

As you may surmise from this lengthy response, Curtiss-Wright management recognizes its contractual responsibilities and, in our opinion, has transcended its obligations to protect the government interest in the area of military requirements. We are conscious of the need to maintain a capability to satisfy the requirements of our military customer at an optimum cost. We sincerely hope that this letter provides you with insights as to our relationship and respectfully invite further discussions as you may deem necessary.

Very truly yours,

H. C. GIESLER,
Corporate Controller.

FMC CORP.,
NORTHERN ORDNANCE DIVISION,
Minneapolis, Minn., December 22, 1967.

Mr. E. M. BAILEY,
*Deputy Director, Defense Division,
U.S. General Accounting Office, Washington, D.C.*

DEAR MR. BAILEY: Mr. Jack Pope, President of FMC Corporation, has asked me to reply to your letter of 29 November 1967 since we concluded it pertained entirely to the Northern Ordnance Division of FMC, and since I am fully familiar with the pertinent facts.

Your letter requested our comments on portions of your report of 24 November 1967 to the Congress on the need for the Department of Defense to improve its controls over Government-owned property in contractors' plants. As indicated above, the marginal notations on the copy of the report you have furnished us are understood to apply to the Northern Ordnance Division operations in Fridley, Minnesota. Northern Ordnance is the operator of a combined facility which includes both Government- and contractor-owned buildings and equipment. The Government-owned portion is designated as the Naval Industrial Reserve Ordnance Plant, Minneapolis, which is one of several Government-owned contractor-operated plants maintained under the provisions of the National Industrial Reserve Act of 1948. That Act, in its declaration of national policy states:

"... it is the intent of Congress to provide a comprehensive and continuous program for the future safety and for the defense of the United States by providing adequate measures whereby an essential nucleus of Government-owned industrial plants and a national reserve of machine tools and industrial manufacturing equipment may be assured for immediate use to supply the needs of the armed forces in time of national emergency or in anticipation thereof; ..."

The NIROP facility operated by Northern Ordnance has unique capabilities which the Navy has deemed essential to maintain for mobilization purposes in accordance with the National Industrial Reserve Act. Thus any realistic review of equipment availability and usage at the NIROP should take into account the standby mobilization role which the plant serves. It seems to us that your report does not give adequate, if indeed any, consideration to mobilization base requirements.

In any event, we respectfully submit that your comments are not properly applicable to Northern Ordnance when all of the pertinent facts are considered. We, of course, cannot comment on the compliance with DoD policies and procedures of the other companies or non-profit institutions to which your report refers.

We wish to point out that Northern Ordnance has been complying with all the terms of its Government contracts, including the facilities management contract under which we operate the Naval Industrial Reserve Ordnance Plant, Minneapolis. It is our understanding from conversations between your representatives and ours during the survey at Northern Ordnance and also from your report to Congress that your representatives recognize this.

We believe that upon review of the attached material commenting on the items in your report which you indicate are applicable to Northern Ordnance, you will find that the comments in your report concerning Northern Ordnance in major part were, in proper context, either misleading or factually incorrect. In our opinion the matters you have raised in your report fail to disclose any significant actions on the part of Northern Ordnance that are not in accordance with the Armed Services Procurement Regulations, that do not conform with sound industrial practices, or that are inimical to the best interests of the Government.

We do appreciate this opportunity to set the record straight on these matters. We would be able to do this even more fully, we believe, if the GAO were to fur-