

Mr. Chairman and members of the committee, I am very happy to return today to reassure you regarding the policy evolved in the Navy regarding what is known as contracting out.

It is the Navy's policy, in consonance with its mission, to maintain a fleet in readiness for emergencies and to develop a capacity for repair and overhaul of an expanded fleet operating under war conditions.

This policy requires a representative capability inhouse for nearly every type of maintenance necessary to keep in readiness its ships, aircraft, and their associated weapons. Such capability provides for an immediate response to the fleet, maintains a mobilization nucleus of trained personnel within naval plants, achieves a balanced utilization of facilities, achieves maximum utilization of personnel and material, and sustains an engineering capability organic to the Naval Establishment.

In accomplishing the objectives of this policy, the Navy will develop or retain within its establishment, insofar as practicable, an industrial capability for maintenance and repair of mission essential ships, aircraft, weapons, and components. It will contract for:

(1) Nonmission essential weapons and components when military control and performance of such work is not required for military effectiveness, personnel training, or the maintenance of a rotation base;

(2) New weapons which are mission essential or nonmission essential where an inhouse capability has not yet been achieved; and

(3) Selected items where an inhouse capability does not exist, and where costs with other factors concerned are prohibitive to creating such a capability.

The policy I have just stated is not, in my opinion, in conflict with Bureau of the Budget Bulletin 60-2 and Department of Defense Directive 4151.1 and can be carried out within the framework provided by them.

Every cent expended from maintenance funds must achieve the maximum in defense. Over the years the Navy Department has maintained a searching and aggressive policy to discontinue activities no longer needed in its mission and to curtail or dispose of those activities as promptly as possible.

Enforcement of this policy in its final result does avoid competition with private industry in the furnishing of those services which can be obtained more cheaply from normal commercial sources without detriment to military capability. Bureau of the Budget Bulletin 60-2 does no more than formalize this policy.

From my statement that I am submitting for the record, it is apparent that discontinuance or curtailment of the bulk of activities affected to date has resulted from this prior policy and that only a mere handful of actions can be attributed to the issuance of Bureau of the Budget Bulletin 60-2.

The crux of the situation is that the Navy is discontinuing or curtailing certain activities no longer needed to support our mission and is contracting out for services when it can be demonstrated that better readiness of the fleet in support of its mission and a more sound mobilization base can be achieved thereby with the maintenance funds available.