

D. TRW has paid rent for commercial work which has been run on the 8,000-ton press. Through October 1967 in excess of \$375,000 has been paid to the Government. This amount exceeds the depreciation of the press attributable to commercial work under acceptable accounting standards.

E. GAO's statement that the 8,000-ton press was used from 1963 through 1965, 78 percent of the time for commercial work is erroneous and misleading. Based on the available hours during this period, use of the press for commercial work did not exceed 25 percent of such available hours. In fact, during 5 months of the year 1963, the press was not devoted to any commercial work whatsoever.

F. Most important of all, the acquisition of the 8,000-ton press made it available when needed by the Air Force to meet the required delivery dates of the C-5A aircraft engines, and the essential experience gained by TRW's use of it from 1963 through 1965 gave needed capability and assurance on this vital program. Other aircraft planned or abuilding, such as the SST, provide additional confirmation of the wisdom and correctness of the decision to procure the 8,000-ton press.

We are continuing with our evaluation of your findings concerning TRW and expect to submit more detailed comments to you within the next several days.

Meanwhile, it is requested that arrangements be made for this statement to accompany any release of information, either to the Congress or to the press, which mentions TRW in connection with your report.

TRW, Inc.

THE BENDIX CORP.,
Detroit, Mich., December 16, 1967.

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

DEAR MR. BAILEY: Thank you very much for your letter of November 29 and accompanying copy of your report of November 24, 1967, to the Congress relating to Government-owned property in contractors' plants. We appreciate the opportunity offered to comment on the findings.

Your letter indicates that the findings applicable to our company have been identified by marginal notations, and, in view of time, our attention will be limited to these. There are only two. The first appears on line C of Page 36 of your report, and relates to anticipated versus estimated realized savings from four machines costing \$886,000, acquired under the Government's program for Modernization of Industrial Plant and Equipment. The second appears at the bottom of Page 39 and the top of Page 40 of your report, and relates to the question of use of private versus Government funds for this equipment.

With respect to the first item, the four machines involved are fairly sophisticated numerically controlled machine tools furnished to the Energy Controls Division of our company for use in the manufacture of aircraft landing gear struts, replacing ten machines having an average age at time of replacement of approximately 19 years. These items of IPE have been shown in the table on Page 36 of your report because our reported savings fell short of those originally anticipated. The four machines are long lead time items, and, consequently, were not installed and operational until 25 to 32 months after our justification for their acquisition was presented. As pointed out in your report, DOD instruction 4215.14 calls for an estimate of savings based on an assumed use of the machines in the production program for the next twelve months immediately following the estimate, notwithstanding the fact that the machines would not be available and operational until years later. In defense of the instruction, this does place the estimate on an established reasonably firm production schedule to which Government representatives might apply an appropriate correction factor to reflect any anticipated future schedule changes of which they are aware, rather than introducing further uncertainties by having the contractor attempt to forecast what production the Government might want two or three years later. In any event, the anticipated and reported savings cover two entirely different production periods spaced approximately 30 months apart.

During this 30-month period the production program to which these machines were to be applied changed significantly in two major respects. First, the amount of Government production was so reduced that the work load would have been reduced about 56% on the old machines which two of the new machines re-