

can be assured that the keen interest of the Secretary's Office in this important program will continue.

SEATTLE, WASH.

Mr. C. M. BAILEY,
Deputy Director, Defense Division,
U.S. General Accounting Office,
Washington, D.C.

DEAR MR. BAILEY: Your letter of November 29, 1967 requested comments on the report to the Congress on the need for the Department of Defense to improve controls over Government-owned property in contractors' plants. (Report No. B-140389 dated November 24, 1967) We appreciate the opportunity to furnish comments and trust that such comments may serve a useful purpose for both your further consideration and that of the subcommittee on Economy in Government of the Joint Economics Committee of Congress.

As a general statement on the over-all report, we believe it is most unfortunate that the report was released to the Congress and subsequently to the news media without benefit of involved contractors' review and comments, even though it is recognized that most of the report comments were directed at certain Government agencies who did have the opportunity to respond. Treatment of Congressional testimony on the report and the report itself in the press has led to unjustified inferences and allegations of violations of public trust by Defense contractors in the utilization of Government property without a recitation of all facts and circumstances involved. Consequently, our principal concern is not so much with what has been covered in the report, particularly as it relates to the Boeing Company, but with what has been left unsaid and the manner in which the content of the report has been treated by the Congress and the press.

This concern is magnified by the very nature of the report which is a conglomeration of findings at various contractors' locations. Each contractor, although affected by only isolated findings and in varying degrees, is almost certain to be assumed guilty by association on all counts. In our opinion the measure of guilt, under the circumstances, will become a function of size with respect to total dollars of property surveyed. Since the Boeing-Wichita operation encompasses approximately 38% of the value of the Government property surveyed, we are concerned that the company will be subjected to unwarranted criticism even though very few of the specific findings relate to our operations and these are readily explainable. Our observations on each of the specific findings are included in the attachment hereto.

A full disclosure of the facts concerning our management and use of Government property and the steps taken by the company to circumvent problems of the nature disclosed in the report will, we believe, reveal that our relationship with the Government in this regard has been forthright and consistent with controlling regulations, policies, and statutes, including appropriate payment for commercial use of Government-owned facilities. A review of the record will confirm that Boeing has consistently obtained approval for and adequately reimbursed the Government for such use. Further, the Boeing Company is in accord with Department of Defense policy that contractors provide, to the maximum extent practicable, plant and equipment required for Defense work. We have been moving in that direction for many years as evidenced by our very substantial investment in research, development and production facilities including the purchase of two Government-owned plants and related equipment declared excess to Government ownership.

With specific reference to Boeing-Wichita and the lease arrangements entered into at that location effective January 1, 1966, it should be noted that this action was taken after it had been determined by the Government that: (1) the property was not excess to the needs of the Air Force; (2) the property was not required exclusively for public use and was available for lease; (3) the lease took into consideration all of the property to be used for non-Government purposes; and (4) very substantial benefits would accrue to the Government in the form of rental income and other tangible emoluments by making the unused plant capacity available for commercial use. The lease was concurred in by the Office of Emergency Planning and two Congressional committees in accordance with applicable statutes and was approved by the Secretary of the Air Force as promoting the national defense and advantageous to the Government.