

We have concluded that specific findings in the report applicable to this company are limited to the matter of the two small cranes. It is our opinion that prompt corrective action was taken to rectify this minor oversight. We trust that any identification of Kaiser Aluminum & Chemical Corporation with the report will clearly indicate our very limited involvement. If the conclusions we have drawn are incorrect, we would like to meet with you to clarify our position.

It is our opinion that the report is generally constructive in recommending improvements in control over property. Thank you for soliciting our comments.

Very truly yours,

A. N. WARBURTON, Jr.

HARVEY ALUMINUM, INC.,
Torrance, Calif., December 13, 1967.

U.S. GENERAL ACCOUNTING OFFICE,
Defense Division,
Washington, D.C.

(Attention: Mr. C. M. Bailey, Deputy Director, Defense Division.)

GENTLEMEN: This acknowledges receipt of your letter of November 29, 1967, addressed to Mr. L. A. Harvey, President of Harvey Aluminum, and enclosure of the Report to the Congress relating to "Need for Improvements in Controls over Government-Owned Property in Contractors' Plants."

We greatly appreciate the opportunity afforded us to comment on the report. Your office and the Subcommittee are to be commended for the practice of submitting reports to the entities and persons affected, for their comments. Such practice promotes good relationship between the Government and its citizens.

Comments pertaining to our company are contained in your report on pages 13, 28, 32, 43 and 64.

The comment on page 13, regarding utilization of industrial plant equipment, indicates that 74 items of equipment had not been used by us during the first 9 months of 1966. Twenty-six of these items have been declared excess and have been disposed of; many of these 26 items had already been identified and were in process of being declared excess prior to the time of the G.A.O. review. Thirty of the items are in use since these were being held for known future use on Army and Navy 20mm projectiles, fuse bodies, etc., as was explained to G.A.O. personnel during their visit. At request of the G.A.O. personnel, we furnished the contract numbers of the contracts which required use of some of the above retained equipment. Delivery schedules of the contracted supplies are shown therein. Fifteen additional items of equipment were also held for intended use in producing similar military supplies; however, it has been determined that these items are not required and are in process of being declared excess. Three items are being held for use on a contract presently being negotiated in connection with the Weteye Missile.

At the time of the G.A.O. review, Harvey, at the request of the Government, in coordination with personnel from Frankfort Arsenal and DCAS, was in process of establishing new production lines in order to increase and expedite our manufacture of ammunition components and related items, and it was necessary to phase in these items of equipment with additional Government equipment being furnished. These new production lines were established in order to increase production of these critically needed military supplies. To illustrate the need for this equipment, Harvey is using it to produce approximately 5 million 20mm projectiles, 900,000 40mm projectiles, 1.5 million fuse bodies, and various other items each month.

For many years, Harvey has had a policy of continuously screening all items of equipment to determine those excess to its present and planned needs. We believe that this policy has resulted in declaring items excess as soon as justified under the circumstances. We expect to continue this policy as we believe it to be in the best interests of both Harvey and the Government.

The comment on page 28, referring to rental on industrial plant equipment, states that rental was computed according to varying formulas on like classes of machines of similar age and value. This is true, however, since facilities contracts are generally negotiated to provide equipment for specific purposes under varying conditions at the time of negotiations and further to assure the Government a reasonable rental therefor based on the required and/or expected utilization of the equipment, and the product to be produced.