

*Comment*

The Air Force heavy press program, a unique situation because of the high cost of the presses, required special OEP approval on all leases. It continues to receive special emphasis. DOD, in conjunction with the Air Force, is re-examining existing arrangements pertaining to rental charges for use of these presses. We are considering such aspects as waiving the rental charges for Government work, increasing rental returns on commercial use, and the feasibility of selling some of the presses to Defense contractors.

7. *Recommendation.*—We are therefore recommending that the DOD place concentrated efforts on the revision and administration of the following aspects of its industrial facility modernization and replacement program: (1) inclusion in procedures of a requirement for specific consideration, and a statement, as to the contractor's ability or willingness to privately finance modernization proposals, (2) consideration of a revision of guidelines to make the provision of Government-furnished plant equipment more directly related to new, major defense programs, (3) a re-examination of the principle of recovery of savings through repricing of incentive-type contracts and subcontracts, and (4) improvement of the validity and review of justification and actual experience data, with particular attention to the aspect of commercial use. [Deleted.]

*Comment*

It is DOD policy (DOD Directive 4275.5, Industrial Facility Expansion and Replacement) that the contractor be encouraged to replace old, inefficient government tools with more modern, efficient, privately owned tools. We will modify our current procedures to require specific consideration, and a statement, as to the contractor's inability or unwillingness to finance equipment modernization.

We will review the need to revise our guidelines as they apply to both new, and existing, major Defense programs. However, we feel that the problems highlighted in the GAO report stem primarily from administration of the modernization program, not inadequate guidelines. These deficiencies will be corrected through a program to improve the technical competency of our property administrators, by a more detailed evaluation of the validity and review of justification and experience data at the local level, and by a requirement for workload projections far enough in the future to allow for administrative and procurement lead time.

The ASPR Committee has had under consideration for some time the subject of recovery of savings under all types of contracts. The views contained in your letter of 30 March 1967 on recovery of savings in the repricing of incentive-type contracts are being considered by the committee.

8. *Recommendation.*—We are recommending that the contracting practices and ASPR provisions be studied, with the objective of providing a method for appropriately accumulating, recording and reporting transportation and installation costs which are borne by the Government. [Deleted.]

*Comment*

We agree that, as a general principle, the cost of plant equipment should include the cost of transportation for delivery to the current installation site, including the cost of installation. In order to comply with ASPR 7-702.12, it is necessary that cost of plant equipment include the costs of transportation to, and installation in, the present location of plant equipment in Defense contractors' plants for the purpose of charges for use of the equipment. Action will be taken to assure compliance with this requirement by amending ASPR after study of the most feasible way of obtaining equitable cost data, by accounting or statistical methods.

9. *Recommendations.*—We are therefore recommending that a study be made of methods by which DIPEC records could be used for Navy property management purposes, with the objective of eliminating duplicate recordkeeping by the Navy; and that the Department of Defense investigate the possibility of similar duplications in the other military services. [Deleted.]

*Comment*

Duplicate recordkeeping related to Navy-owned IPE in possession of contractors is being discontinued. The requirement for records will be satisfied by reliance upon both the contractor and DIPEC property records.

ASPR (Appendices B and C) is being revised to prevent duplication of property records in all Defense agencies. If other duplication is found in the Military Departments, corrective action will be initiated.