

answer. From this investigation they came back with an answer of overbuying and overpricing but nothing has been done about this type of careless procurement.

Admiral RICKOVER. And nothing will be done about it.

Mrs. SULLIVAN. Under section 707 of the Defense Production Act, I shall quote a part of the Act: It says—

No person shall discriminate against orders or contracts to which priority is assigned or for which material or facilities are allocated under Title I of this Act or under any rule, regulation, or order issued thereunder, by charging higher prices or by imposing different terms and conditions for such orders or contracts than for other generally comparable orders or contracts, or in any other manner.

Admiral RICKOVER. The answer to that is: You have set up a fine religion, but the people will not live by it. They give it mouth-honor. They create complacent fictions and uphold empty slogans.

Mrs. SULLIVAN. And they won't live by it?

Admiral RICKOVER. They won't until the religion is enforced by rules. Real protection in this world comes not from people's good intentions, but from laws.

Mr. BARRETT. In connection with your previous statement, Admiral, where do you recommend this unified accounting system or standard should be set up?

Admiral RICKOVER. By Congress, sir. Every other place you turn, they will prove to you it can't be done. And in their nonanswers they will document their reasons with irrefutable logic.

It should be required by the Defense Production Act. How else can you know whether a contractor is discriminating against defense orders by charging higher prices than he should?

As a first step, I would recommend that you include a provision in the Defense Production Act requiring defense contractors to report all costs and profit on each defense contract over \$100,000, using the criteria for determining costs as set forth in part 2, section XV of the Federal Procurement Regulation. The report should exclude costs not appropriate to Government contracts, such as bad debts, advertising, interest, etc. This report should be submitted to the cognizant contracting agency on all negotiated contracts subject to the act and to the Renegotiation Board. The act should require each agency annually to summarize the reports it receives and submit the summary to the Congress and to the public.

Further, I recommend the act require industry to have an accounting system approved by the Government as adequate for determining costs in accordance with the Federal Procurement Regulation, section XV, part 2 prior to the award of any defense contract over \$100,000, and that industry be required to base its proposals on such a Government-approved accounting system. Such a requirement would go far to eliminate the guessing games now going on and save much time and effort in the procurement process.

Mrs. SULLIVAN. All the while you have been giving us the benefit of your thinking, I have been wondering—how can we cure it, and must we do it by force, by laws, because, as you say, there is no competition, with just a few companies supplying most of these items.

Admiral RICKOVER. As a longtime Member of Congress, I am sure you have learned that some Government agencies do much of their business without real competition.