

charged on the basis of sales. Then at the end of the month the contractor would look at the sales commercially and to the Government and then the rent would be charged to the two in relation to sales. But we did find in our review that greater attention should be given to machine-by-machine utilization records so that the Government would have more precise information as to what use was made of the equipment in order to appropriately collect rent.

Chairman PROXMIRE. If there are no sales, there is no reimbursement, even if they produce for a commercial account but don't sell?

Mr. HAMMOND. That could create a problem.

Chairman PROXMIRE. Is the basic method of computing the rent on the cost of the equipment and on amortizing that cost over a period of time? To give a simple example, if you buy a million dollars worth of equipment, used 50 percent of the time commercially and 50 percent of the time for the Government. The Government would get back over a period of time \$500,000, with interest? Is that the way it is done?

Mr. HAMMOND. There is a rate set up in the armed services procurement regulations that considers the value of the equipment.

For example, for a piece of equipment that is 2 years old, it would be a monthly rental charge of $1\frac{3}{4}$ percent of the cost of the equipment, plus installation and transportation.

Chairman PROXMIRE. How is that computed?

Mr. HAMMOND. I don't have the basis for that at this moment, although we could furnish you that for the record.

Chairman PROXMIRE. So if this equipment was used 50 percent of the time for private purposes, you would take one-half of $1\frac{3}{4}$ percent per month?

Mr. HAMMOND. Yes. If the equipment were used 50 percent of the time commercial for 1 month, it would be half of $1\frac{3}{4}$ percent of the value.

Chairman PROXMIRE. How do they compute the time element? Do they figure a 160-hour week?

Mr. HAMMOND. There are various methods. Sometimes the total value is used for an 8-hour-shift operation and some cases a longer period.

Chairman PROXMIRE. Depending on what the system is in the plant.

Mr. HAMMOND. That is right. It would vary.

Chairman PROXMIRE. Did you have anything further, Mr. Staats?

Mr. STAATS. This concludes our formal statement but it was our understanding that you had other matters that you wanted us to comment on.

One item you were interested in was the question of identical bids on proposals.

Chairman PROXMIRE. Maybe identical bids is the wrong word, but some kind of collusion which may develop where you had a negotiated price competition.

As I understand it, we have made real progress in reducing identical bids on advertised competitive bidding, but it seems very logical that you would have much more of a problem where you have the Government selecting two or three suppliers, as they do with a great deal of their procurement, and asking for bids between them. In most cases they would select similar suppliers and the firms would know each