO DEVELOP THE VARIABLE WING, WHICH COULD BE PULLED IN FOR SUPERSONIC FLIGHT AND SPREAD OUT FOR SLOW LANDINGS ON CARRIERS.

BUT THE NAVY WAS NOT SATISFIED WITH THE BOEING MODEL. THE STUDIES WENT THROUGH THE AIR FORCE SOURCE SELECTION BOARD, WERE THEN BUCKED UP TO THE AIR COUNCIL. REAR ADM. F. L. ASHWORTH, WHO REPRESENTED THE NAVY ON THE BOARD, AND VICE ADM. ROBERT PIRIE, WHO SAT ON THE COUNCIL, OBJECTED TO THE BOEING DESIGN.

AS A RESULT, SECRETARY MCNAMARA DECIDED TO ASK THE TOP TWO COMPETITORS, BOEING AND GENERAL DYNAMICS, TO GO BACK TO THEIR DRAWING BOARDS. EACH COMPANY WAS GIVEN A MILLION-DOLLAR GRANT TO REDESIGN A PLANE THAT WOULD SATISFY THE NAVY.

BOTH COMPANIES CAME BACK WITH BLUEPRINTS AND COST STUDIES THAT WERE PROCESSED THROUGH THE SAME MACHINERY. AGAIN, THE JOINT EVALUATION BOARD RECOMMENDED THE BOEING PLANE.

--MILITARY BOARD REVERSED--

THE SELECTION BOARD AND THE AIR COUNCIL, AFTER THEIR OWN PAINSTAKING REVIEWS, ALSO SELECTED BOEING. BUT THIS TIME, THE NAVY REPRESENTATIVES WENT ALONG WITH THE DECISION.

WHAT WAS HANDED UP TO SECRETARY OF THE AIR FORCE ZUCKERT WAS A UNANIMOUS RECOMMENDATION, BASED UPON 18 MONTHS OF CAREFUL STUDY, THAT BOEING SHOULD GET THE CONTRACT. THIS WAS THEN REVERSED AT THE VERY TOP.

WHAT PART CROWN'S POLITICAL WIRE-PULLING PLAYED IN THE FINAL DECISION, IS THE \$62,000,000 QUESTION.

(END MERRY-GO-ROUND RELEASE MONDAY, JAN. 14, 1963)

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