

cannot be effective without such support, it follows, inescapably, that the naval shipyards have done a tremendous job over the years.

Many factors must be considered before a decision may be reached as to whether to contract out for a task or have it performed at a field activity. Relative costs are, of course, very important. If highly specialized skills are required for the task, the availability of those skills in either private industry or a Government activity may be the determining factor. If there is sufficient time and a need to develop an inhouse capability, the task may be assigned to a field activity although the skills are currently available only in private industry; the Navy will contract with the firm having the specialized skills for training and other assistance required.

The impact of the work upon the field activity must be considered; if the task is of short duration yet requires considerable manning, its assignment to private industry will avoid unnecessary hirings and firings.

The urgency of the requirement may be the conclusive factor if either private industry or a field activity is able to complete the task within the required time. Normally, of course, several factors will be involved in any one decision and the Bureau must consider them all.

The Navy does not consider the basic missions of the naval shipyards have changed nor that the capability of these yards to perform has been lessened by "contracting out."

Private shipyards were and continue to be the primary source of Navy ship construction. Appendix VII of my written report shows the geographical distribution of new construction and conversion underway in private and U.S. Navy shipyards as of January 1, 1961. The Navy shipyards also have a capacity for additional personnel.

I would like to take up next the Bureau of Supplies and Accounts. This is an area in which the Navy is involved in contracting out under the cognizance of the Bureau of Supplies and Accounts.

Examples of services contracted out are stevedoring, packing and crating of household goods, office equipment repair, laundry and dry cleaning services, automotive equipment repair, rodent destruction and public works type maintenance functions.

A sampling was taken of Bureau of Supplies and Accounts operations. This sampling revealed that since fiscal year 1959, 240 personnel were replaced due to contracting out. For example, at the Naval Supply Depot, Guam, it costs \$102,000 less per year for commercial stevedoring services and \$21,000 less per year when packing and crating are contracted out.

With the exception of contract stevedoring this sampling indicates that the "contracting out" activity at Bureau of Supplies and Accounts managed supply centers and depots does not affect the readiness of the installations to perform their mission in the event of an emergency. Contract stevedoring, however, could reduce the capabilities of military marine terminal operations in emergencies.

The trend in contracting out in this Bureau has not had any significant change in the past few years. Two exceptions exist, however. One is at the Naval Supply Depot, Clearfield, Utah, where the volume of contracting out has been increased due to workload involved in disestablishing this activity by July 1, 1964. The other is at the