

goals sought to be achieved. To maintain a factual utilization record by individual machine for commingled Government and contractor-owned plant equipment on a contract-by-contract basis is impractical. It would be very time consuming, disrupt the contractor's production planning process, and result in the addition of a costly administrative burden for both Government and Industry. A more practical approach, which we are pursuing, is one of more aggressive surveillance, maximum use of all plant equipment, and additional emphasis on the collection of adequate rentals. However, DOD has requested that OEP meet with us for the purpose of reaching an acceptable solution on this point, on the question of defining "25 percent non-government use," and the differentiation of OEP approvals from local monthly approvals for rental purposes. Also, as mentioned in our comment #1, we are studying how to maintain utilization records on a machine-by-machine basis for selected high value items of IPE.

4. *Recommendation.*—Accordingly, we are recommending that the Secretary of Defense, in connection with further consideration of a current DOD proposal for revision of the rental base, consider the determination, for rental purposes, of actual machine use on a machine-by-machine basis. Since it appears to us that the proposed method which is under consideration by DOD would be exceedingly complex to administer, particularly as to the effect of contract changes, we are also recommending consideration of this matter if not previously considered by the Department. (Page 42).

*Comment*

Several alternative proposals are being considered by the ASPR Committee concerning conditions for use of Government plant equipment. Our position regarding controls on a machine-by-machine basis is stated in the response to recommendations #1 and 3.

5. *Recommendation.*—We are recommending that, in order to improve control over the use of Government IPE, the Department consider the need for more stringent language in the present ASPR clause. (Page 45).

DOD has continuously taken the position that contractors should be held liable for any unauthorized use of IPE. However, we will consider the need for stronger language in paragraph (e) of the "use and charges" clause (ASPR 7-702.12) to assure adequate control over the use of Government-owned IPE in possession of Defense contractors.

6. *Recommendation.*—We are recommending, therefore, that DOD re-examine its current policy of not authorizing rent-free use of Air Force heavy presses used on Government work, and that priority effort be applied to increasing the Government's return through rental arrangements. (Page 50.)

*Comment*

The Air Force heavy press program, a unique situation because of the high cost of the presses, required special OEP approval on all leases. It continues to receive special emphasis. DOD, in conjunction with the Air Force, is re-examining existing arrangements pertaining to rental charges for use of these presses. We are considering such aspects as waiving the rental charges for Government work, increasing rental returns on commercial use, and the feasibility of selling some of the presses to Defense contractors.

7. *Recommendation.*—We are therefore recommending that the DOD place concentrated efforts on the revision and administration of the following aspects of its industrial facility modernization and replacement program: (1) inclusion in procedures of a requirement for specific consideration, and a statement, as to the contractor's ability or willingness to privately finance modernization proposals, (2) consideration of a revision of guidelines to make the provision of Government-furnished plant equipment more directly related to new, major defense programs, (3) a re-examination of the principle of recovery of savings through repricing of incentive-type contracts and subcontracts, and (4) improvement of the validity and review of justification and actual experience data, with particular attention to the aspect of commercial use. (Page 55).

*Comment*

It is DOD policy (DOD Directive 4275.5, Industrial Facility Expansion and Replacement) that the contractor be encouraged to replace old, inefficient government tools with more modern, efficient, privately owned tools. We will modify our current procedures to require specific consideration, and a statement, as to the contractor's inability or unwillingness to finance equipment modernization.