With regard to the Renegotiation Act, I believe it should be strengthened and made permanent in order to prevent excess profits. I believe that Representative Gonzalez' bill to strengthen the act is a good one and is feasible. Namely:

(*a*) Make the Renegotiation Act permanent.

(*b*) Reduce the level of reporting from \$1 million at present to \$250,000.

(*c*) Eliminate the so-called 35-percent rule for exemption of commercial articles.

(*d*) Include all construction contracts.

(*e*) Include machine tools and other durable production equipment.

(*f*) Include the Tennessee Valley Authority.

In addition, I recommend that the act be amended to—

(1) Require that contractors report cost and profits on each Defense contract over \$100,000, on a contract-by-contract basis.

(2) Provide for renegotiation of contracts within individual commodity groupings, such as the groupings prescribed by the Federal Supply Catalog, rather than by total company sales.

(3) Require that costs and profits be reported in accordance with a uniform standard of accounting. The accounting standard should exclude costs not appropriate to Government contracts, as set forth in part 2, section XV of the Armed Services and Federal Procurement Regulations, such as advertising, interest, bad debts, and so forth.

(4) Require that contractor reports be certified by a responsible and authorized company official; and provide criminal penalties for filing of false or misleading data. The plea nolo contendere should not be allowed in these cases.

With regard to the Defense Production Act, I believe the Department of Commerce has demonstrated it is incapable of effectively administering that act. The assignment of this responsibility to another agency should be considered. This responsibility could be taken back by the Office of Emergency Planning or assigned to a new agency similar to the National Production Authority which was abolished after the Korean war.

The act should also be amended to require that Defense contractors provide a report of costs and profit for each contract over \$100,000, in a manner similar to the income tax return. The report should also identify the supplier's actual delivery performance as compared to the delivery required by the contract. A summary of this information should be provided annually to Congress and to the public. This would be one means to assist you in finding out what is actually going on.

Each report on costs and profits should be certified by a responsible and authorized official of the company, and the act should provide criminal penalties for false or misleading data. The act should prohibit the plea of nolo contendere as a defense.

The act should also require contractors to account for costs under Government contracts in accordance with a uniform accounting standard. I recommend that you start with the existing cost principles contained in the Armed Services or Federal Procurement Regulation but that you require an improved standard to be developed by the Bureau of the Budget and approved by the General Accounting Office within 6 months after the date of enactment of the amendment.