The leases involved were executed during the period from 1952 to 1967 and provided for the use of the facilities for periods ranging from 2 to 25 years and included renewal option periods to extend occupancy. If the facilities had been contractor owned, depreciation charges would have amounted to about \$35.7 million or about \$59.6 million less than the rental costs. Based on 1966 sales, the Government's share of the difference could amount to about \$57.7 million.

Chairman PROXMIRE. Could I just ask you at that point, I don't like to interrupt you too much, because we do like to confine our questions to the end, is there any way we can tell whether or not this is typical, whether we can project this kind of a performance saving?

Mr. STAATS. We think it is typical, Mr. Chairman.

Chairman PROXMIRE. Did you select some of the worst examples?

Mr. STAATS. We tried to select representative types.

Chairman PROXMIRE. Representative?

Mr. STAATS. We believe, however, that it is typical. You know you could expand this kind of review to include other cases or people might argue about the particular ones that we selected.

Chairman PROXMIRE. So this was a reduction from \$95.3 million down to \$35.7 million; is that right?

Mr. STAATS. That is right.

Chairman PROXMIRE. A reduction to about 40 percent, then or less than 40 percent of what it would have been if we had the arrangements you are suggesting instead of the Government leasing?

Mr. STAATS. To my knowledge this is the first time anyone has attempted to make this kind of review, and I think the two examples here may help point up the problem.

Chairman PROXMIRE. Good.

Mr. STAATS. The following is an example of what we found in this review.

In 1958, the contractor involved began leasing land and buildings at three locations for the performance of Government contracts. By the end of 1963, the leased land and buildings at these locations consisted of about 340 acres of land and more than 890,000 square feet of building space which had been acquired by the lessors at an estimated cost of \$21.2 million.

Under the terms of the leases which were for 20 and 25 years, the contractor's fixed rental costs will be about \$34.1 million, or 160 percent of the estimated acquisition cost. We estimated depreciation on the buildings to be about \$15 or \$19 million less than the rental charges. The Government's share of the rentals in excess of depreciation will be about \$18.1 million.

At two of the three locations, we found that the contractor either had owned, or had possessed a contractual right to purchase the land upon which the leased facilities were ultimately erected, but had sold or transferred its rights to the land to the lessors immediately prior to the construction. The buildings were erected according to the contractor's specifications or renovated to meet its requirements.

Chairman PROXMIRE. Was there collusion involved here?

Mr. STAATS. I think it is purely a case where he found it to his economic advantage to lease because these were the ground rules under which reimbursement was made.