

administrative action, which we felt could have been done even in 1966.

There was that aspect and also the rather strong feeling in the Defense Department that to have performance costs audited under a fixed-price contract would be, in effect, invalidating the integrity of the contract. In other words, they were trying to get the contractors to assume more risks of performance and the top people in the Defense Department, whose influence had prevailed up until recently, felt that this effort would be affected by going into a contract after it was made and, in effect, second-guessing the contractor on his costs.

This wasn't our objective at all. Our reason for suggesting access by Defense auditors to performance records was so that it could be determined whether fair prices had been gotten by the Government in the negotiation of the contract, not to affect the contractor's profit if he was able to adopt more efficient procedures or if he was able to go out and get the material more cheaply than he had originally estimated.

This is the tack that has been adopted by the Deputy Secretary of Defense in the new directive, that the performance records will be opened to the DSA auditors for the purpose of comparing the prices that were actually paid with those that were offered to the Government at the time of negotiation, to see whether the contractor had information, such as a lower subbid, for example, that he should have disclosed to the Government but did not.

Mr. STAATS. There is no question in our mind, as Mr. Weitzel is saying, that better pricing information is essential to any negotiated contract situation.

Chairman PROXMIRE. How much money has been involved since 1947? Do you have any estimate of what the procurement has been? It is billions and billions and billions of dollars.

Mr. STAATS. It is in the hundreds of billions of dollars.

Chairman PROXMIRE. And without this kind of information there is no question that the Government, in my view, has lost billions of dollars. We have spent billions of dollars we shouldn't have spent. We wasted it. We will continue to waste it unless we have the assurance, it seems to me, by law, that this information is being provided to Defense procurement officials.

NEW REGULATIONS RESULT OF GAO AND COMMITTEE ACTION

Mr. STAATS. The Truth in Negotiations law, in our opinion, is very fundamental to the situation where we have so much of our procurement done through negotiated contracts. I think it is a sound law, and I think it is also a fair conclusion, Mr. Chairman, that without our report and without the attention this matter has had in this committee and in the Congress, that these new regulations probably would not have been issued.

I believe the Defense Department is now of the view that these further steps are required. I don't know of any basic quarrel in the industry, itself.

Chairman PROXMIRE. As an arm of Congress, I do hope you will reconsider what seems to me to be a much too mild no "objection" position here. I think we have the same objective. We know this is certainly in the interest of the taxpayer.