

winds up with what has, in effect, become a cost-plus operation, but without the protection of a cost-plus contract.

In one case a contractor submitted a \$70 million claim on a \$70 million fixed-price contract. The contractor's supporting documentation required dozens of file cabinets. It was obvious to me that the contractor had devoted a great deal of effort over the life of the contract in preparing this claim against the Government. Part of the claim related to work the Government had requested and to delays caused by late delivery of Government equipment. The Government simply does not have enough people to analyze in detail the supplier's claim to arrive at a proper basis of settlement on individual items. Accordingly, the claim was settled on a lump-sum basis, at about 90 percent of what the contractor requested.

Again the point is that the Government is not organized or staffed to properly protect itself in these situations.

Mr. BARRETT. Admiral, in reading your testimony before the House Appropriations Committee, I note you went into the matter of construction contracts. Will you be so good as to discuss this for our benefit?

CONTRACTOR CLAIMS UNDER CONSTRUCTION CONTRACTS

Admiral RICKOVER. I will, sir.

In past testimony I presented two recommendations concerning construction contracts for buildings and facilities. This area is important because the Government spends billions of dollars on construction work. Contracts for buildings and facilities are usually formally advertised fixed-price contracts and are awarded to the lowest responsible bidder, based on competition. In this area I recommended that Congress or the General Accounting Office establish procedures requiring the executive branch to maintain centralized contractor-experience records which would reveal, as a minimum, original and final contract prices and the amount of unfounded and exorbitant claims submitted by construction contractors. These experience records would help contracting officers in all branches of Government to exercise sound business judgment in awarding contracts to low, responsible bidders by aiding them in identifying contractors who harass the Government with unfounded claims, and otherwise perform poorly.

I am always anxious to avoid awarding contracts to contractors who submit unfounded claims because these contractors seem to bid with the knowledge that they will eventually obtain large sums of money from the Government by exploiting opportunities for contract changes and claims. They exploit changes and alleged changes in the work, changes in the job conditions, and even changes in the weather to escalate the price of Government contracts. They employ legal personnel for the purpose of searching plans and specifications for points susceptible to being labeled "ambiguous" or "not clear." If they cannot afford a legal staff of their own, they hire law firms who specialize in presenting claims against the Government on construction contracts either by pressing for unreasonable contract changes or by dragging unfounded claims before various review boards and courts.

Frequently, the fees these law firms receive are based on what they can extract from the Government. In any event, contractors' clerks and lawyers continually bombard the Government with demands for contract changes to clear up so-called ambiguous, unclear problems.