

From my experience, the Department of Commerce has demonstrated it is incapable of effectively administering the act. The assignment of this responsibility to another agency would be one means of improving the situation. This responsibility could be taken back by the Office of Emergency Planning, or else assigned to a new agency similar to the National Production Authority which was abolished after the Korean war.

RECOMMENDED CHANGES TO STRENGTHEN THE DEFENSE PRODUCTION ACT

In addition, I recommend that the Defense Production Act be modified to require—

- (1) Department of Defense contractors to certify that rated defense orders receive priority over nonrated orders.
- (2) Periodic inspection of defense contractors' plants to insure that proper priority is being given to rated defense orders.
- (3) An annual report to Congress identifying instances in which priority assistance requested by military departments was not provided. This report should include all cases in which contractors failed to comply with the provisions of the act and outline the specific enforcement action taken in each case.

As I said earlier, the act should also be amended to require that defense contractors provide a report of all costs and profit, in a manner similar to the income tax return. The report should also identify the supplier's actual delivery performance as compared to the delivery required by the contract. A summary of this information should be provided annually to Congress and to the public. This would be one means to assist you in finding out what is actually going on.

Each report on costs and profits should be certified by a senior responsible and authorized official of the company, and the act should provide criminal penalties for false or misleading data. The act should prohibit the plea of "nolo contendere."

However, this information can be meaningful only if the act also requires that contractors account for costs under Government contracts in accordance with a uniform accounting standard. I recommend that you start with the existing cost principles contained in the armed services or Federal Procurement Regulation but that you require an improved standard to be developed by the Bureau of the Budget and approved by the General Accounting Office within a short time, say 6 months after the date of enactment of the amendment.

Mr. BARRETT. Admiral, we are going on the 5-minute rule because I know some of the members here are very anxious to ask you questions. Mr. Halpern.

Mr. HALPERN. Thank you, Mr. Chairman.

First, I wish to commend our distinguished witness this morning. I have long admired and respected him, as I am sure each member of this committee and millions of Americans do.

It is a privilege for me as a member of this committee, and I am sure we all feel enriched to have the benefit of his forthright views. It is healthy to hear such frank and refreshing opinions. The admiral's presentation this morning is extremely enlightening and informative, and I feel his observations and recommendations will prove of utmost value to this committee.