

GSA Defends Its Purchase at Laguna Niguel

Your editorial of Oct. 22, 1974 concerning the government's acquisition from Rockwell International of an office building at Laguna Niguel, Calif., was inaccurate and misleading, as was the article of Oct. 15 by your reporter, Ronald Kessler.

Contrary to your view, the acquisition of the Laguna Niguel facility was a bargain for the federal government. We acquired it by exchanging two properties no longer required in the government inventory—properties that would have been disposed of regardless of our interest in the Laguna Niguel building.

Good management dictated that we seize the opportunity to acquire this facility which to construct would cost a minimum of \$50 million. The building is located in fast-growing Southern California, where there is a large concentration of federal employees. We lease more than one million square feet in the Los Angeles metropolitan area. The acquisition of this building will allow us to cut back on expensive leases and provide for ever increasing space needs.

The relinquishment of the properties in exchange for Laguna Niguel is in accordance with a policy of the Department of Defense developed in the Kennedy administration by Robert S. McNamara. The policy was to dispose of government-owned, contractor-operated facilities to avoid high administrative costs of ownership and to provide an equal basis for companies bidding on government contracts.

Although the building was acquired by the government in March 1974, the Office of Management and Budget did not give the General Services Administration authority over it until Aug. 1. Already, we have firm plans for more than one-third of the building which has 750,000 net usable square feet. Now that we control the building and can guarantee move-in dates, we anticipate the building will be fully occupied within a year and a half.

We are amazed and amused at the inability of Mr. Kessler and your editorial writers to understand the basic principle of economics under which a producer factors the depreciation of his capital equipment into the price he charges for his goods.

Your inference of White House pressure for GSA to acquire this facility is without foundation. In fact, the idea and impetus for this exchange came from our own regional administrator in San Francisco, a long-time, career federal employee. Our interest is traceable to 1970, long before it could be anticipated that any future Nixon library would be placed in Southern California. At any rate, temporary storage of the papers, pending construction of a permanent library, would have required less than 50,000 square feet. Similar temporary courtesy storage is being provided for President Kennedy's records in Waltham, Mass., and was provided for President Johnson's records in Austin, Texas.

We acknowledged to Mr. Kessler that we were aware of the interest of Presidential Counsellor Robert Finch in Laguna Niguel. But this interest, which was not persistent, developed after we had taken steps to acquire the facility and was not perceived as pressure.

As you pointed out, this transaction was made with the approval of the Office of Management and Budget and without objection from Congress. The Department of Justice had no objection from an antitrust standpoint.

In summary, we obtained the Laguna Niguel facility because it was in the best interest of the government. It will help us in our fight against inflation as we meet present and future space needs for federal employees in Southern California.

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Administrator,
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Washington

(See editorial on opposite page.)