

Electric and NAVSHIPS. Secretary Frosch says that he considers that this job is neither as difficult as General Electric contends nor as easy as the Navy may think, however, it is an engineering job and not an esoteric development. Secretary Frosch points out that General Electric is working on many more difficult tasks for the Government. With regard to General Electric's questioning of the justification for this project, Secretary Frosch states that this is not General Electric's business. Finally, Secretary Frosch says that the 5½-year schedule which General Electric proposes appears to him to be longer than this job should take, especially if General Electric starts immediately. Secretary Bannerman asks if General Electric has anything to add. General Electric reiterates that they feel that 5½ years is the only realistic estimate based on their experience. Secretary Bannerman asks if General Electric would agree to accept a letter contract to start design work on this equipment. Mr. Craig states they will accept such a contract. Secretary Bannerman asks if General Electric would agree to apply their best efforts to get the qualified technical personnel to start this job immediately and complete it in the time required by the Navy. Mr. Craig agrees but states that General Electric still feels the job will take 5½ years and wants this recognized in the letter contract. Secretary Bannerman asks if General Electric would agree to give this job priority over all commercial work, Mr. Craig says yes. Secretary Bannerman asks if General Electric wants a Government directive to do this job. Mr. Craig says that General Electric would want a directive since they will defer commercial work.

*June 14, 1967.*—General Electric, in a letter from Mr. Hill (GE, MSTG&G Manager) to Assistant Secretary of the Navy Bannerman, summarizes General Electric's understanding of the agreements reached in the meetings with Navy representatives this day. The letter states that General Electric will accept a letter contract through proper channels so that a feasibility study of this equipment can get started; this letter contract will indicate that the Navy needs his experience 5½ years but that General Electric considers that based on their estimate such a job. The letter further states that General Electric does not feel that the deployment of resources to this project and the resultant harmful effect on other critical Navy and commercial work is justified, however, in spite of this opinion General Electric will put forth their best effort to complete this job in the shortest possible time.

*June 15, 1967.*—A proposed memorandum for the Secretary of Defense from Secretary of the Navy Nitze recommending signature of letters to Senator Pastore and Secretary of Commerce Trowbridge is sent forward to Secretary Nitze by Assistant Secretary of the Navy Bannerman. The proposed memorandum to Secretary McNamara summarizes the results of the June 14, 1967 meetings with General Electric and states that since this project will probably interfere with Electric's commercial work, the Navy and General Electric agree that a Government directive should be issued to General Electric in accordance with the Defense Production Act of 1950.

*June 16, 1967.*—Secretary of the Navy Nitze discusses his proposed memorandum to Secretary of Defense McNamara with the Office of the Assistant Secretary of Defense (Installations and Logistics).

*June 20, 1967.*—Assistant Secretary of the Navy Banerman approves a NAVSHIPS draft of a letter contract for the design and manufacture of the main propulsion equipment for [classified material deleted] SSN. Secretary Bannerman indicates that the Navy has been told by DOD to resolve this problem without a Government directive.

*June 21, 1967.*—Secretary of the Navy Nitze signs a revised memorandum for the Secretary of Defense requesting signature of a proposed letter to Senator Pastore. The revised memorandum does not request signature of a letter to Secretary of Commerce Trowbridge since it no longer states that a Government directive should be issued.

*June 21, 1967.*—Electric Boat, in a letter from Mr. E. J. Behney, vice president, operations, to Mr. Craig (GE vice president) offers the letter contract approved by Assistant Secretary of the Navy Bannerman to General Electric to start work on [classified material deleted] SSN main propulsion equipment. This letter contract states that based upon the agreements reached in the June 14, 1967, General Electric-Navy meeting it is understood and agreed that the Navy and Electric Boat require this equipment on or before June 30, 1970, and consider 3 years a reasonable period for contract performance; that General Electric presently