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27 December 1954

The Honorable
Allen W. Dulles
Director of Central Intelligence
2430 E Street, N. W.
Washington 25, D. C.

Dear Mr. Dulles:

I am familiar with the proposed agreement with Lockheed Aircraft 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 agreement 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 construction 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 hand-made.

The fact that known structural and aerodynamic know-how is incorporated 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 proceed 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

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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,

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Trevor Gardner
Special Assistant (Research and Development)

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