The following are specific examples of benefits flowing to the Government and the national economy through use of Government plant and equipment on commercial work:

(1) Rental income from commercial use of the plant and equipment in lieu of maintaining idle plant capacity or low equipment utilization. (Lease payments at Wichita for commercial use in 1966 and 1967 will approximate $8,000,000.)

(2) Lower overhead on existing military programs through distribution of fixed costs over a broader business base. (Overhead savings on military work at Wichita for the five-year lease period is estimated to be approximately $14,000,000.)

(3) Preservation of the Government facilities capability for future military work and enhancement of such capability by company investment in additional facilities. (Boeing investment in facilities at Wichita during 1966 and 1967 exceeded $10,000,000.)

(4) Preservation of skilled work force and technical capability for future Government work. (Total work force at Wichita exceeds 19,000.)

(5) Favorable impact on balance of payments problem. (Boeing exports of commercial transport aircraft during 1966 and 1967 totaled $689,000,000.)

(6) Favorable impact on the domestic economy through employment of a substantial number of prime manufacturing employees and widespread subcontracting programs.

We are hopeful that the foregoing general comments and the detailed comments set forth in the attachment hereto will serve to place the portions of the report relating to The Boeing Company in proper perspective. We earnestly believe that commercial use of available Government plant and equipment capacity on a noninterference basis can and does, as evidenced above, result in substantial benefits to the Government and any inappropriate restriction of such use would not be in the public interest. However, we also encourage the strengthening and clarification of applicable regulations where necessary to assure that such use is in the best interest of the Government and in accordance with Government policy.

Although the current Congressional and public reaction to the report may be difficult to overcome and could result in a flurry of unreasonable regulatory and legislative activity, we are hopeful that the General Accounting Office will use its influence to prevent misinterpretation of the report and to achieve what we believe to be its intended objective—improvement in the management and control of Government property commensurate with the economic benefits to be obtained.

It is our considered opinion that the review by the General Accounting Office of Boeing's utilization of Government property on its commercial programs should have reflected the fact that Boeing has made full compensation to the Government for such use and it is our view that your report to Congress should have so stated.

In view of the fact the report has been submitted to the Congress it is requested that this letter and the attachment thereto be given the same distribution.

THE BOEING CO.,
H. W. NEFFNER,
Vice President, Contracts.

Exhibit A

Comments on U.S. General Accounting Office report B-140389

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"At the remaining contractor plant the Government was negotiating a long-term lease specifically to permit commercial use of the IPE. The contractor maintained projected usage data rather than utilization data for selected items of IPE. The records showing projected use indicated that 32 items of IPE estimated to have cost $6.5 million would be used predominantly for commercial work the last 4 months of 1966. According to contractor estimates, commercial use of the plant was expected to be more extensive in 1967 than in 1966. DIPEC records indicated that, by the beginning of 1967, seven of these items, estimated to cost $1.3 million, would be in a critical supply classification. This would mean that, at the present demand rate, DIPEC would not be able to fill all of the requisitions received for this IPE in 1967."

Comment: The long-term lease was proposed by Boeing in November 1965 as a solution to the concern of both the Air Force and the company about future utilization of the Wichita plant. All property at this location subject to DIPEC control was reviewed and it was determined that retention of this equipment for long-term use at the Wichita location was in the best interest of the Government.