

Three extrusion presses in the 5,000 metric ton category were also located. As a part of the post-war settlement, the United States acquired the 15,000 and 5,000 metric ton presses which were later relocated and channeled into the Air Force heavy press program. The 30,000 ton press, however, was seized by the Russians, and with the Soviets in possession of so large a press, our heavy press program received added impetus.

THE HEAVY PRESS PROGRAM GETS UNDERWAY

The heavy press program actually got underway in 1950. This marked the culmination of many months of work by top planners, in Government and industry, who had conducted extensive industrial surveys in an effort to shape the content of a successful heavy press program. At the heart of these studies was the belief that heavy presses could make vital contributions to the Defense effort by providing a capability for the production of large structural members for advanced aircraft and other systems at an unparalleled rate, at low cost, and with a high strength-weight ratio. Congress was informed of the program, and the requisite approvals, together with the necessary funds, were obtained.

THE CONCEPT OF THE HEAVY PRESS PROGRAM

Before I proceed further, there are several points which should be underscored.

First, the heavy press program was unique. To service Defense contractors, particularly those in the airframe industry, we were concerned with the establishment of a heavy press capability for the production of larger, stronger, and lighter forgings and extrusions than previously available in this country. While the Defense Department policy was then, as it is today, that Defense contractors, where practicable shall provide their own plant facilities, and equipment, an exception is warranted in the case of special facilities for which there is no known commercial market. Since there was no commercial requirement for presses of this size, the Government undertook the sponsorship and support of the heavy press program.

Second, it was desirable to establish a self-sustaining industrial base for these heavy presses. To achieve this objective, industry had to be educated and encouraged to design and engineer products suitable for the special productive capabilities of the presses and to be assured of their continued availability on an economic basis. It was essential, therefore, to have a sufficient number of qualified heavy press operators in the program so that we could provide a competitive climate upon which industry could rely for quality, price, and product availability. The heavy press industry was at first hesitant to enter the program since there was no assurance that it would be profitable either as a source of defense or commercial business. Moreover, the Government's program, which was predicated on a "strictly business" rental arrangement with the contractor assuming normal overhead and maintenance costs, could, in fact, entail a financial risk. A representative, select group of operators, however, was finally persuaded to participate.

Third, a key objective was to permit the operators to use the presses, with a minimum of Air Force supervision or interference, with due consideration, however, to the Government's primary interest to rights in their output. To the extent feasible, similar terms and conditions were to apply so as not to confer any competitive advantages on the participants.

Fourth, we sought to rest our business arrangements with the operators on a sound economic footing. Because forgings and extrusions are not end items, but are parts and components of end items and are generally produced to meet the design requirements of prime contractors and lower-tier subcontractors with respect to specifications, changes, quality control, and delivery schedules, and because the output of the presses is intended for commercial business as well, we believed that a rental charge on the basis of sales was in order. This is consistent with Department of Defense ASPR policy to charge a rental for the use of facilities for commercial work and also for Government work unless it can be shown that as a result of rent-free use by the contractor adequate consideration is received through the reduced cost of the end item. It is administratively difficult, if not at times impossible, to assure that these conditions are met in the case of lower-tier subcontractors, such as the heavy press operators.

These, then, are the reasons for charging a rental for both Government and non-Government work on the presses. It should be understood, however, that the