Mr. BAILEY. Of course, in our report we recommended that we get these profits in the future, or this reduction in price.

Chairman PROXMIRE. Of course, if you don't enforce the Truth in Negotiations Act, and don't have accurate cost records, it is hard to know whether or not the price should be reduced on the basis of the actual cost, either.

Mr. STAATS. On the relative cost price you referred to, we will be glad to examine that.

But the general points that I think we have to keep in mind would be that a great deal would depend on whether it is general purpose equipment or specialized equipment.

I think you would find a great variance as to what your tradeoffs would be in terms of cost of providing it by the Government or by the contractor. We will be glad to look into it.

Chairman PROXMIRE. Fine.

OEP APPROVAL FOR COMMERCIAL USE

Mr. STAATS. The Department of Defense allows rent-free use of its facilities for military orders.

In June 1957, the Office of Emergency Planning established a requirement for contractors to obtain advance approval to use Government-owned machine tools on commercial work exceeding 25 percent of the total usage. The procedure for prior approval was established primarily to preclude contractors from obtaining a favored competitive position through rent-free use of Government-owned production equipment on commercial work. (See p. 213.)

OEP APPROVALS NOT OBTAINED

Generally, we found from our review of the records covering the years 1965 and 1966 that contracting officers were not requiring contractors to request and contractors were not requesting approval to use Government-owned industrial plant equipment for commercial work in excess of the 25-percent criteria.

Chairman PROXMIRE. That 25-percent criteria leaves a lot of leeway, it seems to me, for extracurricular use on Government-owned equipment that is unfair competition and also exploiting the taxpayer.

If you have a million dollars worth of equipment and you can use that equipment up to 25 percent of the time for your own private use, this is a big advantage. Of course, you could have tens of millions of dollars of equipment.

Mr. STAATS. We were not questioning this point so much in our report as we were the fact when it exceeded 25 percent it still wasn't getting approval. That was the point we were referring to the other day.

Chairman PROXMIRE. So it could be 50 and 60 percent and so on. The examples that you gave in your report were 57 percent and another was greater than that.

Mr. STAATS. That is correct. There were a number in excess of the 25-percent rule.

Chairman PROXMIRE. But the 25-percent rule doesn't satisfy you, does it?