been informed that direct sale of the facilities to the contractor through negotiation was prohibited by either law or regulation. It appears to us that allowing contractors to purchase equipment already located in their facility would be advantageous to both the contractor and the government.

If additional information is needed regarding our portion of the referenced report, please feel free to call upon us.

Sincerely yours,

J. A. ELLIOTT.

ROHR CORP.,
Chula Vista, Calif., December 18, 1967.

Subject: General Accounting Office, Report to the Congress Regarding Government-Owned Property in Contractors' Plants B–140389.

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

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

GENTLEMEN: We have received the subject report with great interest. Since we were one of the 21 defense contractors impartially selected for review, we were interested in the overall findings of the report, particularly those which may pertain to our company.

We do not believe that the report shows evidence of noncompliance on the part of Rohr Corporation no evidence of neglect on the part of the Government personnel responsible for the surveillance of Government property assigned to our plants. It would seem instead to indicate that, although Rohr complied with the ASPR and Facilities Contract clauses applicable at the time, the General Accounting Office Auditors were either (1) questioning our interpretation of the clauses or (2) questioning the propriety of the clauses themselves. This would seem quite evident in the recommendations set forth in Appendix II of the report.

Specifically the discrepancies noted at Rohr were in the area of utilization of the facilities provided. The first of these concerned a few items that were being used predominantely for commercial work.

During the review we explained to the auditing team that we did not schedule our workload by individual machines, but instead scheduled in banks of machines consisting of both Rohr-owner and Government-owned machines. This means that the first open machine gets the next job whether it be military or commercial, or whether the machine is Rohr-owned or Government-owned. Certainly there are times when the commercial work is heavy on the Government machines. However, there are also many Rohr-owned machines that are producing Government work 100% of the time due either to our method of scheduling or the inability of the older Government equipment to satisfactorily produce the parts. We believe that an integrated shop is far more efficient and economical than one where the machines would be segregated and the workload scheduled individually.

The second was the contractual provision which required the contractor to notify the contracting officer when non-Government use was expected to exceed 25 percent of the total use.

In the report it is stated that the contractual requirement to obtain OEP prior approval had been added to our contract in December, 1965. Although the "effective date" typed on our facilities contract is December 3, 1965, we did not receive this document for our signature until late March, 1966 and the fully executed copy of our contract was not mailed to us by the Government until May 5, 1966. Since the audit covered the period from February 1, 1966 through July 31, 1966 the requirement did not actually become effective until approximately two-thirds of the audit period had elapsed. This requirement has been, and still is, a very controversial matter between industry and the Government. We have been, and now are, complying with this requirement.

The third area of concern was the method used to obtain adequate machine utilization data.

At Rohr, we have a mechanized system which records the hours of use on major machinery on a machine-by-machine basis. This system is part of our cost accounting data collection system which accrues the many production costs automatically through the use of modern computerized equipment. The