BASIS FOR EQUIPMENT CHARGES TO CONTRACTORS

Chairman PROXMIRE. The other alternative is, instead of this, you might charge the contractor for the time the machines are in his custody, the notion being there might be a tendency for the contractor to hoard these machines. After all, if he has them and is not using them, and he is charged, he might be more willing to make them available for disposal.

Mr. HUGHES. It seems to me, Mr. Chairman, that there should be selectively kept use records of equipment which is in the hands of contractors. We have not discussed this directly with Defense, or with GAO, but there is a point—and I think this is the essence of the remaining disagreement if that is the right term, between GAO and DOD—there is a point at which it ceases to pay to keep track of use, either on a use basis, or to charge, as the case might be, for the equipment.

Chairman PROXMIRE. That would be a pretty inexpensive piece of equipment.

Mr. HUGHES. Yes; an inexpenisve item, or perhaps, in some instances a one-shot piece of equipment—one shot in terms of Government purpose.

Chairman PROXMIRE. But, certainly, most of the Government's $11 billion—whatever it is—$11 billion investment should be covered. That is, 95 percent of it should be covered.

Mr. HUGHES. It seems to us that the Government should know what the contractor is doing with its equipment.

NEED FOR GOVERNMENT TO SUPPLY EQUIPMENT

Representative GRIFFITHS. May I ask this? What real excuse is there now for the Government supplying equipment to many of these manufacturers?

Now, I would like to point out that I feel in a situation where the Government is the sole purchaser from a plant, then the Government should own the equipment, and the plant. It is nonsense to do anything else. Although the Defense Department records are replete with situations where they have permitted a sole producer for the Government to buy the plant, buy the equipment, and charge them for it.

Now, to me this is too silly to talk about. But why should we continue to be in the business of purchasing equipment, or supplying equipment to manufacturers at this point?

DOD NOT ALONE IN FURNISHING EQUIPMENT

Mr. HUGHES. Well, it seems to me there are some instances, Mrs. Griffiths, in which we might wish to do that.

Defense is, incidentally, not the only one in the business. An instance which occurs to me relates to AEC, where there are Government-owned, contractor-operated establishments.

THOMPSON RAMO WOOLDRIDGE

Representative GRIFFITHS. In those you just have to, in my opinion. The worst abuse of this that ever occurred, in my opinion, was when