

STATEMENT

A. The Renegotiation Board was created by the Renegotiation Act of 1951 (Public Law 9, 82d Cong., approved Mar. 23, 1951, and amended Sept. 1, 1954, Aug. 3, 1955, Aug. 1, 1956, Sept. 6, 1958, July 13, 1959, July 3, 1962, June 30, 1964, and June 30, 1966).

B. The Renegotiation Board has authority under the Renegotiation Act of 1951, as amended, to determine and eliminate excessive profits realized by contractors and subcontractors in the defense and space programs. Recoveries by the Government arising from determinations of excessive profits are covered into the Treasury as miscellaneous receipts. The Board's determinations have always exceeded its annual appropriations.

The Board cannot, at this time, estimate the number of determinations of excessive profits that will be made during fiscal year 1968, nor the dollar amount of the determinations. However, from the Board's inception through fiscal 1967, 3,755 determinations of excessive profits have been made totaling \$952,436,037, before adjustments for Federal income and excess profits tax credits. Also during fiscal 1967, contractors reported in connection with renegotiation proceedings voluntary refunds and voluntary price reductions amounting to \$30,318,586. (These refunds and price reductions are to be distinguished from price reductions made pursuant to contract provisions.) Such reported savings totaled \$1,300,121,-259 since creation of the present Board.

C. Lawrence E. Hartwig, Chairman of the Renegotiation Board, has direct operational responsibility over the renegotiation program.

Mr. HARTWIG. Yes, sir. The Renegotiation Board has authority under the Renegotiation Act of 1951, as amended, to determine and eliminate excessive profits realized by contractors and subcontractors in the defense and space programs. Renegotiation is conducted not with respect to individual contracts but with respect to the receipts or accruals of a contractor under all renegotiable contracts and subcontracts in a fiscal year of the contractor.

Not all Government contracts are within the scope of the act. The act relates only to prime contracts with the Department of Defense, the Army, the Navy, the Air Force, the Maritime Administration, the Federal Maritime Commission, the General Services Administration, the National Aeronautics and Space Administration, the Atomic Energy Commission, and the Federal Aviation Administration, as well as to related subcontracts, including purchase orders.

Certain contracts and subcontracts are exempt in whole or in part from renegotiation. The act provides that a report must be filed with the Board by every contractor or subcontractor having receipts or accruals in his fiscal year which exceed \$1 million, or \$25,000 in the case of brokers and manufacturers' agents, from contracts or subcontracts subject to the act.

Contractors or subcontractors with renegotiable receipts or accruals amounting to less than the above minimum need not file a report but may, if they choose, file a statement of nonapplicability.

These reports then are processed by the Board. Above the floor cases are analyzed, and the Board determines whether the contractor has or has not realized excessive profits by applying certain so-called statutory factors which are set forth in the Renegotiation Act.

Mr. BROOKS. Mr. Chairman, can you give us an estimate of excessive profits that will be made during fiscal year 1968? Can you give us an idea of what has been accomplished? What is the total recovered for the Government in the last few years? What was recovered for the Government in 1967? Give us some actual facts of what you have accomplished, a justification of the agency's operation.