

While OEP approval is directed primarily at precluding contractors from obtaining a competitive advantage, current practices appear to be inconsistent also with the following instructions.

ASPR 13-301(e) "Facilities shall not be provided by the Government * * * solely for non-Government use."

Defense Mobilization Order 8555.1 "* * * Government-owned production equipment should not be leased to private industry until its unavailability from private sources has been established. * * *"

We believe that, when the planned commercial use of a machine exceeds 25 percent of its total planned use, prior approval should be obtained, not only to meet OEP's reporting requirements and purposes, but also to provide the responsible DOD management activity with a comprehensive view of the extent to which Government-furnished IPE, by types, are being applied to private commercial purposes.

Therefore, we believe that ASPR 13-405 should be clarified to show that prior approval is to be made on a machine-by-machine basis and that the term "25 percent non-Government use" be more precisely defined. In addition, we believe that ASPR should be clarified to differentiate OEP approvals from local monthly approvals for rental purposes.

Agency comments and our evaluation

The Deputy Assistant Secretary of Defense (Procurement) by letter of August 7, 1967, advised us that the ASPR is being revised to prescribe that the contractor be required contractually to establish and maintain a written system for controlling utilization of IPE. The Deputy Assistant Secretary indicated that the revised regulation establishes the responsibility for each contract administration activity, and other DOD components, to conduct property system surveys to ensure the effectiveness of such a system and to show the extent and manner of use of Government-owned IPE. He indicated also that it provides for control, detection, and reporting of Government-owned IPE which are not being effectively and economically utilized by Defense contractors.

The Deputy Assistant Secretary stated that the Department will study the feasibility of maintaining utilization records on a machine-by-machine basis, as for example, IPE of selected high value and that, if the study proves the practicality of such an approach, the ASPR will be modified accordingly.

We believe that the tabulation of machine-by-machine utilization data may be excluded for IPE approved by the Assistant Secretary of Defense for specific programs, inasmuch as the utilization of this IPE is restricted to specific military hardware items and for IPE above some established cost-level, such as the \$1,000 prescribed for DIPEC reporting procedures. Our report points out that we were unable to determine the manner of use of many general purpose type of equipment items at many contractor plants we visited because adequate utilization records were not maintained.

Our review established that, of the 17 contractors examined, only five contractors maintained adequately comprehensive machine-by-machine utilization data. Two of the five contractors accumulated the data by manual postings and the other three through mechanized procedures (tab card system). One of the contractors was converting from mechanized procedures to an electronic data collection system designed for manufacturing industries. Included among the applications of the electronic data collection system is "Machine and Tool Utilization," and we observed that three of the remaining 12 contractors reviewed were in the process of installing similar systems at the time of our review.

In regard to prior approval by OEP for commercial use of IPE of more than 25 percent, the Deputy Assistant Secretary stated that such approvals on a machine-by-machine basis would create a substantial administrative burden not commensurate with the goals sought. He further stated that to maintain a factual utilization record by individual machine for commingled Government and contractor-owned plant equipment on a contract-by-contract basis is impractical because it would be very time consuming, disrupt the contractor's production planning process, and result in the addition of a costly administrative burden for both Government and industry. DOD feels that a more practical approach is one of more aggressive surveillance, maximum use of all plant equipment, and additional emphasis on the collection of adequate rentals; and they stated that they were pursuing this.