

the authority vested in the President by the paragraph appearing under the heading, "Federal Security Agency—Office of Education—Grants for Surveys and School Construction" of the Third Supplemental Appropriation Act, 1951, Public Law 45, 82nd Congress, and delegated to the Director of Defense Mobilization by section 1 of Executive Order 10269, to determine areas which are critical areas by reason of national defense activities.

2. The Commissioner of Education shall furnish the Administrator of the Defense Production Administration such information as may be requested by the Administrator concerning measures taken to provide school facilities in areas determined pursuant to paragraph 1 of this order, to be critical areas by reason of national defense activities.

3. The Administrator of the Defense Production Administration shall exercise the functions provided for by this order subject to the direction and control of the Director of Defense Mobilization.

[DMO 10, 16 F. R. 7523, Aug. 1, 1951]

DMO 11—Policy Directive Governing Issuance of Tax Amortization Certificates Under Section 124A of the Internal Revenue Code, and Defining the Extent to Which Accelerated Amortization Can Be Allowed as a Cost in Negotiated Contract Pricing

By virtue of the authority vested in me by Executive Order 10193 of December 16, 1950, it is hereby ordered as follows:

1. To assure consistency between the granting of necessity certificates and the determination of expansion goals, certificates shall be granted only for facilities that are included within expansion goals determined by the Defense Production Administration to be necessary to meet established requirements.

2. Certificates of necessity for tax amortization shall be based on a percentage that reflects the best available estimates of post-five-year period usefulness and additional incentives to the minimum amount deemed necessary to secure the needed expansion.

3. The determination of amortization percentages shall be closely related by the Defense Production Administration to the provision of other financial incentives by the Government to encourage the construction of facilities, such as direct government loans, guarantees, and contractual arrangements. The objective shall be to use these incentives separately or in combination to secure the needed expansion at minimum cost to the Treasury.

4. For purposes of effective administration the Defense Production Administration may establish percentage certification patterns for individual industries. These shall provide a basis from which adjustments upward or downward shall be made on account of special factors such as size of enterprise, extent of integration, promotion of competition, new or improved technology, geographical location, and the relative expansion needed. A major objective of this procedure will be to insure that individual firms will not be unduly benefited or prejudiced, as they would be by the flat application of industry-wide percentages.

5. The Defense Production Administration shall assure that the need for the dispersal of facilities in accord with the new pattern established by the National Security Resources Board and approved by the President is adequately recognized when certificates are granted.

6. For purposes of cost computations in negotiated contract pricing, accelerated amortization shall be allowed only to the extent that the percentage certified is based on an estimate of post-five-year period usefulness. Percentages of amortization attributable to other incentives shall not be included as an element of cost in contract pricing.

7. The Defense Production Administration, in cooperation with the procurement agencies concerned, shall immediately undertake a review of those tax amortization actions which, under the policy statement above, will affect negotiated contract pricing with a view to determining the part of percentages that should be considered as costs with respect to certificates already granted. On the basis of this review, procedures shall be established for similar determinations with respect to certificates to be granted in the future.

[DMO 11, 16 F. R. 8098, Aug. 15, 1951]