from obtaining a favored competitive position through leasing Government-owned production equipment. To administer this procedure, ASPR 13–405 provides:

"Prior approval of the Office of Emergency Planning shall be obtained through the Assistant Secretary of Defense (Installations and Logistics) before more than 25% non-Government use of Government-owned machinery and tools * * * may be authorized. * * *"

We found, in inquiring at OEP, Washington, D.C., in December 1966, that since January 1, 1965, only five requests had been submitted, one of which had been disapproved. Generally, contracting officers were not requiring contractors to request and contractors were not requesting advance approval to use Government-owned IPE for commercial work in excess of the 25-percent restriction, as illustrated below. We observed that it was uncertain whether the 25-percent criteria referred to total planned use or to a fraction of the hours potentially available under one shift or two shifts, or to a certain number of days a week, etc., or if it was to be administered on a total plant or an item-by-item basis.

In four cases facilities contracts were silent or unclear as to the requirement to obtain OEP prior approval, and Government officials had not sought OEP approval even though items of IPE were being used in excess of 25 percent of actual production time for commercial work. For example, a facilities contract negotiated by the Navy required the contractor to use IPE for at least 75 per cent of the yearly total of authorized hours for Government production and it was silent as to conditions that might require OEP approval for other uses.

In another instance OEP denied a contractor the use of Army facilities for commercial work, but at the same time the contractor was using Air Force facilities extensively for commercial work without being required to submit a request. In 1965 this contractor used an average of 1,000 items of IPE a month, costing $17.2 million, for commercial work on a share basis with the Air Force. This increased to $26.5 million in 1966 and the IPE was used in the various company operating groups on an average of from 41 to 97 percent of the actual production time for commercial work. Although the Government officials administering the property were aware that submission of requests for use were appropriate, they had not required the contractor to do this because of (1) the many items of IPE subject to commercial use and (2) their assumption that the request would have to be submitted monthly since the facilities contract requires local approvals monthly for rental purposes.

At two contractor locations Air Force facilities contracts had incorporated provisions which required the contractor to notify the contracting officer when non-Government use was expected to exceed 25 percent of the total equipment use.

In one case 105 items of IPE valued at $6.1 million had been used an average of 58.5 percent of the production time for commercial work during the 6 months ended July 31, 1966, without advance approval. The contracting officer stated that the contractual requirements to obtain OEP prior approval had been added in December 1965 and that he had not checked the contractor's compliance. At the other location the contractor used 67 items of IPE, valued at more than $2 million, over 25 percent of production time for commercial work. The contractor advised us that he was unaware of the contract requirements.

Some DOD and OEP officials stated in the course of our review that approvals to use IPE should be administered on an item-by-item basis. A DOD official further stated that, by reasonable application of the rule, some exception was in order where a line of machines performed a task jointly.

Improper use of Government-owned IPE

On the basis of information available for our review, it was our opinion, that, in a significant number of cases, Government-furnished IPE was not properly used from the Government's viewpoint. In these cases advance approval for such use had not been obtained from OEP, so that the designated Government authority had not reviewed and either approved or disapproved the manner in which it was being used.

For example, an 8,000-ton mechanical forge press costing $1.4 million was installed at a contractor's plant in late 1961 on the basis that the less efficient 4,000-ton presses, also Government-owned, could not handle all of the Government orders for jet engine midspan blades. During the 3 years ended December 31, 1965, the 8,000-ton press was used 78 percent of actual production time for commercial work without advance OEP approval while the majority of Government procurement of midspan blades was processed on the 4,000-ton presses.

Also this contractor had used 10 machines, costing from $29,000 to $141,000 each, 100 percent of the time for commercial work during the first 6 months of 1966 without obtaining advance OEP approval.