

Board as long as the contractor of his contracts do not escape under one of the numerous exemptions to renegotiation.

Thirdly, the Renegotiation Board has the advantage of taking a much broader view. It has jurisdiction over all contracts of subcontractors as well as prime contractors. A contractor is subject to renegotiation if he was awarded a total of \$1 million of nonexempt business within a single fiscal year with either DOD, NASA, AEC, FAA, GSA, or the Maritime Administration.

The Board customarily looks at contracts several years after they are negotiated. It looks at the finished contract or at least the first year's experience with the contract. From this vantage point, the cost estimates as originally negotiated assume a different complexion. This is important when the Government has contracted for such innovative hardware as an Apollo booster or a new weapons system. Where new ground is being broken, cost estimates cannot be precise, and honest mistakes can occur. The Renegotiation Board is in a position in this respect to correct mistaken cost and profit estimates from the procurement process.

This broad view is advantageous in other situations. Take the hypothetical case of a company with an Air Force contract against which it must charge a certain amount of overhead. But further suppose that later in the same year this company gets a Navy contract that would rightfully relieve the Air Force of some degree of overhead costs. The Renegotiation Board can take this into account.

This overall view taken by the Board is also favorable to the contractor. A contractor is allowed to have a loss or a negligible profit on one contract balanced against profits on another contract that might otherwise be considered excessive. Further, the contractor gets a 5-year carry forward on his losses for renegotiation purposes.

The contractor also benefits from the flexible criteria of the Renegotiation Act. The Board must give due weight to a contractor's efficiency, to the character of his business, to the extent of risk assumed (i.e., whether the contract is fixed fee or cost plus, etc.), to his contribution to the defense effort, to his capital employed, and to the reasonableness of costs and profits. On this latter point, the Board allows costs and profits on the basis of the tax code definitions, which are more liberal to a businessman than costs as allowed by the procurement regulations.

Undoubtedly there are legitimate gripes from businessmen on some aspects of the Renegotiation Act or the Board's activities. But the basic act has always been so well-balanced that I cannot conceive of any reputable firm complaining that renegotiation is onerous or repugnant.

To summarize, the renegotiation has a threefold value as I see it (1) It strengthens the procurement process. I can imagine an alert procurement officer saying to a contractor's representative, "Don't get cagey; you know the Renegotiation Board will look at these costs on this contract we want to award you. Let's have some realistic cost estimates." (2) The Board's very presence is responsible for a large amount of voluntary profit refunds and generally acts as a restraint upon profiteering. Only finally (3) do I point to the actual determinations and recoveries of excess profits by the Renegotiation Board.

I am very grateful for your kind attention. Thank you.

(The attachment referred to by Representative Gonzalez follows:)