



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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The Honorable William D. Hathaway
Chairman, Subcommittee on
Government Procurement
Select Committee on Small Business
United States Senate

Dear Mr. Chairman:

In your letter of March 27, 1974, you requested our Office review the plans of the Department of Defense to study the feasibility of unifying all support services at military installations in a single contract. You expressed concern that the implementation of such a plan would result in the elimination of a vast number of contractual opportunities now available for small business.

In January 1974, we established liaison with the Department of Defense project manager for Project "Contracting Out". We were briefed by Office of Management and Budget personnel and by the project manager as to the status of the Department of Defense study. At that time, there were plans to issue a memorandum to the individual services which would require that each service recommend a minimum of two installations for operation by contractors. These recommendations were to be furnished to the Department of Defense no later than January 1975.

Upon receiving your request, we met with a member of the Subcommittee staff and advised him of our earlier contacts with the Department's project manager. We agreed to obtain up-to-date information on the Department of Defense plans, the timetable involved, the response of the services to any plans formulated and the installations being considered or selected for contracting out of base operations. The following information, discussed with members of your Subcommittee staff, summarizes the results of our review.

In our first meeting with the project manager subsequent to your inquiry, he indicated that the increased interest in the project had slowed considerably the processing of the memorandum referred to in our earlier meeting. We were advised that there were serious objections to the memorandum as drafted and, for this reason, he did not believe it appropriate to release a copy to our Office until these internal issues were resolved.

Weekly contacts with the Department indicated that the memorandum was being rewritten and that it would not establish any goals and timetable for converting installations to contract operation.

On May 24, 1974, Deputy Secretary of Defense Clements signed the memorandum. Upon receipt of a copy of the memorandum, we met with a Subcommittee staff member and discussed its contents. The memorandum, copy enclosed, stressed compliance with the policy proscribed by the Office of Management and Budget Circular A-76 with respect to the use of private sources for furnishing of products or services when it is determined to be more economical than using Government employees. The military departments were directed to give added emphasis to Circular A-76 with the objective of accomplishing full implementation within the Department of Defense.

The memorandum also stated that Assistant Secretary of Defense Mendolia was to discuss with the Assistant Secretaries (Installation and Logistics) of the military departments a number of alternatives to the present method of providing base support services that should be considered for potential savings in operating and maintenance appropriations needs.

Mr. Mendolia met recently with the Assistant Secretaries of the military departments. We have been informally advised that there will be no further written instructions as a result of the meeting at this time. We were further advised that the Department of Defense intends to require the services to comply with the provisions of Circular A-76 as a matter of policy but that there has been no edict issued that would require services to contract out base operations to a single contractor.

Your Committee will be interested to know that we have many inquiries from Members of Congress questioning the application of Circular A-76 which are the subject of current reviews at a number of military installations. We will, upon completion of these reviews, and with the permission of the requestor, furnish copies of our reports to your Committee. We plan to continue, as we have in the past, to monitor the application of Circular A-76, keeping in mind the interests of your Committee.

We trust this information satisfies your request.

Sincerely yours,

(SIGNED) ELMER B. STAATS

Comptroller General
of the United States

Enclosure