Your letter requests our comments within two weeks from November 29th. Due to the above circumstances, it appears that we will not be able to make our determination as to comments prior to December 28, 1967.

Very truly yours,

EARL F. KOTTS,
Assistant General Counsel.

CONTINENTAL AVIATION & ENGINEERING CORP.,
December 27, 1967.

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

DEAR MR. BAILEY: As a follow-up to my letter of December 12, 1967, Continental Aviation and Engineering Corporation has decided not to comment on the GAO report dated November 24, 1967.

Yours very truly,

E. F. KOTTS,
Assistant General Counsel.

KAISER ALUMINUM & CHEMICAL CORP.,
December 13, 1967.

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

DEAR MR. BAILEY: This is in response to your letter of November 29, 1967 to Mr. T. J. Ready, Jr. which transmitted a copy of the report of November 24, 1967 to the Congress on the need for the Department of Defense to improve its controls over Government-owned property in contractors' plants.

Comments were requested on findings pertaining to this company as identified by marginal notation on the report. The first notation related to equipment which had not been in use for extended periods of time and had not been declared excess by the various contractors in accordance with applicable directives. It is our practice to work with the government in minimizing retention of excess equipment. It should be noted that our records indicate the following pieces of excess equipment have been removed from the Halethorpe Heavy Press Extrusion Facility since November 15, 1965: Production equipment, 50; furniture and fixtures, 161; and plant equipment and machinery, 14. The aggregate original value of these removals is approximately $500,000.

The first marginal notation indicated this company to be responsible for two pieces of excess equipment which we believe to be two jib cranes at Halethorpe having a combined orginal value of $2,060. Low utilization of these cranes was called to our attention during your review, and the cranes were declared to be excess equipment on November 6, 1966. In accordance with government approval of March 23, 1967, for disposal by scrapping, the cranes were sold for $20 and removed on April 24, 1967.

The second marginal notation was in reference to a discussion of return on the government's investment in heavy presses. The stated objective of improving the return via increased rental receipts is a logical one which we believe is attainable only with a relatively high constant utilization rate. From our long association with the program, we know that historically the government business on the presses has fluctuated widely as a result of sharp changes in military requirements, while commercial business has been relatively low. We believe the government should establish rental policies which will encourage commercial use and thus provide the high volume necessary for an improved return on investment. To accomplish this objective and best serve the government's purpose, it must be recognized that the aluminum extrusion industry is highly competitive with equipment rental an important cost consideration. This company has devoted considerable innovative effort to develop commercial business for the presses such as structural components of high voltage electrical transmission towers. Hopefully there are many applications which could be developed into good commercial business through continued research and marketing effort.