

However, implementation of the act has been directed mainly toward production alone; it pays little attention to pricing. In my mind you cannot separate pricing and production in today's procurement of complex equipment.

Let me first take up pricing of contracts.

HIGHER PRICES ON MILITARY EQUIPMENT

Because of the intense competition for available industry capacity, the military is experiencing large increases in prices. This increase shows up as:

Higher profits on defense contracts; on the average 25 percent higher in 1964-67 than in 1959-63.

Higher costs on defense work, due in part to escalation in labor and material costs; in part to suppliers' ability to charge "costs" to defense work. Take an example of propulsion turbines and gears for an aircraft carrier. About 6 years ago the price of this equipment was about \$5.5 million. Today the price for essentially the same equipment is about \$10 million.

Mr. BARRETT. First, in the event time runs out on us, would you be kind enough later on to discuss with individual members any questions they may wish to ask?

Admiral RICKOVER. Yes, sir. I will be glad to.

LIMITED COMPETITION IN TURBINE INDUSTRY

Mr. BARRETT. Admiral, one of the first questions I would like to ask is whether General Electric and Westinghouse are the only two large companies that negotiate contracts for designing and building these turbines?

Is there any other company you know of capable to qualify in bidding or negotiating bids comparable to these two firms?

Admiral RICKOVER. I assume, sir, you are referring to large equipment such as central station equipment, large propulsion units?

Mr. BARRETT. I am referring to the turbines and generators, and so forth, of the type you require.

Admiral RICKOVER. No, sir; there are none for large units. Until a few years ago there was a third company, Allis-Chalmers, but it went out of this type of heavy equipment business. General Electric and Westinghouse between them, I believe, took about 95 percent or so of the business at that time. There are some other companies that do minor amounts of work in this field, but essentially the United States is dependent, domestically, on General Electric and Westinghouse for such large equipments.

Mr. MIZE. Would the gentleman yield for a question?

Mr. BARRETT. Yes.

Mr. MIZE. Isn't it true that North American-Rockwell is considering getting into this field?

Admiral RICKOVER. I do not know, sir. But I can assure you that anyone who is considering entering this field will require a number of years to establish the necessary technical competence. One must have highly trained people—engineers and scientists. So I believe that, say for the next decade—one cannot in this age prophesy for more than 10 years—there will be no domestic companies other than General Electric and Westinghouse to serve this need. Two of our large electric