However, the work requested by your subcommittee has not been fully completed. We will continue to cooperate with the Department in its efforts to implement the numerous changes to property regulations which are now in process.

UTILIZATION OF GOVERNMENT-OWNED PROPERTY

We were unable to determine the usage of equipment at many contractor plants we visited because most property accounting systems did not include utilization records. However, at certain locations where limited utilization records were maintained, we questioned retention by contractors of 328 items of industrial plant equipment costing an estimated \$15.9 million. We questioned retention where no use had been made of the equipment over an extended period of time, where 75 percent or more of the equipment use had been for commercial work, or where usage of the equipment was low.

None of this equipment had been reported as idle and available for relocation. Further, our examination of records at the Defense Industrial Plant Equipment Center (DIPEC) revealed that 81 of the items we questioned were in critical or short supply.

The Office of Emergency Planning in July 1957, established a requirement for contractors to request advance approval to use Government-owned machine tools on commercial work exceeding 25 percent of the total usage. This procedure was established primarily to prevent contractors from obtaining a favored competitive position. We found that, generally, contractors were not requesting such advance approval. For example, in one case an 8,000-ton press, costing \$1.4 million, was installed in a contractor's plant on the basis that less efficient Government-owned 4,000 ton presses at the plant could not handle all Government orders for jet engine blades. During a subsequent 3-year period, 78 percent of the use of the large press was for commercial work, without approval of the Office of Emergency Planning having been obtained and the majority of Government blades were produced on the small presses.

We found a lack of uniformity in the rates charged for rental of Government-owned equipment. In some cases, this resulted in inequities between contractors. We also found cases where negotiated rentals were below the prescribed rates. For example, at one contractor's plant, rent applicable to a Navy standby facility is based upon 2 percent of the sales price of the products. We estimated that determination of the rent based upon prescribed uniform rates would have increased the annual rental from \$83,000 to about \$194,000.

A program for replacement of Government-owned machine tools was initiated in 1965 for the purpose of maintaining such tools in a modern condition. Expenditures amounted to about \$50 million in fiscal year 1966 for modernization and replacement purposes. The trend of expenditures has shown a continuous increase over prior years. While the Department of Defense policy is very restrictive as to the conditions under which new Government facilities will be furnished to contractors, the Department's program for modernization and replacement of machine tools appears to provide a means to acquire new machines for older ones under different and less restrictive criteria.