

The other 2 percent is the warmaking potential that exists in the active military forces. And we must maintain within those forces this know-how.

Now I think perhaps, as a matter of philosophy, had the country decided to give the military forces larger budgets over the past years, it would have been possible of course to keep a greater in-house capability.

Obviously, sometimes the matter of costs should go out, because you want to get the weapon. This is the thing the man fights with.

Mr. HÉBERT. Now I don't know whether you can answer this. You should, from the books.

Have you come to a definite conclusion as to the economical aspect, in an overall approach to the subject matter, as to whether or not contracting out is cheaper dollarwise than inhouse performance?

Now you mentioned two places—in Guam, where contracting out was cheaper dollarwise. Does this reflect the entire picture, or are these exceptions?

Secretary BELIEU. I have tried to answer this question, sir, and I don't think I know the answer to it. I don't think anybody really does, because it shifts from time to time.

Now I mentioned Guantanamo awhile ago. I am certain there is no reason to expect that labor costs would be cheaper if we contracted out there. But from the military necessity, it is obvious now that we can't do this in the future, as much as perhaps we could under other conditions.

Mr. HÉBERT. What you are saying is that the local market, the local labor market would quite control the cost in a particular area.

Secretary BELIEU. It would have a certain impact on it. Also, there is no real economy in the military machine. It is an insurance policy. And sometimes we have to pay for the thing to make sure our strength remains constant. So there is a balance between cost and mobilization requirement and operational readiness.

Mr. HÉBERT. Now, what would be your recommendation now, Mr. Secretary? That you continue as we are proceeding, or cut back, or an expansion of contracting out as related to the Navy, and under directive 60-2?

Secretary BELIEU. Directive 60-2 has exceptions in it which are designed to cover military requirements in their generic sense. They include training, mobilization, and I guess most anything else that you can properly justify.

I think I would—there is no hesitancy—the difference between contracting out-house and in-house business is a matter of necessity based on the consideration you have to make perhaps at the time. Money, perhaps, being a consideration.

But going back to the philosophy that I say was my personal philosophy, I would not give up any in-house capability until I was certain it would not do damage to our military posture. Now, if it doesn't do that, that is fine.

Mr. HÉBERT. Let's be specific. For instance—in probably a minor area, but certainly an illustrative area—laundry now is contracted out at all Navy bases.

I think that is correct, isn't it?

Admiral BEARDSLEY. I don't know.