

item-by-item basis. As was stated previously in this letter, Selb presently computes machine time used on a machine-by-machine basis and has found it quite satisfactory. Selb feels that computing rent on an item-by-item basis would prove equally satisfactory and, as the Comptroller General has stated, would eliminate discrimination in rates charged to different contractors.

"Property Administrators' Surveillance and Approval of Systems.—Our review showed that the property administrator had withheld approval of systems employed at five of the 19 contractors in our review. Further, we found that ASPR does not provide an incentive for the contractor to maintain an approved system." Id.p.64

Selb Manufacturing Company has implemented procedures for maintenance of Government-owned equipment and for accounting of Government property, which have been approved by the ACO. In the future Selb will continue to comply with these procedures.

Respectfully,

HARRY C. BON, Jr.

RAYTHEON Co.,
Lexington, Mass., December 14, 1967.

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

DEAR MR. BAILEY: Thank you for the opportunity to review the General Accounting Office Report (B-140389) to the Congress on the subject of control of Government-owned property at contractors' plants. I have read the report taking particular note of those sections which you have identified as being applicable to Raytheon Company. As an attachment to this letter, I have included specific comments to those sections in response to your letter of November 29, 1967.

In this covering letter, I should like to set forth a few basic considerations which, from industry's viewpoint, pertain to the subject of the GAO Report. Raytheon, along with hundreds of other major suppliers to the Department of Defense, has a firm policy of conducting its defense business in accordance with the requirements of ASPR and other Government regulations. In this process it is not unusual to be faced with conflicting requirements which dictate a choice on the part of the contractor. This choice can only be made in favor of what appears to be the practical solution based on the facts available at the time the decision must be made.

As an example, we have contractual requirements to maintain a production capability of a certain quantity of HAWK missiles per month. Our capability is entirely dependent upon the availability of the special tooling and test equipment initially acquired for production of this equipment even though it is not presently being used and there is no positive assurance that it will ever be used. As we understand it, the GAO Report's recommendation is that we should declare this special equipment as surplus because of a low utilization factor. We have, however, elected to retain this equipment since we consider our contractual requirement both proper and practical. Obviously, with the world situation as it is, the Department of Defense cannot afford to destroy a quick-reaction capability for critical weapons such as the HAWK when the cost of maintaining such a capability is miniscule compared to the cost of the system itself.

It also appears to us that a more practical approach to the treatment of special test equipment within the DIPEC could be considered. We have no fault to find with the speed with which DIPEC responds to our requests for screening. We do have a problem, however, with some of the equipment we have received.

Special test equipment, by its very nature, generally receives very heavy use during the period of performance of the contract for which it was designed. It is a type of equipment which can and does wear out. We would recommend serious consideration be given to setting a limitation on the age of test equipment which is maintained by the DIPEC. The cost saving to the Government in having this kind of equipment available for reuse by contractors is often outweighed by the cost of collecting, refurbishing, storing and maintaining it before it can be considered for a new program with perhaps indefinite life requirements.

I am sure that the specific comments contained in the attachment to this letter will clarify in greater detail more of the problems faced by contractors who are