

Admiral HADDOCK. Yes, sir.

Mr. ROBACK. And what is being done about it now.

Admiral HADDOCK. Yes, sir.

(The information requested follows:)

The problems relating to the use and rental of Government-owned industrial plant equipment involve two policy areas. GAO review concluded that OEP approval was not being obtained when use of Government-owned equipment on commercial work was anticipated to exceed 25 percent and further that clarification as to the intent of the ASPR 13-405, which sets forth the requirement for OEP approval, was needed. GAO interpreted it to mean machine by machine, whereas administrative contracting officers interpreted it to mean total facilities package.

GAO also found that although uniform rates for rental of Government-owned machines had been prescribed, various bases upon which the rent payments were negotiated resulted in a lack of uniformity in the rates actually charged, inequities between contractors and, in some cases, reduced payments to the Government.

Acting upon GAO recommendations, OASD (I. & L.) has provided a temporary clarification for application, to the extent possible immediately, pending publication of a revision to ASPR 13-405. These instructions provide that contractors may be authorized to use Government-owned IPE for commercial work to keep the IPE in a high state of operational readiness through regular usage; or when substantial savings to the Government would accrue through overhead cost sharing or receipt of rentals, provided no competitive advantage is conferred; or to avoid inequity when the contractor is required to retain the equipment in place, often intermingled with contractor-owned plant equipment required for the production of commercial orders. Such commercial use may be authorized for no more than 25 percent of time available for all use, based on normal work schedules. For equipment with a unit cost under \$25,000, the authorization will apply to the average use, within any 3-month period, of all of the active equipment. For equipment with a unit acquisition cost of \$25,000 or more, the authorization will apply to the same average use but for each individual piece. Authorizations may be granted up to 1 year in advance. Commercial use in excess of 25 percent will not be authorized without prior approval of ASD (I. & L.). Where required, ASD (I. & L.) obtains approval from OEP.

ASPR 13-405 sets forth the requirement for obtaining OEP approval when use on commercial work is anticipated to exceed 25 percent. The ASPR section sets forth the guidance issued by OEP in Defense Mobilization Order 8555.1 dated November 13, 1967. This order establishes policies necessary to maintain a highly effective and immediately available machine tool and equipment reserve for the emergency preparedness program of the U.S. Government. ASPR 7-702.12 also contains provisions for commercial use of equipment included in the emergency preparedness program and the specific rental to be charged.

UNIFORM RATES PRESCRIBED

In 1956 the need to establish uniform leasing policies with respect to rental rates was acknowledged in reports prepared by the Joint Committee on Defense Production and the Senate Select Committee on Small Business. One report states that sizable numbers of Government-owned machine tools were being leased to private industry and that, because a uniform leasing policy had not been adopted, discrimination and apparent low-rental policies tended to place small concerns at a competitive disadvantage. Moreover, the Select Committee on Small Business believed that leasing for nondefense purposes should be held to a minimum, a policy which is currently reflected in OEP and DOD instructions.

Therefore, an Interagency Task Group was formed with members representing the DOD and six other agencies of the Government. On June 19, 1967, the recommendations of the task group, which were developed by consulting representatives and leasing experts in the machine tool industry, were adopted and uniform rental rates for the leasing of Government-owned machine tools to private industry were established. The uniform rates, which are currently stated in OEP's Defense Mobilization Order 8555.1 and ASPR section 7-702.12, were adopted on the premise that all lessees should be treated alike and that all pay rent at the same rates.