

facture of commercial equipment as for military equipment and may make more profit on it.

In the nuclear area, the military also faces competition from the rapidly expanding market for nuclear plants for the civilian electric utility industry. It may interest you to know that more than half the civilian electric utility central station plants presently being ordered in the United States are nuclear instead of conventional plants. In the past 2 years, civilian electrical utility orders for nuclear reactors have far surpassed orders for military reactors. The number of reactors ordered for the Navy was 15 in 1961 and three in 1967. The number of reactors ordered for civilian electric utilities in 1961 was zero and was 30 in 1967.

I have a table showing the number of power reactors ordered for each year 1961 through 1967:

NUMBER OF POWER REACTORS ORDERED

Year	1961	1962	1963	1964	1965	1966	1967
Naval.....	15	14	12	7	6	9	3
Civilian.....	0	2	4	0	7	21	30

And a civilian central station reactor is many times the size of an average naval reactor.

LACK OF COMPETITION IN PROCURING COMPLEX MILITARY EQUIPMENT

There is no real price competition for most military equipment. There is sometimes competition "to get in"; that is, to get the initial award of a particular item. However, there is usually little or no competition in the pricing of individual contracts, and the Government must negotiate with a supplier to establish prices. Further, the Government usually has insufficient funds to maintain more than one or two suppliers for a particular component. Therefore, the Government is dependent upon the one or two sources it has established; it cannot simply go elsewhere if a supplier decides to commit his facilities to other work.

In 1967, over 85 percent of military procurement was awarded under negotiated contracts; advertised contracts amounted to less than 15 percent. These negotiated contracts require that the Government obtain considerable cost information from the supplier, since he is the only one who can provide details concerning his costs to design and manufacture the equipment.

Thus, the Government has become very much dependent upon industry for its defense needs: for the design of the equipment; for production; for data needed in pricing its contracts. Yet the Government has not taken adequate steps to protect itself in this type of procurement, nor to accomplish its work efficiently. The Government is trying to handle 1968 procurement with 1950 rules.

The preamble to the Defense Production Act reads as follows:

An Act to establish a system of priorities and allocations for materials and facilities, authorize the requisitioning thereof, provide financial assistance for expansion of productive capacity and supply, provide for price and wage stabilization, provide for the settlement of labor disputes, strengthen controls over credit, and by these measures facilitate the production of goods and services necessary for the national security, and for other purposes.