

Rickover Raps Litton For A-Sub Overruns

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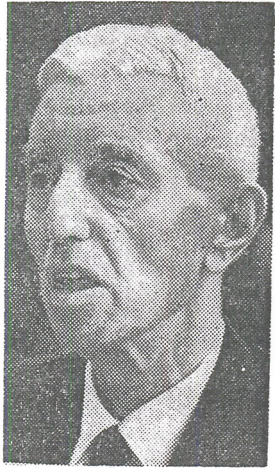
Vice Adm. Hyman G. Rickover accused Litton Industries last summer of "misrepresentation, if not fraud" in trying to blame the Navy for cost overruns the firm experienced in building three nuclear submarines.

In a memo to Adm. Isaac C. Kidd Jr., chief of Navy Materiel, the "father of the atomic submarine" recommended an investigation either by a formal board or by the Justice Department to see if Litton broke the law.

The July 19 memo was made available to The Washington Post yesterday. The Navy had no immediate comment on whether it took any actions on Rickover's recommendations. Rickover could not be reached.

A Litton spokesman denied the admiral's charges.

The position set out by Rickover's memo was that a Litton claim for \$37 million was



ADM. HYMAN RICKOVER
... urges inquiry

"grossly over-inflated," was caused by delays that were Litton's own fault and should be resisted.

Rickover said he was writing the memo because a Lit-

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ton executive had said the firm would go through "other channels" to press its claim, and Rickover presumed these channels would be "higher level government officials." A Litton spokesman in Beverly Hills said that presumption was "totally incorrect." He said he did not know what was meant by "other channels."

Litton and its defense contracts — totaling in the billions of dollars — have drawn unusual attention lately because the man who stepped down as its president in November, Roy L. Ash, has been named director of the Office of Management and Budget.

The Rickover memo does not name Ash, and the Litton spokesman said Ash had no role in the negotiations.

Negotiations over the \$37 million claim stalemated on July 17. Rickover said in the memo that a Navy analysis of Litton's own data showed that only \$4 million to \$7 million "can be justified."

Ned Marandino, president of the Ingalls Shipbuilding Division in Pascagoula, Miss., then disclosed that Litton "would be trying to reach a settlement through 'other channels,'" the memo said. Rickover told Adm. Kidd:

"Since you undoubtedly will be one of the 'higher level' officials to whom Litton will appeal, I recommend that you refer Litton back to NAVSHIPS (Navy Ship Systems Command) for any discussion of the submarine claim."

He sent copies to other high Navy officials.

Rickover said in the unclassified memo: "In attempting to attribute its cost to the Navy, Litton has, in my judgment, overstepped the bounds of propriety . . . Many elements in the claim appear contrived and are irreconcilable with facts contained in the company's own files."

He said delays blamed on the government by Litton "were, in fact, caused by its

own poor planning, by its manpower shortages, by its late material purchases and deliveries and by mismanagement of the contract."

The head of Congress' General Accounting Office, testifying before a congressional Joint Economic subcommittee on Dec. 18, said the Navy told Litton on July 31 that it was entitled to only \$3.8 million as "a compensation increase" for the submarines. Two weeks later, Comptroller General Elmer B. Staats said, Litton submitted a reduced claim for \$30.6 million to the Armed Services Board of Contract Appeals.

The next day, subcommittee chairman William Proxmire (D-Wis.) said that Navy Ships Systems investigators were looking into a "serious possibility of fraudulent misrepresentation" by Litton.

In the negotiations, Litton's position appeared to be "that it spent the money so it is up to the Navy to cover all Litton costs and all the profit included in its bid—regardless of whether the overrun was Litton's or the government's fault," Rickover said.

"Mr. Marandino made no attempt to negotiate," making it "a waste of time" for the Navy to present the facts, except that Litton's response to specific points "seemed to confirm" that the Navy's analysis "is sound," he said.

The existence of the Rickover memorandum was first disclosed by Gordon W. Rule, who told the Proxmire hearing he understood such a memo had been written. Rule was a Navy procurement official until he was fired by Adm. Kidd two days after he criticized Ash's appointment to the OMB and defense contractors including Litton.

In a related development yesterday, Rep. John Melcher (D-Mont.) introduced a bill to require Senate confirmation of the director of OMB, starting with Ash. Sen. Lee Metcalf (D-Mont.) plans to introduce the bill today in the Senate.