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85TH CONGRESS, 2d Session } SENATE { REPORT No. 2478

EXTENDING THE RENEGOTIATION ACT OF 1951 FOR 6 MONTHS

AUGUST 19, 1958.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 11749]

The Committee on Finance, to whom was referred the bill (H. R. 11749) to extend the Renegotiation Act of 1951 for 6 months, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. PURPOSE

H. R. 11749 amends the Renegotiation Act of 1951, as amended, to extend the renegotiation authority for 6 months from December 31, 1958, to June 30, 1959. The continuation of renegotiation beyond its present expiration date has been requested by the President and recommended by the Department of Defense because defense expenditures of $39 billion for fiscal year 1958 and $40.5 billion for fiscal year 1959 are greater in amount than ever before in our peacetime history, and because past production and cost experience in the manufacture of new and experimental weapons in the aircraft, missile, and space fields is not necessarily satisfactory for setting proper prices and avoiding excessive profits.

The following excerpt from the report of the House Ways and Means Committee explains the reason for not extending the act for more than 6 months.

> The bill limits the extension of renegotiation to a period of 6 months because it is the intention of your committee to undertake a broad review of the entire subject of renegotiation early in the next Congress. At that time consideration will be given to the scope, objectives, and procedures of renegotiation and to possible amendments including those proposed at the hearing on the present bill.

II. General Statement

(A) EXTENSION FOR 6 MONTHS

Section 1 of the bill extends the Renegotiation Act of 1951 from its present expiration date of December 31, 1958, to June 30, 1959. This will make the renegotiation procedures applicable to receipts or accruals attributable to performance, under renegotiable contracts or subcontracts, through June 30, 1959.

(B) APPLICATION TO NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The creation of the new National Aeronautics and Space Administration makes it desirable, in the opinion of your committee, to add that agency to the departments whose contracts are subject to the provisions of the renegotiation law. The addition of such agency has been recommended by the National Advisory Committee for Aeronautics and the Department of Defense.

Under section 2 of the bill, the Renegotiation Act will apply to all existing renegotiable contracts taken over by the National Aeronautics and Space Administration, as well as to all new contracts made by that agency, and to related subcontracts. It is not intended that any contract or subcontract not subject to renegotiation under existing law shall become subject thereto by reason of the transfer of such contract to the National Aeronautics and Space Administration.

It was necessary to add a technical amendment to this section of the House-passed bill.

III. Committee Amendment

The only substantive change made by the Finance Committee in the House-passed bill was the deletion of section 3 which provided for judicial review of decisions of the Tax Court in renegotiation cases, in the same manner as is provided in subsection (a) and (c) of section 7482 of the Internal Revenue Code of 1954. This action was without prejudice as to the merit of the proposal. There was insufficient time for adequate consideration of this section of the bill; thus it was stricken with the understanding that this subject would be given thorough consideration in connection with the next extension of the act.

IV. Changes in Existing Law

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

THE RENEGOTIATION ACT OF 1951, AS AMENDED

(50 U. S. C., App., Sec. 1211)

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SEC. 102. CONTRACTS SUBJECT TO RENEGOTIATION.

(a) IN GENERAL.—The provisions of this title shall be applicable (1) to all contracts with the Departments specifically named in section 103 (a), and related subcontracts, to the extent of the amounts received or accrued by a contractor or subcontractor on or after the first day of January 1951, whether such contracts or subcontracts were made on, before, or after such first day, and (2) to all contracts with the Departments designated by the President under section 103 (a), and related subcontracts, to the extent of the amounts received or accrued by a contractor or subcontractor on or after the first day of the first month beginning after the date of such designation, whether such contracts or subcontracts were made on, before, or after such first day.

(b) PERFORMANCE PRIOR TO JULY 1, 1950.—Notwithstanding the provisions of subsection (a), the provisions of this title shall not apply to contracts with the Departments, or related subcontracts, to the extent of the amounts received or accrued by a contractor or subcontractor on or after the 1st day of January 1951, which are attributable to performance, under such contracts or subcontracts, prior to July 1, 1950. This subsection shall have no application in the case of contracts, or related subcontracts, which, but for subsection (c), would be subject to the Renegotiation Act of 1948.

(c) TERMINATION.—

(1) IN GENERAL.—The provisions of this title shall apply only with respect to receipts and accruals, under contracts with the Departments and related subcontracts, which are determined under regulations prescribed by the Board to be reasonably attributable to performance prior to the close of the termination date. Notwithstanding the method of accounting employed by the contractor or subcontractor in keeping his records, receipts or accruals determined to be so attributable, even if received or accrued after the termination date, shall be considered as having been received or accrued not later than the termination date. For the purposes of this title, the term "termination date" means [December 31, 1958] *June 30, 1959.*

(2) TERMINATION OF STATUS AS DEPARTMENT.—When the status of any agency of the Government as a Department within the meaning of section 103 (a) is terminated, the provisions of this title shall apply only with respect to receipts and accruals, under contracts with such agency and related subcontracts, which are determined under regulations prescribed by the Board to be reasonably attributable to performance prior to the close of the status termination date. Norwithstanding the method of accounting employed by the contractor or subcontractor in keeping his records, receipts or accruals determined to be so attributable, even if received or accrued after the status termination date, shall be considered as having been received or accrued not later than the status termination date. For the purposes of this paragraph, the term "status termination date" means, with respect to any

agency, the date on which the status of such agency as a Department within the meaning of section 103 (a) is terminated.

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SEC. 103. DEFINITIONS.

For purposes of this title—

(a) DEPARTMENT.—The term "Department" means the Department of Defense, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Maritime Administration, the Federal Maritime Board, the General Services Administration, *the National Aeronautics and Space Administration*, and the Atomic Energy Commission. Such term also includes any other agency of the Government exercising functions having a direct and immediate connection with the national defense which is designated by the President during a national emergency proclaimed by the President, or declared by the Congress, after the date of the enactment of the Renegotiation Amendments Act of 1956; but such designation shall cease to be in effect on the last day of the month during which such national emergency is terminated.

(b) SECRETARY.—The term "Secretary" means the Secretary of Defense, the Secretary of the Army, the Secretary of the Navy, the Secretary of the Air Force, the Secretary of Commerce (with respect to the Maritime Administration), the Federal Maritime Board, the Administrator of General Services, *the Administrator of the National Aeronautics and Space Administration*, the Atomic Energy Commission, and the head of any other agency of the Government which the President shall designate as a Department pursuant to subsection (a) of this section.

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