nish us with sufficient details identifying the equipment involved, as noted in our detailed comments. We recognize very clearly our obligations to maintain, protect and control Government-owned property entrusted to our use. We pledge ourselves to continue to employ every possible means to justify this trust.

Sincerely,

H. RANDOLPH,
*Vice President and General Manager.*

COMMENTS ON APPLICABLE PORTIONS OF COMPTROLLER GENERAL OF THE UNITED STATES REPORT TO THE CONGRESS B-140389, NEED FOR IMPROVEMENTS IN CONTROLS OVER GOVERNMENT-OWNED PROPERTY IN CONTRACTOR'S PLANTS

The first five comments by the General Accounting Office which have been marked as being applicable to Northern Ordnance Division, FMC Corporation (see pages 5 through 8) relate to the usage of Government-owned facilities. These comments which are specifically quoted in the following pages state generally that certain Government-owned facilities were not used at all or were used very little during the period involved in the General Accounting Office study, and certain other Government-owned facilities were used in performance of commercial work. The following general comments are pertinent in connection with the usage of such Government-owned facilities by the Northern Ordnance Division:

A. The study made by the General Accounting Office involved a twelve month period ending 31 March 1966. The period selected for the study happened to reflect the contractor's lowest plant workload since immediately after the cessation of World War II in the years 1946 and 1947. As evidence of the contractor's extreme drop in workload during this period, the contractor expended 1,528,678 direct manufacturing labor hours in performance of all work at the Naval Industrial Reserve Ordnance Plant during the calendar year 1965. During the calendar year 1967, the contractor expended approximately 3,015,000 hours of direct manufacturing labor in performance of all such work. During the calendar year 1962, the contractor expended 2,958,323 direct labor manufacturing hours on all such work. Accordingly, the workload during the calendar years 1962 and 1967, both before and after the period involved in the study, was almost double the workload in the period involved in the General Accounting Office study (1965), which was the low point in workload, and thus not representative.

B. The Government-owned facilities which are operated by the Northern Ordnance Division, FMC Corporation at Fridley, Minnesota have been designated as the Naval Industrial Reserve Ordnance Plant, Minneapolis (NIROP, Minneapolis). This is a Government-owned contractor-operated industrial plant intended in part to support the needs of the Armed Forces in time of national emergency. The plant is maintained under the provisions of Public Law No. 883, known as the National Industrial Reserve Act of 1948, by which Congress attempted to establish a nucleus of Government-owned industrial facilities which would reduce to an absolute minimum the lead time required to get the materials and weapons of war into the hands of the combat forces. The purpose of these plants is to fill the gaps resulting from known deficiencies in privately-owned capacity. The mobilization capacity of the NIROP, Minneapolis under certain circumstances may be at least twice its present output. The plant is unique because of the breadth of its capacity, the extent to which its production is integrated, and its long operation in conjunction with Northern Ordnance's outstanding and highly experienced engineering department. There is no other comparable plant with these characteristics run by private industry available to the U.S. Navy for production of intermediate and major caliber gun mounts and guided missile launching systems for the Navy. The only other facility with comparable manufacturing capabilities is a Government-owned and operated plant which by itself could not meet full mobilization needs.

Since part of the capacity of the Government-owned facilities at the NIROP, Minneapolis is being maintained for mobilization purposes it is recognized that certain individual facilities may not be fully utilized during any peacetime period. The alternative suggested by the GAO would be to dispose of these facilities which would render it impossible for this activity to support the existing and contemplated mobilization plans of the Department of Defense. We doubt whether this action would be consistent with the Congressional intent as expressed in the enactment of the National Industrial Reserve Act. The General Accounting Office Report B-140389 fails to recognize the Congressional