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Congress of the United States
House of Representatives
Washington, D.C. 20515

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For Release
Wednesday, Nov. 3, 1965

Congressman Bob Dole (R-Kans) today released the text of a letter he mailed, Monday, November 1, 1965, to Secretary of Defense, Robert S. McNamara, concerning unusually heavy trading in major aircraft stocks September 29-30, just prior to the announcement of the award of a \$2 billion contract to Lockheed Aircraft Corporation for procurement of C-5A jet transportation planes:

* * * * *
November 1, 1965

Honorable Robert S. McNamara
Secretary of Defense
Department of Defense
Washington 25, D. C.

Dear Mr. Secretary:

On October 1, 1965, I sent the following telegram to Mr. Manuel F. Cohen, chairman of the Securities and Exchange Commission:

"I would hope SEC has already ordered an investigation of the unusually heavy trading and wide price swings in Boeing, Douglas and Lockheed Aircraft stocks on the New York Stock Exchange September 29-30, just prior to the award of a \$2 billion Defense Department contract to Lockheed for C5A jet transport planes. Today's Wall Street Journal says word of the Lockheed award was carried on the Dow-Jones ticker at 3:09 P.M. September 30 and was confirmed by the government after the close of the market at 3:30 P.M. As the volume and pattern of trading earlier on both September 30 and September 29 shows, this information was unquestionably in the hands of certain insiders well ahead of its release to the general public. Approximately \$32 million worth of stock, representing nearly one-half million shares of stock in these three companies, was traded on the New York Stock Exchange on September 29-30. As you know, the stocks of Boeing and Douglas, who didn't get the contracts, declined by several dollars. Speculators with inside information undoubtedly profited handsomely on both sides of this sure-thing market. If SEC has not already undertaken an investigation of what appears to be a market scandal, I urge that such action be commenced at once. I further ask that you obtain and make public the names and addresses of individuals and firms who were substantial short sellers or purchasers of the three stocks during the week ending October 1, 1965. While I do not question the propriety of the award to Lockheed, the taxpayers, market investors and members of Congress who vote appropriations for Defense procurement, are entitled to know whether speculators with inside information are profiting from such awards."

On October 6, 1965, Mr. Cohen advised me by letter that SEC was proceeding with an inquiry into this matter. I have not received any

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further report as to the progress of the investigation although I trust and assume it is going forward.

As indicated in my telegram to Mr. Cohen, I did not then, or do not now, question the propriety of the award to Lockheed. I am concerned however, with the possibility -- indeed the probability -- that speculators with inside information may have profited from this government contract.

You may recall that on March 21, 1963, you appeared before the pertinent subcommittee on investigations of the United States Senate Committee on Government Operations, in connection with the TFX contract investigation. At pages 443-444 of the printed record, there appears this exchange:

SENATOR ERVIN: You are convinced, or rather you can assure us as far as any other human being can assure another about his decision, that your decision in this particular instance was based solely upon your conclusion that the best interests of our country required the action you took.

SECRETARY MACNAMARA: Yes, sir, I am. And I took special precautions within the limits of my power to insure that the decision was made and announced in such a way as to minimize the potential criticism that it was influenced by political factors. I consciously arranged the sequence of selection in such a way as to defer the decision until after the November election and to defer the announcement of the decision until after the November election.

Further than that I consciously and specifically instructed all parties concerned to announce the decision in such a way as to minimize the political benefit that might accrue to any individual as a result of that. In contrast to our normal announcement to Congress or the interested parties beforehand. I personally released it at 11 o'clock one Saturday morning, choosing Saturday because the stock exchanges were closed and choosing the time in such a way as to insure that no Member of Congress could gain any particular benefit from it. Nor would I allow anyone to inform Conley (Connally) of that until the movement of the release to the press, that is to say 11 o'clock."

In my opinion this was precisely the way a contract award of this magnitude should have been announced with no opportunity for anyone to profit financially or politically. I am somewhat dismayed however with your statement that this was "in contrast to our normal announcement procedures."

It is my understanding that the initial \$2 billion Lockheed award may grow to a figure even larger than the \$7 billion TFX contract. The stock market gyrations which preceded the announcement of the Lockheed award are evidence enough that the word was out to some people who obviously and rightly believed this action would have a favorable impact on the price of Lockheed stock and an adverse effect on the prices of competitive aircraft stocks. I cannot understand the logic which prompted the tight secrecy preceding TFX and the loose security in connection with the Lockheed award.

It was common gossip in Capitol corridors before adjournment that some Members of Congress had advance information on the Lockheed contract, though I certainly have no reason to believe such knowledge was used for personal gain.

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As Secretary of Defense, and as a former Corporation executive, you are acutely aware of the impact multi-billion dollar contracts may have upon the future earnings and the stock values of the private companies which receive these awards. As defense outlays continue to rise, the dangers inherent in this situation increase.

I am not oblivious to the political pressures which are continuously at work in these matters. There undoubtedly is political mileage in it for the Member of Congress who can contact his close associates and the local news media to inform them a day or two in advance that Defense or some other federal agency is about to announce a juicy contract or project in his state or district. I can only assume this to be the case though, for such opportunities have somehow escaped me.

Nevertheless, it has always been my contention that Defense, or other federal agency, contract leaks -- particularly those which could influence stock market prices -- have no legitimate place in our government. Major procurement announcements should be made available to the general public at exactly the same moment they are passed on to anyone else, including Members of Congress.

I would appreciate having any comments you may wish to make.

Sincerely yours,



Bob Dole, M. C.

BD:dd