

one-time major modification programs which, if done inhouse, would seriously disrupt the normal flow of work.

(2) Logistic: In some cases contracting out would impose logistic problems upon the fleet by increasing the out-of-service time of major units. Inability to mesh such units with fleet deployments and other operational commitments would follow.

(3) Cost: It is normally less expensive to the Navy overall if maintenance and other weapons programs are accomplished inhouse. For example, additional pipeline (inventory) of repair parts would be required to keep a weapon system program attuned to the fleet deployments and operations if contracted out.

Examples of maintenance and repair programs continually performed by contracting out are:

(1) Major component (modules): For the repair of certain guided missiles. Here expensive test equipment is involved for rework test. Likewise, expensive production equipment is required for the rework, itself. The practice of contracting here is supporting the fleet today and there is no current need for a strict inhouse capability.

(2) Aircraft: Certain commercial type aircraft such as the R7V, R6D, R5D, and WV. These have, as the committee knows, commercial counterparts (CONNIE, DC-6, DC-4) and there exists either with the airlines, the original manufacturer, or an aviation maintenance source, a capability which meets current needs. These aircraft are large and therefore require large work areas which would displace the Navy's capacity inhouse for maintenance of the smaller combat-type aircraft.

Contracting out does impose certain administrative problems such as:

(1) Interpretation of specifications by contractor. This is not encountered to the same degree inhouse.

(2) Necessity for obtaining and reviewing price proposals.

(3) Negotiations.

(4) Diversion of material from the Navy supply system to the contractor's plant.

(5) Risks: When new bidders are awarded contracts.

(6) Engineering changes which occur during the performance and therefore require adjustments in price and may modify other terms and conditions of the contract.

(7) Cost overruns.

(8) Labor strikes which could jeopardize fleet operations and impair our ability to perform our mission.

Comparable cost: It is difficult to directly compare the cost of work being performed inhouse versus the same being contracted out. Here it is pertinent to include a statement made by the surveys and investigation staff of House of Representatives Appropriations Subcommittee which may be found in part IV, Operations and Maintenance, page 421 of the fiscal year 1960 hearings:

B. Relative costs: The staff found it was not feasible to make a valid comparison of the cost of performing aircraft maintenance in depot and the cost of performing it by contract, due to inadequacies and variances in cost accounting systems and lack of comparability between work projects.