27 December 1954

The Honorable
Allen W. Dulles
Director of Central Intelligence
2450 E Street, N.W.
Washington 25, D.C.

Dear Mr. Dulles:

I am familiar with the proposed agreement with Lockheed Air-
craft Corporation in behalf of the Government. Although the aircraft
covered thereby are required so urgently that neither you nor we have
been able to examine the cost estimate in detail, a fixed price agree-
ment with a price redetermination clause and a stipulated maximum
price appears to afford adequate protection to the Government, and to
be the most suitable form of contract from an administrative and
security standpoint. As you undoubtedly are aware, the construc-
tion and testing of aircraft of new design is most expensive, especially
when time is a vital factor and the production of so limited a number
as here contemplated renders the aircraft virtually handmade.

The fact that known structural and aerodynamic know-how is in-
corporated in the design proposal does not preclude pioneering problems
associated with an entirely new area of performance and altitude.
Therefore, on the basis of our knowledge of similar Air Force contracts
for research and development and for procurement, I believe that the
terms and the estimated cost are reasonable.

Although the requirements both of speed and security make it
necessary to give the supplier considerable freedom of action to pro-
cceed without detailed supervision at every stage, our opinion, based
on a large amount of business over a period of many years, is that
Lockheed is a reliable and efficient producer accustomed to keeping
its books and records in accordance with standard Government accounting
practices.

It is understood that the size of this procurement program is
based in part on the assumption that the results expected to be obtained
with these aircraft will be of interest to other Departments and Agencies
of the Government, and that the aircraft will probably be useful for
various purposes in addition to the mission for which they are primarily
intended. I assure you that the Air Force is keenly interested in this development from the point of view of its own mission as well as yours, and to that end is furnishing the engines as part of its contribution and will provide such other assistance as required.

Sincerely yours,

/ S/

Trevor Gardner
Special Assistant (Research and Development)