

Part of this initiative is to seek amendment or repeal of Cost Accounting Standard 409, "Depreciation of Tangible Capital Assets," to permit more rapid capital equipment depreciation and to recognize replacement depreciation costs. In testimony before your Committee on October 21, 1981, we expressed concerns regarding this initiative. After that time, we undertook a study to determine what the cost impact might be to the federal budget if it was implemented. The preliminary phase of our study has been completed. In that phase, we obtained actual depreciation data from seven contractor segments. It is estimated that if it is implemented fully as set forth in the document published by DOD on September 7, 1981, it could have a significant effect on the federal budget. Since conditions similar to those we examined at seven contractor segments exist at over 1,100 other contractor segments, the industry-wide effect of implementing this initiative could be prohibitive. To establish a defense industry-wide dollar impact, we are obtaining depreciation data from a large number of defense contractors. We believe this data will allow us to draw more definite conclusions as to the total effect implementing this part of initiative 5 could have on the federal budget.