

paperwork. I believe that the important thing is to take care of the large items and to make certain that the purchasing principles we use and the rules we establish are up to date and exemplary—that these rules limit the ability of contractors, in today's climate, to make excessive profits on Government business.

#### NUCLEAR-POWERED MERCHANT SHIPS NOT COMPETITIVE

Mr. WOLFF. One other element, and then I will yield to my colleague here. I got very involved in the question of the saving of the *Savannah* as a nuclear ship.

I was wondering, because of the fact that the merchant marine is a very important part of our Defense Establishment, how do you feel about the future of the nuclear-powered merchant ship?

Admiral RICKOVER. My personal opinion is, and again I am talking for myself, that nuclear-powered merchant ships will not be competitive for at least the next decade.

Mr. WOLFF. Is there any basic reason for that?

Admiral RICKOVER. It's simply the fact that it costs more to build and operate a nuclear ship than a conventional ship.

Mr. WOLFF. Even in the long haul?

Admiral RICKOVER. Yes, sir. I believe you can easily obtain the cost of operating the *Savannah* and you will see that it is greater than for a conventional ship.

I am aware that an improved type of reactor plant could now be installed in a nuclear-powered merchant ship. Nevertheless, I believe such a ship would still be more expensive to operate and maintain than a sister conventional ship.

However, I am not saying we shouldn't build another nuclear merchant ship. This is not my responsibility, and there may be reasons for doing so of which I am not aware. Nevertheless, I would not look to nuclear merchant ships as the panacea for solving our merchant marine problems.

Mr. BARRETT. Mr. Griffin.

#### UNIFORM ACCOUNTING STANDARDS MIGHT SAVE \$2 BILLION

Mr. GRIFFIN. I wish to join my colleagues in expressing appreciation for your candid testimony.

If Congress accepts your recommendations, your recommended amendments to the Defense Production Act, do you have a dollar figure on the savings that you think could be accomplished? That is out of the \$45 billion military procurement.

Admiral RICKOVER. I could only guess. We have no way of knowing whether the cost is proper or whether it covers excess profit, subsidy for his commercial work, or both. You have first got to find out what the manufacturing cost actually is. Knowing this you will be able to learn what the actual profit is. Today you don't know the cost or the profit. We only know the total amount we pay. We simply don't know what we are doing. When we can have seven or eight, sometimes 11 audits by Government auditors, each showing a different rate of profit, there is something wrong.

In 1967 the dollar value of the Department of Defense's negotiated contracts was about \$35 billion. The average profit on these contracts was 9.7 percent; thus the Department of Defense allowed profit of