

The Department of Defense's own data from its profit review system also indicates that contractors generally do realize the profit included in negotiated contracts.

Mr. BARRETT. I think the committee will certainly want to ask you a number of questions on this.

Admiral RICKOVER. I believe that developing these facts is most important at the present time.

Now, here is a comparison of the average negotiated profit and average earned profits on DOD contracts totaling \$11 billion awarded between July 1, 1958, and December 31, 1963.

[In percent on cost]

Type of contract	Average negotiated profit	Average earned profit
Firm fixed price.....	(1)	(1)
Fixed price redeterminable.....	9.3	8.6
Fixed price incentive.....	9.3	9.2
Cost plus incentive fee.....	6.4	7.2
Cost plus fixed fee.....	6.4	6.1

¹ Data not available.

DEFENSE WORK MORE PROFITABLE THAN COMMERCIAL

The March 11, 1968, issue of the Federal Contracts Report gives results of a study by Dr. Weidenbaum of the University of Washington at St. Louis, comparing the profitability of Defense and non-Defense work. He concludes that "the gap between Defense and non-Defense profit has indeed widened over the past decade—in favor of Defense business."

His study compared six firms whose Department of Defense and National Aeronautics and Space Administration contracts were estimated to make up over three-fourths of their total sales, with six non-Defense firms having a similar sales volume.

Here are the results:

COMPARISON OF DEFENSE AND NONDEFENSE ORIENTED CORPORATIONS

	Average of sample of defense firms		Average of sample of industrial firms	
	1952-55	1962-65	1952-55	1962-65
Profit margin on sales (percent).....	3.0	2.6	4.5	4.6
Capital turnover per year.....	×6.1	×6.8	×2.9	×2.3
Return on net worth (percent).....	18.6	17.5	13.0	10.6

PROFITS OF FIVE MAJOR DEFENSE CONTRACTORS

I found it difficult to swallow the line that defense contractors' profits have declined in the past several years and that they are too low. I did some further checking and found that the profit information defense contractors give Wall Street differs substantially from the profit information they give DOD. Let me give you some statistics taken from "Moody's Industrials," volume 39 (through Apr. 5, 1968).