must be performed by Government personnel in order to preserve the national security.

(2) Costs: When it is determined that commercial procurement of products or services would facilitate the effectiveness of the Navy organization, such procurement must not result in costs that are substantially or disproportionately greater than the costs of Government production of the same items or furnishing of the same services. In such cases, however, the costs of both Government operation and private procurement must be impartially computed and complete.

(3) Clear unfeasibility: The third exemption to procurement from commercial sources may be due to the fact that the product or service is (*a*) an integral function of the basic mission of the Department, (*b*) not available nor likely to become available commercially in the foreseeable future, or (*c*) it is administratively impractical to contract for commercially.

Under the policy guidance set forth, the Navy maintains an effective inhouse capability to perform combat and combat-support functions. Justifiable amounts of contract services, however, are used for combat-support functions. Within this policy environment the Navy maintains a level of contractual effort consistent with the need for maintaining an appropriate balance and relationship in the use of military, civilian, and contract service resources to achieve maximum effectiveness and economy in performing workloads and missions.

(*a*) Appendix I is a summary of the Navy ordnance plants which indicates mission and gives a brief description of each.

(*b*) Appendix II is a similar summary of the ammunition and missile depots. These ammunition depots possess a capability for assembling and modernizing noncurrent ammunitions if required, but all have a capability for handling current weapons and ammunitions.

(*c*) Three charts, appendixes III, IV, and V, deal with the Bureau of Naval Weapons depot maintenance activities: naval aeronautic overhaul and repair activities, naval ammunition plants, and ordnance plants, respectively, each shows personnel strength assigned the inhouse workload versus the amount contracted out.

(*d*) Appendix VI outlines the missions of the Bureau of Ships managed industrial complex comprised of 11 naval shipyards and the U.S. naval repair facility, San Diego.

(*e*) Appendix VII 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.

(*f*) Appendix VIII shows, in personnel strength, the inhouse workload versus the amount contracted out.

(*g*) Appendix IX shows personnel strength associated with the inhouse workload of three construction battalion centers (at Davisville, R.I., Gulfport, Miss., and Port Hueneme, Calif.) which accomplish depot-type maintenance of facilities, automotive and construction equipment used by mobile construction battalions in the Atlantic and Pacific.

(*h*) Appendix X indicates the personnel employment at two activities engaged in overhaul and repair of Marine Corps equipment such as tanks, automotive components, weapons. There has been no contracting out for work that these activities do.

The provisions of BOB Bulletin No. 60–2 were directed to the attention of the military departments by Secretary of Defense memorandum of November 30, 1959, and Assistant Secretary of Defense (Supply and Logistics) memorandum of November 30, 1959.

The Secretary of the Navy provided implementation instructions by SECNAV notices 4860 of December 9, 1959, and January 4, 1960, subject: "Commercial-Industrial Activities Survey Program, Bureau of the Budget Bulletin 60–2."

The bureaus and offices of the Navy Department implemented those instructions to the field by individual bureau and office instructions.

In accordance with these requirements a total of 1,115 activities within the Navy Department were resubmitted and reviewed or newly submitted and reviewed. The final summary report showing the results of this review is submitted as appendix XI.

The reporting procedures established by BOB Bulletin 60–2 required that the reviews be submitted under two general categories:

(1) 60–2A: Those commercial-industrial activities or services having an annual estimated cost or value of product or service of less than $250,000.