

WHAT WAR PROFITEERING?—I'M GLAD YOU ASKED

1. *Excessive Profits by Colt's*

"A 10-percent profit rate was negotiated on all production contracts. The records and information made available by Colt's indicate that profits before taxes were 19.6 percent for calendar year 1965; 16.8 percent for calendar year 1966; and 13.4 percent for the first 4 months of 1967, for an average of 16.8."

Quotation from the Report of the Special Subcommittee on the M-16 rifle program of the Committee on Armed Services, October 19, 1967, p. 5342.

2. *Ten Examples of Excess Profits from "Private Letters" from GAO to DOD*

Senator Stephen Young picked ten examples from the "private letters" of the General Accounting Office calling the attention of the Defense Department to excessive profits and profiteering on defense contracts. Sen. Young gave details and the amounts of the excess profits alleged by GAO, but withheld the company names. The cases include "a giant Ohio corporation that has a record for veracity in its dealings with the Government that leaves much to be desired"—\$143,681, "a Minnesota corporation, also a frequent violator"—\$1.5 million, "one of the largest aircraft manufacturers"—\$1.6 million, "a leading radar manufacturer"—nearly a half million dollars, "a Texas corporation"—\$921,000, "a missile manufacturer"—\$150,000, "an electronics company"—\$108,000, "an Ohio missile supplier"—\$134,000, "yet another aircraft manufacturer"—\$435,000, "another well-known New York company." These are from Senator Young's remarks in the July 21, 1967 *Congressional Record*, pages S9937 to S9939.

3. *More "Private Letters from GAO on DOD being Overcharged*

Rep. Charles Whalen (R., Ohio) has also reported on several of the "private letters" from GAO to DOD. Randomly selecting from these letters, Rep. Whalen pointed to Company A which overstated its proposed costs for electrical equipment by more than \$50,000. Company B won a contract for reconnaissance equipment for a price about \$16,400 higher than it should have been. Company C was awarded an aircraft procurement contract at a level, GAO concluded, "about \$17,500 higher than indicated by information available at the time of negotiation." Company D estimated its costs for a new weapon \$700,000 higher than the situation warranted, with an overstatement of the company's fee of \$88,000. Company E, providing a navigation system, made two errors resulting in an overcharge of more than \$250,000, and another error of \$55,000 in overcharge. Company F should have used data on its aircraft accessory contract which would have reduced the cost by \$52,900. Company G overcharged for construction and operation of a storage facility, based on cost figures 42% more than the only available estimate. Rep. Whalen detailed these cases in the *Congressional Record* of August 23, 1967, pages H11049 to 11051.

4. *Excessive Profits Made by Litton Industries, Inc. on the LN-3 Navigational System of the F-104 Fighter*

"I believe that Litton has made very substantial excess profits on this system. . . . Yesterday the General Accounting Office advised me that Litton had declined to provide them with certain essential data as to their profits on these multi-million dollar procurements."

Congressional Record insert by Congressman Otis G. Pike (D-NY), September 27, 1967, H12554.

5. *Overcharges Incident to Negotiated Contract Awards*

"(1) Despite the clearly expressed intention of the Congress, and the continual urgings of this subcommittee, it is clear that insufficient use has been made of competitive bidding, particularly in our military procurement.

(2) Moreover, the overcharges to the Government incident to excessive reliance on negotiated contract awards have been accentuated by the serious lack of compliance with the so-called Truth-in-Negotiation Act. The Comptroller General of the United States had made repeated reports on the insufficient enforcement of the provisions of this act."

From the Report entitled *Economy in Government* of the Subcommittee on Economy in Government of the Joint Economic Committee, "Procurement Policies," July 1967, p. 1.

6. *Overpriced Cleveland Pneumatic Tool Co. Contracts*

"In three contracts (1963 & 1964) with the Cleveland Pneumatic Tool Co., totaling nearly \$2 million, the Army allegedly was charged \$239,000 more than