

A decision that competition is adequate protects the contractor from the provisions of the Truth-in-Negotiations Act. He does not then have to reveal the basis for his cost estimates; he does not have to provide a cost breakdown to support his price; he does not have to certify that his price was based on current, complete, or accurate cost information. Once a procurement is dubbed competitive, the Government then assumes full responsibility for high profits and overcharges. It is definitely to a contractor's advantage for the contracting officer to judge the procurement competitive.

The decision that competition is adequate protects the Government contracting officer as well as the contractor. The determination of competition is one of judgment by the contracting officer and, once the contract is awarded, that judgment is final. The Government does not then review the suppliers' books or records so it never knows if the judgment was wrong.

There are pitfalls in obtaining and evaluating suppliers' costs. Because there are no uniform accounting standards, it is a very difficult job. Should the contracting officer attempt to analyze the volumes of detailed information involved and overlook some critical point, he may be accused of negligence. He also faces a difficult problem if his review of suppliers' costs indicates the price should be lower but the contractor will not agree to lower his price.

In a large, complex procurement it is therefore very tempting for a contracting officer to take the easy route and determine that there is adequate competition. Such a determination enables him to place a contract quickly, and without the months of effort and delay required to delve into a contractor's accounting system to analyze and evaluate his cost estimates.

I feel certain that in these circumstances many procurements are improperly judged competitive, to the mutual advantage of both the contracting officer and the contractor, but at the great disadvantage to the Government.

REQUIREMENTS FOR COST DATA ARE WAIVED

Requirements for cost data under the Truth-in-Negotiations Act can be waived. Surprisingly, these waivers are granted to many large defense contractors.

For example, the requirement for cost data was waived for the procurement of propulsion turbines, which I cited earlier today, even though the price was substantially higher than for similar equipment on a prior order and included an admitted profit of 25 percent. The company argued that, in its opinion, the price quoted was based on competition, therefore, they would not provide cost data even though the contracting officer had decided a cost breakdown was required under the Truth-in-Negotiations Act.

Manufacturers or large computers needed by Government for its research and development programs also have refused to provide cost data on Government orders because they consider their prices to be based on competition or standard catalog prices. Waivers of the Truth-in-Negotiations Act have been granted on orders with these firms. Each of these large computers costs the Government \$6 or \$7 million or more, so we are not talking about chickenfeed.

Few basic material suppliers such as steel mills, nickel producers, or forging suppliers provide cost data. Rather than suffer the delays