

Mr. BAILEY. Black boxes or subassemblies, something of this kind that they have purchased and acquired for production of an end item or which may have been furnished by the Government out of its procurement. This material amounts to about \$4.7 billion. Active real property, industrial property in the hands of contractors—

Chairman PROXMIRE. This is land?

Mr. STAATS. Land and buildings.

INCREASE IN CONTRACTOR-HELD INVENTORY FROM 1965 TO 1966

Mr. BAILEY (continuing). \$2.1 billion. Plant equipment—these are machines, metal working machines, lathes, milling machines—this type of thing, \$4.1 billion. This totals \$10.9 billion, or \$11 billion, roughly, which, plus the \$3 billion that they estimated for special tooling and special test equipment, makes up the total included in Mr. Staats' statement.

Mr. STAATS. I think the comparable figure to the \$11 billion for fiscal year 1965 was \$7.2 billion. So there has been a substantial increase from 1965 to 1966.

FINANCIAL ACCOUNTING ON SPECIAL ITEMS, ET CETERA

The Department of Defense does not collect financial data regarding the value of special tooling, special test equipment, and military property held by contractors.

Chairman PROXMIRE. Don't you think they should? This is Government-owned equipment. Shouldn't they have concise, full, and complete data of what the taxpayers own that private individuals are using?

Mr. BAILEY. Yes, sir. In our report, which we made this month, on Government property in the hands of contractors, we recommend that such an inventory be kept.

Mr. STAATS. I believe there is definitional problem of what you would include. I believe that has been the main consideration here, if I understood correctly. But we have recommended that it be done.

Department of Defense records show that as of June 30, 1966, the cost of facilities in the hands of contractors amounted to \$6.2 billion. This amounted to an increase of \$700 million over that reported at June 30, 1965. About \$300 million of this increase is attributed to the inclusion in inventory records of several Government-owned plants that had been inactive. The remainder is primarily applicable to increases in the amount of industrial plant equipment provided to Army and Air Force contractors. Comparable data for the period ended June 30, 1967, is not yet available.

Chairman PROXMIRE. On the basis of any period for which you have data for comparison, this has been an increasing problem or at least an increasing policy of buying equipment for private contractors to use. It is not decreasing and is not stable. It is going up.

Mr. BAILEY. I think there is another factor that we have to consider here, too, Mr. Chairman. That is the point that Government procurement has been increasing because of the effort in Southeast Asia.

Chairman PROXMIRE. Except the records we have seen, the Defense indicators—perhaps during this period it is increasing—from about the middle of 1966 to date it has been stable.