

I believe, Mr. Chairman, on this point that the Department of Defense will have further information to supply the committee with respect to its contemplated actions to deal with the problems as we have developed them.

CONTROL OVER GOVERNMENT-OWNED PROPERTY IN THE POSSESSION OF DEFENSE CONTRACTORS

Turning to the subject of the report which you referred to, Mr. Chairman, which was released only today, control over Government-owned property in the possession of defense contractors:

At your subcommittee's hearings earlier this year, limited discussion was held on the subject of control over Government-owned property in the possession of contractors. Our review, which was done at your subcommittee's request, covered several property classes. The total value of such property is unknown, but available DOD data shows it amounts to about \$11 billion in two major classes.

Since your May hearing, DOD has had an opportunity to comment on our observations and our report was issued to the Congress on November 24, 1967. (Text in app. 4, p. 411.) In general the Secretary of Defense was receptive to our suggestions. Actions have been taken or planned in response to the majority of our proposals which, if properly implemented, should result in significant improvements in the control and utilization of such property.

Briefly, our findings were as follows:

1. Some of the equipment was being used by contractors in their commercial operations without appropriate Government approval and without, in our opinion, equitable compensation to the Government.
2. There was little or no use for extended periods of a portion of the equipment, for some of which there was a current need in other plants.
3. Utilization data maintained by some contractors was not adequate to indicate the extent and manner of its use.
4. The Defense Industrial Plant Equipment Center, the Office responsible for the management of idle industrial plant equipment, permitted the purchase of equipment without screening to determine whether similar equipment was idle and available at other locations.
5. Rental policies, in some cases, were detrimental to the Government's interests, in that various bases upon which rental payments were negotiated resulted in a lack of uniformity in the rates actually charged, inequities between contractors, and, in some cases, reduced rent payments to the Government.
6. In some cases, it was our opinion that the Government's interests would have been better served by foregoing the replacement of outworn or outmoded equipment in favor of the contractors' acquiring new equipment at their own expense.

In the other categories of property—special tooling and test equipment, and material—weaknesses in the control of this property existed due to the absence of financial controls and lack of independence in the taking of inventories by contractors. Also, greater care is needed