

them to manufacture any equipment—they must have a contract in phases. However, Mr. Hill states that General Electric will negotiate in good faith for equipment manufacture following completion of the preliminary design. General Electric insists that the following statement be included in the letter contract for the preliminary design: "Based upon preliminary design, if General Electric determines that the equipment is feasible and can be manufactured, General Electric will enter into negotiations for a contract to manufacture the equipment." Mr. Pierce states that the multiple-phase-type contract proposed by General Electric is not acceptable.

*July 21, 1967.*—Representatives of NAVSHIPS and Electric Boat meet with representatives of General Electric, including Mr. Spears (GE, MSTG & G) and Mr. Rhode (GE, MSTG & G), and summarize for General Electric the objectives of the [classified material deleted] SSN and the basis for selection of the [classified material deleted]. Following the NAVSHIPS-Electric Boat presentation, Mr. Spears states that he considers the Navy has satisfied its commitment to brief General Electric on this project. Mr. Spears also reiterates the General Electric position that they intend to perform studies of [classified material deleted] and that they will not agree to a contract which commits them to manufacture equipment.

*July 27, 1967.*—Admiral Rickover, in a memorandum, advises Assistant Secretary of the Navy Bannerman of the current status of the procurement of the main propulsion equipment for [classified material deleted] SSN. In this memorandum, Admiral Rickover again requests Secretary Bannerman's assistance in obtaining a contract for this equipment. Admiral Rickover points out that General Electric would not accept a letter contract which committed them to manufacture equipment; that General Electric insisted on the right not to proceed with manufacture of this equipment unless General Electric concurred; and that General Electric still planned to study [classified material deleted].

*July 31, 1967.*—Assistant Secretary of the Navy Bannerman meets with Mr. Craig (GE vice president). Mr. Craig states that General Electric has now withdrawn any questions concerning the "wisdom" of [classified material deleted] SSN and that General Electric would not perform studies of [classified material deleted] as they had previously indicated. Mr. Craig agrees to accept a single contract for both the design and manufacture of this equipment, however, he insists that it be a "phased" contract to assist General Electric in pricing the work. Further, Mr. Craig states that General Electric must have some special contract provisions which require that the details of design, inspection, quality control, etc., be established as a "baseline" for pricing prior to the start of equipment manufacture. Mr. Craig agrees that the Government could retain the unilateral right to change this "baseline" but the Government would have to pay for all such changes.

*August 1, 1967.*—Assistant Secretary of the Navy Bannerman meets with Admiral Rickover, Admiral Galatin (CNM), Admiral Jones (vice commander, NavShips), Admiral Fulton (commander, NavSec) and other NavShips representatives. Secretary Bannerman summarizes the latest General Electric position as stated by Mr. Craig (GE vice president). Admiral Rickover, Admiral Jones, and Admiral Fulton point out that the special pricing arrangement insisted upon by General Electric would limit the normal rights of the Government and might be used as a precedent to force the Navy to change the proven method of procuring equipment for naval warships. They point out that General Electric had previously requested similar special provisions on other contracts but NavShips had rejected these as unacceptable. Secretary Bannerman asks NavShips to prepare a suitable agreement which he could ask Mr. Craig to sign.

*August 2, 1967.*—Assistant Secretary of the Navy Frosch advises Assistant Secretary of the Navy Bannerman by memorandum that he has looked into the questions raised by General Electric representatives concerning [classified material deleted] SSN. In this memorandum Secretary Frosch states that he can see no bona fide technical grounds for delaying this project to conduct additional studies of [classified material deleted] and that he is convinced that [classified material deleted] SSN should be pursued so that the [classified material deleted] can be evaluated at sea as soon as possible.

*August 2, 1967.*—Assistant Secretary of the Navy Bannerman meets with Admiral Rickover, Admiral Jones, and other NavShips representatives. NavShips provides a revised agreement for Secretary Bannerman's use in further discussions with Mr. Craig (GE vice president).

*August 2, 1967.*—Assistant Secretary of the Navy Bannerman meets again