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WASHINGTON, D.C. 20548

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Dear Senator Allen:

Reference is made to your letter dated January 29, 1973, and our subsequent discussions with your office concerning the planned merger of Safeguard Logistics and System Commands at Huntsville, Alabama.

We visited Headquarters, U. S. Army Safeguard System Office and obtained data on the queries posed by your letter and your correspondents.

The following information is keyed to the questions in your letter.

1. The reorganization announced by Major General R. C. Marshall on January 11, 1973, had been approved by the Secretary of the Army. This reorganization was the basis for the Safeguard fiscal year 1974 budget, which was approved by the Secretary of Defense.
2. The Government's policy for obtaining commercial services is controlled by Office of Management and Budget Circular No. A-76. The policy is to rely on the private enterprise system unless the national interest requires a Government agency to provide directly the products and services it needs. In the planned reorganization of Safeguard, including the two commands at Huntsville, the Army presents a well-documented case of not only following the policy of relying on private enterprise but meeting thereby the requirements of Circular No. A-76 for economy and other aspects of national interest.
3. The strategic functions of Safeguard do not appear jeopardized by assigning responsibility for maintenance and supply to a contractor. The Department of Defense has applied similar concepts in areas such as air defense systems, missile systems and naval weapon systems.
4. The Army considered cost effectiveness in the total context of the Congressional limitation of Safeguard to one operational site.

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- (a) Much of the staffing needed to support multi-site operations was clearly not needed for one-site operations. Army officials carefully considered that employees who came into Safeguard Logistics Command during 1971 reductions-in-force of Army Materiel Command and its Huntsville Subordinate, Army Missile Command, would not be able to return to Army Materiel Command unless new job vacancies opened. (See 6 below for further discussion)
 - (b) The Army selected Grand Forks, North Dakota, as the one operational site and revised its total approach to Safeguard maintenance and supply. Such support will be on a call basis (deferred maintenance)--as contrasted to a full-time 7 days-a-week-basis. It will be performed by a contractor, Western Electric Company, which has staff already trained from its prior mission to make each site operational in turn. Savings of at least \$20 million for the first year are expected by the Army, primarily from deferred maintenance and elimination of a training facility, an elementary school and housing units.
 - (c) The contractor will procure and stock Safeguard unique items which are items not used by other Department of Defense organizations; such items are outside the Federal Cataloguing Program. Nearly all of the common items have been catalogued under the program and will be obtained by the contractor from appropriate military supply points. Army officials estimate that about 50 percent of the Safeguard items are unique and have been catalogued under the program. Cost avoidance savings from this cataloguing will not be achieved by the contractor operations.
5. The decision to release career employees by June 30, 1973, was

--recommended by the Ballistic Missile Defense Management Study in September 1972,

--reviewed by the Safeguard System Manager,

--approved by the Secretary of the Army and,

--accepted by the Secretary of Defense as part of the fiscal year 1974 budget.

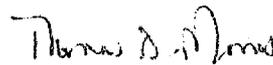
The exact number of employees to be released has not yet been established because retention registers and competitive levels have not been developed. The Army estimates that 470 is the maximum number of employees subject to release.

6. The plan of merger seems to comply fully with the statutory and regulatory protections of career employees. The competitive area of Safeguard System Command has been established well in advance and within the local commander's authority. This area is for bumping purposes only. Any released career employees are to be given priority consideration for vacancies that occur in the Huntsville area. They will be allowed travel and transportation expenses if they must be relocated to other geographical areas. These benefits are afforded under the Department of Defense Stability of Employment Program, Civil Service Commission Displaced Employee Program and Reemployment Priority List. In addition the Secretary of the Army established a Personnel Coordination Center which will monitor actions under the reorganization and coordinate movements between commands.

We recognize that we have only reviewed the Army's plans and intention to date. The total cost structure and treatment of employees should be much clearer as the Army begins its implementing actions.

We have recently established a special task force to study the overall Army reorganization and will furnish you the results of this study when it is completed.

Sincerely yours,



Thomas D. Morris
Assistant Comptroller General

The Honorable James B. Allen
United States Senate