But, incidentally, there was a sensational story on this by Noel Epstein, which you may or may not have seen in the Wall Street Journal this morning. Without objection, I will include it in the record at this point.

Mr. STAATS. I do have it.

(The article referred to follows:)

[From the Wall Street Journal, Nov. 27, 1967]

ARMS SUPPLIERS' WINDFALL—GAO STUDY CHARGES FIRMS MISUSE U.S. PROPERTY FOR COMMERCIAL GAIN

(By Noel Epstein)

WASHINGTON.—The Defense Department supplies a $1.4 million forge press to a contractor to turn out jet-engine parts for the military. But over three years the company runs the press 78% of the time for its own commercial production.

Another concern gets $6.1 million of various Pentagon equipment to do Air Force work. In a six-month period, however, it uses the equipment 58.5% of the time to fill its non-Government orders.

A nice windfall if you can get it? It certainly is, says the General Accounting Office, and because of the way the Defense Department manages—the GAO would say mismanages—its property stockpile, such unintended Federal subsidies are precisely what some businesses are getting.

There are more than $11 billion of Defense Department-owned buildings, machine tools, dies, electronic gear, test devices and other equipment in contractors' possession, so this inadvertent handout to industry potentially is vast. Under some circumstances, companies have long received Government permission to lease Federal property to grind out their commercial wares. But the GAO, Congress' watchdog agency, found during a 1½-year investigation that "generally prior approval hadn't been obtained" and that "Government property was improperly being used" in a significant number of such cases without equitable payment to the Government.

The Pentagon says it already is starting some actions and considering others to outflank abusers, but the GAO contends the generals strategy doesn't go far enough to win the battle.

HAVEN'T FULLY REPLIED TO CHARGES

The list of 21 companies and two universities investigated by the GAO is being closely guarded by top GAO officials, who remember well some past Congressional and industry howls when the agency named names in certain reports. In preparing the current report, which will be made available today, GAO officials say they kept the identities secret because the contractors haven't yet fully replied to the charges.

There's a chance, though, that Comptroller General Elmer B. Staats will have to disclose the list today anyway. He is scheduled to testify this morning at the start of hearings by a Joint Economic subcommittee looking into Pentagon buying practices, and would almost surely turn the list over if the subcommittee asks for it.

While the 91-page report doesn't identify offenders, it does say that those investigated included both "large and small prime contractors and subcontractors" doing military work on airframes, aircraft engines, electronic apparatus and ordnance. Together, they had in their hands Pentagon equipment costing about $1 billion.

MAJORITY PROCESSED ON OLDER PRESS

For a look at how some contractors reap unusual dividends from this Government-supplied treasure, consider the operator of the double-duty forge press. The GAO tells the tale as follows:

In late 1961, the 8,000-ton mechanical press was installed at the contractor's plant because a less-efficient, 4,000-ton press, also Government owned, supposedly couldn't handle all of the Pentagon's orders for jet-engine midspan blades. In the three years through Dec. 31, 1965, though, the larger press was used mostly to turn out midspan blades for non-Government customers without Government approval.