

to the Subcommittee on Economy in Government. Joint Economic Committee.
Congress of the United States.

Very truly yours,

JOHN H. HORNBERGER.

HEINTZ DIVISION, KELSEY-HAYES Co.,
December 9, 1966.

Subject: Commercial Use of Government Facilities.

Mr. LEON RUDERMAN,
General Accounting Office,
Philadelphia, Pa.

DEAR MR. RUDERMAN: In 1949 the Heintz Manufacturing Company entered into a facilities contract with the U.S. Air Force to manufacture jet engine components for the General Electric Company to be used in the production of jet engines for the Military. At about the same time, Heintz also entered into production of engine parts for the Allison Division, General Motors Corporation. Allison, under a facilities contract with the Air Force, also arranged for the installation of facilities at Heintz. For the most part the original equipment supplied by the Government came from reserve stocks. Later on, some new machine tools, such as 'Bullards' and spot welders, were furnished. The engines for which Heintz was manufacturing components at that time included the J-33, J-35, J-47, J-71, and J-79. All applications of these engines, at that time, were Military. Allison also developed a turbo-prop engine known as the T-56 for which Heintz made many parts. This engine was used to power the C-130 transport, also a military aircraft.

For several years all of the parts manufactured by the Heintz Manufacturing Company were used for Military engines. Sometime during the '50s, Allison started producing a commercial version of the T-56, to be used in the Lockheed 'Electra,' a commercial passenger ship. This was the first Commercial application of a jet engine (turbo-prop) to be produced with the facilities supplied by the Air Force to Heintz. Agreement was reached through the Contracting Officer of our facility and the Contracting Officer at Allison to pay rental on the basis of a percentage of sales volume of the commercial parts produced. The extent of this production was very small and the rental was not substantial; however, it was paid quarterly in accordance with the contract.

During the mid '50s, Heintz entered into production of J-57 engine components for Pratt & Whitney for engines supplied to the U.S. Navy, and with Ford Motor Company for the production of the same engine parts for the Air Force.

The foregoing pretty much covers the history of the facilities contracts while the plant was operated as the Heintz Manufacturing Company.

In September, 1957, the Kelsey-Hayes Corporation, Detroit, Michigan, acquired the Heintz Manufacturing Company and assumed all contractual obligations in effect, including those with the various Department of Defense agencies. There was no change in the administration of the facilities contracts on the part of the contractor as a result of this change of ownership. The Heintz Division still sought to produce engine parts for the Military using the facilities available.

Aircraft engine production for the Defense Department in the late '50s softened considerably and the engine manufacturers, no doubt, sought further use of their product in Commercial aircraft. It must be remembered that these engines were almost identical to the Military versions and were made, for the most part, off of the same production tooling. In fact, parts could be made on the same line that would be used for either Military or Commercial aircraft.

Along about '61-'62, as more of the Heintz Division's customers were supplying commercial engines, the Heintz Division started to calculate the rental charge for commercial usage of our facilities on a utilization basis. The Heintz Division was unaware of any restrictions as to the percentage of commercial use on an individual piece of equipment so long as it paid rental in accordance with the contract. Therefore, Heintz (Division) could show usage on specific pieces of equipment which exceeded any given percentage for any particular period of time. If Heintz (Division) were required to schedule the use of equipment with a maximum limit of time it could be used on Commercial parts, this would mean many additional set-ups and would hamper the Production Department so much that it would seriously effect the cost of parts being produced. In the interest of good production practice it would seem rather ridiculous to tear down and set up, tear down and set up, just because a certain part coming