

This variance in rates is illustrated by the fact that one of our contracts requires us to pay a monthly rental rate of 1% of acquisition cost of the equipment even though the equipment is now over 10 years old; whereas, ASPR 7-702.12 provides for a uniform $\frac{3}{4}$ % rental rate on this type of equipment which is over 10 years old.

Harvey Aluminum has been paying its rentals in accordance with the terms of its contracts.

The comment on page 32, regarding revised rental procedure needed to increase return on investment in heavy presses, must of necessity look into the requirement for the heavy presses and the ultimate savings to the Government under the program.

During the 1948-54 period, the Heavy Press Program was justified and authorized solely on the basis that the prospective products therefrom were mandatory to attaining the necessary performance of projected Aeronautical weapon systems at a reasonable cost. The size, complexity and fidelity of the forgings and extrusions produced from the equipment in the Heavy Press Program have permitted attaining the sophistication and performance of Aeronautical and Aerospace systems of the past decade. Additionally, these and even larger forgings and extrusions are requisite to the continued evolution of these systems.

While the rental return on the Government investment in this program does not appear to compare favorably with that on Government Bonds and Commercial Paper, the following factual information should be taken into consideration before reaching a conclusion in the matter:

(a) The Heavy Press Program was justified and authorized by the Government as a requisite to the desired evolution of Aeronautical systems. The program has much more than returned the Government investment in the validation of this justification. Multi-millions of dollars have been saved by the Government because of lower assembly and production costs due to this concept of manufacture.

(b) The size, complexity and dependability of the forgings and extrusions available from the Heavy Press equipment are an order of magnitude improvement over those available in the 1940-1950 period.

It is our belief that the overall savings to the Government as expressed above has given the Government a much more significant return on its investment than the same investment in Government Bonds or Commercial Paper would have produced.

The comment on page 43 relates to Transportation and Installation Costs.

Installation Costs for items of Government equipment were generally paid for by Harvey Aluminum itself. In one instance the contracting agency allotted a sum estimated to cover installation costs. This amount was added to the acquisition costs of the equipment and the contractor has paid rental based thereon.

Transportation Costs were paid for by both Harvey Aluminum and the Government. An audit is now being concluded and determination will be made in the near future as to the amount of transportation costs that should be added to the acquisition costs of the equipment. It has already been determined, however, that the increase in the amount of rental to be paid the Government because of this factor will be very nominal.

The comment on page 64 indicates that the Government Property Administrator had withheld approval of the system we use in accounting for Government-owned property.

Harvey Aluminum has been operating under approved procedures for control of Government-owned plant equipment. Also, there has been regular surveillance by the Property Administrators of such equipment at our plant for a number of years. However, in order to conform with the latest instructions prescribed in ASPR, an updated procedure for control of Government-owned plant equipment was presented to the Property Administrator and his approval was received on April 24, 1967. During their visit G.A.O. representatives noted that Harvey has been following prescribed procedures in the administration for control of Government-owned plant equipment.

We again wish to express our thanks to your office in giving us the opportunity to comment on your report to the Congress. We feel that Harvey has attempted in every way to establish and maintain effective controls over Government-owned property at its facility. We trust that the foregoing explanations will