



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

B-172707

FEB 28 1974

The Honorable Albert H. Quie
House of Representatives



Dear Mr. Quie:

Your December 19, 1973, letter asked that we consider additional information submitted by employees concerning the Army's decision to stop producing 5.56mm ammunition at the Twin Cities Army Ammunition Plant, New Brighton, Minnesota. The citizens group contended that, if the Army considered the Federal Cartridge Corporation's (FCC) unsolicited proposal dated June 1973, its decision would have been changed in favor of Twin Cities Army Ammunition Plant.

After examining the June 1973 proposal, the Army took no action because production at Lake City, Missouri, was still more advantageous to the Government. We believe the Army acted properly in this case; both contractors had an opportunity to submit their best proposals in January 1973. To consider the June 1973 proposal, without giving the Lake City contractor an opportunity to also submit a revised proposal, would have provided an unfair advantage to the Twin Cities contractor.

In January FCC bid a unit cost of \$36.04 for 790 million rounds, using a two-shift production operation. In June FCC proposed a unit cost of \$32.04 for 970 million rounds, also on a two-shift operation. FCC's bid in January for the identical quantity was \$36.14. In June FCC contended it could manufacture the additional 180 million rounds with no increase in labor, overhead, or general and administrative expense, as shown in the following schedule.

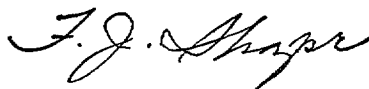
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--Lake City Army Ammunition Plant had an economic and a strategic advantage, because it already produced other caliber small arms ammunition.

We trust this information, along with our December 10, 1973, and January 10, 1974, reports to you, is responsive to your request. We will not distribute this report unless you publicly announce its contents or give us permission.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "F. J. Shafer".

F. J. Shafer
Director