

ernment officials now represent the contractors with whom they formerly did business and the contractor officials now represent the Government in dealing with their former companies. I do not think you can expect these people to have the Government's viewpoint uppermost in their minds or that we can consider that the Government's interest will be adequately protected.

#### ILLUSTRATION OF ARMED SERVICES PROCUREMENT REGULATION BEING USED TO PROTECT INDUSTRY

The Armed Services Procurement Regulation (ASPR) was intended originally to help Government contracting officers obtain supplies and equipment at a reasonable price. It was intended to protect the public. However, it has become a device to protect industry. Let me give you an example:

In conjunction with development of a new design submarine a little more than a year ago, a shipbuilder agreed to accept a preliminary design contract at a 5-percent profit because he would benefit from the experience gained in the performance of the contract, and because there was almost no risk and negligible investment on his part.

The contracting officer's position was that the profit guidelines in the Armed Services Procurement Regulation indicated the contractor was entitled to a fee of about 8 percent and that is what the Government was required to pay. After a heated argument with me, he finally agreed to the 5 percent fee provided the contractor would revise his proposal so the record would show that the contractor had requested the lower fee. In this way he could not be criticized for establishing a profit lower than the regulations "prescribed" under the circumstances.

In the discussion with this man, he told me that by giving the company less than the 8 percent allowed I was going against the law. I said, "Fine, I wish you would write a letter to Congress telling them I am violating the law by saving Government funds. Also I would be pleased if you wrote a letter to the newspaper telling them what an unfair action I am taking."

You may think this seems fantastic. And, of course, it is fantastic.

Let me give you another case.

This one involves the payment of general and administrative expenses at Government-owned, contractor-operated plants.

Several years ago, in 1964, it came to my attention that the Navy was paying about \$400,000 more each year in general and administrative expenses (G. & A.) for work at two laboratories owned by the Atomic Energy Commission than the Atomic Commission would pay for equivalent work.

I promptly pointed out this problem to appropriate Navy officials and recommended that the Navy reduce amounts paid for general and administrative expenses on Navy work at these laboratories to be consistent with amounts paid by the Atomic Energy Commission.

They replied that the Navy paid more for G. & A. expense because the Department of Defense followed different cost principles than the Atomic Energy Commission, and that Department of Defense cost principles required more to be paid. I was told that the Armed Services Procurement Regulation would have to be changed in order to permit the Navy to negotiate lower amounts for G. & A. in line with what the Atomic Energy Commission paid.