

quantity decrease. We cannot duplicate the calculations that led to the 1,504 percent figure.

Senator BINGAMAN. OK. Let me ask one other question.

When the Secretary of the Navy, Mr. Lehman, was before the Armed Services Committee, I asked him about the two carriers that were authorized in December by the Congress.

As you know, there has been discussion that the Congress ought to rescind the authority for those carriers and save some money. I think Mr. Bundy and several others made that suggestion. I asked Mr. Lehman what kind of penalty there would be involved in canceling those two carriers. This was 3 or 4 weeks ago, about 10 weeks after the Congress passed the continuing resolution and gave the authority to go ahead with them.

His response was that it would cost more to cancel them than it would to build them.

Is that your understanding of the situation we are in, and if so, how did you get into that kind of a contract with a defense construction firm?

Mr. THAYER. I don't know on what basis he made that projection.

Senator BINGAMAN. Could you get us—

Mr. THAYER. If you want a number on what it would take to cancel the two carriers, I will get you one.

Senator BINGAMAN. I think that would be useful.

[Information submitted by Mr. Thayer subsequent to the hearing follows:]

CANCELLATION OF CARRIERS

As the cornerstone of the Navy's rebuilding program, two nuclear aircraft carriers were requested of Congress in the fiscal year 1983 budget. This request generated considerable discussion and was subjected to numerous authorization and appropriations votes at the subcommittee and full committee level and on the floor of both the House and Senate. In all cases the Congress supported the request and approved fundings for the two CVNs in late December 1982.

The Navy's business plan for awarding the construction contract for these two CVNs was developed in late 1981 and, in order to attain earliest possible delivery, was predicated upon award of the contract as soon as possible after funds were available.

As a result the Navy was prepared to act quickly—the two ship construction contract for CVN 72 and CVN 73 was awarded to Newport News Shipbuilding on 27 December 1982. The obligated amount of money for contract award was \$3.143 billion. In addition to the basic construction obligation, escalation funds (part of the original budget approved by Congress) in excess of \$1.4 billion were committed to cover the projected inflation impact over the contract's nine year life. Under this \$3.143 billion two ship contract, Newport News Shipbuilding has, as of mid-March 1983, subcontracted with more than 600 vendors in 32 of the 42 states where orders will be placed for more than \$550 million worth of Contractor Furnished Equipment (CFE). This includes over 12,000 tons of steel of which several thousand have already been received and are in various stages of fabrication and assembly. Major items of CFE under subcontract include main turbines and tears, weapons elevators and aircraft hoisting equipment, switchboards and main condensers.

Government Furnished Equipment (GFE) is purchased by the Navy under contracts separate from the shipbuilding contract. These direct Government contracts with major suppliers of material and components result in the delivery of components that will then be provided to the shipbuilder. Through mid-March 1983 more than \$1.4 billion in GFE contracts have been awarded to more than 80 contractors and subcontractors. Of this amount \$960 million has been awarded to two major prime nuclear component contractors (General Electric and Westinghouse) and \$440 million has been obligated under an Economy Act Order to the Department of Energy.