

Over a period of many years the Military Establishment has frequently found it efficient and desirable, and often essential to the operation of the military mission, to engage in activities of a purely commercial nature which today are considered as being in competition with private industry. Such activities were usually begun during an emergency when commercial facilities were inadequate or not available.

By the time the periods of emergency had ended, these activities had often become such an integral part of the overall mission that the Government continued their operation despite the fact that commercial sources had by then become available.

Recognizing this situation, in 1953, the President directed that the following policy be issued:

"It is the general policy of the administration that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels. Exceptions to this policy shall be made by the head of an agency only where it is clearly demonstrated in each case that it is not in the public interest to procure such product or service from private enterprise."

Consonant with the above, the basic Department of Defense policy concerning the ownership and operation of commercial- and industrial-type facilities was defined in DOD Directive 4100.15 of November 24, 1953. This document referenced the "basic regulations for the military supply system" and set forth the policy, criteria, and authority under which commercial- and industrial-type facilities would be operated.

This was followed by DOD Directive 4100.16 of March 8, 1954, which implemented the policy contained in the earlier directive, and provided that the Secretary of each military department initiate a continuing review program. It also prescribed guidance for the continuance or establishment of commercial- and industrial-type facilities. The latter directive was implemented within the Department of the Navy on April 7, 1954.

This implementation established the commercial- and industrial-type facilities review program, now referred to as the commercial-industrial activities survey program, and provided the first increment of facilities to be reviewed under this program. The objectives of this initial review program were:

- (1) To foster private enterprise by eliminating unjust Government competition;
- (2) To justify operations which warranted continuance;
- (3) To provide more effective utilization of Department of Defense owned and operated commercial- and industrial-type facilities through cross-servicing; and
- (4) To achieve maximum economy through minimum facility manpower expenditures for commercial and industrial operations without impairing military effectiveness.

Formal guidelines were issued by the Bureau of the Budget in 1955 (Bulletin No. 55-4 dated January 14, 1955), 1957 (Bulletin No. 57-7, dated February 5, 1957), and 1959 (Bulletin No. 60-2 dated September 21, 1959).

Bureau of the Budget Bulletin No. 60-2 of September 21, 1959, issued as a result of a Cabinet decision of April 24, 1959, represents the current policy with respect to the review of those commercial-industrial activities conducted by the Government, that provide services or products for its own use which could be procured from private enterprise through ordinary business channels. This bulletin restated the general policy expressed in the two earlier bulletins, established reporting procedures, expanded the coverage of the program, provided for the evaluation of all commercial-type enterprises not previously reviewed, and prescribed those exemptions which would permit Government operations of commercial-industrial activities.

Although BOB Bulletin 60-2 encourages the use of commercial procurement sources, it does not prevent the continued operation by the Government of commercial-industrial activities in the following instances:

- (1) National security: This exception to the general policy recognizes that the protection of the national defense is paramount to any other consideration. The program does not intend that contract services shall be employed in the procurement of the Department's product or service requirements to the detriment of the effective accomplishment of its mission or the reduction of its combat efficiency or capability. This exception, therefore, covers those functions which