

File 02087  
950  
CORR

D R A F T  
NPIC/TSSG/DED

[Redacted]  
9 August 1968

25X1

MEMORANDUM FOR: [Redacted]

SUBJECT: Overrun on Advanced Rhomboid Contract [Redacted]  
FY 1967 [Redacted]

25X1

25X1

1. The overrun requested is for [Redacted] It was caused by an original 25X1  
underestimation in the time required to complete the optical design. It  
is my opinion that the original estimate was as accurate as possible.  
In other words, I consider the original estimate reasonable when the  
final cost is within 10-15% of that originally estimated. Phase I  
was greater by 8.7% and it is estimated that Phase II will cost 11.6%  
more. There is no guarantee from the Contractor that there will not  
be another requirement for additional funds to complete this effort; *it the present estimate*  
is merely his best estimate at this point in time regarding the costs  
to complete the project. I have reviewed in minute detail his cost  
accounting system both as to past work performed and future efforts  
required and believe that the figures are as reasonable and reliable as  
possible under this form of development (cost type). The Government  
assumes the cost risk -- with the Contractor assuming little if any of  
this risk; probably only those risks associated with the lack of  
production if we are displeased with his performance -- but it is  
because we desire an item to be developed specifically for us that we  
engage in arrangements of this type. This system, *of contracting* required that we trust  
the integrity and honesty of the Contractor we choose to the utmost. This

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

SECRET

SUBJECT: Overrun on Advanced Rhomboid Contract [ ]  
 FY 1967 [ ]

25X1

25X1 trust continues to exist toward [ ] Additionally, it must be remembered that no contractor desires to have overruns because he makes no profits on the overrun work. Therefore, <sup>in an overrun situation</sup> he must use his people on the <sup>no-profit</sup> ~~overrun~~ work when he could be using them on <sup>other making</sup> profit efforts ~~if the overrun didn't occur~~. Of course no profit making company desires to loose this source of <sup>increas.</sup> profit. Considering the extreme difficulty in attempting to predict the number of hours required to develop or invent an optical design, I certainly think this slight increase is justifiable. Problems of this type -- new optical designs -- can be analogized to some degree with the process of discovery of cures for diseases in that in both situations there is a risk of failure. Additionally, it is just extremely difficult to predict how long it will take an individual to find the cure. Certainly, optical designs have different degrees of difficulty, varying from the simplest task of putting a few existing lenses together <sup>that</sup> to perform a non-critical task to the most complex design significantly increasing the state-of-the-art. This effort falls slightly to the right of the middle of this range -- toward the more difficult tasks -- because not only must [ ] produce a high quality system which is matched to an existing instrument -- thereby reducing the number of degrees of design freedom -- but they must produce an optical instrument that we can afford to purchase, which therefore requires a rather simple device -- ~~thereby~~ again reducing the degrees of design freedom or the number of possible or alternate solutions

25X1

SECRET

SUBJECT: Overrun on Advanced Rhomboid Contract [REDACTED]  
FY 1967 [REDACTED]

25X1

25X1 available. It can be said from the above that the contractor simply underestimated the cost to perform the task; however, I hope it is evident from the above considerations that the difficulty arises in evaluating or justifying the underestimation and after considerable investigation and consideration; it is my professional opinion that the additional costs are justified.

2. NPIC has received a wooden mock-up with the Final Phase I Report and an evaluation by both this staff and the operational groups has shown the design to be satisfactory.

3. The rhomboid will allow the P.I. to view stereoscopic images with the recently designed [REDACTED] Zoom 240 stereoscope. In addition, it will allow him to scan a single image by viewing with both eyes through a single rhomboid arm. This will be particularly valuable when greater volumes of film are obtained. The Rhomboid attachment is specifically configured for a future system.

25X1

SECRET