through the line at one time is for a Military engine and another part is for a Commercial version of the same engine.

We, therefore, submit that although usage on certain pieces of equipment exceeds the twenty-five per cent (25%) 'bogey' established by the Department of Defense as a criteria for retaining facilities under a Government contract that the interest of the Government is best served by permitting the contractor to use the facilities in the most productive manner possible in order to make parts at the lowest cost for the engine manufacturers and, at the same time, better utilize the facilities.

In addition to producing jet engine components since the inception of the facilities contracts, we have also supplied hardware to NASA for such programs as 'Mercury' and 'Apollo.' We have also produced parts for the 'Recruit' and the 'Bullpup' missile weapons systems. All of these parts were produced by using the facilities supplied by the Government, as well as Heintz-owned equipment. It should be pointed out that at no time has the Heintz Division solicited anything but aircraft or missile work for these facilities. The evolution of commercal jet aircraft after the development by the Military of the feasibility of jet flight was the factor which led to Heintz producing other than Military requirements with the equipment covered by the contracts. And, in accordance with the terms, the Heintz Division has paid rental for such usage.

The Management of the Heintz Division is of the firm opinion that the Government has benefited in many ways as a result of the investment it has made in equipment: lower piece prices for all parts produced because no depreciation charges were included in the costs; lower piece prices due to the increased volume as a result of commercial applications (Heintz has shipped approximately $150,000,000 of aircraft & missile components) ; the engineering and production know-how of Heintz that resulted in improved design and performance of the engines; the availability of a completely tooled and highly qualified supplier during two military involvements of the United States (Korea & Viet Nam.) As demonstrated in the past, it becomes necessary in certain national emergencies for the Government to take over numerous commercial jet aircraft to transport troops and materiel. This was true during the Cuban Crisis and also in Viet Nam. It can be said, without too much chance of contradiction, the commercial jets flying today represent a reserve force to be called upon by the Military in the event of such emergency. These factors, plus many others, certainly are to be considered in any evaluation of the performance of Heintz under the facility contracts included in your review.

The Management of the Heintz Division would be happy to discuss any phase of your study with any technical or other interested personnel from any branch of the Government. The Management of the Heintz Division wants to assure all concerned that at no time has Kelsey-Hayes or the Heintz Manufacturing Company its predecessor, gone out into the market to secure Commercial business, per se to be run over these facilities. It just so happens that the production of jet aircraft has gone from one hundred percent (100%) Military to a mixture of Military and Commercial. Right now the backlog in this line of the Division's business reflects a two-to-one ratio of Military to Commercial work. Essentially, it boils down to the fact that if we do not have the facilities to manufacture the Commercial parts for customers, we can not produce the Military requirements for these same customers. As your study will reveal, the Heintz Division is a very important supplier (in cases the sole source) to Pratt & Whitney, General Electric, Lycoming Division of Avco Corp., and the Allison Division, G.M.C., of parts for engines used in practically every Military aircraft & helicopter flying today.

The Management of the Heintz Division would welcome the opportunity to discuss any phase of your study with any interested Government Agency.

Very truly yours,

J. F. McMahon, *Controller.*

Heintz Division, Kelsey-Hayes Co.,
Philadelphia, Pa., February 9, 1967.

Mr. J. Tkachyk,
General Accounting Office,
Philadelphia, Pa.

Dear Mr. Tkachyk: During the meeting with Mr. Watson and the writer on Friday, January 27, 1967, you and members of your staff reviewed some of the highlights of the study which you made of the facility contracts which we have