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TO: Cindy Kendall
FROM: Paul A. Strassmann
Subject: Outsourcing

The 1993 Defense Authorization Act (HR 5006), p.229, proposes to prohibit conducting all A-76 cost comparisons.

Please obtain guidelines from Counsel how this would affect our outsourcing initiatives? In case of such prohibition, will that stop all further outsourcing? Who else would be effected, since we already more than 50% outsourced?

Would you please prepare the above by June 20?

Many thanks.



cc: Andrews, D. Brown, Cavallini, Jeffcoat, Knecht, Short

**SECTION 312 — PROHIBITION OF THE USE OF CERTAIN FUNDS FOR
PENTAGON RENOVATION**

This section would prohibit the Department of Defense or any of the military departments from contributing to the Pentagon Reservation Maintenance Fund for any purpose other than for the actual and necessary day-to-day operation of the Pentagon. The provision would also require a report by the Secretary of Defense outlining a revised Pentagon renovation plan.

**SECTION 313 — PROHIBITION ON THE USE OF FUNDS FOR CERTAIN
SERVICE CONTRACTS PERFORMED BY CONTRACTOR PERSONNEL**

This section would prohibit the Department of Defense from conducting further cost comparison studies for service functions as described under OMB budget circular A-76, known as contracting out.

**SECTION 321 — EXTENSION OF REIMBURSEMENT REQUIREMENT FOR
CONTRACTORS HANDLING HAZARDOUS WASTES FOR DEFENSE FACILITIES**

This section would extend to fiscal year 1993 the requirement contained in section 331 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190) that all Department of Defense contracts for the off-site treatment and disposal of hazardous wastes require the contractor to reimburse the government for all liabilities incurred by the government by the contractor's or subcontractor's breach of any term or provision of the contract or any negligent or willful act of omission.

**SECTION 322 — EXTENSION OF PROHIBITION ON USE OF ENVIRONMENTAL
RESTORATION FUNDS FOR PAYMENT OF FINES AND PENALTIES**

This section would extend to fiscal year 1993 the prohibition contained in section 333 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190) against the use of defense environmental restoration account (DERA) funds for the payment of environmental fines and penalties unless they arose out of the defense environmental restoration program.

**SECTION 331 — LIMITATIONS ON THE USE OF THE DEFENSE BUSINESS
OPERATIONS FUND**

This section would extend the limitation on the period of management by the Department of Defense of the Defense Business Operations Fund until April 15, 1994 and would add a requirement for separate accounting, reporting, and auditing of funds and activities. The provision would further establish milestones the department must achieve for the implementation of the fund that are to be monitored and evaluated by the Comptroller General.

SECTION 332 — CAPITAL ASSET SUBACCOUNT

This section would provide limitations for the use of the capital asset subaccount within the Defense Business Operations Fund and would also require a report by the Secretary of Defense on this account.

study indicated that vehicle, computer, communications, civil engineering, medical, and other parts and equipment can be repaired and reutilized, thereby allowing Air Force bases to reap even greater benefits.

In addition to the types of parts discussed above, the Air Force can also achieve significant savings by repairing circuit cards at intermediate maintenance activities instead of throwing them away or sending them to the depot for repair.

The Air Force can save up to \$100 million by pursuing these and other base level repair initiatives. The Air Force should take advantage of this savings potential during fiscal year 1993 and use these funds for more direct readiness-related purposes.

FLYING HOURS FOR EXCESS PILOTS

The Air Force has requested an increase of \$11.4 million in fiscal year 1993 to allow 234 pilots to maintain their flying proficiency. As the Air Force structure is drawn down, excess pilots are generated. The Air Force is reassigning experienced pilots from disbanded units to other active squadrons. At the same time, students are entering undergraduate pilot training from the Air Force Academy and ROTC. The Air Force is committed to providing pilot training to Academy and ROTC graduates who were already in school when the force structure reductions began. As a result, 234 pilots who have completed undergraduate pilot training will not have a flying billet assignment in fiscal year 1993. The Air Force proposes to allow some of these pilots to fly three sorties a month to maintain flying proficiency; others will be assigned to Military Airlift Command units pending further reassignment.

The \$11.4 million requested to maintain excess pilots should be used to fund proficiency of pilots that may have to face combat. Also, the committee encourages the Air Force to terminate agreements made with ROTC and Academy graduates concerning pilot training and to reduce the number of undergraduate pilot students.

CONVERSION OF MILITARY TO CIVILIAN POSITIONS

The Air Force conducted a review of the Air Force Specialty Codes to identify military positions that did not meet the military essentiality criteria and should be converted to civilian positions. In fiscal year 1991 the Air Force converted a number of military positions to civilian; the Air Force accomplished additional conversions in fiscal year 1992 and more are projected for 1993. As an economy measure, many of the military-to-civilian slots were never filled and subsequently removed.

A review of the fiscal year 1993 budget justification for major force programs 1, 2, 3, 4, and 8 indicate that the Air Force is seeking funds for 1993 to fill more civilian slots than there are military slots being taken away. The committee agrees with GAO's assessment that funding delayed conversions does not appear appropriate. Since Air Force activities have performed required functions successfully without these personnel for one to two years, it may not be necessary to fill the positions now, particularly in light of ongoing downsizing and restructuring activities. Savings estimated