

# CONTENTS

Statement of:

|                                                                                                                                                                                                                                                                                                                                                                                                       |    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Price Daniel, Director, Office of Emergency Planning, accompanied by<br>Endicott Peabody, Assistant Director; M. M. Merker, General Coun-<br>sel; William N. Lawrence, Chief, Materials Policy Division; W. C.<br>Truppner, Director, National Resource Analysis Center; and A. A.<br>Bertsch, Assistant Administrator, Industrial Mobilization, Business<br>and Defense Services Administration..... | 23 |
| H. G. Rickover, vice admiral, U.S. Navy, accompanied by M. C. Greer..                                                                                                                                                                                                                                                                                                                                 | 60 |
| Basis for testimony.....                                                                                                                                                                                                                                                                                                                                                                              | 61 |
| Reason for interest in contracting.....                                                                                                                                                                                                                                                                                                                                                               | 62 |
| Congress must take the lead in correcting contracting deficiencies..                                                                                                                                                                                                                                                                                                                                  | 62 |
| Summary of naval nuclear program.....                                                                                                                                                                                                                                                                                                                                                                 | 63 |
| Difficulty in obtaining defense equipment.....                                                                                                                                                                                                                                                                                                                                                        | 63 |
| Industry preference for commercial work.....                                                                                                                                                                                                                                                                                                                                                          | 64 |
| Lack of competition in procuring complex military equipment....                                                                                                                                                                                                                                                                                                                                       | 65 |
| Higher prices on military equipment.....                                                                                                                                                                                                                                                                                                                                                              | 65 |
| Limited competition in turbine industry.....                                                                                                                                                                                                                                                                                                                                                          | 66 |
| Advantages enjoyed by large firms over small firms.....                                                                                                                                                                                                                                                                                                                                               | 66 |
| Large corporations threaten to bring about a new economic order..                                                                                                                                                                                                                                                                                                                                     | 67 |
| Industry obligations in national defense.....                                                                                                                                                                                                                                                                                                                                                         | 68 |
| Executive branch must enforce laws.....                                                                                                                                                                                                                                                                                                                                                               | 68 |
| Former industry people retain industry viewpoint.....                                                                                                                                                                                                                                                                                                                                                 | 70 |
| Industry should make a proper profit.....                                                                                                                                                                                                                                                                                                                                                             | 70 |
| Government specification requirements.....                                                                                                                                                                                                                                                                                                                                                            | 72 |
| High profits on defense contracts.....                                                                                                                                                                                                                                                                                                                                                                | 72 |
| Defense Department claims low profits on defense contracts.....                                                                                                                                                                                                                                                                                                                                       | 73 |
| General Accounting Office confirms 25-percent increase in profit..                                                                                                                                                                                                                                                                                                                                    | 74 |
| DOD profit study.....                                                                                                                                                                                                                                                                                                                                                                                 | 75 |
| Differences between reported and actual profit.....                                                                                                                                                                                                                                                                                                                                                   | 76 |
| Defense work more profitable than commercial.....                                                                                                                                                                                                                                                                                                                                                     | 76 |
| Profits of five major defense contractors.....                                                                                                                                                                                                                                                                                                                                                        | 77 |
| Profits hidden as cost.....                                                                                                                                                                                                                                                                                                                                                                           | 77 |
| Need for uniform standards of accounting.....                                                                                                                                                                                                                                                                                                                                                         | 79 |
| Illustration of need for uniform accounting standards.....                                                                                                                                                                                                                                                                                                                                            | 80 |
| Congress should require uniform standard of accounting in the<br>Defense Production Act.....                                                                                                                                                                                                                                                                                                          | 83 |
| Truth in Negotiations Act does not prevent overpricing.....                                                                                                                                                                                                                                                                                                                                           | 84 |
| Requirements for cost data are waived.....                                                                                                                                                                                                                                                                                                                                                            | 85 |
| Renegotiation Act does not prevent overpricing.....                                                                                                                                                                                                                                                                                                                                                   | 85 |
| Need to strengthen the Renegotiation Act.....                                                                                                                                                                                                                                                                                                                                                         | 87 |
| Recommendation for additional changes to the Renegotiation<br>Act.....                                                                                                                                                                                                                                                                                                                                | 87 |
| Administration of Defense Production Act.....                                                                                                                                                                                                                                                                                                                                                         | 88 |
| Department of Commerce unwilling to use authority of Defense<br>Production Act.....                                                                                                                                                                                                                                                                                                                   | 88 |
| Department of Commerce official testifies "no problems".....                                                                                                                                                                                                                                                                                                                                          | 89 |
| Company refused to accept order.....                                                                                                                                                                                                                                                                                                                                                                  | 89 |
| Department of Commerce refusal to issue directive under Defense<br>Production Act.....                                                                                                                                                                                                                                                                                                                | 94 |
| Department of Commerce official testifies defense production is<br>"on schedule".....                                                                                                                                                                                                                                                                                                                 | 94 |
| Navy forced to accept reduced rights in contract.....                                                                                                                                                                                                                                                                                                                                                 | 96 |
| Department of Commerce expediting assistance is of no help....                                                                                                                                                                                                                                                                                                                                        | 96 |
| Department of Commerce directed delivery later than supplier<br>promised.....                                                                                                                                                                                                                                                                                                                         | 97 |