

ferred to that facility was about \$7,500 for the overhaul of an engine, which when overhauled commercially would cost about \$2,800. Some of that \$7,500 went to pay the mobilization base of this industrially funded facility.

That is why I say they are not directly relatable.

There was no other work in the facility, and obviously the total account had to be paid. But in general we have found the costs roughly comparable. The slightly higher cost for contract, as Mr. Secretary said, represents the fact that the contractor pays taxes and has depreciation and other things not included in our costing structure.

Mr. HÉBERT. Yes, but under your costs there you entered the cost of mobilization.

General BUNKER. Yes, sir. Well, that is the rule of the game under industrial funding of an installation of that type, sir.

That is why I say those figures are not talking really about the same thing.

Mr. HÉBERT. I recognize that. And we come out with not the same thing, too.

General BUNKER. But those first figures I gave, which showed around a 5- or 10-percent difference, is a best estimate of trying to compare directly relatable things, sir—around a 5- or 10-percent difference.

Mr. KITCHIN. And may I ask a question right there?

Mr. HÉBERT. Yes, sir.

Mr. KITCHIN. In those instances where you show a 5-percent differential or a 10-point differential of contracting out, do you take into consideration, when you release the military personnel involved in the inhouse operation, the value of that personnel to the Army and other activities? Is that taken into consideration in getting the cost?

General BUNKER. That is taken into consideration in making the decision as to whether it will be contracted out or not.

Mr. KITCHIN. But you take it into consideration in your cost figures?

General BUNKER. No, sir; they were not.

Mr. KITCHIN. So if you take that into consideration in your cost figures, then you probably are a little bit ahead of the game in contracting out?

General BUNKER. Yes, sir.

Mr. KITCHIN. In those instances where the percentage differential is so small?

General BUNKER. That is correct. And also in that one, where they were quite large.

The reason that we paid \$7,000 for overhauling an engine which could be commercially overhauled for \$2,500; some or most of that \$5,000 difference went to pay the cost of having a mobilization base and having trained people that you had to have for other requirements.

Mr. HÉBERT. It had nothing to do with the engines.

General BUNKER. Yes, sir; but was in this particular instance directly charged to the engine.

Mr. KITCHIN. Well, that is true. But the inverse is true, also, Mr. Chairman. When you release the personnel in an inhouse operation