

KNOWLES

**PRESS BRIEFING**

with

FILE  
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**HON. ARTHUR SYLVESTER,  
Assistant Defense Secretary (Public Affairs)**

and

**HON. NORMAN S. PAUL,  
Assistant Defense Secretary (Manpower)**

and

**GRANDE C. BAUMBERMAN,  
Deputy Assistant Defense Secretary (Installations and Logistics)**

at the

**PENTAGON BUILDING,  
WASHINGTON, D. C.**

on

**FRIDAY, SEPTEMBER 25, 1964**

from

**1201 through 1223 Hours**

P R O C E E D I N G S

SECRETARY SYLVESTER: Gentlemen, you do have the release on the Defense directive on standards of conduct. I think you also have a copy of the new directive itself, the modified directive that is, and a copy of the memorandum signed by Mr. Vance, implementing it and forwarding it to the services for implementation of it, also to other DOD agencies.

We are fortunate to have with us this morning, Mr. Norman Paul who you know is Assistant Secretary of Defense, Manpower. And on his right, Mr. Gracme C. Bannerman. Mr. Bannerman is the Deputy Assistant Secretary of Defense, Installations & Logistics with particular responsibility toward procurement.

Mr. Paul, would you take over?

MR. PAUL: Well I think you had at least a chance to glance through these papers. I think it might be a little useful as background to remind you that our directive which we're now amending, came largely as a matter of an Executive Order, of May 5, 1961. The number was 10939. It was issued by President Kennedy and its purpose was to provide a guide to the standards of ethics for Government officials.

And among other things, that Order stated that it is incompatible with the discharge of governmental responsibilities for any official to accept gratuities of any sort which might result in or create the appearance of loss of complete independence or impartiality or have any adverse effect on public confidence in the integrity of the Government.

I believe you'll find that precise language in the Executive Order, although its not in quotes on the piece of paper in front of me. I think it's a direct quote from the order.

So we issued a Department of Defense Directive, 5500.7, on December 12, 1961, entitled Standards of Conduct and I don't think you have in the papers before you--this just occurred to me as I came in. I don't know that you have the language of the existing directive, which we're amending, which you probably ought to have if you're--

SECRETARY SYLVESTER: There's a complete paragraph here--

MR. PAUL: Oh, I'm sorry.

SECRETARY SYLVESTER: --In the news release we worked it in.

MR. PAUL: I'm sorry. Good. Good. It's there.

As you can see from that language, that allows the individual contained complete judgmental--the exercise of his complete personal judgment on whether or not any gratuity might affect or might reasonably be interpreted as affecting or give--as it says. It puts in the individual the entire responsibility.

Now we found over a period of time since the directive was issued and amended in '63 here, that there have been misunderstandings and misinterpretations of the meaning of this and we have felt that there was a need for further clarification on our part of just exactly what we mean in this area and we've attempted to draft this amendment in the clearest possible terms, recognizing that this is a bit of a squashy subject, and you have to allow some leeway. We have defined specific situations such as the shipyard christening and the other fairly-obvious occasions where you can't say that a reception given by a manufacturing concern on the occasion of the introduction of a new weapons system or a ship christening is really, in effect, a gratuity to the Government if they had a reception afterwards and served drinks or tea, cookies, or anything else. We attempted to define that kind of a situation.

But obviously there's a large area where you simply can't define and the individual really does have to make a judgment whether the acceptance of whatever it might be, a pair of cufflinks, a lunch, or anything at the expense of a defense contractor. And I emphasize that this is strictly the contractors themselves and Defense Department officials. It is not the industry associations which we again attempted to exclude by our definitions here. But where an individual finds himself in the position where he has accepted something of this sort, there is a requirement, and this is new, to report it. We feel that the reporting requirement will have a salutary effect on the individual's concern and will provide us with some measure of trying to find out--well, control the situation, or rather, keep it from getting out of hand. We are confident that the situation isn't going to get out of hand. I would like to say one last thing, and then Mr. Bannerman might have something to say or he can add, or any questions you have.

I want to emphasize this is not a--we're not slapping the wrists of Defense Department personnel or industrial contractors by this action. We're trying to clarify a situation which needs clarification. We have been working on this revised directive for, well, I've been working on it personally for a couple of months and it's probable that others have been working on it even longer than that. There is no specific instance which brought this thing about. This is simply a matter of cleaning up and clarifying where we think that is a good idea.

Jim, do you--

MR. BANNERMAN: No, I have nothing to add to that, Norm.

PRESS: Mr. Paul, on the--your reference to cufflinks and reporting. What-in a situation, for example, Admiral Rickover were given a tie-clasp from GD or Polaris submarine, would he have to report within 48 hours that he accepted this tie-clasp?

MR. PAUL: I would say yes. I would gather--I would guess that once this directive is issued and is well known to our people and to industry, there will be a lot fewer tie-clasps given.

PRESS: In the--Mr. Paul, in the second--first and second paragraphs of the--on page 2 of the press release, the term "interest of the Government" is used twice there in connection with various functions. My question may be a little argumentative, but I'll ask it anyway.

(Laughter)

Is that really a proper phrase--does--is a person attending a ship-launching really in any way carry out the interests of the Government?

MR. PAUL: No, I don't think so. I think that the Secretary of the Navy and goes up to--in person in a Polaris submarine or his wife goes up and he accompanies her and participates in the ceremony, I think this is an important occasion to the Navy. There is another nuclear submarine going down the ways; it's an important public occasion; it should get a lot of visibilities, very much in the Navy's interest and thereby the Government's interest, to receive such publicity.

MR. BANNERMAN: I think that this is a perfectly valid question. There are, however, certain historic and ceremonial circumstances that have been conducted for 100 years and I rather doubt if you could or should break those up this way. I think, however, that it doesn't follow and the directive makes it very clear that any party given by any contractor under any circumstances falls in that category, and I think a large number of those that may have been given in the past will not be given in the future.

PRESS: Mr. Paul, you say that there's been no specific instance that brought this on?

MR. PAUL: That's right.

PRESS: Now it seems to me that the Pentagon has a lot to do and if nothing serious brought this on, no specific incident, all you had was a problem of misinterpretation which presumably could be clarified a discussion between two intelligent people, why did you work so hard at this?

MR. PAUL: Well, there were no specific instances--I stand by that statement. But there has been an accumulation of examples that have come to our attention through one means or other. Mr. Bannerman is--would hear much more of this than I would because he's (inaudible) side of the house. Where this appears to be coming more and more widespread practices, the luncheons, the free lunch business; it seems that the thing is becoming a little too loose, I would say.

MR. BANNERMAN: Well, as you go through routine administration of a department, you're constantly running into reports of one kind or another. It is normal and always is routine. And we find, as we dig into a few of these cases that have come up, no one of which is particularly significant or important, that the guidance which we had which said, simply said, where, in effect, where in your opinion is not going to effect your judgment, would be interpreted by 10 different people in 10 different ways and it seemed desirable to try to make some fairly clear-cut guidance in this field. Now, this kind of a thing, this kind of tightening up a regulation is the sort of thing that goes on at all times. There is nothing new about it; we didn't feel we ought to hold it up, we ought to release it.

PRESS: Well, what I'm interested in is just what kind of things repeated themselves so frequently that you became disturbed by it?

MR. BANNERMAN: Well, it's not a question of being disturbed; it's a question of finding individual instances where you would have differences of opinion as to what the regulation--

PRESS: Well, how many times did this happen, sir? Did this happen 10 times in a year or five times or 100 times? What people did it affect? Was it the same 2 or 3 or was it 100 people that it affected?

MR. BANNERMAN: I can't answer that. I don't know the answer to that.

PRESS: Well, you see, this is mighty interesting because you're suggesting that it's not particularly important in the sense that any real damage was done but it's terribly important that you spent so much time on it. That's a little confusing for us to try to explain to somebody why you're tightening a regulation that you suggest perhaps didn't need as much tightening as--

MR. BANNERMAN: I think it's important that we tighten--that we clarify a regulation which in even one instance is interpreted in a way that those who are responsible for the regulation would not have interpreted it.

PRESS: Could a former colleague now working for a defense firm invite somebody in this building to lunch?

MR. BANNERMAN: I don't think there's any question about that if it's a person on a personal basis, but not on a contractor-to-Government-employee basis.

PRESS: Well, that's the point. You've already introduced an element here that perhaps could be interpreted differently.

MR. BANNERMAN: No--

PRESS: (continuing) A great number of people who used to be in the Defense Department now working for Defense firms who could call their former colleagues on a personal basis.

MR. BANNERMAN: Well, there's no indication here that the regulation is designed to prevent the entertainment of Government employees by contractors or would-be contractors--

PRESS: I understand that. What I'm driving at is whether in the past year, the situation has been so serious that you had to redefine it. And I can't figure out whether it has been or hasn't. I know what's it's intended to do.

MR. BANNERMAN: I don't think in the past year the situation has been any more serious than it was before. The regulation in its present form has been in it for, oh, several years, and in the course of administering it, we have found differences in interpretation.

PRESS: Could you give us some idea where the differences occurred. Did it occur in inviting a man to lunch; did it occur in giving a man a tie clasp; did it occur in some other form?

PRESS: What about the hospitality--

MR. BANNERMAN: Luncheons and dinners are certainly part of it; hospitality suites are--

PRESS: All right, the hospitality suites; you're trying to drive these hospitality suite practices out--

VOICE: That's correct.

PRESS: Is this correct? Well, that's a specific thing--

VOICE: It's prohibited and--

PRESS: You're trying to eliminate the practice of people in the Defense Department going to the hospitality suites that follow many of these official functions, is that right?

VOICE: That's one way; that's correct.

PRESS: That's one thing. Now, could you give us some other specific examples?

MR. BANNERMAN: Well, the other examples are, accept the invitations for lunches, dinners, or other entertainment as guests of Contractors.

PRESS: Well, here's where we get into a problem I'd like to get clarified, because if I can't I won't be able to report properly. There are many people in this building who go into defense firms, civilians as well as people in uniform.

VOICE: Uh-huh.

PRESS: (continuing) And after they obey the law with respect to their participation in such plans as we've understood it over the years, they come back and they do business with this place. And then they invite their former colleagues, with whom they have served for some 10 to 20 years, to lunch, to have a drink, to their homes. Now what provisions have you made for distinguishing, since there seems to be a misinterpretation of what was presumed at the time to be clear language, what provision have you made for distinguishing now between personal exchanges of that kind and a contractor relationship?

MR. BANNERMAN: Well, I think it's pretty clear if the relationship you describe is a contractor relationship, I suppose one test would be if its an expense account item for the man conducting it.

PRESS: Well, would the individual have to ask the host?

MR. BANNERMAN: I would think if he had any doubt whatsoever about it he better find out.

PRESS: Suppose he had no doubt; that's really the problem.

MR. BANNERMAN: You mean if he had no doubt and there was no expense account.

PRESS: General Bradley used to be Chairman of the Joint Chiefs of Staff and is now associated with the Bulova Watch Company, which I assume does some business in the national security field.

VOICE: I have lunch with General Bradley often myself. He's a good friend of mine and--

PRESS: Good. Now under that circumstances--

VOICE: --and we pay for our own lunch.

PRESS: Okay, that's a good example.

VOICE: That's a good safe answer too.

(Laughter)

VOICE: The occasion hasn't come but it has come with other friends of mine that I'm invited out to their home for dinner, why I never think about it. I know they're people of integrity, they won't charge me to their expense account.

PRESS: That's a very good answer now. In other words, anybody who is ever subject to a question of interpretation here could always say to you, "Why I didn't think about it, I know they are people of integrity and would never occur to me."

VOICE: Right.

PRESS: That all right? That would be a good answer.

MR. BANNERMAN: It seems to me that you've got to distinguish; I would hope that we can distinguish between a situation where you have a continuing personal friendship and a situation where there's a corporate relationship. I have good friends and I am sure many people in the Department do who have left the Department. I have them in my house occasionally for dinner and I would assume there would be no question whatsoever about this being a corporate matter.

PRESS: Only good friends could indulge in this thing with (inaudible).

MR. BANNERMAN: Well, I think the real test is going to become a corporate expense.

PRESS: If a guy gets a big enough salary that he doesn't have to make it a corporate expense, well, that's all right.

MR. BANNERMAN: (completely inaudible)

PRESS: Well, the only point here--I don't want to be too picky on this--the only point here is that you suggested here that it would be serious enough we don't worry about it, and spend so much time on it, and I'm having a helluva time trying to find out what it is that worried you.

MR. BANNERMAN: I think you found out what worries us--

PRESS: The hospitality suites--

MR. BANNERMAN: --the lunches at restaurants in this town, you'll find there are quite a few people in these restaurants having lunches with Defense contractors' personnel. This practice will be abruptly curtailed, I hope. I'm not saying this guy is guilty of anything whatsoever, but this practice is just one we don't think is right.

PRESS: Who will monitor this, Mr. Horwitz' office?

MR. BANNERMAN: Well the reports--I think they'll go down to the individual--

MR. PAUL: The reports will go to the designee of the Secretary of each military department with respect to the people of the military department. So (inaudible) the Secretary of Defense with respect to the people who are not in a military department.

PRESS: This means he has to prepare a list now for each Department and say who gets the reports?

VOICE: They'll be one report. Well there can be as many as the Secretary wants to--

PRESS: Well, what I mean is there a--is it known who the designees is?

MR. BANNERMAN: No. No. There are 60 days for this one to be made out--

PRESS: For 60 days one man in each Department will be designated--

MR. BANNERMAN: One of them--one of them will be designated by the Secretary.

PRESS: --to see these reports.

VOICE: I'd rather see it would be more, give more widespread--

PRESS: Now on the hospitality suite, does it--as I read this thing--and let's just say Air Force or Army Association or Navy League or Marine Corps, all four associations, do they at the present time, it's a practice for individual firms to have some hospitality suites. Attendance by a DOD member at one of these is now forbidden? Unless he reports it.

VOICE: No--no it's forbidden. That is, if you'll read the paragraph 1 on the second page of the press release.

PRESS: Okay now, my question is, suppose all the companies threw into a single pot a sum of money and the association has one grand hospitality suite and running a whole week or two days or one day, that's legal isn't it?

VOICE: That's correct.

I rather doubt if it will happen but it's correct.

PRESS: Suppose a guy managed to (inaudible) to hit about 10 or 15 hospitality--

(Laughter)

SECRETARY SYLVESTER: Jim, might I ask a question now. In this directive are magazines, newspapers, wire services, considered contractors, are they going to effect my luncheon schedule a good deal.

(Laughter)

SECRETARY SYLVESTER: Are they contractors?

MR. PAUL: I don't know. I don't know. Are they?

PRESS: You buy papers.

SECRETARY SYLVESTER: Jack, I can't go to lunch with you anymore. It's a fact. Well, the hell with that.

(Laughter)

PRESS: You can pay for both of us, it's all right.

PRESS: Is that last on the record.

(Laughter)

SECRETARY SYLVESTER: If you'll ask me to lunch today, yes. But I can say no, I can't accept.

I think that's all. Any more questions?

PRESS: If a member of the Defense Department is invited to lunch by a member of--by a contractor--he pays his own tab, that's considered all right?

VOICE: That's correct.

PRESS: Yeah.

PRESS: Will the Defense Department remunerate a guy who goes to lunch with a contractor in the interest of the government business?

VOICE: I don't know what the regulations are.

The answer generally is no, we don't buy lunches for our own employees.

PRESS: Huh?

MR. BANNERMAN: We do not buy lunches for our own employees. There are certain occasions when the Defense Department can remunerate for a specific party authorized by the Secretary, I guess, in advance. This is done occasionally. One situation which occurred to me is for (inaudible) government spending.

VOICE: Yeah, that's the only one that occurs to me, but I'm not--

MR. BANNERMAN: The same might be done as for a group from industry, such as the Defense Industry Advisory Council.

PRESS: Are you planning to suggest to (inaudible) association, individual contractor firms, that it would be desirable that they stop giving out tie clasps or souvenir plates to wives as sponsorships and that sort of thing?

MR. PAUL: We are planning to bring this, informally they already have, to bring this to the attention of many contractors (inaudible) principal contractors, and associations.

PRESS: I think it's important to say (inaudible) this has been discussed as you say with the Defense Advisory Industrial Council of the last meeting and you've discussed it with the--some of the leaders of the associations?

MR. PAUL: That's correct.

SECRETARY SYLVESTER: Thank you very much, gentlemen.

PRESS: Have you got anything for us, Art?

SECRETARY SYLVESTER: No not unless-I haven't anything to offer other than--

PRESS: You don't need a tie clasp, do you--

(Laughter)

SECRETARY SYLVESTER: It is a matter of fact in the last four years a number of public relations gentlemen representing the biggest contractors have come to me and said anything you can do to reduce this sort of thing, would be very helpful, so I don't think there will be any unfavorable reaction from industry on it. I think they'll rather like it.

I haven't got anything else, gentlemen.

PRESS: No Tonkin Gulf ship names or anything like that?

SECRETARY SYLVESTER: No, I'm still hopeful on that.

PRESS: You'll have the next reconnaissance outfit in their before you identify this one. Are they in there yet?

SECRETARY SYLVESTER: The next one?

PRESS: The new patrol?

SECRETARY SYLVESTER: We don't announce patrols anyway.

PRESS: Have they left? (Inaudible)

PRESS: Thanks very much.

(Whereupon, at 1223 hours, the press briefing was concluded.)