

statement correctly, it indicated that the Department of Commerce decided on May 5, 1967, that the issue was technical and that no directive was warranted. I don't know why the Department of Commerce did not tell this to the Joint Committee on Atomic Energy.

Mr. BARRETT. What did the Department of Commerce do after May 1967 to assist the Navy in getting a contract for this equipment?

Admiral RICKOVER. The Department of Commerce did nothing, either before or after May 1967, that helped the Navy get a contract for this equipment.

Mr. BARRETT. Could the Department of Commerce have determined in March or April that this firm was perfectly capable of accepting this defense contract?

Admiral RICKOVER. In my opinion it was obvious that the firm could easily perform this contract. It should have been obvious to the Department of Commerce in March, 1967 when the Navy first asked for their assistance. It simply did not make sense that one of the Nation's largest defense contractors could not come up with a handful of engineers for a job like this. If the Department of Commerce is not able to make such a determination, then they have no business administering the Defense Production Act.

Mr. BARRETT. Then in August 1967, this firm did, in fact, accept the same contract they refused in March?

Admiral RICKOVER. No, sir; not the same contract. The firm agreed in August 1967 to do the job for the Navy but they insisted on special contract arrangements that limit the normal rights of the Government with regard to inspection, quality control and rejection of equipment variations.

Mr. BARRETT. Was there any change between March and August that could explain why this firm decided to accept the order?

Admiral RICKOVER. No real change that I know of, sir. The firm was beginning to get some unfavorable publicity, and I suspect that may have had something to do with its decision to negotiate with the Navy for this work.

Mr. BARRETT. Do you think the act is broad enough to cover the contract you wanted this firm to accept.

Admiral RICKOVER. I am no lawyer, but it is my opinion that the Department of Commerce had all the authority it needed to issue a directive in this case. It appears to me Congress must have anticipated situations like this when they wrote the law.

Mr. BARRETT. Was the Government adversely affected by the Department of Commerce's failure to order this firm to perform the work in March of 1967?

Admiral RICKOVER. Yes, sir; in two ways. The Navy's new submarine project was delayed by more than 5 months and the Navy was forced to accept less than normal contractual rights regarding inspection, quality control, and rejection of equipment variations. Other firms have tried unsuccessfully to limit the Government's rights in these areas. Now this firm has won important concessions—important precedents—that are already being pursued by other contractors. In addition to all this, much time and effort were wasted by key people throughout the Department of Defense and in Congress in trying to help the Navy get equipment it needed without being able to use the authority provided in the Defense Production Act.