

Mrs. SULLIVAN. I think we have learned, Admiral, but we can't get the answers that we are trying to get.

Admiral RICKOVER. And you will not get the answers from the agencies themselves.

Mr. BARRETT. I just want to say in connection with what you have just said, that I don't think there is anyone who has come to the Congress of the United States who has absorbed more and learned more about the fiscal situation and the legislative activities in the House of Representatives than the gentlewoman from Missouri.

Admiral RICKOVER. Sir, I am sure you are right about the gentlewoman, and I agree with you.

"TRUTH IN NEGOTIATIONS ACT" DOES NOT PREVENT OVER-PRICING

People say to me, "Why do you worry about supplier costs and profit—the Government is protected by the Truth in Negotiations Act and by the Renegotiation Act." They also ask me why I don't get into the mind of these people, so I can understand them. My reply is that if I ever got into their mind, I am afraid I could never escape.

The 'Truth in Negotiations Act does not and cannot adequately protect the Government against overcharges. Without uniform standards for accounting, suppliers can inflate the costs they certify to be in accordance with the Truth in Negotiations Act, such that it is almost impossible to tell what costs are included in the price, and what profit a contractor can expect to realize on the order. For this reason, cost breakdowns under the Truth in Negotiations Act do not preclude overpricing.

Contractors are not required to submit cost data if a contracting officer determines that there is adequate competition. This is a difficult determination. If the contracting officer determines that competition is adequate, he is able to place the order quickly, without analyzing cost estimates or negotiating. If he judges that competition is inadequate, he must obtain cost breakdowns, have the cost estimates audited, and then negotiate with the supplier, documenting the results.

Since this normally takes 60 to 90 days or longer, Government agencies obviously tend to conclude that competition is adequate, whenever possible, in order to avoid the extra work and delay involved in noncompetitive procurements.

Right now a contract covering many million dollars is pending. Two companies bid. The low price was about 25 percent more than the Government estimate based on past experience for similar work. Nevertheless, the contracting officer initially wanted to declare the bids to be competitive. Had he done so, the Government could never thereafter challenge the cost figures in the bids. I took issue with this. It would be the wrong thing to do from the Government's standpoint. The contracting officer reluctantly agreed to negotiate the procurement, rather than blindly giving the contractor his requested price. Of course, this is the more difficult approach, since it requires a lot of work by the Government to analyze and negotiate the costs.

We are now going to investigate the figures, the figures which constitute the basis for the bid. This case is typical of the dilemma you get into. You are never going to get around this problem by merely telling a Government agency to do it.