

RENTAL OF INDUSTRIAL PLANT EQUIPMENT

Uniform rental rates are prescribed by regulation where Government-owned machines are used by contractors other than on Government contracts.

The regulations, however, allow considerable latitude as to the basis contractors can use in applying the rental rates and contracts in effect did not in all cases incorporate the ASPR guidance which existed. The absence of a standard procedure for computing rentals has resulted in the Government sometimes receiving reduced rent payments, and in some contractors paying lower rental than other contractors for the same type of equipment.

The GAO believes that the determination of rent on a machine-by-machine basis would be more accurate and more equitable than the various methods presently in use. The maintenance of utilization data for Government-owned industrial plant equipment, previously referred to, would permit the computation of rent on an item-by-item basis. Also, in some cases contractors have been using Government-owned industrial plant equipment in their commercial operations without obtaining the advance Government approval required by their facilities contracts.

Regarding the advance approval for commercial use, two contractors stated their intent to conform to the contract requirements in the future. Only one contractor took strong exception to the machine-by-machine rental formula.

The following contractors were included in the above findings:

- Beech Aircraft Corporation
- Blades Manufacturing Corporation
- Curtiss-Wright Corporation
- FMC Corporation
- Harvey Aluminum (Incorporated)
- Heintz Division of Kelsey-Hayes Company
- Menasco
- Rohr Corporation
- Selb Manufacturing Company
- *TRW, Inc.
- United Aircraft Corporation

HEAVY PRESSES

Rent for the use of Government-owned heavy presses has generally been charged for both Government and commercial work at the rate of 4 percent of sales. Rental income to the Government during a recent 12-month period represented returns on the Government's investment ranging from 1.03 to 2.03 percent. In comparison with current rates of returns on Government bonds and commercial paper, this annual rate of returns appears to be too low from a financial point of view.

Several of the contractors involved pointed out that a return on investment was not the substantial or controlling factor in the financing and establishing of these facilities, but rather, the purpose was to insure a production capability. They further pointed out that, in their opinion, the overall savings to the Government in the cost of the products being produced have given the Government a much more significant return on its investment than the same investment would have produced in bonds or commercial paper.

The General Accounting Office believes that an equitable solution to this problem would be to authorize rent-free use of the presses for Government work, and to increase the rental for commercial use of the equipment, commensurate with its value.

The following contractors were included in this finding:

- Harvey Aluminum (Incorporated)
- Kaiser Aluminum and Chemical Corporation
- Wyman-Gordon Company

TRANSPORTATION AND INSTALLATION COSTS

At some contractor locations the cost of installation and/or transportation associated with the acquisition of IPE was not identified and recorded as prescribed by the accounting principles and standards of the Comptroller General and the records did not meet the requirement of ASPR which provides that, for rental computations, the cost of facilities shall include the cost of transportation