

with Mr. Craig (GE vice president). A proposed agreement between Secretary Bannerman and Mr. Craig is drafted.

*August 3, 1967.*—Assistant Secretary of the Navy Bannerman meets with Admiral Rickover, Admiral Galantin (CNM), Admiral Jones (Vice Commander, NavShips), and Mr. Samuel Pinn, Jr., counsel, NavShips. Secretary Bannerman presents the tentative agreement reached between him and Mr. Craig on August 2, 1967. Secretary Bannerman states that he considers this tentative agreement contains no essential difference from the one he and NavShips had discussed on August 2, 1967. Admiral Rickover objects. He points out three points which he considers different. Admiral Rickover points out that under the latest tentative Bannerman-Craig agreement (1) work would not proceed immediately on the design and development of the equipment but would only proceed on a study of the specifications; (2) work would not start on equipment manufacture until all detailed drawings were approved; and (3) the special contract provisions on inspection, quality control, and equipment variations would restrict the normal rights of the Government and could prevent obtaining satisfactory equipment. Admiral Rickover states he will give Secretary Bannerman his written comments.

*August 4, 1967.*—Admiral Rickover advises Assistant Secretary of the Navy Bannerman by memorandum of his comments on the latest proposed agreement between Secretary Bannerman and Mr. Craig (GE vice president). In this memorandum Admiral Rickover suggests certain changes to the latest proposed agreement to make it clear that the development and preliminary design of the equipment should start immediately and that equipment manufacture should proceed as detailed design approvals are obtained. Further, Admiral Rickover explains his objections to the special contract provisions limiting the normal rights of the Government with regard to inspection, quality control and equipment variations. He emphasizes the undesirable precedent which these special provisions would establish and recommends that the contract for this equipment include the Navy's existing standard provisions.

*August 4, 1967.*—Admiral Rickover, at the request of Assistant Secretary of the Navy Bannerman, calls Mr. Craig (GE vice president) to explain to Mr. Craig his objections to the latest proposed agreement between Secretary Bannerman and Mr. Craig. Mr. Craig agrees to certain specific changes suggested by Admiral Rickover. These changes make it clear that General Electric would start immediately with development and preliminary design of equipment and that General Electric would start equipment manufacture as detailed design approvals are obtained. Although Mr. Craig is insistent on the special contract provisions on inspection, quality control, and equipment variations, he does assure Admiral Rickover that these special provisions are for pricing purposes only and will not be used as a precedent for any future contracts. Mr. Craig assures Admiral Rickover that the Government will retain the right to require any inspection or quality control measures it deems necessary and to reject equipment variations for any reason, as long as the Government pays the cost. Admiral Rickover explains his reasons for objecting to these special provisions. Admiral Rickover states that although he does not agree with this portion of the Bannerman-Craig agreement he would raise no further objection to it.

*August 4, 1967.*—Admiral Rickover calls Assistant Secretary of the Navy Bannerman and advises Secretary Bannerman of the results of his conversation with Mr. Craig (GE vice president). Admiral Rickover states that although he does not agree with the special provisions on inspection, quality control, and equipment variations, it seemed clear to him that the Navy could get nothing better from General Electric at this time. Admiral Rickover states that he had told Mr. Craig he would raise no further objection to the Bannerman-Craig agreement, modified in accordance with his conversation with Mr. Craig. Admiral Rickover tells Secretary Bannerman that the memorandum he had prepared (dated August 4, 1967) had now been overtaken by events but he would send it to Secretary Bannerman for his information. Further, Admiral Rickover tells Secretary Bannerman that he will prepare a memorandum summarizing his conversation with Mr. Craig.

*August 4, 1967.*—Mr. Craig (GE vice president), based on his conversation with Admiral Rickover, revises the latest draft of his agreement with Assistant Secretary of the Navy Bannerman and forwards a signed copy to Secretary Bannerman. In the forwarding letter, Mr. Craig states he has revised the agreement in accordance with his discussions with Admiral Rickover. Mr. Craig states that the agreement is now written such that it is not objectionable to Admiral Rickover.