

ATTACHMENT B

EXCERPTS FROM DEFENSE PROCUREMENT CIRCULAR NO. 57, NOVEMBER 30, 1967

Recovery from Subcontractors

"3-807.5 Defective Cost or Pricing Data

"(d) Under 10 U.S.C. 2306(f) and the 'Price Reduction for Defense Cost or Pricing Data' clauses set forth in 7-104.29, the Government's right to reduce the prime contract price extends to cases where the prime contract price was increased by any significant sums because a subcontractor furnished defective cost or pricing data in connection with a subcontract where a certificate of cost or pricing data was or should have been furnished. * * *"

"Paragraphs 3-807.5(d) and (e), which are concerned with the area of subcontractor coverage, are still under study and may be revised in the near future. In event of revision, the clause in 7-104.29 will likewise be revised."

GOVERNMENT PROPERTY IN THE POSSESSION OF DEFENSE CONTRACTORS

Mr. STAATS. The third and final subject which we are covering in our statement today has to do with Government property in the possession of Defense contractors.

It is the policy of the Department of Defense that contractors will furnish all facilities required for the performance of Government contracts, except that facilities may be provided by the Government when (1) contractors are either unwilling or unable to do so and no alternate means of obtaining contract performance is practical; or (2) furnishing existing Government-owned facilities is likely to result in substantially lower cost to the Government of the items produced, when all costs involved—such as costs of transporting, installing, maintaining, and reactivating such facilities—are compared with the cost to the Government of the contractor's use of privately owned facilities.

Also, it is the policy of the Department of Defense to have its contractors maintain the official records of Government-owned property in their possession.

The Government's inventory of property in the hands of contractors consists of property which the Government has furnished and property procured or otherwise provided by contractors for the account of the Government. Basic policies governing the control of this property are set forth in the Armed Services Procurement Regulation.

At your subcommittee hearings on November 28, 1967, representatives of the Department of Defense indicated that the total value of Government-owned property in the possession of contractors amounted to about \$14.9 billion. This figure includes an estimate of \$3 billion, representing the value of special tooling and special test equipment held by contractors.

Chairman PROXMIRE. Do you have a breakdown of what the rest is? Is any real property included?

Mr. STAATS. We have a breakdown of it. Mr. Bailey has it here. He can read the highlights of it. We have a detailed statement to insert into the record.

Mr. BAILEY. Government material, in other words, the raw materials, used by contractors, such as cloth, duck to make tents, maybe electronic gear, this type of thing that goes into the production of an end item—material in the hands of contractors—

Chairman PROXMIRE. Electronic gear?