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MEMORANDUM

THE PRESIDENT HAS SEEN *J.F.*

THE WHITE HOUSE  
WASHINGTON

October 29, 1974

TO THE PRESIDENT

FROM: JOHN O. MARSH, JR.

*Thanks*

You should be aware that some question has been raised of a potential cost overrun of considerable magnitude involving Litton Industries construction of surface ships under the Navy's modernization program. The point is made that this is an extremely delicate matter for a number of reasons, in part because of certain personalities who are involved. This would include Roy Ash, formerly of Litton, and Senator Stennis, inasmuch as a substantial portion of the work performed by Litton is occurring in Mississippi. Those who have raised the question feel that the overrun is likely to be so large that it can best be compared to the C-5A Lockheed contract.

The actual facts on this are not easy to come by. Some knowledgeable people predict true costs will become known shortly and will disclose that earlier estimates were significantly under figures that had been considered by the Congress. I have made some quiet inquiry into the matter and I am of the view that it warrants your own follow-up. In

that regard I would suggest a discreet inquiry to Secretary Schlesinger with the request that he give you a status report on the Litton ship construction contracts and where these stand at the present time on a cost basis with a projection of final costs to complete the anticipated building program.

I understand that the inflation factor in the ship building industry is unusually high and I am sure that this will account, at least in part, for the overruns; however, it might be helpful at this time to pin down what are the inflation increases and what are other unprogrammed costs, if any.

THE WHITE HOUSE

WASHINGTON

November 18, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JOHN O. MARSH

FROM: JERRY H. JONES 

Your memorandum to the President of October 29 regarding Litton Industries has been reviewed and the following notation was made:

-- Thanks.

cc: Don Rumsfeld