

*August 8, 1967.*—Admiral Rickover advises Assistant Secretary of the Navy Bannerman by memorandum of the results of his conversation with Mr. Craig (GE vice president) on August 4, 1967. In this memorandum Admiral Rickover states that he has received a copy of Mr. Craig's August 4, 1967, letter to Secretary Bannerman and that the agreement forwarded with this letter reflects the changes which Mr. Craig agreed to make in his conversation with Admiral Rickover. Further, Admiral Rickover states that although he does not agree with the special contract provisions on inspection, quality control and equipment variations, he will raise no further objection.

*August 8, 1967.*—NavShips representatives meet with Electric Boat representatives and draft a proposed letter contract based on the August 4, 1967, agreement between Assistant Secretary of the Navy Bannerman and Mr. Craig (GE vice president).

*August 8, 1967.*—Representatives of NavShips and Electric Boat meet with representatives of General Electric to discuss the proposed letter contract drafted by NavShips and Electric Boat based on the August 4, 1967, agreement between Assistant Secretary of the Navy Bannerman and Mr. Craig (GE vice president). Although the General Electric representatives make it clear that they are not authorized to negotiate or sign the letter contract at this meeting, they question each section in which the wording is not identical to the August 4, 1967, Bannerman-Craig agreement. NavShips points out that a number of changes in the words of the August 4, 1967, Bannerman-Craig agreement had been necessary to reflect in the letter contract that the design and manufacture of this equipment would be done under an Electric Boat contract and not directly for the Navy. The General Electric representatives agree that such changes are necessary but specifically question the wording of the letter contract provision on the disapproval of equipment variations. They state that the letter contract makes it clear that General Electric has the burden to prove that equipment variations do not affect "performance, safety, reliability, or essential interchangeability," whereas the August 4, 1967, Bannerman-Craig agreement, as they read it, places the contrary burden on the Government. They state that the letter contract makes it clear that the Government could disapprove equipment variations for any cause as long as the Government pays the additional cost, whereas the August 4, 1967, Bannerman-Craig agreement, as they read it, implies that equipment variations will only be disapproved "for technical cause which may affect performance, safety, reliability, or essential interchangeability." NavShips and Electric Boat object to the interpretation of the August 4, 1967, Bannerman-Craig agreement stated by the General Electric representatives at this meeting.

*August 11, 1967.*—Mr. G. R. Sloan, Washington manager, General Electric Military and Defense Facilities Supply Operation, calls Mr. Coleman Morris, head, NavShips machinery purchase branch, and advises Mr. Morris that General Electric will not sign the proposed letter contract offered to General Electric on August 8, 1967. Mr. Sloan states that General Electric objects to the letter contract provision on disapproval of equipment variations.

*August 14, 1967.*—Assistant Secretary of the Navy Bannerman signs the agreement forwarded to him by Mr. Craig (GE vice president) on August 4, 1967.

*August 15, 1967.*—Mr. Morris (NavShips, contracts) calls Mr. Sloan (GE sales manager) and advises Mr. Sloan that NavShips and Electric Boat are willing to use the exact words of the August 4, 1967, Bannerman-Craig agreement for the letter contract provision on disapproval of equipment variations and to delete the words of clarification discussed between NavShips, Electric Boat, and General Electric on August 8, 1967.

*August 22, 1967.*—General Electric, Mr. Walsh (GE sales manager) signs a letter contract with Electric Boat for the design and manufacture of the main propulsion equipment for [classified matter deleted] SSN.

*August 28, 1967.*—Assistant Secretary of the Navy Bannerman meets with Mr. Craig (GE, vice president), Mr. Hill (GE MSTG & G manager), and Mr. Sloan (GE, sales manager). Secretary Bannerman points out that in view of statements made by General Electric representatives at the August 8, 1967 meeting with NavShips and Electric Boat, there may be some misunderstanding of the August 4, 1967 agreement he had reached with Mr. Craig. In order to clarify the intent of the letter contract provision on disapproval of equipment variations, Mr. Craig agrees to add a statement to his agreement with Secretary Bannerman which makes it clear that Government decision that cause exists to disapprove an equipment variation will be conclusive. General Electric can recover costs only under the normal Government "Disputes" article where General Electric would have the burden to prove that such cause did not exist.