

rent payments were negotiated resulted in a lack of uniformity in the rates actually charged, inequities between contractors, and, in some cases, reduced rent payments to the Government. The departure from uniform rates exists because the ASPR allows credits to the rent liability, representing the portion of usage for Government rent-free work, to be based on a variety of allocation bases applied to the total rent liability and because of other basic differences in the rental formulas applied at various locations.

Uniform rates prescribed.—In 1956 the need to establish uniform leasing policies with respect to rental rates was acknowledged in reports prepared by the Joint Committee on Defense Production and the United States Senate Select Committee on Small Business. One report states that sizable numbers of Government-owned machine tools were being leased to private industry and that, because a uniform leasing policy had not been adopted, discrimination and apparent low-rental policies tended to place small concerns at a competitive disadvantage. Moreover, the Select Committee on Small Business believed that leasing for non-Defense purposes should be held to a minimum; a policy which is currently reflected in OEP and DOD instructions.

Therefore, an Inter-Agency Task Group was formed with members representing the DOD and six other agencies of the Government. On June 19, 1957, the recommendations of the task group, which were developed by consulting representatives and leasing experts in the machine tool industry, were adopted and uniform rental rates for the leasing of Government-owned machine tools to private industry were established. The uniform rates, which are currently stated in OEP's Defense Mobilization Order 8555.1 and ASPR section 7-702.12, were adopted on the premise that all lessees should be treated alike and that all pay rent at the same rates.

The uniform rental rates for machine tools and secondary metal-forming machinery are as follows:

Monthly rental rate
applied against
acquisition cost (percent)

Age of equipment	Percent
0 to 2 years	1 $\frac{3}{4}$
Over 2 to 6 years	1 $\frac{1}{2}$
Over 6 to 10 years	1
Over 10 years	$\frac{3}{4}$

Current lease terms permit inequities.—The DOD allows rent-free use of its facilities for military orders, and, where authorized for commercial work, its use is generally shared. Although the gross rent liability usually is determined from the prescribed ASPR rates, machine by machine, inequities arise, in some cases, in computing a rent credit representing the portion of rent-free Government work. This occurs because ASPR allows and contractors compute rent reductions based on overall allocations of the workload between Government and non-Government work according to the relationship of various factors—such as sales, labor hours, or machine hours—rather than computing rent reductions machine by machine according to the ratio of shared usage of the particular machine.

We did find in one instance that the overall allocation method used produced rentals comparable to an individual machine computation. In two cases we found that the overall allocation method resulted in lower rents for the Government. This effect was caused in these cases by averaging machine utilization and combining higher utilization for Government work of lower valued machines with higher utilization for commercial work of high valued machines. In additional cases inequities were caused by other basic differences in the rental formulas applied at different locations. Some of the differences we found are illustrated below:

One contractor computed rent on a machine-by-machine basis and computed the rent credit for each machine individually on the basis of the number of machine hours applied separately to Government work and to commercial work. However, where separate tabulations of actual machine-hour use could not be made for certain support equipment, no rent was charged. As a result, the contractor used the Government-owned support IPE for commercial work without charge.

At another location, the contractor computed the rent credit on the basis of the average utilization of the machines used for Government work. The inclusion of certain downward adjustments, because it was considered a reserve plant, and the use of an average ratio of machine utilization in the calculation resulted in a lower rent liability than would have resulted from calculating rent on a machine-