In responding to GAO proposals contractors pointed out that they had been abiding by the terms of facility management contracts negotiated with the services and with instructions in the DOD regulations. In several cases there was a reluctance to accept GAO proposals and declare the equipment excess due to possible future needs, including stated mobilization reserves. On the other hand, some contractors agreed with the GAO and pointed to additional quantities of machines they had declared excess after GAO had completed its review. With regard to use of the equipment for private commercial purposes, the contractors again stated that such use was permitted by the terms of facility management contracts.

The following contractors were included in the above findings:

FMC Corporation, Northern Ordnance Division
Menasco Manufacturing Company, Texas Division
Selb Manufacturing Company
Raytheon Company, Missile Systems Division
Sikorsky Aircraft Division, United Aircraft Corporation
Beech Aircraft Corporation
*Sperry Gyroscope Company, Division of Sperry Rand Corporation
The Boeing Company, Wichita Division
Curtiss-Wright Corporation, Wright Aeronautical Division
*TRW, Inc.
Rohr Corporation
Harvey Aluminum (Incorporated)
Kelsey-Hayes Company, Heintz Division
Kaiser Aluminum & Chemical Corporation

MODERNIZATION OF GOVERNMENT-OWNED INDUSTRIAL PLANT EQUIPMENT

Department of Defense Directive 4275.5 states as general policy that "Basically the contractor will be encouraged to replace old, inefficient Government-owned equipment or manufacturing processes with modern more efficient, privately owned equipment." The program for modernization and replacement of Government-owned Industrial Plant Equipment, as presently administered, will perpetuate the large Government investment in general purpose machine tools in possession of contractors and thus defer indefinitely the time when contractors must furnish all facilities, in accordance with the basic policy of the Department of Defense, required for performance of Government contracts. About $4 billion of Government-owned industrial plant equipment is in possession of contractors.

The General Accounting Office proposed that, in consonance with the foregoing conclusions, the Department place concentrated effort 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 the specific consideration of, 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. Improvement in the validity and review of justification and actual experience data, with particular attention to the commercial use of Government-furnished equipment.
4. A reexamination of the principle of recovery of savings attributable to the program through repricing of incentive-type contracts and subcontracts.

Contractor comments received have expressed no disagreement with these principles, however, a number of contractors pointed out that they have made substantially private investments in plant equipment.

*Aerojet-General Corporation
The Bendix Corporation
The Boeing Company
Continental Aviation and Engineering Corporation
FMC Corporation, Northern Ordnance Division
Menasco Manufacturing Company, Texas Division
Sikorsky Aircraft Division, United Aircraft Corporation
*TRW, Inc.