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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** ROBERTS, JOHN: FILES

**Withdrawer**

KDB 8/5/2005

**File Folder** JGR/ELECTRIC BOOT/GENERAL DYNAMICS

**FOIA**

F05-139/01

**Box Number**

COOK

9 KDB

DOC NO	Doc Type	Document Description	No of Pages	Doc Date	Restrictions	
1	NOTES	RE MEETING (PP. 2-3 ONLY)	2	ND	B6 B7(C)	697

**Freedom of Information Act - [5 U.S.C. 552(b)]**

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

E.O. 13233

C. Closed in accordance with restrictions contained in donor's deed of gift.

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659-1211

THE WHITE HOUSE  
WASHINGTON

- call DOT: study?
- Dinner + dinner at 1:30
- call FFE at 4:15

State council + DOT - Jim Ee  
Comm no subpoena power.

Tex: Channon told being not  
authorized, + no power to  
hold cabinet:

Pres to leave on Saturday.  
Will Crowley be there?  
Pres briefing.

- Transit

Dot Moo

call DOJ  
1:15  
1:30

Propose:

Trotter declined to answer questions on 6(c) grounds.  
7/7/84 letter from Trotter. Justice declined to  
give GAO access to files.

Kaufman - Hamilton - DOJ

Granley: started to sub down Aug 9, 1984,  
waived by DOJ arguments - just like EPA / interests  
Twice delayed enforcement, but now at end of  
the road. DOJ's own review → subcommittee's  
interest, also Valentin's allegations. Why failure  
of DOJ to bring indictment? Cong + public have  
need to examine DOJ process.

Attempted compromise yesterday, by access procedure.  
DOJ won't do it.

WH became involved by own initiative, got  
G. to postpone indictment. Out 3 request for  
delay, yet no lead privilege asserted by WH.  
Put all correspondence in record.

GC do  
Grand Jury  
Committee

Kaufman of staff: flow since referral by Navy  
to DOJ. FBI + attorneys see indictment,  
yet DOJ dominated case. But GAO has not  
had info or base to verify its flow chart.  
Flow chart shows argument of attorneys to  
case. Investigation not properly managed  
or stopped. But can't really judge, since  
DOJ withholding info about case.

P: AG not secure self when case terminated?

P: can you find out? T: yes

P: DOJ had to terminate to remove railroad

T: only for 14 months, no general knowledge.

G: answer to examine offer of yesterday, like EPA/Altera

T: studying it, you said answer not see  
right now.

G: any reason to think this system won't keep things  
confidential?

T: would prefer to discuss in eye session.

G: why T: is private

T: will put on record if you want to, but you should  
see it in private format.

P: why can't we interview the attorneys + agents, even  
in closed cases.

K: when requests made, referred to Legal Affairs. We  
want to talk to them alone.

T: standard procedure to refer to Legal Affairs.

K: if other willing to talk alone, will DOJ object

T: can't discuss in abstract

P: any memoranda in case withheld?

T: haven't seen anything of that sort. If any  
memoranda, I'll sign on the spot.

P: has POTUS record book, have been forwarded to OIG.

T: don't know.

→ G: exhausted all avenues to avoid extraordinary enforcement.  
No choice but to bill A.G. in contempt. Submitter  
files A.G. in contempt.

T: DOT advised Sub on Adlin not meeting  
here today. Contempt out of place + recalled  
for.

G: bond on Oct 5 using authority.

P: will visit AG + Jensen again.

Resolution of contempt:

Submitter files AG in in contempt.

Facts will be reported to ~~the~~ by Chairman  
to Jud Committee

6. authority. De Lile, H., DOJ: none.

Nothing in old stuff → insignificantly in closing.



# GD grand jury cited by Justice Department may not exist

## Claim of sitting grand jury was used as reason for not complying in struggle over documents

By Jacky Flinn  
and Marcel Dufresne  
**Day Staff Writers**

Although U.S. Justice Department officials have cited "an open grand jury investigation" as justification for refusing to turn over documents to a Senate subcommittee, no federal grand jury has yet been impeached specifically to hear evidence in the government's probe of General Dynamics. The Day has learned.

Top Justice Department officials have ignored a subpoena from Sen. Charles E. Grassley's judiciary subcommittee for documents from its original three-year fraud investigation of GD's 1976 shipbuilding claim for Electric Boat.

However, sources close to the current investigation have confirmed that no grand jury is yet investigating the case, which includes allegations by fugitive P. Takis Veliotis against the General Dynamics management. The sources also said that a

new Justice Department inquiry begun last spring is not probing the same areas as the extensive 1978-81 investigation into whether GD had inflated its unprecedented \$843 million claim against the Navy.

Justice officials told the sub-

committee that they had reopened their earlier investigation.

However, indications are that investigators are not rehashing whether GD inflated the claims — the substance of the first probe — but instead are exploring new ground, most importantly whether witnesses lied to two earlier grand juries.

Stephen S. Trott, head of the Justice Department's criminal division, would not comment Saturday on the extent of grand

jury questioning thus far, nor would he say how many witnesses had been brought in to testify.

But he insisted "absolutely, without question," that the nature of the Justice probe thus far constitutes "an open grand jury investigation."

U.S. Atty. Alan H. Nevas, the official responsible for federal grand juries in Connecticut, declined to answer questions about

the existence of a grand jury investigation.

The issue of a grand jury's existence may be a matter of legal interpretation and semantics.

A federal grand jury did hear testimony in August from one witness, an EB employee who had worked with Veliotis. But that grand jury was a standing body empowered to hear testimony on any case; it was not convened specifically for the Justice investigation.

Although that grand jury is still convened, no witness has testified about the Electric Boat case in more than two months, the sources confirmed.

Justice Department and FBI investigators are gathering evidence that is likely to be brought before a new grand jury, but that official body has not been convened.

An aide with Grassley's committee said Saturday the lack of a formal grand jury confirms suspicions that Justice Department officials may be claiming too broad a power for withholding documents sought by two congressional committees.

"Our position has been we've seen no evidence by the Justice Department that there is an ongoing investigation of any kind, beyond that they say so," the aide said. The absence of a formal grand jury "brings into question the credibility of their statements," the aide said, adding that Justice claims "should not provide as large an umbrella as they'd like."

The Day has also learned that the two committees are to meet with Justice officials Tuesday, the day before a scheduled contempt hearing, to seek a compromise for release of the documents.

Grassley, an Iowa Republican, set in motion contempt of Congress charges against the department last week for not complying with the subpoena. He and Sen. William Proxmire (D-Wis.) still plan to conduct Wednesday's hearing, the aide said.

The two senators want to see those documents because they question whether the Justice Department mishandled the previous investigation. They believe internal reports and memos may shed some light on why Justice authorities declined

prosecution after a three-year investigation.

The secrecy surrounding information presented to a grand jury is closely safeguarded by federal law. It is a legal question whether the gathering of information for possible submission to a future grand jury, not yet impaneled, constitutes an open grand jury investigation as Justice officials contend.

Trott maintained that "a grand jury is just one tool in an investigation. You use it when you need it." It is not unusual for investigators to complete their work before a grand jury is convened for a specific case, he said.

Justice claims of a new grand jury surfaced Oct. 4 when Trott refused to turn over documents on the earlier GD investigation because the matter "is presently before an open grand jury."

Trott's assertion was prompted by a subpoena, served by Grassley, for the documents on the first investigation.

As the battle escalated this month, Associate Attorney General D. Lowell Jensen wrote to Grassley: "All investigative reports, prosecutive reports and memoranda, and other files, exhibits and documents that relate to an open grand jury investigation are confidential documents of the executive department of the Government."

That Oct. 19 letter asked Grassley to withdraw the subpoena. Grassley has refused.

On the same day presidential counsel Fred F. Fielding wrote to Grassley emphasizing the "very serious and considered concerns" of the Justice Department in complying with the subpoena. The president may "exercise executive privilege," he wrote.

Although the question of a grand jury investigation is unclear, separate sources predict the probe may intensify and a new grand jury may be impaneled within a month or two.

Recently, Justice Department and FBI investigators questioned Veliotis a third time in Greece about secretly recorded tapes of conversations with GD officers while he headed EB.

Meanwhile, the intricacies of the EB case are being eclipsed by the test of power between the legislative and executive branches.

Justice and White House officials say releasing the documents would "dramatically impair" the current investigation. But Grassley feels the Senate has the right to the documents and should be trusted to keep the information confidential, if necessary, until the latest Justice probe is closed.

Otherwise, Proxmire has said, the Justice Department or any other federal department headed by a cabinet-level administrator has no watchdog and no accountability.

Indications are that the current probe is more than cursory, even though a grand jury has not yet been called.

The first Veliotis interview was in May, a month after Proxmire chided the department for not interviewing the former EB general manager. The department was cautious because Veliotis was trying to work a deal for immunity or lessening of the federal kickback charges filed a year ago in an unrelated case.

After questioning 17 current and former EB and GD employees during July and August to test Veliotis's allegations, FBI and Justice investigators returned to Greece in September for his rebuttal.

In the early weeks of the investigation Veliotis's charges of a GD conspiracy to defraud the Navy seemed difficult to prove. The Day learned by talking with those questioned by the FBI and Justice Department.

For example, Veliotis said evidence of inflating the cost overrun claim could be found in the so-called Avocado book. Several EB insiders confirmed the existence of the book, but said it did not contain what Veliotis said it did.

Recently, however, the tapes Veliotis produced have lent more substance to his accusations. Taped conversations he had with GD officers reveal discussions about holding back damaging information on submarine delivery schedules to avoid causing stock prices to drop.

Indications are the tapes may compel the investigators to question some GD employees again, but this time before a grand jury to obtain sworn testimony without corporate attorneys present.

SENATOR CHARLES E. GRASSLEY  
OCTOBER 31, 1984  
CLOSING STATEMENT

We would not be here today had the Justice Department either complied with our request or dealt with us in some good faith. Instead of discussions of Constitutional and legal merit, the subcommittee encountered the pressures of political interest and intimidation. It is unfortunate that the merits of the issue have not been argued and resolved. Absent legitimate challenges by the Department, the subcommittee has determined that its grounds for proceeding are irrefutable.

On October 5, the Subcommittee on Administrative Practice and Procedure voted to give its chairman the continuing authority to enforce its subpoena of Justice Department records related to the General Dynamics case, issued to Attorney General William French Smith.

Since that time the subcommittee has truly tested the bounds of cooperation with the Department to avoid using such authority. The record fully supports this contention. We have delayed twice. We have given the White House time to review the material for executive privilege. We have met with Justice Department officials. We have offered a compromise agreement for access based on precedence agreed to by this same Department of Justice. In short, we have exhausted all avenues available to avoid extraordinary methods of enforcement. By its recalcitrance, the Department has determined the course of events for us. It has tied the hands of the subcommittee. There is only one course of action left.

And also with much regret and with much genuine surprise that no accommodation was even offered by the Department of Justice, we have no choice but to find the Attorney General in contempt. With the authority issued to me by the subcommittee on October 5, the subcommittee hereby finds the Attorney General of the United States, William French Smith, in criminal contempt.

OPENING HEARING STATEMENT OF SENATOR CHARLES E. GRASSLEY  
WEDNESDAY, OCTOBER 31, 1984

Since the Judiciary Subcommittee on Administrative Practice and Procedure began seeking information from the Justice Department on August 9, it has been greeted with arrogance and resistance.

This reaction by Justice is typical. It has occurred in at least two other recent cases; those of the EPA and the Interior Department, both well documented cases.

This Subcommittee has asked for nothing but information -- information necessary to exercise our obligation of oversight. We have tried hard and diligently to avoid the embarrassment associated with extraordinary enforcement measures. The record will bear this out. We have engaged in discussions and shown a willingness to compromise. We have twice delayed enforcement in good faith. But now we have come to the end of our rope. Delay and discussions must give way to action.

The Subcommittee's initial inquiry into this matter stemmed from several events: First, the Justice Department's internal review of its Navy Shipbuilding claims investigations. That review was self critical of the management of the investigations and of the adequacy of the relevant criminal statutes. The Subcommittee has legitimate oversight of the Department of Justice and jurisdiction over the statutes involved. Second, allegations appearing in press accounts made by former General Dynamics official Takis Veliotis; and finally, the July hearings chaired by Senator Proxmire in which some allegations by Veliotis were corroborated through General Dynamics documents and a Joint Economic subcommittee staff review.

The Subcommittee's further interest in this matter is the pattern of lengthy Department of Justice investigations which have failed to produce indictments. These cases involve hundreds of millions of tax dollars.

Records of the Newport News case show sharp conflict between the attorneys closest to the investigation recommending indictments, and the attorneys in Main Justice who eventually decided to drop the investigation without indictment.

In the light of these facts, the Congress and the public have a right and a need to examine the practice and procedure of their Justice Department with regard to such cases. Reforms, such as those indicated by Justice in its own review, may very well be necessary. The Justice Department has failed to bring forth any of the records involving General Dynamics despite Subcommittee requests, pleadings, other good faith efforts, subpoenas and now the threat of contempt proceedings. The final attempt at compromise was made yesterday by this Subcommittee in offering an understanding for access to General Dynamics files. This access procedure is similar to agreements engaged in with Congress by this same Justice Department. Furthermore, it would meet all of Department of Justice concerns about the need for secrecy. Nonetheless, Justice has apparently declined to entertain any compromise.

The only rationale given the Subcommittee by Justice is one of policy. It is their policy to avoid disclosure of information from open investigatory files. But case history dispells this concern as valid in light of any legitimate request from Congress. Common sense also dispells this concern. The Congress routinely honors sensitive material in its day-to-day business. Any conjecture to the contrary on the part of Justice is both arbitrary and gratuitous.

The White House, by its own initiative, became involved in our request and persuaded the Subcommittee to postpone action on contempt. White House officials requested a two-week delay to review General Dynamics records for possible executive privilege.

That request for delay came on October 3. It is now four weeks later, and no legal privilege has been asserted by the White House.

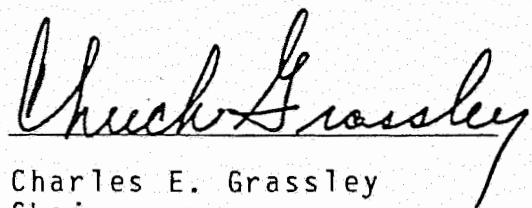
The record is clear and well-documented. It is a record weighted heavily in our favor. It is a case of Congress' legitimate Constitutional and legal obligations versus mere policy on the part of the Justice Department. I would at this point like to include for the record a complete chronology of activities and series of correspondence between our subcommittees, the Department of Justice and the White House. I would also like to include a memorandum from American Law Division of the Congressional Research Service.

RESOLUTION OF CONTEMPT

SUBCOMMITTEE ON ADMINISTRATIVE PRACTICE AND PROCEDURE

The Subcommittee on Administrative Practice and Procedure finds William French Smith, Attorney General of the United States, Department of Justice, in criminal contempt for failure to comply with the subpoena ordered by this subcommittee and dated October 5, 1984, such noncompliance being in violation of 2 U.S.C. 192. The facts of this failure will be reported by the Chairman of the Subcommittee at the appropriate time to the Committee on the Judiciary.

Dated:  
31 October 1984



Charles E. Grassley  
Chairman  
Subcommittee on Administrative  
Practice and Procedure  
Committee on the Judiciary