

on renegotiation, I think then he wouldn't be renegotiated as substantially.

Representative CURTIS. You would be renegotiated. Maybe that is sort of a saving grace that was put in and I think probably legitimately to protect someone. But it doesn't deter the Renegotiation Board from making a determination of what they think is reasonable profit. One of the big arguments I have had with them over the years was with the airframe companies. They said, "well, we should only give them x-percent return because so much of the equipment furnished and capital is Government equipment and Government capital." And I then ask, "why is it that the percent of Government capital in the airframe industry hasn't been reduced over a period of say, 10 years?" And they answer, "well, you can't expect people to put their money into such a risky business." Then I go back to the original point, "well, maybe you aren't giving enough return for people to risk it."

GOVERNMENT FURNISHED EQUIPMENT

Well, whatever it is, I am just bringing that out to demonstrate that they do go into specific contracts in order to get results.

One of the big items that they are constantly looking at—they say they are—is how much capital has been provided by Government in machinery or whatever, and how much has been provided by the contractor himself. So they are very much in the area of our discussion here.

Mr. WEITZEL. They may have some difficulty. I believe the report that we are working on on Government property in contractors' plants will point out that special purpose tooling isn't even included in the accountability by contractors. We think it should be.

Representative CURTIS. Yes.

Mr. WEITZEL. That is the basis of it. It could obviously be used as you were pointing out for the particular purpose for which it was put into the plant.

Then another thing, a contractor's complement, you might say, of Government furnished tooling could be maintained and even increased in value by the replacement of existing Government-owned equipment though they have an ultimate policy, supposedly, of reducing the Government-owned equipment in the plant.

Representative CURTIS. Mr. Comptroller General, you have been very kind to suggest that you would look into some of this. I wonder if you would look somewhat fully into how the renegotiation process fits into what we are talking about here. And also whether or not that might be a tool to be of some assistance.

Mr. STAATS. I think the question is a very relevant one and we would be glad to.

Representative CURTIS. Yes.

USE OF SALES RECEIPTS "BACKDOOR SPENDING"

Now I have another line of questions that relates to your reports on the cost of sales of surplus properties and distribution of proceeds, and on various methods of financing agency programs.