taxation and the tax is not discriminatory. This principle was established in three Michigan tax cases decided by the Supreme Court in 1958.

Representative CURTIS. That is very helpful. And it would be helpful to know how many implemented—maybe this needs a lot of publicity so that the local communities will realize that here is a source of taxes that will make government costs go up, but this is still a good cost accounting provision. (See p. 65.)

Now, let me get into an area where I think I am quite critical—the inventory control of this Government equipment.

I asked the GAO whether this figure that they gave us of $11 billion and $4 billion, which is approximately your figure of $15 billion—whether this was acquisition cost or cost that had been depreciated. And they said acquisition cost.

Is this true?

Mr. MORRIS. That is correct, sir.

RENTAL RATES FOR EQUIPMENT

Representative CURTIS. Well, that surely is not very good inventory control as far as using this for the purposes which you described in here of how much you are going to set your rental—a piece of equipment that is depreciated by 50 percent certainly should not have the same rental that a brandnew piece has nor—I am talking about your initial contract—if it is a continued contract, you take that into account. But how can you utilize your inventory control if you don't have your depreciated values instead of your acquisition costs?

Mr. MORRIS. I would say, sir, that this question is particularly pertinent to the rental costs assessed against the contractor for the use of the equipment. The present formula was developed in years past by OEP and ourselves, and does provide a sliding scale of rental charges based on age of equipment.

INVENTORY AS A CONTROL

Representative CURTIS. We are talking about an inventory control. We are not talking about that. We are talking about—it can be passed over to you—here is the way I have described it—maybe monthly, just your list and the number of people who actually made their monthly reports on the equipment. This means, I would think, that you would have every item on your computer read, even hundred dollar items, because you are talking about things that phase in and phase out. And if the report is not—if there has been a dereliction of reporting, you know which items you don't have the report on, and then probably you have a breakdown in the report on key things that you need to know. This is what I mean by using your inventory as a control.

Mr. MORRIS. I see.

Representative CURTIS. And I don't think you have that, do you?

DOD DEDICATED TO ITEM CONTROL OF EXPENSIVE EQUIPMENT

Mr. MORRIS. We did comment, sir, we are dedicated to getting a better item-by-item utilization control and reporting over at least the expensive items of equipment.