

with the Air Force and the Navy. Certain points were made by your group during this discussion and we will try to elaborate on our position and state the facts as we see them.

With regard to the surplusing of certain facilities under the Air Force contract, we welcome an opportunity to sustain our position and need with the appropriate technical people from D.O.D. We feel that we will be able to justify the retention of these facilities and assure you that if any pieces are not needed in our operation, we will certainly declare them surplus. As we pointed out, the production problems experienced in producing the various engine parts for which we have orders cause an imbalance in machine utilization. There are many reasons during the course of any given month why certain equipment shows a low utilization as opposed to any criteria which we might attempt to work to.

We feel that it would not be in the best interest of the Government to remove equipment from our facility which might detract from our capability of being an outstanding producer of jet engine components. The manufacture of parts for aircraft jet engines, whether they be for commercial or military use, requires the same facilities, manufacturing "know-how", and in many instances the exact same tooling. As we have stated, our Company has in the past year either expended or committed in excess of \$1,500,000 for manufacturing facilities to add to our production capabilities in this area. This money is being spent for machine tools to supplement the Government owned facilities and to round out a production complex that will produce quality parts at minimum cost to our customers. Much more, no doubt, will be appropriated as the need arises.

As you know, most of the equipment covered by the Air Force contract is in excess of ten years old, and any equipment that has been acquired under this contract since 1957 has been used equipment, either from other locations or out of surplus stock. In many cases, this equipment was brought into our plant at our expense, overhauled, and put into operating condition. When we used them for commercial parts, we, of course, paid rent. When used for military parts, the Government has had the benefit of the equipment at no cost to them for the removal from the previous locations and the reinstallation at our plant.

The instances that you pointed out to us where we were not in complete compliance with the contract will be given our attention and we will take the necessary steps to comply with the terms and conditions in the future.

During our discussion of the Navy Facility, the statement was made that we were producing commercial parts during the same period of time that the Navy requirements were not being met. It was implied that this was due to the fact that we were giving priority to the commercial activity on equipment which should have been producing Navy parts. This is absolutely not the case. The equipment referred to that was being used on commercial work could not by any stretch of the imagination have held the tolerances required to produce the 2.75" general purpose rocket. The main reason for our not being able to meet the requirements of the Navy during the first production contract was that the delivery schedule in the contract was unrealistic. We actually received the "go ahead" from the Navy in the middle of August 1965. We immediately ordered the steel from the mill. The first shipment was received in our plant on September 27, 1965, and yet the delivery requirement of the contract was that we ship 15,000 completed rocket heads during September. This, as you can see, was a physical impossibility. When we finished the production of the first contract, which was in April 1966, we immediately began shipping on the second production contract. This would not have been possible, had we not released orders to the mill at least six weeks in advance of having been awarded the second quantity, and by our action we guaranteed the continuation of deliveries between the two buys. This certainly demonstrates that we were interested in filling the Navy requirements, even to the extent of ordering material without any firm commitment from the Navy.

It should also be stated that during this same period of time, we were producing the 2.75" rocket base blanks to be used in the manufacture of the pearlitic malleable rocket, which was one of the ten top priority items on the Department of Defense list for Vietnam. This production has now increased to the extent that we shipped 263,000 units in the month of January 1967. While we do not make the finished product, we supply the base to at least ten important producers of this rocket throughout the country. It should be pointed out that we developed the process to produce this part in conjunction with the Frankford Arsenal to fulfill a demand which was not able to be supplied by the malleable iron foundry sources in this country.