94-F-0588
#585

February 11, 1994

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2568. A letter from the Under Secretary, Department of Defense, transmitting a report entitled, "Report on the Performance of Department of Defense Commercial Activities," pursuant to 10 U.S.C. 2461(c); to the Committee on Armed Services.

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

ACQUISITION AND TECHNOLOGY

2 FEB 1994

DUSD(ES/CI)

Honorable Albert Gore, Jr.
President of the Senate
Washington, DC 20510

Dear Mr. President:

Section 2461(c) of Title 10, United States Code, requires that the Secretary of Defense submit a written report to the Congress by February 1 of each fiscal year "describing the extent to which commercial and industrial type functions were performed by Department of Defense contractors during the preceding fiscal year." Section 2461(c) further requires that the Secretary include in each report "an estimate of the percentage of commercial and industrial type functions of the Department of Defense that will be performed by Department of Defense civilian employees, and the percentage of such functions that will be performed by private contractors, during the fiscal year during which the report is submitted."

This report, titled "Report on the Performance of Department of Defense Commercial Activities," is forwarded.

A similar letter has been sent to the Speaker of the House of Representatives.

Very truly yours,

Sherri Wasserman Goodman
Deputy Under Secretary of Defense
(Environmental Security)

Enclosure

cc: Honorable Robert Dole
Senate Minority Leader

Report on the Performance of Department of Defense Commercial Activities

(Fiscal Year 1993)

Prepared by

The Office of the Deputy Under Secretary of Defense
(Environmental Security)

INTRODUCTION

Section I. In accordance with section 2461(c) of Title 10, United States Code, the report on the performance of commercial activities within the Department of Defense is submitted.

A. Reporting Requirement

Section 2461(c) of Title 10, United States Code, states that:

"--Not later than February 1 of each fiscal year, the Secretary of Defense shall submit to Congress a written report describing the extent to which commercial and industrial type functions were performed by Department of Defense contractors during the preceding fiscal year. The Secretary shall include in each such report an estimate of the percentage of commercial and industrial type functions of the Department of Defense that will be performed by Department of Defense civilian employees, and the percentage of such functions that will be performed by private contractors, during the fiscal year during which the report is submitted."

B. Commercial Activities

OMB Circular A-76, "Performance of Commercial Activities," established policies and procedures to determine whether needed commercial or industrial work should be done by contract with private sources or in-house using government facilities and personnel. Within the Department of Defense, DoD Directive 4100.15, "Commercial Activities Program," and DoD Instruction 4100.33, "Commercial Activities Program Procedures," address the commercial activities program. The Department of Defense commercial activities program encompasses the United States, its territories and possessions, the Commonwealth of Puerto Rico, and the District of Columbia. DoD Instruction 4100.33 defines functional areas of the Department of Defense commercial activities. Data for this report are provided by the Department of Defense Components. The major categories of the Department of Defense commercial activities are as follows:

MAJOR CATEGORIES OF DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITIES

Social Services
Health Services
Maintenance and/or Repair of Equipment (Intermediate/Direct/General)
Maintenance and/or Repair of Equipment (Depot/Indirect)
Base Maintenance/Multifunction
RDT&E Support
Installation Services
Other Nonmanufacturing Operations
Education and Training
Automatic Data Processing
Products Manufactured/Fabricated In-House
Maintenance, Repair, Alteration, and Minor Construction of Real Property

C. Content and Organization of the Report

The remainder of this report is organized into the following sections:

Section II. This is "The Performance of Department of Defense Commercial Activities by Department of Defense Contractors in Fiscal Year 1993" that describes the extent commercial activities were performed by contractors. The first table displays an estimate of the commercial activities workyear equivalents. The second table displays the commercial activities workyear estimates by major category. These data were extracted from the Fiscal Year 1993 annual inventory of commercial activities.

Section III. This is "An Estimate of the Fiscal Year 1994 Department of Defense Commercial Activity Workload -- In-House versus Contract" that provides an estimate of the commercial activities workyears that will be performed by the Services and Defense Agencies and by private contractors during Fiscal Year 1994.

THE PERFORMANCE OF DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITIES BY DEPARTMENT OF DEFENSE CONTRACTORS IN FISCAL YEAR 1993

DEPARTMENT OF DEFENSE SUMMARY

Section II. During Fiscal Year 1993, contractors performed 206 thousand workyear equivalents for commercial activities. The contractors that provide support services are not required to report actual workyears of effort. The workyear figures are estimates of the additional in-house labor force that would have been required to perform the contracted work. During Fiscal Year 1993, the Department of Defense performed 253 thousand workyears of commercial and industrial type work. Overall, 55 percent of the workload associated with commercial activities was performed in-house and 45 percent performed by contractors. Table 1 breaks out the estimates by major Department of Defense Component.

TABLE 1

FISCAL YEAR 1993 DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITY WORKYEARS - BY SERVICE AND DEFENSE AGENCIES

	In-House		Contract	
Services/Agencies	Actual Workyears (000s)	(%)	Estimated Workyears (000s)	(%)
Army	113	67	55	33
Navy/Marine Corps	49	48	54	52
Air Force	50	35	91	65
Defense Agencies	41	87	6	13
Total	**253**	**55%**	**206**	**45%**

Table 2 breaks out the estimates by major categories of commercial activities. This table shows that installation services and other nonmanufacturing functions accounted for the largest portion of the commercial activities during Fiscal Year 1993.

TABLE 2

FISCAL YEAR 1993 DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITIES BY MAJOR FUNCTIONAL CATEGORY

	In-House		Contract	
Major Functions	Actual Workyears (000s)	(%)	Estimated Workyears (000s)	(%)
Social Services	23	85	4	15
Health Services	40	89	5	11
Maintenance & Repair	16	55	13	45
Depot Maintenance & Repair	18	50	18	50
Base Maint./Multifunction	*	1	21	99
RDT&E Support	5	42	7	58
Installation Services	65	63	39	37
Other Nonmaufacturing	47	48	50	52
Education and Training	8	80	2	20
Automatic Data Processing	10	48	11	52
Products Manufactured In-House	4	20	16	80
Maintenance of Real Property	17	46	20	54
Total	**253**	**55%**	**206**	**45%**

Note: The * indicates less than 500.

AN ESTIMATE OF THE FISCAL YEAR 1994 DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITY WORKYEARS -- IN-HOUSE VERSUS CONTRACT

Section III. The Department of Defense estimates that the total Fiscal Year 1994 contract workyears associated with commercial activities will be approximately 203 thousand workyears. The portion performed by in-house is estimated to be 53%. Based on schedules provided by the Services and Defense Agencies, it is anticipated that the Department of Defense will complete cost comparisons involving about 2,000 workyears in Fiscal Year 1994. Table 3 estimates the total Fiscal Year 1994 commercial activities workyears by major Department of Defense Component.

TABLE 3

FISCAL YEAR 1994 DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITY WORKYEARS -- ALL FUNCTIONS

	Estimated Workyears			
	In-House		Contract	
Services/Agencies	Workyears (000s)	(%)	Workyears (000s)	(%)
Army	104	65	55	35
Navy/Marine Corps	46	47	51	53
Air Force	49	35	92	65
Defense Agencies	27	84	5	16
Total	**226**	**53%**	**203**	**47%**