

in fact it has gone up considerably in the last 2 years, the negotiated versus competitive bid contracts in the Department of Defense—so either we have some businessmen who are very concerned about their not making excessive profits, or else your agency is understaffed and simply does not go into this area in depth. Or maybe our definition of excess profits is so nebulous that it is difficult for you to tie down what an excess profit actually is.

Mr. HARTWIG. It isn't that nebulous. As a result of Korean procurement we recovered \$167 million in 1955, \$152 million in 1956. And I might add that in 90 percent of the Board's cases, the contractors agreed to the determinations. There have been 3,755 determinations since the beginning of the act, and 89.9 percent resulted in formal agreements with the contractors involved.

Mr. THOMPSON. What types of contracts are exempt, again? I believe you covered that briefly. I did not quite follow your discussion.

Mr. HARTWIG. I didn't go into the listing of the exemptions. There are quite a number of exemptions in the act. I did describe the floor, the \$1 million floor, if you want to call that an exemption. That is one exclusion from our jurisdiction.

There is also the exemption of so-called standard commercial articles.

Mr. THOMPSON. May I interrupt you to say that the exemption of standard commercial articles was recently in the news. There was an item pertaining to some items that were procured by the Defense Department that cost about \$32 and they were sold to DOD for about \$1,500. I don't have the exact figures. The ratio is about the same. Would that be an exempt category?

Mr. HARTWIG. Yes; I think that could be a standard commercial article.

Mr. THOMPSON. You feel—

Mr. HARTWIG. I know that that particular contractor did not file with the Board.

Mr. THOMPSON. Do you feel that we need to eliminate some of the exemptions?

Mr. HARTWIG. Yes, sir. The administration has recommended that the commercial exemption be repealed. There are other exemptions. There is the exemption of construction contracts which are let as a result of advertised bidding. There is the exemption of new durable productive equipment.

Mr. BROOKS. New durable productive equipment?

Mr. HARTWIG. New durable productive equipment.

Mr. BROOKS. What do you mean?

Mr. HARTWIG. Machine tools.

Mr. BROOKS. Presses?

Mr. HARTWIG. That sort of thing, yes. Long life equipment.

Mr. THOMPSON. May I ask you one further question? Do you have any indication of whether excessive profits are more normal in negotiated contracts as compared with competitive bid contracts?

Mr. HARTWIG. I don't think so.

Mr. THOMPSON. In other words, if you have a competitive bid item you can have an excessive profit on about the same ratio as you would on a negotiated contract. You have no data on this, is that what you are saying?