

The Culture of Bureaucracy:
The Cost of Courage:

THE
PENTAGON'S
LONELIEST
MAN

by Barbara Newman

The career of A. E. Fitzgerald is in jeopardy. His sin: zeal and honesty in performing his job as a high-ranking Air Force management expert. In most worlds, efficiency experts who ferret out waste and sloppiness are rewarded. But Fitzgerald works at the Pentagon, where a cost expert can come upon hard times, especially if he tells the truth to Congress.

No one in Washington had ever heard of A. E. (for Arthur Ernest) Fitzgerald until last November. That was when he broke the news to a Congressional committee that the giant C-5A military cargo plane would cost the government almost \$2 billion more than it said in the original contract price negotiated with Lockheed. To the discomfiture of his superiors, Ernie Fitzgerald has been invited to appear at a number of hearings since that time. And one day in June, 15 minutes before

he was scheduled to discuss the costs of the Minuteman program before a joint committee of Congress, the Air Force ordered him not to testify. Although the Air Force reversed itself the next day—after the committee chairman, Senator William Proxmire (D-Wis.), complained to Secretary of Defense Melvin R. Laird—the story accurately suggests that the Air Force hierarchy would like nothing better than to have Fitzgerald leave the Pentagon forever.

What sort of man would you expect a man like A. E. Fitzgerald to be? Perhaps an anti-military zealot who infiltrated the Pentagon. Or a liberal abstractionist concerned about an imbalance between the military and domestic budget. Or a foe of the military-industrial complex. But he is none of these. He is, in his own words, “a parsimonious hawk.” He does not suggest that the role of the military in Ameri-

Barbara Newman is the Washington correspondent for New York's Municipal Broadcasting System.

can life is too large or that we are not paying enough attention to the central cities. Those are not the issues that engage him.

Fitzgerald is a zealot in another direction: he can't stand the sight of waste. It appalls him. So do inefficiency, slack procedures, and incompetence. And now he finds himself the loneliest man at the Pentagon because he has accused the procurement hierarchy of all these things (and helpfully documented it with chapters and verses).

Looked at another way, A. E. Fitzgerald is a GS-17 bureaucrat with a salary approaching \$30,000. His title sounds long and anonymous: he is Deputy for Management Systems in the Office of the Assistant Secretary of the Air Force (Financial Management). He is 43 years old. He is a self-made man. He grew up in a part of Alabama where one had to work hard to make a living. He went to the University of Alabama on the GI Bill after World War II. Hard work is still his habit, although the Air Force has isolated him from major responsibility for the last eight months.

Before he went to work for the Air Force in 1965, he was president of Performance Technology Corporation, a tough cost-efficiency organization that has done extensive work for the Pentagon. A study it conducted on the engines for the F-111 fighter-bomber recommended that contract costs be cut by 50 per cent. Its evaluation of the Minuteman II program found that costs were too high and that the Minuteman's reliability was in doubt. The Air Force ignored the findings on the Minuteman, only to discover later that (a) it had cost \$4 billion more than the Air Force had told Congress it would cost and (b) the guidance system had turned out to be unreliable.

Fitzgerald, after participating in his company's study of the Minuteman guidance system, concluded that if

someone relatively high up in the Pentagon had known about cost control and performance standards the Minuteman situation might not have occurred. In the fall of 1965, at the invitation of Leonard Marks, Jr., Assistant Secretary of the Air Force for Financial Management, Fitzgerald agreed to join the Air Force staff. He took a substantial salary cut to do so; but he felt it was important work that he could do well.

He became actively engaged in promoting more efficient management techniques in Air Force procurement almost as soon as he arrived on the job. Some of his superiors in the Air Force hierarchy did not appreciate Fitzgerald's efforts, particularly in the area of cost control. But Fitzgerald is the kind of man who bears up well under official displeasure when he is convinced that he is right.

He thought he was right last November, when he appeared for the first time before the Economy in Government Subcommittee of the Joint Economic Committee, headed by Proxmire. His testimony then—to the effect that the C-5A would cost the government \$5.2 billion, rather than the \$3.4 billion anticipated in the contract—set off the first significant stir over inefficiency in military procurement procedures.

If, as seems clear, his revelation helped to stimulate debate on a broad range of issues involving the military, it also caused the Air Force to start its program of massive retaliation against Fitzgerald. He was stripped of his primary duties—overseeing cost reports on the major weapons systems and working on performance standards for contractors; his transfer to tenured civil-service status, promised two months prior to his Congressional appearance, fell by the wayside; President Johnson's Secretary of the Air Force, Harold Brown, asked for a memo out-

lining the different ways in which he could fire Fitzgerald. In the long months since November, Fitzgerald has retained his title but lost his principal functions. He would be long gone from the Pentagon by now if it were not for the array of Senators and Congressmen—from all over the political spectrum—who are convinced of Fitzgerald's value as an efficiency expert and who believe that the \$2 billion misunderstanding over the C-5A deserved the public airing it got.

The C-5A Story

The C-5A is the largest airplane ever built. It is almost as long as a football field, and it is designed to carry great amounts of military equipment.

Its complex history, difficult even now to reconstruct, can begin, for the purposes of this article, when the government signed the C-5A contract with the Lockheed Aircraft Corporation in October, 1965, about a month after Fitzgerald went to work at the Pentagon.

This was the first major defense contract to embrace what is known as the "total package" procurement concept. Under the old method, contractors would compete with one another during the research-and-development phase, after which the Pentagon would choose the prototype it liked best and sign a production contract with the company that produced it. At that point, the company would become a "sole source" supplier of the new product. Thus, a contractor would set a low price for research and development, in hopes of competing successfully for the "sole source" production contract. But any contractor who ultimately won a sole-source contract could, in the absence of competition, set high prices for production, partly to recoup any losses he may have suffered on the R and D phase.

Total package procurement was the brainchild of Robert H. Charles,

who was Assistant Secretary of the Air Force for Installations and Logistics. He presented it as a way for the government to save money by forcing a contractor to put a total fixed price for all of the stages involved in developing and producing a new article of hardware. Secretary of Defense McNamara described it as "a damn good contract."

And it well might have been, if it had gone according to the original plan. But mysteriously and suddenly a new element—which Fitzgerald calls "the dark at the top of the stairs"—entered into the picture. This was a so-called repricing formula which completely violated the "total packaging" principle behind the new-style contract.

When the government signed the contract with Lockheed, it committed itself to buying only the first 58 planes, known as the C-5A. If the government decided not to go ahead with a second order of 57 planes (C-5B), its liability could not exceed the ceiling price of the original contract. The repricing formula—so mysteriously found in some copies of the contract later on—would allow Lockheed to recoup whatever losses it may have suffered on the C-5A by getting higher prices on the C-5B's.

It is particularly curious that the repricing formula did not appear in any of the copies of the Lockheed contract distributed to the Air Force Financial Management staff, where Fitzgerald works. Although the evidence thus far indicates that Secretary of the Air Force Harold Brown and Assistant Secretary of Defense (Comptroller) Robert N. Anthony were not informed of the formula, it seems clear that Charles, who devised the new total-packaging contracting method, must have known about it.

He was obviously concerned about Lockheed's welfare. When the Air Force informed Lockheed in early 1967 that its contract might be terminated unless it remedied technical de-

iciencies in the C-5A, Charles sent a 13-page memo to Secretary Brown indicating how unfair this was to Lockheed when the company was about to float a \$125 million debenture in the market.

More dark appeared at the top of the stairs through alteration of official records of the program's costs. These involved what are known as "overruns"—the amount by which a government contract exceeds the target, or hoped-for, price. Such expenses cannot exceed the contract limitation, but when they occur the government shares the cost with the contractor.

In June of last year, Fitzgerald was surprised to discover that the overruns on the Lockheed contract had disappeared from the official records. He asked for an internal audit and received it in October. It said that the overruns had been deleted at the order of Assistant Secretary of the Air Force Charles and Assistant Secretary of Defense Anthony. Anthony has subsequently said that he had nothing to do with it. Charles has acknowledged that it was done on his orders and has insisted that it was justified. The Department of Justice is exploring the legality of deleting cost overruns to determine whether it amounts to falsification of government records, a criminal offense.

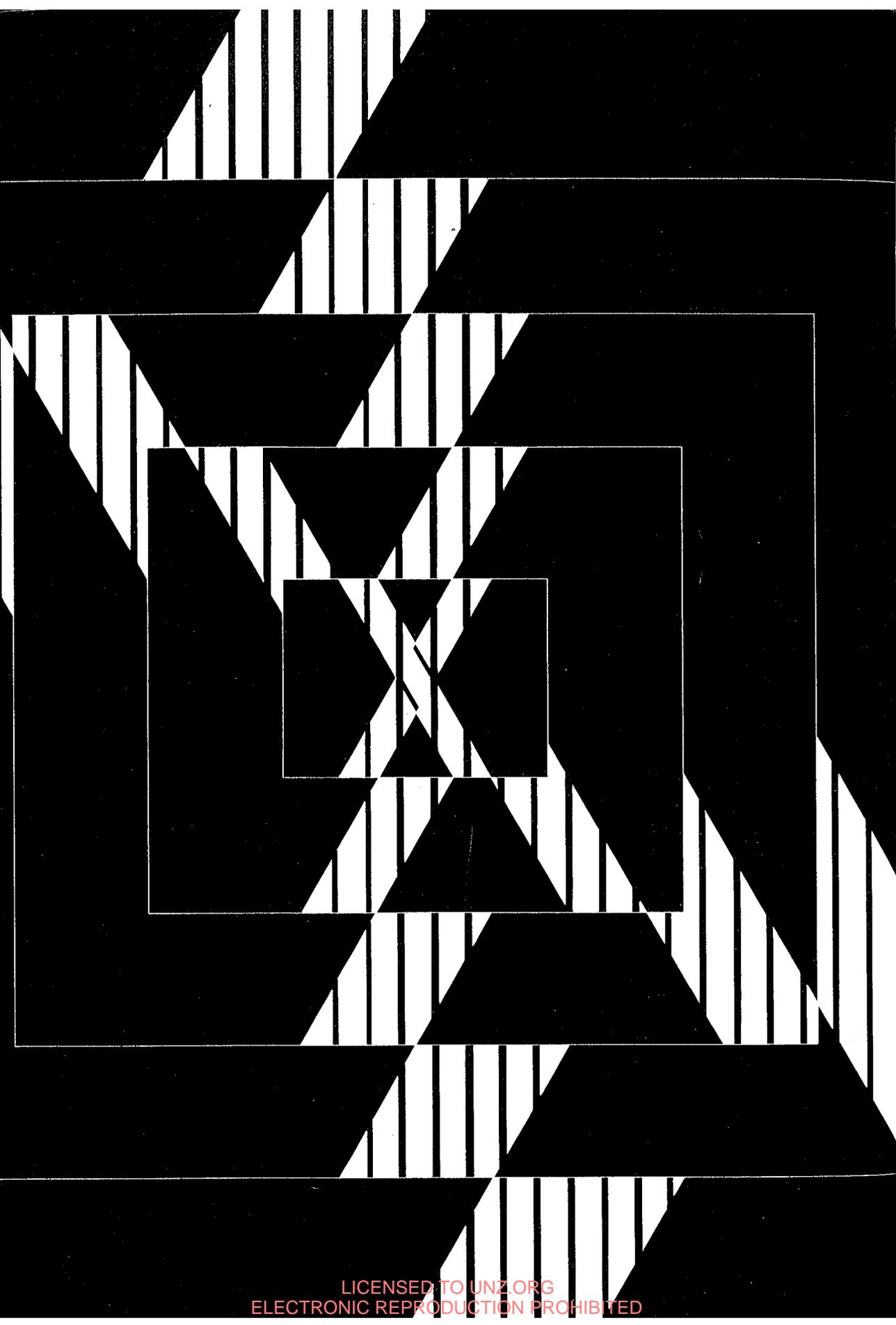
In a vastly oversimplified way, these are some of the facts that Fitzgerald shared with the Proxmire committee last fall. Early this year, in the last week of the Johnson Administration, the Air Force gave Lockheed the go-ahead on the second batch of planes (the C-5B's), even though the cost estimate had risen from \$22 million per plane to \$40 million per plane. The House Defense Appropriations Subcommittee, however, contends that the Air Force exceeded its discretion in placing the order, since no funds have been appropriated for the second batch.

Fitzgerald's Future

A. E. Fitzgerald has not lost any zeal in the course of his various encounters. He feels strongly about "the lack of climate for cost control" at the Pentagon. In his view, the system there does not reward efficiency or punish waste—in fact, the opposite is more often true.

He also believes that most military men should not be involved in procurement; because they lack expertise in costing, they are too often putty in the hands of canny company negotiators. Another reason that some tend to be malleable, he feels, is that the Pentagon has an "up or out" policy which forces officers to retire if they are passed over twice for promotion. Thus, if an officer faces the prospect of such forced retirement—or even of regular retirement—he has little incentive to be tough with potential employers on the other side of the negotiating table.

For telling it like it is, A. E. Fitzgerald has been stripped of his duties and assigned to investigate the cost overrun on a 20-lane bowling alley in Thailand (his first question: "Why was it built?"). Whether the Nixon Administration restores him to effectiveness by re-involving him in cost and performance studies of major weapons systems will indicate the depth of Secretary Laird's public assertion that he intends to get tough with contractors and cut costs. Not long ago, at Laird's invitation, Fitzgerald met with Laird and Deputy Secretary of Defense David Packard. Although both were cordial, neither Laird nor Packard indicated that Fitzgerald has any future at the Pentagon. After all, Fitzgerald has done more than any man in Washington to encourage a close look at waste in the Pentagon budget. But, like the subjects of most other profiles in courage, Fitzgerald has no regrets. He is well aware that he who makes waves may drown in them. ■



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Crossed Wires: CABLE TV AND THE PUBLIC INTEREST

by Arthur Alpert

We conclude that one of the most promising avenues to diversity is the distribution of television to the home by means of cable.

—President Johnson's Task Force on Communications Policy, December 7, 1968

Lansford, Pennsylvania, a town of 6,000, lies in a steep valley. Just to the south, between Lansford and Philadelphia, 65 air miles away, is a 500-foot mountain. In 1949, signals beamed from Philadelphia's single television station bounced off that rise and never reached Lansford.

Bob Tarlton wanted to watch television. He also sold and repaired TV sets in neighboring towns, and he wanted to improve business. So he erected an 80-foot antenna on Summit Hill, speared the TV signal, fed it into coaxial cable, hung the cable on utility poles, and ran it down the hill into

Lansford. From the cable, Tarlton ran a "drop"—a quarter-inch-thick piece of cable—to the back of local TV sets. He charged \$125 for installation, plus \$3 a month for the service. And television sets began to sell in Lansford.

Tarlton's was the first Community Antenna Television (CATV) system to use coaxial cable (which sets up an artificial frequency spectrum) to carry sound and pictures. His original cable could handle three TV channels. Today most CATV systems carry 12, although some of the newer ones have a 20-channel wire, and cable capacity is still growing.

Arthur Alpert is a free-lance TV producer and writer.