(The article referred to begins on p. 347.)

Representative GONZALEZ. You may have noticed that the examples of defense overcharging as listed in my attached bibliography were disclosed by persons interested in procurement practices. They are important to me because they confirm my conviction that if profiteering did not exist in this war, it would be the first time in our history. But I have not brought here similar, current examples from the renegotiation process. This is due to the nature of the Renegotiation Act itself. The Board does not deal in current contract awards. It does not review contracts until several years after they are negotiated. And the renegotiation process is not constituted on a contract-by-contract basis, but lumps all renegotiable business of one firm together.

Another reason the Renegotiation Board does not make news is because the records submitted to them are held in strict confidence. This is because the records required by the Board are based on a contractor's income tax records, and are covered by the same nondisclosure laws as income tax returns. Not unless a contractor appeals an excessive profits determination to the Tax Court do the details of his case become public. And since more than 90 percent of the Board's determinations of excessive profits are agreed to by the contractor, few cases are disclosed. Those cases that do reach the Tax Court are older still.

I realize my presentation so far has not been a model of orderliness. I hope I can be excused for my interest in demonstrating that my facts on the Renegotiation Board and my charges of war profiteering were based on all the evidence I could locate. I know that the Renegotiation Board is not the first order of interest of this subcommittee, and I appreciate your patience. This is not the place to go into the whys and wherefores of my bill to strengthen the Board, although I would like to repeat that it would bring at least $6 billion more renegotiable business under the Board's scrutiny, and cover about 7,600 more defense Government contractors. However, I believe it would be of some value to this subcommittee if I briefly compared my understanding of the renegotiation process with the truth-in-negotiations procedures.

I firmly believe there is no substitute for sound, tight procurement practices in the Government. I heartily endorse the investigations by this subcommittee into defense contracts. But I suggest that there is another way to help halt war profiteering than by fully implementing the Truth-In-Negotiations Act. I wish to suggest here that the statutory renegotiation process, developed during World War II and practiced by the Renegotiation Board, is an essential complement to the audit process of truth-in-negotiations.

I am also in agreement with the opinion advanced by Adm. Hyman Rickover this year during the House appropriations hearings on DOD that "the Government cannot rely on the Renegotiation Board to insure fair prices for defense equipment. The Board is not adequate for this purpose."

"First of all," Admiral Rickover said, "under renegotiation profits are averaged over all defense work so that high profits on individual contracts tend to have only slight effect on overall profit levels." This is correct, but I will argue later that there are advantages in this overall view.