

Mr. GALIFIANAKIS. What recommendation would you make to create the necessary competition?

Admiral RICKOVER. That is a matter which goes much deeper than Defense Department business. For this particular type of equipment, the Defense Department is relatively a small purchaser, but it is nevertheless essential for defense.

This is a case of how we want industry in the United States to conduct itself. It is a deep issue.

For example, frequently the Government must furnish facilities and tools. Some of these companies obtain as much as 90 percent of their business from the Government.

With the changing nature of industry consideration should perhaps be given to treating some defense contractors, or their divisions engaged exclusively or nearly exclusively in defense work, as public utilities. Because utilities have a monopoly or near-monopoly they are guaranteed a reasonable rate of return on their investment. Their books are audited and their performance weighed by a public body.

In effect, many of the companies doing defense business have become public utilities, but without the requirements for performance or limitations on profit imposed on utilities. They have now acquired a monopoly or near-monopoly character. Should they not then be subject to the same safeguards on performance and limitations of profit as public utilities?

I suggest this for your consideration.

Mr. GALIFIANAKIS. I appreciate the testimony very much. There is an awful lot of clamor these days about cutting on Government spending, and I think maybe you have pointed out something that is not too novel, but you have stressed a very good point that really what we need in these matters is effective Government spending.

Admiral RICKOVER. Yes, sir. The gist of what I have been saying is that the Government is not as effective as it should or could be in running its business. And this should be of considerable concern to the Congress.

You will not get efficiency through the efforts of the bureaucracy itself; that I can assure you. The bureaucracy to some extent has been imbued with too much business philosophy and is motivated in this direction. It will have to come from people such as yourselves. When the myth of free enterprise becomes an evasion, the society that clings to it gets into trouble.

Mr. GALIFIANAKIS. Is it possible for us to have the testimony of the admiral?

Mr. BARRETT. It will all be in the record. I am sure the admiral will supply you with anything you want other than what you have asked.

Mr. GALIFIANAKIS. I wanted it as a matter of convenience so as not to have to pluck it out piecemeal. I wanted it in the continuity as the admiral gave it.

Mr. BARRETT. Mr. St Germain.

Mr. ST GERMAIN. No questions, Mr. Chairman. I thank the witness for appearing, and actually I, too, will look forward to reading his testimony and going over the points he has made in the printed record.

Mr. BARRETT. Mr. Bevill.

Mr. BEVILL. I would just like to thank the admiral for the wonderful way he has presented this testimony.