

The most important facet of your operation is to be a deterrent to wrongdoing and the secondary and of less importance is how much you recover. The deterrent is like the iceberg. Six-sevenths of them you encourage to do right without having talked to them. This saves time and money and problems.

Mr. HARTWIG. That is right, sir. It would be impossible for me to estimate what the recoveries will be this fiscal year, because I just don't know. Cases that are being processed cannot be prejudged. I can say, however, that our business is picking up as a result of Vietnam.

With respect to the last published figures, and that is fiscal 1967, the year ended June 30, 1967, the Board made 18 determinations of excessive profits in the amount of \$15,980,214 before Federal tax credit. During that same period contractors reported to the Board voluntary refunds and price reductions in the amount of \$30,318,586.

Mr. BROOKS. The deterrent was twice as good as the stick.

Mr. HARTWIG. These are voluntary actions without legal consideration.

Mr. BROOKS. This is when you brought it to their attention?

Mr. HARTWIG. No, sir.

Mr. BROOKS. They brought it to your attention?

Mr. HARTWIG. We have a question in our report asking in substance: Did you make any voluntary refunds or price reductions during the course of the present fiscal year? Contractors supply that information. That is the statistic we pick up here.

Mr. BROOKS. These are voluntary repayments or voluntary reductions in charges?

Mr. HARTWIG. Voluntary refunds or voluntary reductions in price under a contract in existence, under which there is no legal obligation to reduce the price.

That is the picture for 1967. Since the beginning of the act in 1951, the Board has made 3,755 determinations of excessive profits in the total amount of \$952,436,037 before Federal tax credit.

Mr. BROOKS. Do you think, Mr. Chairman, that the voluntary reductions in the amount of some \$30 million would have been as easily acquired and accomplished if they didn't have the Renegotiation Board?

Mr. HARTWIG. I think that the statute is a factor in the voluntary refunds.

Mr. BROOKS. A significant factor or just a factor?

Mr. HARTWIG. We don't pursue these matters in depth. This is a statistic. We get the figure because one of the statutory factors requires that we consider a contractor's pricing risk. In other words, if a contractor has reduced his price early in the year, he will have more pricing risk than if he had not reduced his price. This is the reason we gather this information.

Mr. BROOKS. He would have had more what?

Mr. HARTWIG. More pricing risk if he had reduced his price than if he had not reduced the price. That is the relevance of the figures in individual cases. For annual report purposes we compile the total figure and submit it in the report.

There is a fact to bear in mind. A profit corporation has to justify making a refund or a price reduction without legal consideration. I