

MEMORANDUM

TO Mr. H. J. Borgen	SUBJECT EXXON NEW ORLEANS & EXXON HOUSTON at Newport News	
FROM Rod Derby	DATE June 13, 1977	FILE NO

On June 2nd and 3rd I visited Newport News Shipyard in connection with the EXXON NEW ORLEANS' and the EXXON HOUSTON's repair period and West Coast modifications. While at the yard, I made spot verifications of stores material and direct purchase material charges to the EXXON NEW ORLEANS.

Newport News credits general overhead for trade discounts received on stores material items. Exxon does not receive the pass through of this discount. While at the shipyard, I was referred to a letter to Mr. J. C. Sarne of Exxon Company, U.S.A. from Mr. Guy Via of Newport News Shipbuilding dated January 26, 1973. In essence, the letter stated that since stores materials are valued on an average cost basis which is almost always lower than market price, Exxon was not being "overcharged" for the non-pass through of trade discounts. Except for this difference of interpretation of the contract and based on my spot checks of stores material and direct purchases, material charges for the EXXON NEW ORLEANS appear correct.

Labor verification was explained to the crew of the EXXON HOUSTON and questions were answered. Labor verification is currently ongoing aboard the EXXON HOUSTON.

Due to the size and the orientation toward new construction of Newport News Shipyard, verification of labor and material charges is more cumbersome and time consuming than other smaller repair yards which Exxon regularly uses.

R.W.D.

RWD:fbh

cc: Mr. C. D. Edelen
Mr. R. E. Gordon
Mr. R. C. Schauer