

The proposed Armed Services Procurement Regulation change was sent to industry for comment. Industry, as one could expect, strongly objected to the change because it could reduce the amount of G. & A. they could charge to Government contracts. After the matter was studied for 2 years, the ASPR was changed to require that the armed services use "special care," whatever that means, in reviewing general and administrative expenses at Government-owned, contractor-operated plants.

Last Summer, in August 1967, I discovered that the Navy officials had reviewed, with "special care," the situation at the Atomic Energy Commission laboratories and had concluded that the higher Navy allowance for G. & A. was more appropriate than the lower allowances determined appropriate by the Atomic Energy Commission, despite the fact that the Atomic Energy is the Government agency which owns these laboratories. To conclude otherwise would require extensive negotiations with the contractors involved. So, the Navy continues to pay more than the Atomic Energy Commission.

But the point is, after 2 years of review and deliberation, the Navy actually managed to change the Armed Services Procurement Regulation, over industry objections, so they could take care of the problem I raised. However, industry lost nothing. The new Armed Services Procurement Regulation language was sufficiently vague that the Government officials involved feel no compulsion to reduce the amount being paid, despite the change to ASPR. I doubt any other Government directive could fail the test of worth so completely.

Mrs. SULLIVAN. The Navy is paying about \$400,000 more each year than the Atomic Energy Commission pays for similar work at these locations? Why would the Navy continue to pay more than it should for these expenses?

Admiral RICKOVER. I don't know. I can only assume it is because the officials involved feel that it is their responsibility to look out for industry interests rather than the Government interests. Despite what you are told about the desire for economy and efficiency in the Department of Defense operations, here is an example of what really happens.

You know how it is in the State Department. They have what they call country desks. Pretty soon the official in charge of the Lilliputian desk or the Brobdingnagian desk begins to feel that he is responsible for the welfare of "his" country. I do not doubt that some of our giveaway programs have had their inception in this feeling by "desk" officers. One then becomes a judge and judges answer only to God.

Instead of constantly bearing in mind that his sole function is to take care of the interests of the United States, he becomes a judge, seeing to it that justice is being maintained between the United States and the foreign country.

It is easy to fall into this trap, because he is then answerable to no earthly power; he is responsible only to an inscrutable God.

This is analogous to what can happen in the Department of Defense's relationship with industry. This feeling of responsibility for the welfare of industry on the part of Department of Defense officials shows up in many ways.

DEFENSE DEPARTMENT TRADED ITS RIGHTS AWAY

The Department of Defense tends to trade away something for each new procurement policy it inaugurates when this policy happens to be