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SUPPLY MANAGEMENT AT THE EASTERN TEST RANGE

CONSOLIDATION UNDER THE DEPARTMENT OF THE AIR FORCE

GOVERNMENT
Storage

HEARINGS

BEFORE THE

SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS

OF THE

COMMITTEE ON ARMED SERVICES

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION
UNDER THE AUTHORITY OF

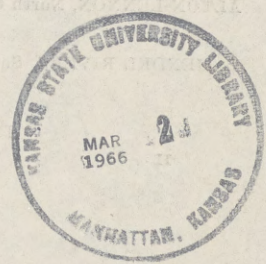
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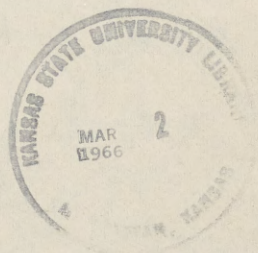
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SUPPLY MANAGEMENT AT THE EASTERN TEST RANGE

Consolidation Under the Department of the Air Force

THURSDAY, SEPTEMBER 9, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE FOR SPECIAL INVESTIGATIONS,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room 2212, Rayburn Building, the Honorable Porter Hardy, Jr. (chairman of the subcommittee), presiding.

Members present: Representatives Hardy, Otis G. Pike, Alton Lennon, and Charles S. Gubser.

Staff present: John T. M. Reddan, special counsel; Walton Woods, staff investigator; John J. Ford, professional staff member; and Phyllis M. Seymour, secretary.

Mr. HARDY. Let the committee come to order.

Let the record show present are Mr. Pike, Mr. Lennon, Mr. Gubser, and myself, constituting a quorum under the committee rules.

I have a short statement:

Shortly after the end of World War II, a decision was made by the Joint Chiefs of Staff to develop a missile capability for the United States. A committee appointed in 1946 to select a test site chose Cape Canaveral (Kennedy) as launch point.

In July 1947, the Air Force was directed to develop the test range and in 1949 President Truman signed legislation establishing the long-range missile proving ground which today extends eastward from the cape for more than 9,000 miles into the Indian Ocean beyond the Cape of Good Hope in Africa. First known as the Atlantic Missile Range, the name has since been changed to Eastern Test Range.

Headquarters of the missile test center is at Patrick Air Force Base, about 18 miles south of Cape Kennedy, and is staffed with approximately 10,000 of the 24,000 employees who are engaged in the range program. Although the development, maintenance, and operation of the range are the responsibilities of the Air Force, these functions have been contracted to Pan American World Airways, Inc., Guided Missile Division, since 1953, under Air Force supervision.

In 1964, the General Accounting Office reviewed the management of supplies at the range and found that 22 separate organizations were independently managing common-type supplies. They estimated that more than \$1 million could be saved if the supply function were placed under a single manager who would assume the responsibility of supporting all range organizations with common-type supply items. Their report recommended that this function be consolidated either under the Air Force or Pan American World Airways.

Since that time, the Air Force has been studying the possibility of consolidating Air Force and Pan American supply operations, utilizing civil service employees. And although as late as May of 1965 the Air Force maintained that no final resolution of the problem had been reached, there are Air Force documents which indicate that a decision to assign single management responsibility to Patrick Air Force Base Supply had been reached by the Air Force and approved by the Department of Defense at least a year earlier.

For the past 2 months, this subcommittee has sought to assemble all of the documentary material bearing on this matter in order that we might make a proper evaluation of this entire matter, including the judgments which entered into the Air Force decision. Much of this material requires further clarification and we have therefore requested witnesses from the General Accounting Office, the Department of Defense, the Department of the Air Force, and Pan American World Airways, Inc., to be here this morning to assist us to a better understanding. This subcommittee is naturally interested in promoting economy and efficiency, but we would like to find out whether that will be the end product of the Air Force decision to take over the supply function at the missile range. We are also interested in whether this contemplated action by the Air Force in any way contravenes the Government's policy with respect to commercial-industrial activities of the Government providing products or services for governmental use. Since this policy is set forth in a Bureau of the Budget bulletin, we have asked a representative of that agency to be present also.

Now I have to confess, this is a wide departure from what we have been led to believe in the Congress is the normal policy of the Department of Defense, so it presents some rather interesting possibilities in the way of testimony which may be developed here.

In itself, it is not a tremendous thing, but it is a matter that has been bothering Congressman Gurney over a period of time, and we have had some conversations about it. This is located in his district.

I would like to welcome Congressman Gurney and give him an opportunity to make a few remarks, if he would like to, and leave any statement that he might like incorporated in the record.

STATEMENT OF HON. EDWARD J. GURNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. GURNEY. Thank you, Mr. Chairman and members of the subcommittee.

I know that your time is limited, and what you are really interested in is getting at the facts and the truth of this matter through the Government witnesses, and therefore I would be delighted, and wish to file my statement, rather than give it.

First of all, I do want to thank you, Mr. Chairman, and other members of the subcommittee, for hearing this matter which is extremely important to my district, and I think as you develop the testimony, and I am sure as your staff has already discovered, you will find it has an important bearing on our whole national policy in this matter.

Senator Holland, who is as keenly interested in this as I am, has

asked me to thank you for inviting him over this morning, and to advise the subcommittee that Senate business has prevented him from coming. He will file a statement.

Mr. HARDY. I appreciate your telling us that. I was going to inquire whether he had sent a statement over, because I talked to Senator Holland about the matter, and he had indicated his interest. So if he is going to send us a statement, we will be looking forward to receiving it.

(Statement of Senator Spessard L. Holland, of Florida, subsequently submitted for the record, appears as app. I, p. 93.)

Mr. GURNEY. Then I will simply say this—and really, your opening statement has done it extremely well, Mr. Chairman—that there are two issues involved. The one issue, of course, is the changeover of the supply function at Patrick Air Force Base involving somewhere between 400 and 500 jobs of my constituents, workers who have worked there a number of years, and have done an extremely good job, a changeover from private industry to Government civil service. That is the one issue. Of course, that deeply affects my district and my people.

The other issue I think is even a much bigger issue, and you touched on that, too, Mr. Chairman. And that is just the issue of exactly how this ties in with our national policy of the government using private enterprise whenever possible.

I would point out that there are two important factors, Mr. Chairman, which shed a considerable light on this matter. One is that last year the Department of Defense, under the order of Secretary McNamara, instituted a complete and vast study of this whole area of contract services and how the Government should use it, at least how the Department of Defense should use it, and Assistant Secretary Moot, whom we all know, was head of the committee. An exhaustive study was made, and a report was filed. As a matter of fact, this report suggests or recommends that 7,000 jobs at this time be changed from private industry to Government service, and there is every indication to believe that more will follow.

The other factor of this is the Bureau of the Budget Bulletin 60-2, which states our national policy to be that we should use in Government, and particularly in the Defense Department, because it is the biggest user of private contract services, that we should utilize private industry to the fullest extent. These are the broad national policies, and along with a restudy of contract services by the Department of Defense, the Bureau of the Budget is also making simultaneously a restudy of the statement of the national policy. There have been several drafts made and there is currently one being circulated among the Government today which changes our policy in some regard, and which again will have an important bearing on this whole matter of what role does private industry play in Government.

These are the issues. I think your subcommittee is well advised to look into this. I think the Congress should be concerned with it, and I want to thank you for going into this.

Mr. HARDY. Thank you for being with us this morning, Mr. Gurney.

Before you leave, I want to give the other members of the committee an opportunity to inquire, if they care to, for any specific information which you may have.

Mr. Lennon?

Mr. LENNON. No questions.

Mr. HARDY. Mr. Gubser?

Mr. GUBSER. I have no questions, except that I do want to have the record show that Mr. Gurney has been very vigilant in this matter and has contacted us repeatedly, both as individuals and as a committee. I want to commend him for the vigilant attitude he has displayed, and the pertinent issue that he has raised.

It seems to me, with your statement, Mr. Chairman, and the views expressed by our colleague, Mr. Gurney, we have the issues clearly delineated, and I hope we can go into them thoroughly, and see to it there is consistency in national policy, and in the way it is administered.

Mr. HARDY. I think that is fundamental to the matter with which we are concerned. There have been times when I have been somewhat critical of the Bureau of the Budget with respect to the extent to which it dabbles into administration by the various and sundry agencies. In this particular situation, I don't know whether the Bureau of the Budget is right or not, but in any event, we obviously have some conflicting approaches to national policy, and our concern here is going to be with the economy; it is going to be with the national defense, and the question as to whether proper judgments have been applied here or whether somebody made a snap decision and then wasn't big enough to reverse themselves when they found out they were wrong. That has happened in the Department of Defense before. Whether it will prove to be the situation here, I don't know.

Mr. Pike, any questions?

Mr. PIKE. No questions, Mr. Chairman.

Mr. HARDY. Thank you, Mr. Gurney. Thank you very much.

Our first witness will be Mr. James Hammond of the General Accounting Office.

Before Mr. Hammond takes a seat, though, the statement Mr. Gurney left will be incorporated in the record, without objection, as appendix II, p. 95.

Mr. HARDY. Mr. Hammond, come on up. The committee is pleased to have you with us this morning. I understand that you are familiar with the subject, and I believe that you have a prepared statement?

Mr. HAMMOND. Yes, sir.

Mr. HARDY. May we have your title, before you present your statement, and then if you will just proceed with your statement, please, sir.

Mr. HAMMOND. Associate Director, Defense Accounting and Auditing Division of the General Accounting Office.

Mr. REDDAN. Mr. Hammond, could we have the identity of the other gentleman?

Mr. HAMMOND. Mr. Braddock, of our Atlanta office, who was senior on the job in its performance.

Mr. HARDY: Thank you, very much. We are glad to have both of you gentlemen present.

Go ahead, Mr. Hammond.

**STATEMENT OF JAMES H. HAMMOND, ASSOCIATE DIRECTOR,
DEFENSE ACCOUNTING AND AUDITING DIVISION; ACCOMPANIED
BY ALBERT L. BRADDOCK, ATLANTA REGIONAL OFFICE, FIELD
OPERATIONS DIVISION, U.S. GENERAL ACCOUNTING OFFICE**

Mr. HAMMOND. Mr. Chairman and members of the subcommittee, we are appearing today at your request to discuss the review we made of supply management at the Air Force Eastern Test Range, Patrick Air Force Base, Fla.

The review was directed toward identifying the cost incurred by each major organization at the range in managing its own supplies, so that this could be compared with the estimated cost of operating under a single manager, who would be wholly responsible for fulfilling the general supply needs of these organizations.

The Eastern Test Range is maintained and operated by the Air Force with headquarters at Patrick Air Force Base, Fla., under authority delegated by Headquarters, Air Force Systems Command. The range provides facilities for launching various types of military missiles and space vehicles, tracking systems for the accumulation of performance and scientific data, and miscellaneous supporting operations required by these programs.

The primary purpose of the Air Force Eastern Test Range is to provide facilities and support for missile and space programs conducted by the Air Force, Army, Navy, and National Aeronautics and Space Administration (NASA). The Eastern Test Range is assisted in carrying out its assigned mission by the Guided Missiles Range Division of Pan American World Airways, Inc., which is responsible for operating the various facilities at the range under contract with the Air Force. Pan American is known as the range contractor. Each of the military services and NASA employ one or more contractors to develop and test missiles and space vehicles.

The missile contractors and NASA are known as the range users.

The range contractor, NASA, and many of the missile contractors operated their own supply activities to provide supply support for performance of their assigned missions. The Air Force also operated a supply activity at Patrick Air Force Base, known as Base Supply, and a redistribution and marketing activity which handled all disposal of materials and supplies at the range. Each supply activity in these organizations performed all the functions incident to supply management, such as procurement, receipt, storage, and issue of supplies. Our review extended to all supply items managed by the Air Force and by Pan American. It also included supply items in the inventories of the National Aeronautics and Space Administration and the 19 principal missile contractors whose use was not limited to a single organization, such as washers, fuses, lacquer, grease, transistors, and office supplies. Certain items which NASA and the missile contractors were managing did not readily lend themselves to

centralized management, since they were peculiar to the individual contractors' requirements. Consequently, these peculiar items were excluded from consideration in our review. At the time of our review, inventories of items on hand had a value of about \$45 million, of which the Air Force managed almost \$11 million, and Pan American managed about \$29 million.

Pan American's stockrooms and warehouses were located throughout the Cape Kennedy and Patrick Air Force Base areas. Pan American's supply operations, which were the largest at the Eastern Test Range, were confined primarily to supporting its own requirements; however, limited supply support, on an emergency basis, was furnished to other organizations at the range.

The Air Force Base Supply furnished complete supply support to all military organizations located at Patrick Air Force Base. The missile contractors obtained about one-third of their supplies from commercial vendors and the remainder from the Air Force.

We estimated, on the basis of our review, that over \$1 million a year in administrative costs could be saved if supply management at the Eastern Test Range were consolidated under a single manager. We also anticipated that additional savings, indeterminate in amount, would result from the more effective use of supplies which such consolidation would permit. For example, we found that more than \$200,000 worth of supplies had been procured by various organizations at the range, although other organizations located there were in possession of identical items in quantities in excess of their needs.

Annual administrative costs of \$7.5 million were being incurred by 22 organizations in the management of the items included in our review. These organizations included the Air Force, Pan American, NASA, and 19 missile contractors. The estimated saving of over \$1 million under a single manager operation was expected to result from a reduction in the volume of supply activity and from a corresponding reduction in the number of personnel needed for procuring, receiving, storing, and issuing supplies, as well as for accounting and other related functions.

In many instances, identical items were being managed by more than one organization. Our analysis of items bearing Federal stock numbers, stocked by five of the larger organizations at the range, disclosed that 17,202 of 55,786 different items managed by Base Supply were also managed by Pan American; 761 of 1,957 items managed by NASA were also managed by both Base Supply and Pan American; 1,053 of 2,582 items managed by the Boeing Co. were also managed by both Base Supply and Pan American, and 60 of 82 items managed by the Martin Co. were also managed by either Base Supply or Pan American. These items included administrative supplies, maintenance supplies, and electronic parts. Typical examples of items procured and stocked by more than one organization at the range are shown in the appendix, which I would like to present for the record.

Mr. HARDY. Without objection, it will be included in the record at this point.

Examples of supply items managed by more than 1 organization at the Atlantic Missile Range

Federal stock number	Supply item	Managed by—				
		Pan American	Base Supply	NASA	Boeing	Martin
5305 1511423	Bolt.....	X	X	X	X	
5310 0120380	Washer.....	X	X	X	X	
5905 1200167	Resistor.....	X	X	X	X	
5920 1319821	Fuse.....	X	X	X	X	
5920 2215673	Fuseholder.....	X	X	X	X	
5920 2287882	Fuse cartridge.....	X	X	X	X	
5940 2046591	Ferrule.....	X	X	X	X	
5960 1005273	Electron tube.....	X	X	X	X	
5960 1704430	Semiconductor.....	X	X	X	X	
5960 6364219	Transistor.....	X	X	X	X	
6135 1201016	Battery, dry.....	X	X	X	X	
7510 1897880	Pencil.....	X	X	X		X
7510 2316531	Inking pad.....	X	X	X		X
7510 2666707	Tape.....	X	X	X	X	
7520 1626178	Sharpener, pencil.....	X	X	X		X
7520 2815913	Basket, wastepaper.....	X	X	X		X
7530 2404768	Paper, duplicating.....	X	X	X		X
7920 1788315	Brush.....	X	X	X	X	
8010 1605789	Thinner.....	X	X	X	X	
8010 5152487	Lacquer.....	X	X	X	X	
8520 6341596	Hand cleaner.....	X	X	X	X	
9150 2575361	Grease.....	X	X	X	X	

Mr. HAMMOND. There seemed to be nothing in the nature of the items themselves, or in their management, which would make infeasible the management by either Pan American or Base Supply of all the items presently being managed by the two organizations. Each organization expressed itself as capable of assuming the management of items then being managed by the other.

To determine the potential estimated saving under a centralized supply-management operation, we obtained from all range users statistical and cost data covering their supply activities for the most recent 12-month period. The information included the number of line items and the dollar values in their respective inventories, the number and dollar value of supply actions including the issue and receipt of items, and the number of personnel and their salaries. We obtained similar information from the Air Force and Pan American regarding their supply operations.

We then furnished Pan American with the workload of supply activity as indicated by the respective organizations and requested it to furnish us with an estimate of its cost for assuming supply support for the entire range.

The Pan American cost estimate for administration of supplies, exclusive of those which served to satisfy the particular requirements of particular missile systems, was about \$1,313,000 less than the combined costs being incurred by the 22 organizations included in our review. We analyzed Pan American's calculations and reviewed its bases for computing the various elements of cost and concluded that its method for approximating the probable costs of operating a consolidated supply activity seemed reasonable. Pan American's estimate was also confirmed by computations which we made of savings which would accrue from a centralized Air Force supply management,

using estimates furnished by the Air Force, costs of supply transactions taken from Air Force records, and other factors. These computations indicated a potential saving of about \$1,125,000—a smaller but comparable saving to that computed by Pan American.

On the basis of Pan American's estimate, the personnel complement of 1,242 then employed in supply-management operations of the 22 organizations could be reduced by 229 persons under a centralized operation, and savings would also result from a reduction in the volume of procurement actions which would accompany the conversion to a centralized operation. For example, the procurement functions performed by the 22 organizations involved approximately 300,000 procurement actions annually and required 105 personnel at salary costs of approximately \$649,000. The Pan American estimate showed that under a centralized operation the number of annual procurement actions would be reduced by approximately 19,000 and that there would be a reduction of 28 personnel at a saving of \$191,000 in salary costs.

In a report we issued to the Congress, we recommended that the Secretary of Defense designate a single organization to provide supply support to all organizations at the Eastern Test Range and that the designated single manager be assigned responsibility for all items managed by Pan American and the Air Force Base Supply, as well as items managed by the range users which were not peculiar to their individual requirements. Recognizing the advantages of maintaining sufficient flexibility to permit the independent procurement of supplies by individual users in special circumstances, we further recommended that, in cooperation with representatives of the range users, procedures be devised which would permit such independent procurement actions within reasonable limitations.

This completes our prepared statement, and we shall be pleased to answer any questions which you may have.

Mr. HARDY. Thank you, Mr. Hammond.

Members of the committee, I am going to suggest that Mr. Reddan proceed with questions, if that is agreeable. Go ahead, Mr. Reddan.

Mr. REDDAN. Mr. Hammond, in making your review, did you consider the number of items handled by the base as compared to the number of items handled by the contractor?

Mr. HAMMOND. Yes, sir. We considered the number of items handled by the Patrick Air Force Base Supply, the number handled by Pan American, and also the number handled by the individual range users and NASA.

Mr. REDDAN. Did you make any comparison between the ratio of items managed by the base as compared to those managed by the contractor?

Mr. HAMMOND. Well, our review indicated a dollar value of about 25 percent was handled by Patrick Air Force Base, about 65 percent by Pan American, the dollar value of the material.

Mr. REDDAN. You submitted a draft report to the Air Force for their comments prior to the final report, did you not?

Mr. HAMMOND. Yes, sir.

Mr. REDDAN. There is reference in there to common-type items. Could you tell me what that means, "common-type items"?

Mr. HAMMOND. Common-type items as referred to in that report were items other than the peculiar items or special items required by the range users in connection with their missile; they are parts for the missiles. Common items were generally supply-type items, office supplies, general electronic equipment.

Mr. REDDAN. Now, were there any items of armament or ammunition which were being handled or being serviced by the contractor for the base?

Mr. HAMMOND. The contractor had certain ammunition supplies. Thirty millimeter. And also the Air Force had some of these same types of items.

Mr. REDDAN. Do you have before you the information taken from the records of the base with respect to those types of items?

Mr. HAMMOND. Yes.

Mr. HARDY. Before we pursue this further, I do not know when we will run into anything of a classified nature. There are some documents involved here that are classified, but will you, if we raise questions which involve answers relating to classified information, let us know, please?

Mr. HAMMOND. Yes, sir.

Mr. HARDY. Thank you.

Mr. HAMMOND. The records we have and the records that we used at the Air Force and Pan American were not classified.

Mr. REDDAN. What records do you have there with you with respect to the types of items I have just referred to? Do you have before you a worksheet?

Mr. HAMMOND. We have a worksheet where—

Mr. REDDAN. Was that a sheet prepared by GAO?

Mr. HAMMOND. This was prepared by Pan American from inventory cards that we furnished to them—inventory cards of items included in Base Supply. Then Pan American included with those same inventory classifications items of a similar nature that they had in their inventory, and then prepared a sheet showing the number each had, by unit.

Mr. REDDAN. I see. Where did you get the cards with respect to base supply?

Mr. HAMMOND. We borrowed the cards from Base Supply.

Mr. REDDAN. They were furnished to you by Patrick Air Force Base Supply?

Mr. HAMMOND. Yes.

Mr. REDDAN. What is that first sheet you have there, sir?

Mr. HAMMOND. This first sheet is class 1005, it is guns through 30 millimeter, and it lists for a particular item, that Base Supply had 96 in inventory; Pan American had 16, and 4 of them were duplicated, they were the same.

Mr. REDDAN. That is guns through 30 millimeter in four instances, both Pan American and Base Supply were supplying the same type of thing?

Mr. HAMMOND. The same type of gun, yes.

Mr. REDDAN. With respect to ammunition for those guns, what does your report show?

Mr. HAMMOND. Ammunition through 30 millimeter. Base Supply had 15 items, separate line items of ammunition. Pan American had

12 items. Two of the same items were stocked by Pan American that were stocked by the Air Force Base Supply.

Mr. REDDAN. Do you know whether all of the ammunition which Pan American was handling—was that furnished to the base, or was there anyone beside the base using ammunition? Can you tell from those records?

Mr. HAMMOND. We do not have information as to the users.

Mr. REDDAN. All right.

Mr. HARDY. Was Pan American actually furnishing the base out of its supply, these items?

Mr. HAMMOND. We do not believe that Pan American was furnishing supplies to the Air Force base, supplying the base.

Mr. HARDY. You do not know?

Mr. HAMMOND. We do not know; that is right.

Mr. HARDY. Thank you.

Mr. REDDAN. What is your next sheet, sir?

Mr. HAMMOND. Air frame components.

Mr. REDDAN. What does it show with respect to that?

Mr. HAMMOND. Air frame components, Air Force is by far the largest supplier. It had 3,471 items. Pan American had three items in their inventory of this type.

Mr. REDDAN. Were there any comparable items?

Mr. HAMMOND. One item that Pan American supplied, the base also had.

Mr. HARDY. Were both the base and Pan American supplying the same users?

Mr. HAMMOND. Pan American was supplying its own operation.

Mr. HARDY. On the base?

Mr. HAMMOND. Their own range operation not supplying the Air Force base. They were supplying their activities in connection with their range responsibilities primarily.

Mr. HARDY. How about the base? Who was it supplying other than its own base needs?

Mr. HAMMOND. It was supplying some of the range users. The range-using contractors were getting two-thirds of their items from base supply.

Mr. HARDY. The same range users were also getting some of the same items from Pan Am?

Mr. HAMMOND. Yes, sir; they did.

Mr. HARDY. So then the range users had actually two suppliers of the same item?

Mr. HAMMOND. In some cases. In addition to that they were buying them locally.

Mr. HARDY. So the range users were buying certain items locally, procuring some of the same items from Patrick Air Force Base Supply, and some of the same items from Pan American; is that right?

Mr. HAMMOND. Yes, sir. Only from Pan American generally in emergency conditions, because they were getting most of them from local procurement from Base Supply. But they were getting some from Pan American.

Mr. HARDY. Mr. Pike.

Mr. PIKE. Mr. Hammond, when an item was acquired from Base Supply and acquirable from Pan American, the same item, was it always at the same price?

Mr. HARDY. If you would rather your associate, Mr. Braddock, answer these questions directly, we will let him go ahead and do it. He has been in the field.

Mr. BRADDOCK. There are numerous instances when prices were different for the same item.

Mr. PIKE. So a Government user having an option of going to either one of two suppliers frequently found that he would pay a higher price at one place than the other; is that correct?

Mr. BRADDOCK. This is true.

Mr. PIKE. In the recommendation which you made as to the single supply—and I will redirect this to you, Mr. Hammond—in computing the savings to be made, you show Base Supply had 55,786 items, of which 17,202 were also managed by Pan American. How many items did Pan American have that they were covering?

Mr. BRADDOCK. Approximately 139,000.

Mr. PIKE. 139,000. How many of those 139,000 were also managed by Base Supply?

Mr. BRADDOCK. The 17,000.

Mr. PIKE. The 17,000 is the total overlap in other words?

Mr. BRADDOCK. Right.

Mr. PIKE. Now, in the case of the items which are not overlapped, how would these be managed, if there were only one supplier? Where you have roughly 100,000 items that Pan American handled that Base Supply did not handle, let's say Base Supply was to undertake this job, would they have to lay on a supply of another 100,000 items?

Mr. BRADDOCK. This is possible, but there were several items managed by both. Pan American had items that were not stock numbered and therefore could not be matched with the items managed by the Air Force.

Mr. PIKE. In other words, there may have been additional overlap beyond the 17,000 that you can't really put your finger on because they are not cataloged by a card number; is that correct?

Mr. BRADDOCK. This is true.

Mr. PIKE. But how did you contemplate—I can see the desirability of a joint management, but there is still going to be a lot of items peculiar to individual contractors. Were you going to abolish the individual contractor's own supply operation?

Mr. HAMMOND. For common type items, a single manager would take over the responsibility for the entire group.

Mr. PIKE. I understand that, but you are still going to have to have separate purchasing for all of the uncommon items, aren't you?

Mr. BRADDOCK. We allowed this for the peculiar items.

Mr. PIKE. So how many of your particular supply agents are you of a joint management, but there are still going to be a lot of items which are peculiar to themselves?

Mr. HAMMOND. We felt that either Pan American or Base Supply, could manage the entire group of items.

Mr. PIKE. Of joint items?

Mr. HAMMOND. No, of all the items.

Mr. PIKE. The entire items?

Mr. HAMMOND. You see it is a matter of having an inventory system and inventory control of all the items. It could be a single deck of cards.

Mr. HARDY. That is not what I understand the testimony to be.

Mr. PIKE. I just do not understand this. Now let's assume that you were going to let Base Supply handle everything.

Mr. HAMMOND. Yes.

Mr. PIKE. There were roughly 100,000 items that Pan American was handling that Base Supply was not handling that they would lay in in order to handle it, is that correct?

Mr. BRADDOCK. That is true.

Mr. PIKE. It was contemplated this would be done if Base Supply took over?

Mr. BRADDOCK. Yes.

Mr. PIKE. If Pan American took over, on the other hand, they would have to lay on the difference between 17,000 and 55,000 items, is that correct?

Mr. HAMMOND. 38,000.

Mr. PIKE. They would have to lay on an additional 38,000 items. And that is only to cover the items that Base Supply had that they did not have. Does that cover all of the items that the 22 contractors had that they did not have?

Mr. BRADDOCK. There would have been 81,000 additional items, if Pan American would have assumed complete responsibility.

Mr. PIKE. That would have taken care of Base Supply and all of the separate items. If Pan American had taken over everything, they would have to have had to lay in another 81,000 inventory items?

Mr. BRADDOCK. Yes.

Mr. PIKE. If that were done, then they could abolish the 22 separate supply agencies or purchasing or procurement agencies for all of the contractors, is that correct?

Mr. BRADDOCK. No, sir, only that portion of the 22 agencies related to the items assumed by Pan American.

Mr. PIKE. Would the 22 agencies still have had to continue their own purchasing and supply operations, even if Pan American laid on an additional 81,000 items?

Mr. BRADDOCK. They would have had to continue to operate a supply activity for their peculiar items, that portion of their activity that related to these items assumed by Pan American would be deleted.

Mr. PIKE. And the calculation of savings from \$1.1 million to \$1.3 million still assumed that each of the contractors would, nevertheless, be required to run their own supply programs for the items which were peculiar to their operation?

Mr. BRADDOCK. This is true.

Mr. HARDY. Mr. Gubser.

Mr. GUBSER. Did I understand that you investigated the techniques utilized by Pan American in forecasting the projected \$1,313,000 savings under a single supply concept, and determined to the best of your professional knowledge the factors they applied were proper and reasonable?

Mr. HAMMOND. They seem reasonable, yes.

Mr. GUBSER. And you also determined that the estimate produced by the Air Force of \$1,125,000 savings was based upon reasonable assumptions?

Mr. HAMMOND. Yes. In making, in developing, that estimate of the Air Force, we obtained generally the unit cost of managing an item based on the numbers of items they managed, and increased that for assuming additional responsibility, and then we added the actual costs of operating some of the activities that Pan American operated for their own use, and came up with the estimate.

Mr. GUBSER. Well, it is your professional opinion, then, these two estimates of \$1,125,000 versus \$1,313,000 are reasonable estimates?

Mr. HAMMOND. We feel they are within reasonable bounds.

Mr. GUBSER. You would conclude, then, from the evidence that you have before you, that private enterprise can run the single supply management system as economically and perhaps more economically than the Air Force can? I am only asking you to conclude from the evidence before you.

Mr. HAMMOND. Based on those figures we conclude that.

Mr. HARDY. Based on those figures you have to conclude private enterprise could do it \$220,000 cheaper?

Mr. HAMMOND. Yes.

Mr. GUBSER. I was allowing a plus or minus.

Mr. HARDY. Let's lay it out on the ground and look at it. That is the way it adds up to me.

Mr. HAMMOND. Yes.

Mr. HARDY. Mr. Lennon.

Mr. LENNON. Mr. Hammond, for my information and for the record, when in 1964 did the General Accounting Office institute its consideration and study of this matter?

Mr. HAMMOND. This study was made in 1963, and the report was submitted to the Congress in, I think, March of 1964.

Mr. BRADDOCK. Yes.

Mr. HAMMOND. It was 1963, that was the time our study was made.

Mr. LENNON. The March 1964 report to the Congress included the recommendation to the Secretary of Defense for a single supply system?

Mr. HAMMOND. Yes, sir.

Mr. LENNON. What was the reaction of the Air Force and DOD to your suggestion this be merged into a single supply unit?

Mr. HAMMOND. Well, in the reply to our draft report they were considering certain of the supplies would be managed by Pan American, and certain classes of supplies be managed by the Air Force.

We advised, in order to get the maximum savings that we had indicated, that a single manager would be desirable.

Mr. LENNON. What was their reaction to that suggestion on the part of the General Accounting Office?

Mr. HAMMOND. We haven't gotten their final reaction on a single manager for supplying the range. We have not made a review since that date, and we don't know just what they are doing now.

Mr. LENNON. The chairman indicated in his opening statement that as late as May of 1965, the Air Force maintained that there had been no final resolution of this problem, but there were certain documents which indicated that a decision had been reached by the Air Force and

approved by DOD a year ago, approximately May 1964, to reach the conclusion of a single supply system. Do you know anything about that? Can the General Accounting Office comment on that?

Mr. HAMMOND. I don't recall the particular document that they are making reference to.

Mr. HARDY. I would doubt that Mr. Hammond could very well respond to that question. We will pursue that with Defense Department witnesses a little bit later, but I think the documentation will show it.

Mr. LENNON. Now, the chairman, in his opening statement, commented, as I am now about to—

We are also interested in whether or not this contemplated action by the Air Force—

that is the Air Force taking over and operating as a single supply agency—

in any way contravenes the Government's policy with respect to commercial-industrial activities of the Government providing products or service for governmental use.

The General Accounting Office, over the years, has written some rather interesting and lucid documents on that very point. Would you comment on the chairman's statement with respect to that aspect?

Mr. HAMMOND. Generally the reports I'm familiar with have taken the position of what method or what approach would be most economical for the Government. We have generally taken the position and made recommendations directed toward the most economical practice.

Mr. LENNON. Whether it be done by private enterprise or whether it be done by the service itself?

Mr. HAMMOND. Yes, sir.

Mr. LENNON. The General Accounting Office is interested in the economy aspect of it primarily?

Mr. HAMMOND. Yes.

Mr. LENNON. Without regard to the so-called philosophy?

Mr. HAMMOND. I would say most of our reports are pointed in that direction, sir.

Mr. LENNON. In the direction of economy only?

Mr. HAMMOND. Yes, sir.

Mr. LENNON. Would you comment on the statement made by the chairman, that the philosophy that we just enunciated, or referred to, is the policy set forth by the Bureau of the Budget in the bulletin referred to by the gentleman, the Congressman from Florida? Are you familiar with that bulletin?

Mr. HAMMOND. I'm generally familiar with it. It provides before you will do a particular job in-house, you will consider whether or not it could be contracted out in an economical manner.

Mr. LENNON. In other words, the philosophy is, before you do it yourself in a service, that you attempt to determine if it can be done as economically through a contractual relation?

Mr. HAMMOND. That is my understanding of the concept.

Mr. LENNON. This contract that the Air Force has with Pan American is not on a competitive-bid basis, I am sure, is it?

Mr. HAMMOND. It is negotiated.

Mr. LENNON. It is a negotiated contract.

It is your judgment, based on the study that you and your associates in the General Accounting Office made in this particular instance, there would be a saving, a greater saving, if it were done by Pan American than if it were done by the Air Force Base Supply itself—right? Some \$240,000, I believe you indicated?

Mr. HAMMOND. Basically, our position was that there would be a saving if it were a single manager operation. I don't believe that we really felt that we made such a precise computation that would throw it one way or the other. Certainly a single manager would be more economical. We got indications from both estimates it would be in the neighborhood of slightly over \$1 million. So I don't know if you could say the difference was clearly in favor of Pan American. But our position was generally in favor of a single manager, one or the other.

Mr. LENNON. I believe you said if private enterprise or more particularly Pan American, took over as single manager, that the savings would be approximately \$1,313,000?

Mr. HAMMOND. That was an estimate we were furnished by Pan American, and we considered it seemed reasonable.

Mr. LENNON. Those same related figures were then given by the Air Force, and on that basis you concluded if they handled it, the savings would be—what do you recall?

Mr. HAMMOND. \$1,100,000. That was an estimate we prepared from the present cost that the Air Force incurs in managing individual items, and then comparing what it would cost if they took on a larger volume. That was more in the nature of an estimate prepared by the General Accounting Office from cost information furnished to us by the Air Force.

Mr. LENNON. There seems to be no dispute, or difference, between either Pan American or the Air Force, that a savings could be obtained by a single management.

Mr. HAMMOND. That is right.

Mr. LENNON. That is the consensus of both.

Mr. HAMMOND. Those figures indicate clearly to us there could be a savings by having a single manager.

Mr. LENNON. That is accepted both by the Air Force and by Pan American, is that your understanding?

Mr. HAMMOND. I don't know how far the Air Force has gone in accepting that, and what their present plans are.

Mr. LENNON. I see.

Mr. HARDY. I think that is a point we are going to need to develop. I believe from Mr. Hammond's testimony, it is clearly established that Pan American did accept as accurate the conclusion that there could be substantial savings by a single manager.

Mr. HAMMOND. Yes.

Mr. HARDY. Whether the Air Force has come up with the same conclusion remains to be seen, because as I understand it the figure of \$1,100,000 savings which you have mentioned here was your computation and not the Air Force computation, is that correct?

Mr. HAMMOND. That is correct.

Mr. LENNON. That is all.

Mr. HARDY. Thank you.

Mr. Gubser.

Mr. GUBSER. In your computation regarding the possible savings to the Air Force, did you estimate how many additional military personnel would be required?

Mr. HAMMOND. That was based on the present cost of managing the particular items, and projecting that to the increased items.

Mr. GUBSER. You do not know how many military personnel would be required in addition to the present requirement?

Mr. HAMMOND. No, sir.

Mr. GUBSER. Would there be some, though?

Mr. HAMMOND. At the time we were there, there were certain military personnel involved in the supply management and there were certain civil service employees involved in the management of supplies at the base.

Mr. GUBSER. Did you figure in all additional financial requirements which would pertain to the utilization of military personnel, if the Air Force took on this additional responsibility?

Mr. HAMMOND. We considered all the elements that they were now applying to this operation and increased it, based on the increased supplies to be handled.

Mr. GUBSER. When you figure military personnel being used in a situation of this kind, do you deduct from the possible savings an amount equal to the estimated future obligation of the Treasury for military retirement and other fringe benefits?

Mr. HAMMOND. Well, we didn't make these computations in this case. It is certainly an element of cost that would be considered.

Mr. GUBSER. It is not at present, but it certainly is for the future?

Mr. HAMMOND. It is a future liability.

Mr. GUBSER. Did you ask the Air Force to furnish figures which would be comparable to the ones Pan American furnished you insofar as possible savings are concerned?

Mr. BRADDOCK. We asked them to furnish us a comparable estimate. They did but it was incomplete.

Mr. GUBSER. In what manner was it incomplete?

Mr. BRADDOCK. The Air Force supply operation was decentralized, that is, it was not controlled by a single military organization. Several functions had different people in charge of them, and one military man would not infringe over into another's area. Therefore, no one would take upon himself the responsibility to estimate someone else's function—some of the people declined, one in particular, to make an estimate, because in this particular situation he had a small operation. For comparative purposes let's say he had 100 transactions, and the additional workload that he would have had to assume, if the Air Force took over the operation, would be 1,000 transactions. He would not venture a guess as to the increased cost from 100 to 1,000.

Mr. GUBSER. Would you say that the estimate was so incomplete as to be completely meaningless?

Mr. BRADDOCK. Yes.

Mr. HARDY. What was that?

Mr. GUBSER. The estimate of savings that they asked the Air Force to furnish them, they furnished incomplete information.

Mr. HAMMOND. Well, it was incomplete, but we took certain areas where we recognized it being incomplete, and then applied factors to that to come up with what we felt was a "ball park" figure.

Mr. GUBSER. But the basic fact is that the Air Force supply agency, which is the agency you requested to furnish the estimate, is fragmented itself to the point where the single management concept hasn't prevailed up to this point, isn't that correct—well, I won't ask you that question. I will just conclude.

Mr. HARDY. Let me pursue that for just a little bit. I want to see if I understand what you are saying about the Air Force estimate.

We talked a moment ago about the estimate which you gave of \$1,125,000; the estimate of savings if the Air Force operated the consolidated supply activity.

Now you have indicated that that was your figure computed from figures supplied by the Air Force. But I understand that the Air Force did give you their own computation of savings. That is correct, isn't it?

Mr. BRADDOCK. This is true.

Mr. HARDY. Their computation of savings called for a saving of what—they anticipated how much?

Mr. BRADDOCK. Well, their figures were incomplete, and several supply functions were omitted that would have to be performed by a single manager.

Mr. HARDY. I will tell you how much they show on your worksheet, then. They show \$2,230,000, isn't that right?

Mr. BRADDOCK. If you measure—

Mr. HARDY. I am talking now about what they show.

Mr. BRADDOCK. Yes.

Mr. HAMMOND. Yes.

Mr. HARDY. The figures they showed on their worksheet showed that they could save \$2,230,000. You concluded they had done a poor job on assembling figures, is that right?

Mr. BRADDOCK. Yes, sir.

Mr. HARDY. I want to see if I am understanding your testimony, I am not sure that I do. But I take it you took this \$2,230,000, which the Air Force said they could save, and adjusted it for things which you observed they had omitted. Is that what you did?

Mr. BRADDOCK. We did this.

Mr. HARDY. What else did you do to get down to \$1,125,000, because that is what you came out with? In other words, you subtracted \$1 million—\$1,100,000 from the Air Force's estimate. You almost split it in half.

Mr. PIKE. Did you divide by two?

Mr. BRADDOCK. Again, let me explain the mechanics of how this estimate on this comparison was made.

Mr. HARDY. In fact, I am inclined to think you both were too high. I believe when we get to what the Air Force has got now, we are going to find out it is going to cost more, there is not going to be any saving at all. But, anyway, go ahead. How do you explain this one?

Mr. BRADDOCK. The Air Force gave us some figures which showed the additional cost that they would incur if they assumed these supply functions then performed by the other organizations. We took these costs and compared them with the costs which we had accumulated that were being incurred by all of the other organizations at that point in time. This produced a difference of \$2,300,000.

Mr. HARDY. What made you think that the Air Force could perform these functions for the same cost as the others? You were trying to read their minds?

Mr. BRADDOCK. No, sir; we noticed several functions were omitted from the Air Force's estimate of the costs that would have to be incurred in the centralized operation.

Mr. HARDY. You think \$1,125,000 is nearer right than the \$2,230,000 which the Air Force said it could save?

Mr. BRADDOCK. Yes, sir; they didn't say they could save \$2,230,000. This is a product of some figures they furnished us as the additional costs they would incur which we compared with the then current costs.

Mr. HARDY. All right. They gave you two figures. They gave you the current administrative costs—no; you had that. That was not a composite; was it?

Mr. BRADDOCK. That was true.

Mr. HARDY. That was the Air Force cost, and the cost which all the other suppliers had?

Mr. BRADDOCK. Yes, sir.

Mr. HARDY. You added that up and that came out to \$7,051,000. The Air Force then gave you their estimated cost of \$5,028,000, is that right, and that is where you got your saving of \$2,230,000?

Mr. BRADDOCK. No, sir; they did not give us \$5,028,000.

Mr. HARDY. Where did that come from?

Mr. BRADDOCK. This is our figure. They gave us a figure of only the additional cost that would be incurred by them—only the additional cost, not the total cost that would be incurred.

Mr. HARDY. They gave you the additional cost and you added it to their known current costs?

Mr. BRADDOCK. This is true.

Mr. HARDY. This is where you got your \$5,028,000?

Mr. BRADDOCK. The major portion; yes, sir.

Mr. HARDY. That was made up of two figures which you got from the Air Force?

Mr. BRADDOCK. No.

Mr. HARDY. You could not get their current costs from anywhere except the Air Force; could you?

Mr. BRADDOCK. This is true, sir. We added to their current costs some current costs then being incurred—

Mr. HARDY. In other words, you doctored up the figures they gave you on the estimated costs, too?

Mr. BRADDOCK. As an example—

Mr. HARDY. I am trying to see where these figures came from.

Mr. BRADDOCK. As an example, the Air Force did not supply the ocean-range vessels and the down-range stations. Therefore, their current costs were zero for this function. Their additional costs were also zero for this function. We realized this function would have to be performed so we added to the Air Force's then current costs, the current costs then being incurred by Pan American for these functions.

Mr. HARDY. Did you check that out with the Air Force?

Mr. HAMMOND. We furnished them this estimate in our draft report that was submitted to them for comment. We did not check it out.

Mr. HARDY. They made no comment on it?

Mr. HAMMOND. They did not comment on it.

Mr. HARDY. Your figures may be perfectly valid, I do not know, but I am trying to see where you got them from.

Is there anything further?

Mr. LENNON. At one time was the supply function originally with the Air Force and civil service exclusively?

Mr. HAMMOND. I think it started out with Pan American having a supply function and the Air Force having a supply function, originally.

Mr. LENNON. Are you positive about that?

Mr. HAMMOND. Well—

Mr. LENNON. I will put it this way. When did Pan American get its first contract as a supply contractor?

Mr. HAMMOND. About 1953 is when Pan American got the first contract as range manager.

Mr. LENNON. That is all I wanted to know.

Mr. HARDY. Is there anything further, Mr. Reddan?

Mr. REDDAN. Mr. Hammond, your report considered that certain of the range users would have to have their own supply system, even under a consolidated supply system, is that right, sir?

Mr. HAMMOND. Yes.

Mr. REDDAN. Did your report anticipate that Patrick Air Force Base would have to maintain any supply system of its own?

Mr. HAMMOND. Our report contemplated all items maintained by Patrick Air Force Base would be handled by a single manager, as well as all items maintained by Pan American. All of their items would go into a single system. The other, the range users, then, would have inventory of items peculiar to their missile systems.

Mr. HARDY. You concluded Patrick Air Force Base did not have any items which were peculiar to their operations which others would not require?

Mr. HAMMOND. They had items that had not been required by others, but they were of a common type which we felt a single manager could control and keep in inventory.

Mr. HARDY. Your analysis showed that they didn't have any requirement which was not of a common type nature?

Mr. HAMMOND. That is right. We took the cards that they had in inventory, and it didn't seem to us there were any items—and Pan American agreed there were no items—they could not control, and we felt that they could be controlled on a single manager basis.

Mr. HARDY. You took their inventory cards?

Mr. HAMMOND. Yes, sir.

Mr. HARDY. Thank you.

Mr. REDDAN. At any time during your examination of this operation, was there any indication on the part of the Air Force or Patrick Air Force Base that this consolidation could not take place under either Patrick Air Force Base or Pan Am?

Mr. BRADDOCK. Could I answer that by stating at the time we concluded our review we held a conference with the commander of the center.

Mr. REDDAN. Who is that, sir?

Mr. BRADDOCK. At that time that was Major General Davis, I believe, and attending also were several other Air Force personnel,

Colonel Hamby, who was the ACO for the range contract, Colonel Prodonovich who was the Base Supply representative.

Mr. HARDY. Colonel Hamby who was the contracting officer for Aerospace?

Mr. BRADDOCK. I believe this is correct.

Mr. HARDY. Go ahead, I did not mean to interrupt you.

Mr. PIKE. Did Colonel Hamby have a recommendation?

Mr. BRADDOCK. Yes, sir.

Mr. PIKE. What was his recommendation?

Mr. BRADDOCK. He favored—he stated previously the Air Force had attempted to provide complete supply support for the range users.

Mr. PIKE. Did he indicate this was a crashing success?

Mr. BRADDOCK. He said it had “fallen on its face.”

Mr. PIKE. Thank you.

Mr. HARDY. Go ahead, Mr. Reddan.

Mr. REDDAN. Did your survey also include the NASA installation?

Mr. HAMMOND. The inventory portion, the portion of their operation dealing with the inventory of so-called common-type items; yes, sir.

Mr. REDDAN. Was the estimated saving you arrived at, did that include, or did that anticipate the inclusion of NASA in a common supply system?

Mr. HAMMOND. Yes, it did—for the items that were of a common type, they would still continue to have supply support for their missiles, items peculiar to the missiles.

Mr. REDDAN. I have no further questions.

Mr. HARDY. Thank you very much, gentlemen. We appreciate it very much. We may need you some more, so don't go away.

I think perhaps the best order in which we can pursue this matter would be if Mr. Witt, Deputy Assistant Secretary of the Air Force for Installation and Logistics, would come up before us.

Would you please, Mr. Secretary, come up and have a seat?

Colonel Boyd, come on up here and hold the Secretary's hand.

Colonel BOYD. All right.

Mr. HARDY. Mr. Secretary, I believe you have a prepared statement, too, don't you?

Mr. WITT. That is correct, sir.

Mr. HARDY. Suppose you just proceed.

The committee is glad to have you here on this, and we hope you can help us get this straightened out, or reach an understanding of it, anyway.

Where you leave off, we are going to get Mr. Moot to fill in. He said he thinks he can do it better without the presence of Mr. Ignatius.

Mr. WITT. No comment.

Mr. HARDY. I didn't really put that as a question, Mr. Witt.

Mr. WITT. Thank you.

Mr. HARDY. If you will just proceed with your statement, please, sir.

Mr. WITT. All right.

STATEMENT OF HUGH E. WITT, DEPUTY FOR SUPPLY AND MAINTENANCE, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS AND LOGISTICS; ACCOMPANIED BY COL. HUGH F. BOYD, CHIEF, STOCK AND INDUSTRIAL FUND AND PERSONNEL SUPPORT BRANCH, OFFICE OF THE DIRECTOR OF SUPPLY AND SERVICES

Mr. WITT. Mr. Chairman and members of the subcommittee, I appreciate your invitation to be present at this hearing and for the opportunity to review with you the background underlying our decision to effect organizational changes at the Cape Kennedy complex. I have a brief statement, and, with the chairman's permission, I would like to read it for the record. I am certain that it will assist to establish a basis for any questions which you may have.

BACKGROUND

The General Accounting Office, in their draft report dated July 30, 1963, stated that excessive costs were being incurred as a result of multiple management of supplies at the Atlantic Missile Range (AMR) by the Air Force, Pan American World Airways, Inc. (Pan Am), and the National Aeronautics and Space Administration (NASA). The GAO pointed out duplication in procurement, stockage, and issue, and indicated that the consolidation of supply support under a single manager at the Air Force Systems Command's Eastern Test Range (ETR) would result in savings in excess of \$1 million annually. They recommended that the Secretary of Defense and the Administrator of NASA take joint and prompt action to designate a single organization to provide supply support at the Atlantic Missile Range.

In the Air Force reply to this draft report in September of 1963, we agreed, in principle, that consolidation of supply management functions at the Atlantic Missile Range would be advantageous to the Government. Our initial examination revealed that four categories of supplies; namely, administrative supplies and office equipment, handtools and shop equipment, tires and tubes, and janitorial supplies, should be consolidated under single management. We therefore advised the GAO that these items would be placed under single management in the near future, and that we would study the remaining items to determine the extent of further consolidation. We also advised the GAO that we would contact NASA to ascertain the optimum support arrangements which could be made between that agency and the Air Force at Cape Kennedy.

Patrick Air Force Base, under the Air Force Systems Command, began their consolidation studies in October of 1963. These studies were directed toward an examination of Pan Am and Patrick Air Force Base stock structures to determine extent of duplication. Our analysis included an examination of the following:

- (a) Stocks on hand and geographical location.
- (b) Usage rates of each item.
- (c) Dollar value of stocks.
- (d) Possible substitute items.

- (e) Warehouse requirements.
- (f) Base supply stocks of similar items.
- (g) Supply related activities as follows:
 - (1) Procurement;
 - (2) Transportation;
 - (3) Packing and crating;
 - (4) Shipping and receiving; and
 - (5) Comptroller and accounting functions.

Before I discuss the results of these studies, I would like to tell you about the actual results of the consolidation of the four categories of property which I mentioned; that is, administrative supplies, hand-tools, tires and tubes, and janitorial supplies. We completed integration of these items under Patrick Air Force Base single management in March 1964. We found that in these categories:

Pan American was stocking approximately 12,000 line items with a dollar value of \$913,000; Patrick was stocking approximately 6,800 line items with a dollar value of \$518,000; for a total of 18,800 line items valued at \$1.4 million. Under single management we needed only 6,700 line items valued at \$672,000, which resulted in a reduction of 12,100 line items and a total savings of \$758,000.

This was accomplished within Patrick Air Force Base's manpower resources. As a matter of further information, we have since reduced the 6,700 line items to about 4,500.

Our studies of the remaining categories of property revealed that considerable duplication existed throughout and that consolidation under single management would result in savings to the Government. These studies were completed by Patrick Air Force Base in April of 1964. They revealed that by assigning single management to Patrick Air Force Base the following results could be obtained:

Manpower savings

	Spaces	Annual cost
Pan American reduction.....	426	\$2,305,898.36
Patrick AFB augmentation.....	325	1,600,746.90
Total.....	101	705,151.46

Estimated monetary savings, inventory drawdown, Pan American-Patrick AFB

	Line items	Value
Line items stocked, Pan American.....	197,324	\$21,599,477
Line items stocked, Patrick AFB.....	46,666	8,619,575
Total.....	253,990	30,219,052
Estimated line items under single manager.....	109,446	16,743,662
Estimated reduction and cost avoidance.....	144,544	13,475,390

Since 1963, the number of line items have increased due to workload. For example, some of the tracking station equipment has been modernized and Pan American must support this new equipment, as well as support the old. Also, then, at Patrick AFB we are now supporting C-135's, helicopters, and the Air Force Communication Serv-

ice activities which are an added workload; that is, an added workload since 1963. The number of line items now total 223,000 for Pan American and 74,000 for Patrick AFB for a total of 297,000 line items. The dollar value has remained the same. We now estimate that under single management the number of line items will approximate 150,000 and a savings of more than \$10,000 million can be effected through inventory drawdown.

Prior to completion of the Patrick studies of the remaining categories of supplies, the General Accounting Office rendered their final report to the Congress in March of 1964. This report contained recommendations essentially the same as the July 1963 draft report. In May of 1964, then, based upon Air Force comments, the Assistant Secretary of Defense (Installations and Logistics) (ASD I. & L.) responded to the GAO final report, stating that many thousands of items had already been transferred from Pan American to Air Force management and that many more would be transferred. Assistant Secretary of Defense (I. & L.) further stated that the Air Force had offered to provide common item support to NASA at Cape Kennedy and at Merritt Island and that negotiations would begin to determine the degree of consolidation that could be effected.

Immediately following OSD response to the GAO, a policy agreement with NASA was signed assigning supply support for NASA at Cape Kennedy to Patrick Air Force Base Supply, and Air Force support at the Merritt Island Launch Area (MILA) to NASA. This action established the requirement for a local agreement at the working level. Procedures have been established and we have now begun support of NASA on Cape Kennedy.

In June 1964, the Assistant Secretary of Defense approved the Air Force time-phased plan for consolidation of Pan American and other range users. In November 1964, a program change proposal was submitted to the Office of the Secretary of Defense requesting 325 civil service manpower spaces. The Office of the Secretary of Defense by subject issue, approved the 325 spaces in December 1964, effective in January 1966, and directed that the consolidation be completed by June 30, 1966. This represented a 1-year delay in implementation of the plan we had given them, with a compressed phasein period from 1 year to 6 months. A deferment of 1 year in the implementation of the plan for consolidation was granted because of a slippage in the new Air Force standard base computer program.

In May 1965, at the request of the Air Force Systems Command, the Air Force requested that the Assistant Secretary of Defense approve a phasein period covering a 12-month, rather than the 6-month period called for in the subject issue. This was to permit the contractor to reduce the labor impact through attrition rather than by layoff. The Assistant Secretary of Defense, by memorandum, dated May 28, 1965, approved the request for a 1-year phasein period.

Of particular issue in this matter has been the allegation that the Air Force was establishing civil service positions at Patrick Air Force Base just to take care of some of the personnel from base closures. To make this point clear, I refer to dates of various actions:

General Accounting Office draft report in July 1963.

Air Force reply to the GAO draft report in September 1963.

General Accounting Office final report in March 1964.

Department of Defense reply to the General Accounting Office in May 1964.

Headquarters, U.S. Air Force, letter to Air Force Systems Command, which approved consolidation of single management under Patrick Air Force Base on May 8, 1964.

Thus, our reply to the draft report, the 1963 report, was made a year before the base closures announcement of November 1964, and the Department of Defense reply to the final report was made some 5 months before the announcement of the base closures program. Therefore it is obvious that the proposed hiring of 325 civilians at Patrick Air Force Base did not result from the base closures program. We must, however, permit employment on a priority basis, of civil service employees affected by the base closures program. Secretary McNamara and Secretary Zuckert have assured the Congress and Department of Defense employees that every effort will be made to place the people affected by actual base closures.

I will cover our estimate of the impact of this action and what we have done to assist in employment of displaced contractor personnel later in my presentation.

During the past several months, at the expressed request of interested Members of Congress, we have reexamined the consolidation of supply support at Patrick Air Force Base. We have looked at various alternatives and have conclusively determined that our original decision is the correct one.

In summary, I would like to address myself to the following key questions:

Why the consolidation must occur.

Why the consolidated supply function must be performed by the Air Force.

How consolidation will reduce costs.

What we have done to minimize unemployment.

WHY THE CONSOLIDATION MUST OCCUR

Currently, Patrick Air Force Base Supply system is supporting all range users including NASA, Army, Navy, and some 20 contractors with common item support. Pan American is charged with providing this type support to only Pan American activities. As a matter of additional interest the Air Force has always been responsible for procurement, in support of Pan American requirements, of all line items with a unit cost of \$5,000 or more. This has been written into the contract. Under the present arrangements at Cape Kennedy, Pan American and the Air Force have duplicated supply and related activities. In order to terminate the costly and unnecessary duplication involved in these two overlapping systems, they are being consolidated. When this consolidation is completed in December 1966, the Air Force will be the single manager for Air Force and Pan American supply functions at the cape. This is in keeping with the General Accounting Office recommendations.

WHY THE CONSOLIDATED SUPPLY FUNCTION MUST BE PERFORMED BY THE
AIR FORCE

In the operation of two separate supply systems, both Pan American and the Air Force are stocking and issuing many identical items of supply. This causes costly duplication of management and the maintenance of duplicate inventories. The supply function conducted by the Air Force at Patrick Air Force Base is part of the integrated Department of Defense-Air Force supply system. Continuance of this Air Force supply function is essential to the Air Force military readiness program.

Classified information has been provided to your committee, gentlemen, listing some 35 operational plans in which Patrick Air Force Base plays an important and significant role in military operations. An outstanding example of this military essentiality occurred during the Cuban crisis when substantial numbers of aircraft, men and equipment were moved into Patrick Air Force Base. For this reason, the centralized function must be performed by the Air Force, rather than by Pan American or any other agency outside the Air Force. Throughout the Air Force, base supply is an integral function of the essential operational activities which support the ability of an Air Force commander to immediately perform his assigned military missions under all conditions.

HOW CONSOLIDATION WILL REDUCE COSTS

Consolidation arrangements began in November 1963, and the Air Force has already reduced the supply inventory at the cape by more than 12,000 line items valued at \$750,000. This reduction in duplicate stockage of supplies is a definite saving to the U.S. Government. Further consolidation of this same nature is in progress, and the total inventory reductions to be accomplished will amount to over \$10 million. This inventory reduction will produce further savings by eliminating the cost of maintaining duplicate storage facilities, stopping the multiple procurement of identical items, and curtailing many operating expenses now present.

As this consolidation occurs, there will be a gradual reduction of about 400 in the number of Pan American supply employees, and a corresponding increase, but to a lesser degree, in Air Force civilian supply personnel. As I have indicated before, there has been an increase in both Pan Am and Patrick supply workload since 1963, and corresponding manpower adjustments must be made. Therefore we now estimate that the net reduction in the total number of employees will approximate 75 as compared with the 101. The new manpower estimate will equate to annual recurring savings of \$500,000.

WHAT WE HAVE DONE TO MINIMIZE UNEMPLOYMENT

As outlined above, the increase in the number of Air Force civil service employees as a result of this consolidation will be approximately 300. Because we have a priority placement program, qualified career civil service personnel who are surplus due to base closures will have certain priority rights with regard to these 300 additional civil

service positions. However, there are now only about 90 some surplus civil service employees registered under the placement program to fill positions at Patrick Air Force Base. Of the 90 people registered for Patrick, there are less than 15 supply personnel. Accordingly, a substantial number of Pan American personnel displaced by this action can probably be converted to civil service employment with the Air Force, if they so desire. Arrangements have been made to give these Pan American employees first priority after base closure personnel, without following the normal civil service competitive examination procedures.

It is also important to recognize that this consolidation will take place on an orderly phased basis over a period of more than 1 year. Therefore, some of the Pan American reduction will be accomplished through normal employee turnover, which amounts to more than 300 jobs annually in the total Pan Am work force of about 10,000 employees.

Finally, and more significant, is the fact that during the fiscal year which started in July 1965, the total of about 10,000 Pan Am employees will increase by between 700 and 1,000 people. Pan Am officials have indicated that they intend to promptly and fully comply with the decision on changeover in supply management. They have also indicated that they hope to avoid layoffs by normal attrition. Therefore, it is evident that there will be little if any unemployment as a result of the scheduled supply consolidation.

It is inevitable, gentlemen, that changes in manpower requirements on defense work must occur from time to time. When these changes become necessary, and when they produce savings of the magnitude involved in this case, it is then in the best interest of national defense and the taxpayer that appropriate corrective measures be taken. In taking these measures, it is our earnest intention to give completely fair treatment to all employees involved, and to carry out manpower realignments so as to create the minimum possible personnel inconveniences.

Thank you, Mr. Chairman.

Mr. HARDY. Thank you, Mr. Secretary.

I want to comment first on your last paragraph. You used one word that I have underscored.

Mr. WITT. Yes. ?

Mr. HARDY. I certainly share your concern that when changes are necessary, we have to make them if they involve considerable increased efficiencies and considerable savings. This word in your statement which I underscored is where you say, "It is in the best interests of national defense and the taxpayer that appropriate corrective measures be taken," and I underscored the word "appropriate," and that is the aspect of this I am going to be concerned with, because what I want to be sure of is that what you are doing is appropriate action.

Let me say this, too: You made quite a point of discussing the time sequence, and pointing out or trying to establish that your action had nothing to do with base closures.

I would appreciate that more if I didn't have before me a document dated July 2, 1963, from the Secretary of Defense to all of the Secretaries, in which he established procedures for the handling of personnel displaced by, among other things, base closures.

The GAO draft report was in July 1963 and their final report was March 1964. DOD's reply to the GAO report was made in May 1964 and you made a considerable point in emphasizing this. By this time, you had on your desk, or you should have had on your desk, procedures established by the Secretary for taking care of, or for doing what you could, and what is now being done with respect to displaced personnel because of base closures, and as of that time, there were in prospect a number of base closures, otherwise the procedure would not have been promulgated.

I would have appreciated your comments a little bit more if you had shared with us your knowledge that this was in existence. So actually I am not too impressed by the point that you tried to make on that matter.

I don't mean to be critical, but I don't think you are quite as candid as you might be, Mr. Secretary.

Mr. WITT. May I speak to that point?

Mr. HARDY. Certainly. I would be happy for you to speak to that point.

Mr. WITT. There have been base closures for many years.

Mr. HARDY. I have been familiar with them for the last 20.

Mr. WITT. Yes, sir. And I have seen some 20 Air Force installations closed down before the last base closure announcement. During this time I have not felt personally, having been in on a number of these closures, that there were good and valid procedures established for us to take care of the people who were, through no fault of their own, having their jobs affected by base closures.

Mr. HARDY. Would you like me to hand you a copy of Mr. Gilpatrick's memorandum dated July 24, 1963?

Mr. WITT. Sir, all I am saying is—

Mr. HARDY. Do you conclude that is not valid?

Mr. WITT. All I am saying, sir, we have had a number of bases closed down through the years, and I think the Secretary of Defense and the Deputy Secretary of Defense have been trying to improve the procedures and techniques by which we take care of these people who are being displaced. That is all I am saying, sir.

Mr. HARDY. Do you have something more recent than the one of July 24, 1963, anything that expands on this one?

Mr. WITT. I don't know of any.

Mr. HARDY. Well, we have this one before us.

Mr. WITT. Yes, sir.

Mr. HARDY. And obviously it was available for your scrutiny at the time this action, this decision was made.

Mr. WITT. I can assure you, sir, that document had nothing to do with our decisions at Patrick Air Force Base.

Mr. HARDY. Well, I might have accepted that with a little better grace if you had acknowledged that it was in existence. Instead of that, you ignored that. You tried to leave us with the impression, Mr. Secretary, that there was nothing involved in the Department of Defense at the time this decision was made that related to base closures, and you and I both know that there were some rather substantial announcements in 1964—

Mr. WITT. Yes, sir.

Mr. HARDY. Of base closures.

Mr. WITT. Yes, sir.

Mr. HARDY. And some of them were withdrawn, and deferred until November of 1964. You may recall that. We are not entirely ignorant on this thing, Mr. Secretary. Prior to November, do you remember how the fan blew a lot of information around, a little bit earlier in the year, in regard to these closures?

Mr. Pike looks like he has something on his mind. I have a few more questions, but I will defer. I will come back to mine. I reserve the right to interrupt.

Mr. PIKE. I would be the last one to attempt to deny you, sir.

Mr. WITT. You are in much better position than I am, Mr. Chairman.

Mr. PIKE. Mr. Witt, it seems to me there are two essential problems we are grappling with here. One is whether there should be a consolidation of the supply function, and the other is, assuming there is to be a consolidation of the supply function, who is going to run the consolidated supply function? Now there isn't any disagreement anywhere, is there, to the effect there should be a consolidated supply function; is that correct?

Mr. WITT. Certainly no disagreement that we have.

Mr. PIKE. The Air Force agreed to that, the GAO agreed to that, and Pan Am agreed to that?

Mr. WITT. Yes, sir.

Mr. PIKE. Is it the position of the Air Force that the Air Force can run the consolidated supply function more economically than Pan American can?

Mr. WITT. Well, to put that in focus, we have to first attack your first point: Should there be a consolidation?

Mr. PIKE. I thought there wasn't any disagreement on that.

Mr. WITT. Right. Secondly, if there must be a consolidation, who should handle it—

Mr. PIKE. I am talking about nothing but money, now—economics.

Mr. WITT. Right, sir. I do not have a detailed cost study of what Pan American could do and what the Air Force could do, in detail, taking over consolidation. I do know when we were faced with this decision, the recommendations from the Systems Command, the recommendations approved by headquarters, and the recommendations approved by the Secretary's office, the Air Force and the Secretary of Defense, was that we must first have an Air Force base supply function—base supply is a function, it is a big part of—

Mr. PIKE. The decision that the Air Force was going to run the consolidated supply function, was that made regardless of cost?

Mr. WITT. Yes, sir.

Mr. PIKE. All right. So then the question, it seems to me, becomes one of why the Air Force decided that they had to do this job, regardless of whether or not the cost to them was more, because they didn't even bother to look into whether it was going to cost them more, they decided they were going to do it.

Mr. WITT. Yes, sir.

Mr. HARDY. Mr. Pike, would you permit me—

Mr. PIKE. I am on a real hot one, here.

Mr. HARDY. I want you to follow it up. But just let me ask this question.

Mr. PIKE. Yes, sir.

Mr. HARDY. In this case, this one also bothers me a little. The Secretary didn't tell us about this: He used the figure of 426 contractor spaces to be reduced, and he overlooked this TWX of March 1965, which in effect said that was not a proper figure. I may help you on the very point you were making, Mr. Pike. This TWX, from Eastern Test Range to the Systems Command says a reduction of 209 contractor spaces can be anticipated, rather than 426.

This next sentence is most revealing: "It is realized the OSD-directed cut has to be complied with; however, compliance with AFPI's in connection with industrial property accounting dictates the need for this difference in manning insofar as the contractor's supply related functions are concerned."

He is telling you that. Yet you used this 426 figure.

Excuse me, Mr. Pike.

Mr. WITT. On page 10 we point out, to get this thing back in the 1963 framework, and to kick off from there, we used the 1963 figures in our discussions with GAO, in our explanation of why it made sense to consolidate.

Mr. HARDY. But you want to leave us under the impression that you are saving \$705,000 on page 4 of your statement.

Mr. WITT. On page 10, sir—

Mr. HARDY. All right.

Mr. WITT (continuing). I pointed out those were on the 1963 basis. On page 10, I have indicated the increased workload by Pan American and the Air Force, sir. That is all.

Now, we have also said the net reduction will be 75, as compared with our 101. We tried to be very candid in getting this thing into focus, sir.

Mr. HARDY. We are going to find out.

Mr. PIKE. Well, Mr. Chairman, quite frankly, I have heard enough already so I am not convinced there is going to be any financial benefit by the Air Force doing this. The Air Force didn't even consider this. They just made the determination they had to run this.

Mr. WITT. We are already on a savings now of \$500,000 a year, sir.

Mr. PIKE. No, no, no, no, no. This is a saving in relation to multiple-supply agency. The question is not that. We are all agreed that there is going to be one management. The question is whether the saving would have been greater had Pan Am handled it than if the Air Force had handled it; isn't that accurate? You are making a comparison between many supply agencies and one, run by the Air Force. I think the real question would be between many supply agencies or one run by the Air Force, or one run by Pan American.

Mr. WITT. Well—

Mr. PIKE. But you have already said costs didn't enter into this consideration. You decided that the Air Force was going to run this, and now the question becomes, "Why?"

You get into this on page 9: "Classified information has been provided your committee listing some 35 operational plans in which PAFB plays an important and significant role in military operations. An outstanding example of this military essentially occurred during the Cuban crisis. * * *

There is no question about that; but wasn't Pan Am in there up to its ears during the Cuban crisis?

Mr. WITT. Pan Am was not in charge of our base supply. We put guards around it. It was a military operation, sir, the base supply function.

Mr. PIKE. Did you keep the Pan American employees from coming in and going out?

Mr. WITT. The Pan American employees were up and down the missile test sites, and so forth, but they did not participate in the actual Cuban operation, sir. That is a military function. The base commander is responsible for assuring he can handle the military planes coming in there in a crisis. He can't turn that over to a contractor.

Mr. PIKE. Do you think if Pan American had been handling this joint supply operation, they would have interfered with the tactics during the Cuban crisis; is that your problem there?

Mr. WITT. If they had been in charge of the consolidated supply operation, sir, we would not have had a base supply, because it would have been under Pan Am. We wouldn't have had a base supply under complete consolidation.

Mr. PIKE. You wouldn't have had direct control of it, but they would have been your contractors, would they not? They would have contracted with the Air Force to do this job, would they not?

Mr. WITT. Surely, except—

Mr. PIKE. You are finding there is some sort of a national defense or security problem in having this supply operation managed by Pan Am; isn't that the guts of your argument?

Mr. WITT. Absolutely.

Mr. PIKE. All right.

Mr. WITT. We do not want the commander of that base to have his entire base supply operation, which he needs under military control in such things as the Cuban crisis, out on contract.

Mr. PIKE. Well, now, you say, you have just come up with a conclusion. He needs it under military control?

Mr. WITT. Yes, sir.

Mr. PIKE. Good Lord. He needs airplanes. He doesn't get them from the military; he gets them really from private contractors.

Mr. WITT. Yes, sir.

Mr. PIKE. He needs all kinds of things. All the supplies he's got essentially come from civilian contractors.

What you are saying is that for national defense purposes this supply system at Patrick Air Force Base cannot be done by a civilian contractor?

Mr. WITT. I am saying that it is not the Air Force or Department of Defense concept of how a base supply should be run in time of crisis, such as the Cuban crisis.

Mr. PIKE. In the final analysis a supply system is run by human beings, is it not?

Mr. WITT. Yes, sir.

Mr. PIKE. You already told us you are going to make every effort to put the same human beings working for Pan American into your operation. The security is involved with human beings. If somebody is going to louse up your security, it is going to be the same individuals who you now say you are going to take out from under PanAm control, put them in your control, and run the same operation.

Mr. WITT. During the Cuban crisis that place was under military control, and it could not have been put under military control, blocked off the gates, and run that way, if it had been under a complete contractor operation, sir.

Mr. PIKE. Don't you think the Air Force could write a contract under which they could say, "You shall run this supply system, but any time we want to block off the gates, we have the right to block off the gates and keep you people out of here?" Don't you think—

Mr. WITT. That would mean we would have to bring a whole group of military people from outside somewhere.

Mr. PIKE. I am talking about the running power. You are going to have the same people run it; you are taking the same human beings out of Pan American.

Mr. WITT. The military men under Base Supply will be under direct responsibility of the base commander.

Mr. PIKE. You could have written a contract that would have said the same thing, either way.

Couldn't you have written the contract saying that the man in charge, the civilian in charge, would be under the control of the base commander?

Mr. WITT. I daresay a contract could have been written like that, but in times of such things as the Cuban crisis, we are convinced that we should not have an integral function of his command under a contract. We never have had. It is not our policy. We don't think it makes sense.

You are establishing the point that somewhere along the line, such as production of aircraft, and so forth, industry has certain responsibilities, but somewhere you have to draw the line when the military has to pick up its responsibilities. We could press this to the point of ridiculousness by saying we should have pilots under contract in a B-52, sir, if you want to push it that far.

Somewhere we have to draw the line, and say this should be the military's, and this should not be. This is where we have drawn the line for years. Every base has its own base supply, and he reports to that base commander. Now, you are saying we should pull the base supply out and put it under contract, sir.

Mr. PIKE. No, I am not.

How many of the items which are going to be held in this joint supply system pertain solely to base supply?

Colonel BOYD. How many—

Mr. PIKE. How many of the inventory items that are going to be handled in this supply system pertain solely to base supply?

Colonel BOYD. There are some 74,000 now.

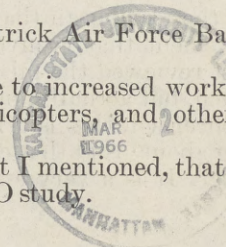
Mr. PIKE. 74,000 are necessary solely for base supply?

Colonel BOYD. That is right.

Mr. PIKE. Then how on earth did Patrick Air Force Base provide base supply when they only had 56,000?

Colonel BOYD. Sir, this increase is due to increased workload. We are now supporting some C-135's, helicopters, and other support, which have been added since 1963.

Mr. WITT. On page 10 that is the point I mentioned, that our workload has gone up since the time of the GAO study.



Mr. PIKE. Well, you say on page 4 that these studies—before you give us the figures—were completed by Patrick Air Force Base April of 1964?

Mr. WITT. Yes, and since that time—

Mr. PIKE. You are saying the number of items have gone up from 56,000 to 74,000 since April of 1964?

Mr. WITT. That was the date of the study.

What was the date, the point in time, that you collected the data?

Colonel BOYD. The data was collected during the period from October 1963, to April 1964, but most recently, the numbers of line items at Patrick amount to 74,000.

Mr. PIKE. Well, now, wait a minute. You are saying every one of these items pertains just to base supply for Patrick Air Force Base?

Colonel BOYD. Support of Patrick Air Force Base.

Mr. PIKE. And not the Range?

Colonel BOYD. There are some common items in this 74,000 that we support missile contractors down-range; yes, sir.

Mr. PIKE. But all of the 74,000 are essential for the base supply?

Colonel BOYD. Sir, I don't have the exact number.

Mr. PIKE. That is what I thought.

Colonel BOYD. Most, if not all, of the 74,000 line items are required for support of Patrick Air Force Base.

Mr. PIKE. All right. Now, we have gotten down to the point where we don't really know how many of these items are essential for the base support mission; is that correct?

Mr. WITT. Do we have exact figures on that?

Mr. HARDY. Obviously you didn't know when you made the decision.

Mr. WITT. That is correct, sir. All I knew was it was a large piece of the total.

Mr. HARDY. You don't even know that. You don't know whether it is a large piece or small piece.

Mr. WITT. I have been reassured by the experts that it is a large piece, sir.

Mr. HARDY. I have been assured by the experts, and they don't know, at all.

Let me point out how silly this is. Is there anything more important to our national defense than the operation of its communications? Who made the decision to assign all of these AUTOVON operations to private contractors? Here we are talking about items of common supply, and yet one of the most sensitive requirements, communications, is under private contract, and you people sit up there and talk about how essential it is that this be under military control; soap and common use items. You say you used Patrick in the Cuban crisis, and you have a flock of other bases in Florida that are just as close to Cuba and the Caribbean that could be used if necessary for the minimal requirement that is involved in this supply item. And actually I have just reviewed the mission, which is classified, and I can't refer to it, as such, but actually, insofar as the mission at Patrick Air Force Base is concerned, this is a minimal part of its requirement that you are talking about; isn't that correct?

Mr. WITT. It is a very essential part, sir, that must be there.

Mr. HARDY. It is an essential part that could be performed by any one of a number of other bases in Florida just as well, that are strictly military.

Mr. WITT. I am informed, sir, all the bases were pretty busy during the Cuban crisis, including Patrick.

Mr. HARDY. We may face another Cuban crisis tomorrow, then. Are we prepared to provide for contingencies in every installation that will go as far as you are going in this instance?

Of all the silly things I have run across. We can contract out the operation of AUTOVON to private operators, and yet we can't contract out for the distribution and supply of mops and common use items at Patrick Air Force Base. This is one of the silliest things that I have run across in a long time.

Excuse me, Mr. Gubser.

Mr. GUBSER. Isn't it true that the security guards at the gates at Cape Kennedy are contract employees of Pan American?

Mr. WITT. They have security guards. I don't know if they are at the gates of Kennedy—yes, they are.

Mr. GUBSER. Wouldn't you call that a rather sensitive operation?

Mr. WITT. There is no question about it.

Mr. GUBSER. Wouldn't you call the testing of our top secret military hardware, and our missiles, to be as sensitive perhaps, as the operational use of Patrick Air Force Base in some future crisis?

Mr. WITT. Well, we have to rely on industry where we do not have our own capabilities; where it is obvious that we can handle something like base supply, which is very important to our mission on the base, we feel it should be within military control.

We do have contractors definitely working on a lot of highly classified things; there is no question about it.

Mr. GUBSER. How about the ballistic missile early warning system (BMEWS), and the DEW line operation? Part of their operations are carried on by private contractors, aren't they?

Mr. WITT. We have a number of private contractors in those locations. We wish we had them under military control, I will tell you that.

Mr. GUBSER. Do you feel the military mission could be accomplished more readily under military control than under the present civilian control.

Mr. WITT. We wish we had the people to be in those commercial spots right now. This gets into the problem of training people.

Mr. GUBSER. You wish you had the people for what reason? Do you think your ability to perform your military mission would be improved?

Mr. WITT. Well, let's say this: We would feel better having it under military operations.

Mr. HARDY. You would feel better by having the country under military operations—the whole country?

Mr. WITT. No, sir. You are right. It is a key mission. We are not arguing this point. We determined when we went into the BMEWS and that kind of operation, they are highly technical, and we found in a number of these kinds of jobs, we cannot get the people, the technicians, and keep them at the remote sites, pay them enough,

essentially, keep the military people we get trained, and they are hired by industry away from us. This happens all the time——

Mr. GUBSER. Do you have plans to take over the BMEWS and the DEW line?

Mr. WITT. Do we have plans?

Mr. GUBSER. Yes.

Mr. WITT. No, sir.

Mr. GUBSER. Why not?

Mr. WITT. We have looked at it a number of times. I am not a detailed expert on this——

Mr. HARDY. You can get the military personnel to provide the security for the supply operation at Patrick, but you can't get the security to provide BMEWS installations?

Mr. WITT. These are highly trained technicians, sir, provided by the contractor who made the very complex equipment.

Mr. GUBSER. But there is a security aspect involved, and a highly sensitive one?

Mr. WITT. There is no question about it.

Mr. GUBSER. Before I close, I would like to just make one point here. I am looking at a map of the Eastern Test Range. Roughly what you are saying to us is that in order to protect the integrity of a spot on the map here—I am pointing to Cape Kennedy—you are going to have to assume control of supplies for a 9,000-mile strip of ocean; isn't that correct?

Mr. WITT. No. The down-range operations will still be—we will have stocks under the contractor's control farther down the range at specific locations.

Mr. GUBSER. But they won't be under Pan American control there?

Mr. WITT. Yes; they will still be under Pan American control.

Mr. GUBSER. Then you won't have single management control at all?

Mr. WITT. At the base supply function; yes, sir.

Colonel BOYD. It is a wholesale function, sir.

Mr. GUBSER. What?

Mr. WITT. It is wholesale, versus retail, down here. These are bench stock items they need immediately.

Mr. HARDY. Would you be prepared to recommend that the Defense Supply Agency set up its own operation at Patrick to take this away from the Air Force?

Mr. WITT. No, sir; I would not.

Mr. HARDY. Why not? You are wholesaling; that is what Defense Supply does. You are encroaching on their field.

Mr. WITT. No, sir. We get a lot of items from DSA.

Mr. HARDY. Oh, but you are away off base, Mr. Secretary.

Mr. WITT. In explaining the difference between the down-range locations, which are essentially a bench-stock type of items, those people down there need their own immediate stocks of equipment at hand, relatively small stocks. But you still have the base supply back at Patrick.

Mr. GUBSER. I want to get off a little different tack now. If anybody else wants to pursue this further, I will surrender the floor.

Could you tell me, Mr. Secretary, what is the—this augmentation of manpower that will be required at Patrick? You have it listed on page 4 as 325?

Mr. WITT. Yes, sir.

Mr. GUBSER. Now that, as I understand it, is referred to as a modified retail plan; is that correct? I want to know what that means. My understanding actually is that the augmentation is 580.

Colonel BOYD. When we refer to a modified retail plan, we are saying that Pan American will continue to man and operate their bench stocks or retail issue points. We, Patrick Air Force Base, will be the wholesaler and Pan Am will requisition their requirements upon Patrick.

Mr. GUBSER. Well, in other words, then, there will still be 580 personnel involved. It is a question of transferring some of them. You won't save any personnel, at all, will you?

Mr. WITT. Yes, sir, we will definitely save personnel.

Mr. GUBSER. What is this figure of 325? Explain it to me again. That is the modified retail plan. Now, you had a plan in the Air Force that involves an augmentation of 580. Explain the difference between those two plans, if you would, please.

Colonel BOYD. If we took over the total support down to and including bench stock, Pan American—

Mr. GUBSER. What is bench stock? Nuts, bolts, and that sort of thing?

Colonel BOYD. No, not necessarily. Take your own office, for example. You have stocks of office supplies available in your office for immediate use. You resupply these stocks maybe once or twice a month. This means that you do not have to go to your supply source for each individual requirement of an item that is frequently used.

Mr. GUBSER. All right.

Colonel BOYD. These are the items used from day to day, which are what we refer to as bench stock. Under total support we would operate the bench stocks. Under the modified retail plan, we have left Pan Am with a capability to provide their own retail support.

Mr. WITT. Those are located down the range, and so forth, sir.

Mr. GUBSER. Had you taken it over, you would have needed 580 people approximately?

Colonel BOYD. We would have needed more people, yes, sir.

Mr. GUBSER. Does 580 sound about right? I am not going to tie you to it, but approximately?

Colonel BOYD. It depends on how you work it, sir. Under the contract, the contractor is required to maintain accountability until the item is consumed. In the Air Force, we drop accountability when we issue it to the bench stock. This means that the contractor has to do a lot of accounting, more so than what we would have to do under our system.

Mr. GUBSER. Well, in other words, you are not transferring the whole thing; you are not achieving single supply management, whatsoever.

Colonel BOYD. Yes, sir.

Mr. WITT. We are achieving it at the base supply function, but we recognize these people all the way down the range at different points need to have stocks on hand immediately available, and we have left that within Pan American's purview as a part of the contract.

Mr. GUBSER. Let's just get away from the base supply function for just a moment here, and let's look at the impact on the taxpayer. You haven't done away with any spaces at all, have you?

Mr. WITT. Well, we will reduce Pan Am by 426 spaces, and we are picking up 325 spaces, for a difference of 101. We have approval for these 325 to go into base supply.

Mr. GUBSER. Okay. I will accept that.

Mr. WITT. But we are knocking off the 426.

Mr. GUBSER. How many military personnel will have to be added?

Mr. WITT. None, these will be civilians.

Colonel BOYD. All civilians.

Mr. GUBSER. None whatsoever?

Colonel BOYD. No, sir.

Mr. GUBSER. Yet you are improving the Patrick Air Force Base?

Mr. WITT. I didn't say we are improving it. We are not giving it up.

Mr. GUBSER. Do you contend you must give up that integrity if you allow PanAm to manage this?

Mr. WITT. If we turn everything over to PanAm, sir, and we start bringing in troops, men, and material there, General Huston, commander at Patrick, needs to have under his own immediate command the people who are running base supply. That is a part of the basic function of a base commander. It is just like you don't want to contract out.

Mr. GUBSER. I am going to repeat Mr. Pike's question.

Mr. WITT. You don't want to contract out your secretary, Mr. Congressman.

Mr. GUBSER. That is right. But I've got to repeat Mr. Pike's question. You are going to be using the same people, the bodies are the same. With all the lawyers you've got over in that Pentagon isn't it possible to draw a contract with private enterprise which retains the decisionmaking power in the base commander in the event of an emergency? Why can't you write such a contract?

Mr. WITT. For one thing we don't want to have the total base supply under contract where you can get into such things as strikes.

Mr. GUBSER. In other words, you don't want single management?

Mr. WITT. We want single supply management at the base level, and that is what we started on now and we have made thousands of dollars' worth of savings already. We have knocked thousands of line items out of the PanAm accounts, that would not have been knocked out if we hadn't dug in here and gone into the single management concept, sir. We are saving thousands of dollars today.

Mr. PIKE. Will the gentleman yield?

Mr. GUBSER. Go ahead, take over.

Mr. PIKE. I don't want to belabor this, but what is going to happen to your security with your civilian employees running this base supply if the PanAm security guards don't let them in the gates?

Mr. WITT. In case of emergency, as in Cuba, we took over that complete operation.

Mr. PIKE. I see. I won't pursue this further. I would be treading on a question Mr. Lennon was going to ask.

Mr. HARDY. Mr. Lennon.

Mr. LENNON. Mr. Secretary, my question may not be germane to the two basic issues here, but I am interested in them. You say unequivocally that this consolidation, or merger, of the supply function, will result in substantial savings?

Mr. WITT. Yes, sir.

Mr. LENNON. And thereby also terminate unnecessary duplication of various hundreds of thousands of items. Now, how long has Pan American had this contract there? I understand from about 1953. That would be about—

Mr. WITT. 1957, I believe is correct.

Colonel BOYD. 1958.

Mr. WITT. 1958—1953 was an incorrect date.

Mr. LENNON. So I am misinformed with respect to that?

Mr. WITT. Yes; you were misinformed.

Colonel BOYD. Could I qualify that? The initial contract with Pan Am was in 1952, for operation of the range. But the contract did not include the supply support at that time.

Mr. LENNON. Since 1958 they have been engaged in this?

Mr. WITT. They have been duplicating ours, that is right, since that point of time.

Mr. LENNON. The Air Force has inspectors. The Air Force has an audit at every one of its bases on an annual basis; is that true?

Mr. WITT. I'm not sure.

Mr. LENNON. I would certainly hope so.

Mr. WITT. They certainly have a regular cycle to work on; yes, sir. I'm not sure exactly how many times they hit each one.

Mr. LENNON. Yet it has taken from 1958 to 1963 for the Air Force to recognize this unnecessary cost duplication, and then only when the General Accounting Office rather abruptly in a report to the Congress, and in a directive, almost, to the Secretary, caused you to recognize it.

Now if we are interested in economy, what I would like to know is why the General Accounting Office had to call to the attention of the Department of the Air Force something that it ought to have known on an annual basis from 1958 up to 1963. Why?

Mr. WITT. Sir, I cannot answer that. We have bluntly admitted to the GAO there were a lot of savings to be made, and we went ahead and went after the savings and we made a lot of savings. I could not tell you why since 1958 this consolidation hasn't taken place.

Mr. LENNON. Can you tell me why the annual audit, and the inspectors who went there, did not make a finding comparable to what was made by the General Accounting Office on an annual basis in the report to the Auditor General of the Air Force?

Mr. WITT. I cannot tell you, sir. I do not know why they didn't pick this up in any of their inspections.

Mr. LENNON. This raises questions in my mind as to whether or not the Air Force was diligent in not determining these facts over the 5-year period from 1958 to 1963.

Mr. WITT. Well, there is no question but what things were going along very well. There is no question about this.

Mr. LENNON. Going along very well?

Mr. WITT. With Pan Am having their supply and our having our supply. Of course it should work well. Everybody has duplicate stocks. If it doesn't work under that it shouldn't work under single management, I suppose.

Mr. LENNON. You couldn't expect a private contractor to come up and say: "Look, we don't like this duplication of effort." That was the responsibility of the Air Force, was it not?

Mr. WITT. Yes, sir. I can say very candidly, sir, I wish I had found this before this and had done something about it.

Mr. LENNON. Why under the name of Heaven wasn't it found?

Mr. WITT. I don't know, sir. I cannot tell you.

Mr. LENNON. What is the explanation for the inability to make this determination before?

Mr. WITT. I have no answer, sir. I do know that although we do not agree every time the GAO turns out a report, needless to say, they have come up with some very penetrating points in many of their reports, and have shown where we are doing things that we should not have been doing for better management. I fully agree.

Mr. LENNON. Just a minute, please, sir. I am now advised the General Accounting Office brought this to the attention of the Air Force at least 2 to 3 years before 1963. Do you know anything about that?

Mr. WITT. The way this thing started, the way the two accounts got established really and the two operations got established, was when the sputnik hit, and everybody went all out for missiles and the cape started going into very, very active operations, 1957-58 time period—I'm sure you remember this. The supply account became absolutely staggering down there. And they asked Pan Am, who was then on contract: "Would you please give us some people to help us out?" It was at this point. When we looked at it, at the time, we realized—I don't say "we," because I certainly wasn't there at that time—but the commander and the people on the base at that time realized it was a "crash" program, that they were establishing duplicate accounts. It is in some of the information we turned over to your investigator.

Mr. LENNON. There was a recognition of need for a private contractor in this area?

Mr. WITT. It was recognized the Air Force could not handle the job at that time. We hired a few hundred people from Pan Am to help us out. Then Pan Am and the Air Force agreed instead of having their people mixed in with ours, side by side, that Pan Am would go ahead and run a base supply operation. Now, that is how this thing grew, and it is nice to sit here with hindsight, and say: "If I had been the commander down there I wouldn't have allowed this to happen." However, the commander at that point in time, with a lot of pressure from the Department of Defense, and from the Congress, and from everybody else, was trying to overcome, on a short time period, shall we say, the missile gap which was developing, the Russian sputnik, and so forth. And there was no question about it. I talked to the people who were there at the time, and the base supply got overloaded in a heck of a hurry. And to solve this problem, the immediate action was to get the contractor to help them out. Since that time—

Mr. LENNON. The situation has so changed you can get along with a single agency?

Mr. WITT. We are getting the people. We are getting the electronic data processing equipment to handle this, and we are going to do it in a neat and orderly way. I think we will come out with a much better system than we've got now. I don't think there is any question about

it. The fact we are already saving thousands of dollars by eliminating items from the inventory—

Mr. LENNON. This decision to consolidate the function was made by the Department more than a year ago, wasn't it?

Mr. WITT. We received the report in 1963.

Mr. LENNON. The sequence of the exchange of communications indicates a decision was made over a year ago?

Mr. WITT. Yes, yes, definitely.

Mr. LENNON. I suppose the gentleman from Florida could ask you some very pertinent questions.

Mr. WITT. He has, sir.

Mr. LENNON. Very direct questions. But your answers have been evasive and sketchy.

Mr. WITT. That is a matter of opinion, sir.

Mr. LENNON. What?

Mr. WITT. That is a matter of opinion, sir.

Mr. LENNON. Well, you certainly did not answer his inquiries with respect to what was intended to be done with respect to consolidating these supply functions in the categorical manner that you have answered here today, not from the exchange of the correspondence that he has with the Department of Defense. Was there some reason why it couldn't be laid on the line, back a few months ago, up until today?

Mr. WITT. We feel that we have explained our position very thoroughly and very clearly, a number of times.

Mr. LENNON. A number of times?

Mr. WITT. Yes, sir.

Mr. LENNON. Well, the statement that he has filed for the record, in which he shows the chronological exchange of correspondence and the questions propounded to DOD and the Secretary of the Air Force, with respect to what the intent was to merge or consolidate these supply functions, will lead any reasonably fairminded person, and any reasonably knowledgeable person to believe that your answers were vague and sketchy.

Mr. WITT. We certainly didn't intend for them to be. I personally, after going over them, do not feel they are evasive or sketchy.

Mr. LENNON. I got the impression from the chairman's opening statement that this committee had not been flatly and categorically told what you intended to do. Maybe I misinterpreted his statement.

Mr. HARDY. I think you are correct. You are very correct; we have had some problems.

Mr. LENNON. That is all. Thank you.

Mr. WITT. Sir, problems in getting information from us?

Mr. HARDY. Yes, we have, and some of it hasn't stood up too well, Mr. Secretary. We will demonstrate it before we get through these hearings.

Mr. LENNON. Thank you.

Mr. HARDY. I would like to explore further this question of the time element that has been involved here in reaching a decision, in deciding savings could be made by consolidating this activity.

Mr. Lennon has emphasized that, and pointed out that prudent management would seem to have indicated somebody should have discovered this earlier.

Right at the moment I'm more concerned about why it took the Air Force so long to decide that it had to have military control of the supply operation.

If this was so all-fired important, why didn't you reach that decision before? Isn't it true, as a matter of fact, that you couldn't justify it by comparing it with what Patrick Base Supply could accomplish with the performance by Pan American and you used the military justification just to back up a decision you had already made?

Mr. WITT. No, sir; it is not true.

Mr. HARDY. There is some evidence that leads me to that conclusion. I should not have put the question that way. Of course you would have to answer it in the negative.

Mr. WITT. We have never stated we would give up our base supply to a contractual operation, sir.

Mr. HARDY. You are aware of the fact that the Pacific Range is supplied by a private contractor, aren't you?

Mr. WITT. The Air Force has its own base supply at the Pacific Range, sir. There are contractors out there, there is no question about that.

Mr. HARDY. Naval supplies are all performed I believe by private contractors?

Mr. WITT. I'm not acquainted with the Navy operations.

Mr. HARDY. Didn't Mr. Moot tell you how the Navy operates there, the Assistant Secretary of Defense? Do you operate in a vacuum over there? Don't you consider what the other services are doing, Mr. Secretary?

Mr. WITT. I have not gone into a detailed operation of the Navy's operation on the west coast; no, sir.

Mr. HARDY. Can you tell me when the decision was made that this had to be a military operation, because of military considerations?

Mr. WITT. When the original answer to the draft report went back, we stated in there we were consolidating, and we were moving certain common items under—

Mr. HARDY. I read that, and you did not give any military reason for it. You simply said you decided to do it.

Mr. WITT. We decided to keep it under base supply.

Mr. HARDY. You modified that by saying the ultimate decision is up to Mr. McNamara, but the Air Force had already instructed them to proceed.

Mr. WITT. That was the DOD reply which said we moved ahead on consolidation, I believe.

Mr. HARDY. I'm going back a little bit. You made the decision to start your consolidation before it had cleared DOD.

Mr. WITT. When the answer—when our reply to the draft report was made in 1963, our reply was reviewed by the Office of the Secretary of Defense.

Mr. HARDY. Of course, nothing goes out that Mr. McNamara doesn't know about, I appreciate that. But you stated in there—I had the document in front of me a while ago—the attachment to GAO's letter—the letter to GAO.

Mr. WITT. This was the reply to the final report, sir, or the draft report?

Mr. HARDY. The reply to the draft.

Mr. WITT. I'm familiar with that one. I signed that one myself.

Mr. HARDY. The very last paragraph, I think it is.

Mr. WITT. I believe that is——

Mr. HARDY. Let me see which one this is.

Mr. WITT. I believe it is the Secretary of Defense, isn't it?

Mr. HARDY. Secretary Morris wrote to Mr. Campbell. He wound up by saying, "The Air Force has been directed by OSD, I. & L." that is Mr. Morris—"to accelerate in every way consistent with available manpower sources and uninterrupted support performance the consolidation of single item supply support activities for the Atlantic Missile Range."

The decision had been made at that point in time, and the Air Force had been told to do it. This is dated March 17, 1964.

Then it modifies it and says, "Responsibility for decision as to the extent and timing of this, or any other consolidation of military supply management activities must continue to rest with the Secretary of Defense." So he says he is giving you authority to go ahead, but he reserved the right to veto it. Is that what that amounts to?

Mr. WITT. There was a discussion with them, sir, of how far, in other words, should emergency procurement still be left with Pan American, which we have left with them, a number of things of this type, which were under discussion. There is no question about that.

Mr. HARDY. There isn't any reference I have been able to put my finger on and if you can pinpoint it I would like for you to do so. Is there any document to show that the decision was made early in the game on the basis of military considerations?

Mr. WITT. In 1963, when we developed our reply to the GAO report, sir, we stated that Patrick Air Force Base was the place to put this consolidated function. To my knowledge, no one questioned that decision at any level in the Air Force.

Mr. HARDY. Was that based on military considerations? Get your documentation and let me have it. Will you submit it, because I want to see exactly how that was done. I haven't seen any evidence that the decision was based on any military consideration at that stage. That was an afterthought when you found out you couldn't prove you were going to save more money than Pan American could. At least that is the way the documentation adds up to me.

Mr. WITT. That was based on the decision we would keep a Patrick Air Force Base supply, sir.

Colonel Boyd. As a matter of fact, sir, might I——

Mr. HARDY. Yes, go ahead, Colonel.

Colonel Boyd. As a matter of fact in our September 23 reply to the draft report, we pointed out that we would examine the items and determine who should have single management responsibility.

Mr. HARDY. You hinted that in your reply.

Colonel Boyd. That is right. We never intended that any item we were a user of to ever go under Pan Am control. The General Accounting Office in their final reply said the way the Air Force is going about it will not achieve the savings, we will still have duplication and multiple management.

Mr. HARDY. That is the thing that bothers me when we are talking about costs. I don't know whether you have a military justification. I'm not sure you do have for this consolidation. That is something

we are going to explore further. The chronology of the documentation, as I reviewed it, leads me to believe somebody made the decision without regard to cost, without regard to anything except taking the opportunity to grab a little extra bit of business for the Air Force. Then when you got to analyzing costs and the personnel required you came to the conclusion you couldn't do it on the basis of your original estimates so then you begin to justify it on the basis of military consideration.

That is the way I add it up. If I have added it up wrong, then I just don't have the intelligence to read this documentation and understand what went behind it.

One other point: In the discussion a while ago with Mr. Gubser, about this modified retail approach, one of the considerations that you mentioned, Mr. Secretary, was your concern with the possibility of strikes. At least that is the way I heard it; I made a little note to that effect.

I notice a letter from General Huston to NRVG, whoever that is, "In response to your direction."—I'm getting these words, I want to underscore that one—"the ETR will proceed with the implementation of a modified retail approach, providing the ultimate arrangement of full retail is acceptable and support for its implementation can be assured."

General Huston says he is proceeding with this on the assurance that ultimately you are going to take over the whole business. Is that what it means to you, Colonel?

Colonel BOYD. No, sir.

Mr. HARDY. You tell me what it means, then. I can't read.

Colonel BOYD. Not the whole retail, sir, not the retail function, I don't think.

Mr. HARDY. Let me read it again and you can interpret it for me, please:

Providing the ultimate arrangement of full retail is acceptable and support for its implementation can be assured.

Now, what does that mean? Maybe I should ask General Huston, but as long as you are going to interpret it, go ahead and interpret it.

Colonel BOYD. I suggest we wait until General Huston testifies.

Mr. HARDY. It didn't mean to you what it meant to me. You are one of the people who has to carry it out. What did it mean to you? You are carrying it out.

Colonel BOYD. I was apparently jumping to a conclusion. We found out early in the game we could not take over the full retail support.

Mr. HARDY. Oh, you did?

Colonel BOYD. Yes, sir.

Mr. HARDY. Let me continue with General Huston's statement. He says:

This position is sustained by the fact that the modified retail plan is in itself the most expensive system that could be instituted and the impact of a work stoppage brought about by the predictable labor difficulties.

This is what sustained his position. So he is saying the possibility of strikes means that if you are going this route that you have got to prepare to take over the whole retail job, and he says also it is the

most expensive system that you could put in. And his last sentence, is a clincher. He says:

Its adoption can be justified only as a means toward ultimate full retail support by the Air Force.

Did you tell Pan Am that you are planning to do away with their downrange operation and you are going to take the whole business over? When in your schedule is that intended to take place?

Mr. WITT. As we said earlier, sir, we are not planning to take over all those stocks at the individual locations downrange.

Mr. HARDY. Then you completely ignored General Huston's point in which he says that this is the only basis on which you can justify it.

Colonel BOYD. The letter you referred to was addressed to the National Range Division, and not to Headquarters, USAF.

Mr. HARDY. It didn't have anything to do with what you are doing?

Mr. WITT. There was never to my knowledge, sir, any intention to take over those stocks that we discussed before.

Mr. HARDY. Did you see General Huston's viewpoint on this thing?

Mr. WITT. I have had a number of discussions with General Huston on this.

Mr. HARDY. You overrode him?

Mr. WITT. I didn't override him; no, sir.

Mr. HARDY. Somebody did. Maybe Mr. Moot did it, signed by Mr. Ignatius.

Is there anything further on this from members of the committee?

I tell you the truth, this seems to me to be an indication of a decision that was found out to be wrong, and then nobody had the guts to back up and correct it. As a matter of fact, Patrick itself tried to reclama it; didn't it?

Mr. WITT. Tried to reclama it?

Mr. HARDY. Yes; the decision?

Mr. WITT. Patrick had a number of doubts, I'm sure, about the job they were going to take on. They wanted to be reassured about manpower. He says, "I want to be reassured on my resources," and we went back and got the people for him.

Mr. HARDY. As a matter of fact, after you had put your initial plan in operation and had it in operation for some 6 months, the downrange people told you there was a deterioration in the original operation?

Mr. WITT. Not to my knowledge.

Mr. HARDY. Do you want me to read that to you? Well, I think the documentation here is pretty complete, Mr. Secretary, maybe you haven't read it all.

Mr. WITT. I have not read a number of internal affairs documents, apparently, sir. If you have something written within the Systems Command, there is a very good possibility I don't have all that correspondence.

Mr. HARDY. Patrick, according to this document—what is this one, how do we identify it?

Mr. REDDAN. That is a TWX from the Systems Command to ETR.

Mr. HARDY. I will see who signed it. I can't figure this out.

Mr. WITT. It takes an expert.

Mr. HARDY. Yes; I know it. You all have hieroglyphics over there. I think you have some of them just to confuse us.

This is from the Air Force Systems Command to Patrick, November 2, 1964.

It has to do with a proposed reclama by Patrick.

As you know, the Air Force Eastern Test Range recommendation was concurred in by this headquarters, Headquarters, USAF, Assistant Secretary of Air Force, Assistant Secretary of Defense.

This is underscored in the TWX.

It is most significant that you take into account that the Honorable Thomas D. Morris, Assistant Secretary of Defense, I. & L., did set forth in his response to GAO that the Air Force would consolidate the PAA-PAFB accounts, and officially excepted NASA, and the range users from consideration in this consolidation.

In other words, he is saying, if you reclama this, you have to bear in mind you are bucking the Assistant Secretary of Defense. He underscored that, so the Patrick commander, if he had any fears of possible recriminations, would know better than to do it.

Mr. WITT. I have never known the people from Patrick to be reticent in presenting their views.

Mr. HARDY. I don't think they are, either.

Do you have anything further, Mr. Gubser?

Mr. GUBSER. No.

Mr. HARDY. Mr. Reddan.

Mr. REDDAN. No.

Mr. WITT. If I could make one more "quickie"?

Mr. HARDY. I want you to say anything you want to say, Mr. Secretary, because I have been expounding here, and I certainly want to give you equal time.

Mr. WITT. These are trying circumstances, certainly.

Mr. HARDY. They are trying circumstances.

Mr. WITT. We did want to make one point, sir, Pan Am's estimates to do the job do not include a number of costs, and why don't we make that available for the record if we could, because the implication is that Pan Am could do it so much cheaper than anybody else, which I think is certainly a slanted view in our viewpoint.

Mr. HARDY. It may be slanted, but I am about convinced.

Mr. WITT. That is what bothers me about it being slanted.

Colonel BOYD. Sir, in their estimate I think they overlooked the fact we must maintain a BEMO operation, which is the base equipment management office. They overlooked the WRM and POL functions.

Mr. HARDY. I'm not surprised they overlooked some things. Maybe GAO didn't catch those. I note, though, the Air Force didn't do too good a job in making up their estimates for the GAO. Maybe you wanted to save them and surprise GAO.

Colonel BOYD. Sir, I would like to address myself to that.

Mr. HARDY. Go ahead, please.

Colonel BOYD. The General Accounting Office comes in and spends 9 months reviewing things. They come in and ask us to give an input and we have about 3 or 4 days to respond to such a thing. You can get just that quality of work in 3 or 4 days, sir.

Mr. HARDY. That is all they would give you? I think I will convey that to the Comptroller General.

Colonel BOYD. I don't mean this literally.

Mr. HARDY. I think you ought to have whatever time is necessary to make a reply. If the Comptroller General didn't give it to you, I know he didn't mean not to.

Colonel BOYD. Sir, I'm sure he is talking about the information he got at base level at the time.

Mr. HARDY. Did you furnish him anything else?

Colonel BOYD. I do not know what Patrick furnished GAO.

Mr. HARDY. They sent the estimates to you before they sent it to the General Accounting Office. Nobody took exception to it.

Mr. WITT. They didn't send this. We never did see a copy of the 5 million estimates, or whatever it was.

Mr. HARDY. They didn't give you those estimates?

Mr. WITT. No, sir; I do feel that we want to—apparently we missed making a couple of points.

Mr. HARDY. You missed making a lot of points as far as I am concerned.

Mr. WITT. There is no question about that. It is hard to hit a moving target.

Mr. HARDY. The Air Force ought to be experienced in that, if anybody is.

Mr. WITT. I do want to point out again that I feel if you, for instance, were a base commander, you personally would not want your base supply operations under contract. I am convinced of this, just like General Huston is. I'm also convinced that because we started out with the assumption by everyone that we can save money by consolidation, and then it narrowed down to which way you should go, it is as simple as that. Our decision was that we would not give up our base supply operation, for a number of reasons which we have enumerated. We have base supply operations worldwide. We do not plan to pull out the base supply function from any commander and put it on contract, sir. We think this makes sense. This has never been in effect challenged as to why we don't pull it out. Maybe we should pull our pilots out of the planes and put them under contract as I said.

Mr. HARDY. That would be a fine idea. Mr. McNamara, you know, wanted to take 65 percent of the ship repair away from Government yards and put it in private yards. I can understand the base commander's view in this one. It is not always good common sense. And that is what you are sitting astride of.

Mr. WITT. Yes.

Mr. HARDY. We appreciate that. I think that is a good stopping point. Let's go off the record for just a minute.

(Discussion off the record.)

Mr. HARDY. Let the committee stand adjourned now to reconvene at 2 o'clock. Thank you very much.

Mr. WITT. Yes, indeed.

(Whereupon, at 12:38 p.m., the committee recessed for lunch, to reconvene at 2 p.m., on the same day.)

AFTERNOON SESSION

Mr. HARDY. Let the committee come to order. Let the record show the presence of Mr. Pike, Mr. Lennon, and myself, constituting a quorum under the committee rules.

I think it might be well for us to start out this afternoon with Deputy Assistant Secretary of Defense for Logistics Services, Mr. Robert C. Moot.

Mr. Moot, would you come on up, please, sir?

Mr. MOOT. Yes, sir.

Mr. HARDY. Mr. Moot, we are real pleased you are here. You have a prepared statement, too?

Mr. MOOT. Yes, sir.

Mr. HARDY. If you will just have a seat and proceed with your statement, please, sir.

STATEMENT OF MR. ROBERT C. MOOT, DEPUTY ASSISTANT SECRETARY (LOGISTICS SERVICES) INSTALLATIONS AND LOGISTICS, DEPARTMENT OF DEFENSE

Mr. MOOT. Mr. Chairman and members of the subcommittee, the plan to consolidate wholesale supply functions between Pan American World Airways, Inc., and the Patrick Air Force Base at Cape Kennedy has been a subject which has generated intense interest for the past several months. We have answered thousands of letters and have had several meetings with Members of the Congress and local community leaders. Much of the concern expressed in these communications and meetings has been based on a misunderstanding of the plan and its implications. Without duplicating the comprehensive testimony of the Air Force witnesses I would like to address the most significant areas of misunderstanding in an effort to clarify the record. We appreciate the opportunity you have afforded us to make this statement.

First, we have received many comments to the effect that the proposed consolidation is inconsistent with national policy as outlined in Bureau of the Budget Bulletin 60-2 dated September 21, 1959. We have been criticized for attempting to justify this consolidation action on the basis of a revised policy directive which has not yet been published. Such comments indicate a misunderstanding of the proposed consolidation and the relationship of this action to the policy included in BOB Bulletin 60-2. The operation of the military supply system is not and has not been considered a commercial or industrial activity within the scope of the 60-2 policy. Department of Defense current instructions which cover the method of performance for commercial and industrial activities are consistent with the Bureau of the Budget policy directive. The operation of the military supply system is not included in the scope of these directives.

The provisions of the 1959 Budget Bureau Bulletin do not apply to services which are integral functions of the basic mission of an agency. The military supply system and its related functions of procurement, inventory control, and distribution is an integral part of the defense mission. Each installation is a part of a worldwide system which assures the rapid availability of inventory to meet contingency plans. Some confusion has been created because the Department of Defense is

initiating a program to review all commercial and industrial support activities for the purpose of determining whether performance should be accomplished by contract or Defense personnel. This review will be made over a 3-year period on a function by function, installation by installation basis. It is not our intention to include the operation of inventory control points, procurement offices, supply depots, or post and base supply departments within the scope of this review. The project which developed the guidelines for this forthcoming review was initiated some 3 months after approval of the Air Force consolidation plan at Cape Kennedy so it is not proper to relate these independent actions.

A good number of the correspondents who have written on this subject have assumed that the consolidation action is motivated by the desire to create vacancies for the relocation of civil service employees displaced by military base closures. I would like to assure the committee that such is not the case. The Cape Kennedy supply consolidation action was approved for budget planning purposes in June 1964 and this action was not related to base closures. The most significant base closures were announced in November 1964 or 5 months later. The current Defense-wide central referral system did not become operational until calendar year 1965.

And at this point, Mr. Chairman, I would like to amplify this statement for fear of creating the same misunderstanding—

Mr. HARDY. You have already done it.

Mr. MOOT. All right, sir. I would like to clarify it. The significant point to us is not that there weren't earlier base closures, and not that there wasn't an earlier Defense program to secure employee transfers within the Department of Defense for stability of employment, but rather that for the first time—and I have the directive with me, as well as the one that you mentioned—the December 1964 directive established the Defense central referral system across the entire country, all civil service regions and zones, a system for putting names of people who were going to be displaced into the system where they could be referred against the total Defense job opportunity.

Mr. HARDY. Actually, your December instruction was simply a procedure for implementing the June 1963 directive, now isn't that correct?

Mr. MOOT. Well, I think the answer to that, Mr. Hardy, is that the June 1963 instruction provided for the referral of employees within a civil service region.

The December 1964 instruction provided for the referral beyond regions if the employees could not be placed within a region. It is a total, nationwide system.

Mr. HARDY. It might have been a little more extensive and more all embracing, but actually the main thing it did was set up the mechanics for accomplishing what had been the general purposes of the June 1963 instructions. At least that is the way I read it.

Mr. MOOT. OK, sir. I would like, if I might, to make one more point.

Mr. HARDY. Surely.

Mr. MOOT. I'm relating at this point the trend of the communications, the thousands of letters we have had, and there was a common

theme throughout these letters, which is that this action is being taken to provide jobs for displaced shipyard employees, for example. The point I'm trying to make is that we did not have at that time a system for providing for referral of jobs beyond that immediate area. At that time, therefore, the referral program would have been the Atlanta region of Civil Service Commission, which would have not included any shipyards.

Mr. HARDY. I wouldn't want to suggest that I would think the Department of Defense is sufficiently shortsighted to deliberately cut off civilian employees from a contractor in order to make space for civil service employees displaced somewhere else. I think that may be the effect of what you did. In spite of the fact that I think you may have certainly had in mind the possibility of using this device to pick up some displaced people, I wouldn't want to consider that it was a deliberate action, but certainly the whole thing doesn't look good to me, Mr. Secretary.

Mr. Moor. To go on, sir, frequent references have been made to the Department of Defense priority placement program which assures displaced civil service employees of an opportunity to relocate when jobs are eliminated due to changing Defense programs. It is the conviction of the Secretary of Defense that a responsible employer program which provides for stability of job opportunity is essential to good management within or outside of the Government. Under this Defense employee referral program, qualified career civil service personnel who are displaced due to base closures will have certain priority rights with respect to the new civil service supply positions being established at Patrick Air Force Base. Although the Defense program is well organized and automated to a significant degree, it is by no means unique in concept. The U.S. Civil Service Commission has directed all agencies to establish displaced employee programs which will provide placement assistance before separation actually occurs. In addition, such programs are prevalent in industry and it is our understanding that Pan American has already developed plans to minimize the impact of job adjustment. Further, the indicated availability of qualified civil service personnel to meet the requirements for additional personnel at Patrick is limited, which means that most of the affected Pan Am employees may, if they wish, transfer to civil service positions.

Mr. Chairman, once again I wish to thank you for this opportunity of making a statement on this subject.

Mr. HARDY. Thank you, Mr. Secretary.

I don't want to leave the impression that I am critical of the Department of Defense's efforts to locate or relocate displaced personnel who are displaced because of base closings. I think that is a proper function, and I am glad to see it is being done, but I do not particularly appreciate a situation like this one if it were used as a device to create jobs to absorb some of these people that are raising so much fuss up in Brooklyn, for instance. I would not be particularly happy to see this kind of thing undertaken.

It may be that won't have too significant an impact. I do not know what its impact will be. But actually I am really more disturbed about certain other aspects of this because it may be there will be some means to protect the employees who are being displaced, Pan Ameri-

can employees who are being displaced, but there are a lot of loose ends to this that disturb me considerably. As I said earlier this morning, I am not a bit sure somebody did not make a bad mistake on the decision here, and then everybody got their backs up deciding, "We've got to stick by this and prove he is right, the boss can't ever be wrong."

If that is the situation, it is about time somebody woke up. That is one of the things that bothers me about it. I am not sure that isn't what happened.

Mr. Pike.

Mr. PIKE. Mr. Chairman, at the risk of getting thrown right off the subcommittee, and perhaps as a shock to the Air Force, I would like to say I don't see anything particularly wrong with the concept of trying to find a system of providing jobs for those people who have lost their jobs as a result of base closures. When we get into the question of the motivation of the Air Force in arriving at this decision, I think the Air Force has been fairly forthright this morning in stating that it is not—they make no claim it is an economic move. If they were making a claim that it were an economic move, I think we would be in a position to argue with them statistically. But you are in a "bind" now, it seems to me, wherein they say that it is essentially a national defense move, or a security move. I do not know what we can do to prove that it is not, except—

Mr. HARDY. I do not know that I want to prove it isn't, but I want to be sure that is the situation. I am not sure it is the situation, and I am not sure that it isn't really a device which they thought up after the fact to try to justify what they had already decided to do.

Mr. PIKE. Mr. Chairman, I am not sure either. But it seems to me that when the Air Force says that it is a security decision, or a national defense decision which has been made, I just plain don't know how we are going to go about showing that it is not a national defense decision which has been made.

Mr. HARDY. Well, I don't know that I want to show that it is not, but I would like to be sure that it is. We have had testimony thus far from the Assistant Secretary of the Air Force; now we have the Assistant Secretary of Defense. I do not know the extent to which this reflects a military decision. As a matter of fact, I am concerned a little bit about some of the documentation which we have, which heretofore, at least, has not seemed to indicate, insofar as the military were concerned, there was any great concern with this particular supply function at Patrick.

Mr. MOOR. May I try to explain from the Office of the Secretary of Defense point of view

Mr. HARDY. If you have anything that can support this from a documentation standpoint I think it would be helpful. I do not know whether you are any more qualified to pass on this from a strictly military standpoint than some of us.

Mr. PIKE. I think you are qualified to answer this question: Are there similar support missions being carried out in other services on a contract basis?

Mr. MOOR. Again, I am not an expert, but I would like to explain the way the Office of the Secretary of Defense has looked at this situation. There is no reason why Pan American cannot continue the supply operation from a military point of view.

Mr. PIKE. There is no reason why Pan American—

Mr. MOOT. There is no reason why Pan American cannot continue with what they are now doing from a military point of view.

Mr. PIKE. From security and air defense?

Mr. MOOT. I wasn't trying to make that point. The point that was being made, and the point the Office of the Secretary of Defense looked at was this: Consolidation is desirable for economy's sake.

Mr. PIKE. There is no question about it.

Mr. MOOT. Then it was not a question as to whether Pan Am should not continue their supply operation, because of military reasons. The question then was, can you remove the supply mission from Patrick Air Force Base and give it to Pan Am? This was the question that involved the military consideration.

Now, it was not, from an Office of the Secretary of Defense point of view, the type of a military situation that involved a question such as security guards at gates. The national policy is very clear that we rely heavily on private enterprise throughout all of our structure, and that there is no reason why, with proper clearance of contract employees, sensitive functions can't be performed by contract employees. This was not the question or the way that Office of the Secretary of Defense looked at it. The Office of the Secretary of Defense looked at this question in two phases, and as you very well said this morning, consolidation is desirable, and we satisfied ourselves, without conducting an audit, there was money to be saved by consolidation.

The question then was, could you eliminate the base supply operation at Patrick and consolidate it on the Pan Am supply system? We answered that in the following fashion: For the last several years—many years as a matter of fact, well before this administration—the Defense Department has been moving toward what it calls a unified supply system which includes, on a worldwide basis, centralized inventory control at inventory control points, centralized records from inventory control points down through the depot system, and down to computers at the post, base, station supply system, so that we have a total, integrated system of inventory.

Now, over this period of time, through efforts of Congress, as well as efforts of the Department of Defense, the Defense Department has moved in an orderly fashion to make sure that it compressed the total number of items through standardization and cataloging into the optimum number of items. We have 4 million of them, so obviously optimum is fairly sizable. At the same time we were trying to contract the range of items, we were trying to contract the depth of items, so we connected this entire system to a central point where the exchange of long supplies on the basis of Federal stock numbers, takes place, so that people are not buying on the one hand what people are disposing of on the other.

We have felt, therefore, that wherever we have had military supplies as a part of this computerized, uniform, automatic data processing system, that we would have had to retain the Defense Department control. In that sense, in the uniform system, we do not contract that operation out. It is not in my personal opinion, and nothing that I have seen at the Defense Department level in official statements, it is not a question of whether a contract employee could

not be involved in the base supply operation, or whether the security guard couldn't be a contract employee, it is the question of control of the program. We are constantly improving this program.

Mr. PIKE. Then you are not concerned about the security or the national defense aspects of having this base supply contracted out to Pan American?

Mr. MOOR. I don't think I said that, Mr. Pike. I said the consideration—

Mr. PIKE. Then let me ask you to answer the question. Are you concerned about the security or the national defense question if this base supply function were contracted to Pan American?

Mr. MOOR. I think I can answer that question as follows: The question involves the function and the answer involves the function. As Mr. Gurney mentioned this morning, we are embarking, as my statement indicated, on a program of looking at all commercial industrial activities at every base, at every installation throughout the country. When we hit a function that is severable from the total integrated defense system, such as security functions, such as a custodial function, such as depot level maintenance or repair of equipment, that function will be judged on its economic merits and not on a military security basis. So the answer to the question is, we will look at all commercial industrial functions on the basis of cost effectiveness. The military supply system that I have described is, by the Bureau of the Budget guidelines and our own guidelines, not a commercial-industrial activity.

Mr. PIKE. The answer may have been in there, but it eluded me, quite frankly.

I am asking you specifically, as far as Patrick Air Force Base is concerned, whether the base support program could be conducted by Pan American without it constituting a threat to the security or the operation of the base.

Mr. MOOR. If we make the assumption that Patrick Base supply was going to stay at the Patrick Base and be a part of the integrated system that I'm talking about, the computerized system, centrally controlled, and if the question is, could you replace civil service employees with contract employees to do that operation? The answer is, it would have to be judged on economics. It is not a matter of military security as long as the program gets done at the installation.

Mr. PIKE. Well, then, was it judged in this case as a matter of economics?

Mr. MOOR. Well, on this particular aspect of it, for the Office of the Secretary of Defense aspect of it—and you will recall I'm not answering for the Air Force contingency plans which are Joint Chiefs of Staff plans and the other aspect of the Air Force answer—at the Office of the Secretary of Defense level, when Office of the Secretary of Defense was asked this question, we readily agreed that the base supply at Patrick could not be eliminated. It had to stay at Patrick to be a part of this basic system.

Mr. PIKE. As a matter of economics?

Mr. MOOR. As a matter of the integrated supply system, which is both an economic as well as a military effective system. The reason we have this centralized system is to support our combat operations.

Mr. PIKE. The reason we have almost anything in the military is to support our combat operations.

Mr. MOOT. Yes.

Mr. PIKE. I am afraid you lost me with these very long answers to what, in fact, I tried to keep as relatively simple questions. Was the economic factor considered in your Department in the decision?

Mr. MOOT. Yes, sir.

Mr. PIKE. What did you use for statistics on which to consider the economic factor?

Mr. MOOT. First of all, we used the statistics that were in the General Accounting Office report.

Mr. PIKE. You had statistics which they had derived as to the cost which would be involved if Pan American did the unified job and if the Air Force did the unified job?

Mr. MOOT. Yes, sir.

Mr. PIKE. Their statistics showed that Pan American could do it more cheaply than the Air Force?

Mr. MOOT. Yes, sir. That is assuming we are talking about a separable job to be accomplished only at Patrick or Cape Kennedy. Our OSD assumption was that this was an integrated job, a part of the worldwide supply system, and could not be viewed only at Patrick. That is the reason why we could not divorce, in our own thinking, the economics separate from Patrick Air Force Base.

Mr. PIKE. All right.

As a part of a world wide system, and Patrick can't be differentiated, I get back to the question I asked you earlier. Are there any other support installations which are being contracted out—support missions?

Mr. MOOT. Base supply functions?

Mr. PIKE. Yes; base supply functions.

Mr. MOOT. There are none that I know of, sir.

Mr. PIKE. This is the only one in the entire military?

Mr. MOOT. No, sir. I make one qualification. There was a test operation going on at an undergraduate pilot training base of the Air Force in Oklahoma, and I believe it is still going on.

Mr. PIKE. So when I heard some testimony this morning about the Navy, or a question about the Navy having a contracted supply operation—

Mr. MOOT. Yes, sir; we were talking about the Pacific Missile Range. Remember, I believe that if the economics of the situation were such that Pan American, on the Eastern Test Range on Cape Kennedy was the only operation there, and there was not Patrick Air Force Base, and therefore you were talking not about a consolidation but who could best operate that separable supply operation, you would have a different cost model to look at.

Mr. PIKE. Let's get back to the Navy.

Mr. MOOT. The Navy supply system we are talking about is comparable to the Pan American supply system that OSD has not said for military reasons needs to be discontinued from Pan American. I don't believe the Air Force has said that, sir.

Mr. PIKE. I didn't get you answer. Does the Navy have a supply system on the Western Missile Range which it contracts out?

Mr. MOOT. Comparable to that which is being performed by Pan American on the Eastern Range.

Mr. PIKE. And you do not find that this is part of the worldwide system of procurement and supply?

Mr. MOOT. We had not found that out about the Pan American operation, except for the elimination of the duplication between that and Patrick Air Force Base.

Mr. PIKE. Are you in a position to answer the question as to how many of the items involved in this combined supply-management system pertain to base supply, exclusively, and how many of them pertain to downrange support?

Mr. MOOT. No, sir; I am not.

Mr. PIKE. How do you make an analysis, considering costs, when you don't know how many of the costs are attributable to the function that you say must be retained by the Air Force?

Mr. MOOT. All right, sir. I think we made what I still believe is a valid assumption, that there were costs to be saved through consolidation. Then there wasn't any question that consolidation was right.

Mr. PIKE. There is no question.

Mr. MOOT. The answer then to the secondary question is if we were going to achieve what we are looking for in terms of total supply improvement, plus standardization, inventory range, and levels, we could not separate the supply operation from Patrick Air Force Base. So we did not think it was necessary to make cost comparisons of what it would save us at Cape Kennedy if we separated it and contracted this, versus the savings if we put it at Patrick Air Force Base. The total potential savings were much greater in terms of inventory reduction by putting it in as a part of the total system.

Mr. PIKE. The only real cost figure you cranked in then was the cost figure handed to you by GAO?

Mr. MOOT. That is right, sir. We made the assumption the consolidation would be cost favorable to the Department of Defense.

Mr. PIKE. It wasn't too difficult to arrive at the conclusion that consolidation would be cheaper, but you decided, then, without any additional cost figures, that the way to consolidate, the route to go in your consolidation, was Air Force?

Mr. MOOT. Yes, sir; and I think, properly based on what has been 10 years of solid experience of consolidating supply management within the Department of Defense. It wasn't just a casual determination. The Department of Defense has taken logical steps, one of them mentioned by the chairman this morning, but these are all a part of the total system.

Mr. PIKE. Mr. Moot, you keep going back to the question of consolidation as opposed to not consolidating, and that isn't at issue here.

Mr. MOOT. No. I am talking about which way to consolidate, sir.

Mr. PIKE. That is, who consolidates?

Mr. MOOT. Yes, sir. The choice to us was relatively simple. We either consolidated on a local operation and left it as a local operation, or we consolidated it as the main frame of the military supply system. All of our experience had led us, and all of our programs had led us to the conclusion that the main frame consolidation was the right way to go.

Mr. PIKE. And that the Air Force, accordingly, could do this job at a lower cost and more efficiently than Pan American could?

Mr. MOOR. In the ultimate it would result in better inventory—total inventory control, and contraction and standardization; yes. And this is no criticism of the Pan American local supply operation, because it is not to say they couldn't do just as well or a better job than the local Air Force, but they didn't have the advantage of the total system up above them.

Mr. PIKE. One further question: How do you say, then, that Pan American can do the job which is remaining to it, or the Navy can contract out its job to a contractor which does not have the benefit of this overall system? Why shouldn't the military do it all?

Mr. MOOR. I think that is a logical question, and I think the answer is fairly logical, too, sir. The job that will remain with Pan American is a down-range distribution job. The primary job that—when I say "distribution," I mean moving out of items and the bench stock, which is the launch pad type of stock supplies—is being consolidated is what we would call the wholesale management, the total procurement job. If we are buying 5 of these peculiar items with one man and 5 common items on the other side and if one man can buy the 10 items, then there is consolidation benefit.

So what is being consolidated is the procurement function, the inventory management function, the total recordkeeping, and the total requirement determination function. What is even more important is that at that stage, then, the inventory leveling practices of the Department of Defense, the standardization practices, the new catalog determinations, the determinations that these two items, despite the fact they have different catalog numbers, are truly the same number, immediately pass down to the fully cataloged computer at Patrick or any other place, which results in a contraction of two stocks and a reduction of inventory.

The entire Department of Defense supply effort, over the past number of years, has been to optimize the amount of inventory necessary to support the force-level structure. It is an integrated total system. It isn't capable of being carved off in little pieces and asking the question whether one man can do a better job.

Mr. HARDY. Of course, it has been carved off in little pieces. Until now I had been willing to accept as being a point not at issue this question of consolidation. I confess, in view of this discussion between you and Mr. Pike, Mr. Secretary, I am losing a little of that conviction. I am about to arrive at the conclusion it may be possible to consolidate in such a fashion that it wouldn't save any money, at all. I am not at all sure the process that you are going through might not leave something to be desired in definitive terms of cost. You might have been better off if you left it alone judging from this discussion we have had here.

I had accepted as fundamental the findings of the GAO that consolidation would save money, but, based on what I understand you have done, I am not at all sure that you are getting that net result. I am quite disturbed about that.

Now, on this, you outlined what you did. You said you accepted this as basic, and went ahead and made your decision to consolidate. The only way you could consolidate was going the Air Force route,

and yet the statement which Mr. Morris furnished to the Comptroller General, outlining the DOD's position, had this to say: "Actions designed to implement the GAO recommendations have been underway for many months." This is in May of 1964.

"However, previous experience by the DOD in establishing single managers for various types of commodity management has indicated such assignments must be based on accurate, detailed information covering many aspects of the proposed management action, and that such information can be obtained only by extensive, thorough review."

But you all made the decision to go ahead before you did this.

Mr. MOOT. The actions that Mr. Morris referred to, Mr. Chairman, at that stage, were the early classes of administrative supplies, tires and tubes, which the Air Force moved.

Mr. HARDY. That is all he was talking about?

Mr. MOOT. The early actions that the Air Force had moved on. What he is saying, as you now move into the other supply classes down there, you are moving into much more technical types of material, much more difficult types of material to manage, so it should be looked at very closely.

Mr. HARDY. What his remarks said to me was, you ought to get all your cost figures together before you decide what you are going to do. Obviously, that wasn't done.

Let me ask you one other thing: You are DOD, not Air Force, so you have a responsibility with respect to the Navy, as well. This question is in connection with the Navy's contract.

Do I understand from you there is no other installation now being supplied by contract of sufficient military significance to make it just as essential that it be covered in your military system as Patrick?

Mr. MOOT. To the best of my knowledge, Mr. Chairman, there is no base, post, or station supply, with the exception of the test base I mentioned, now under contract. This is not to say the missile range—that the Pacific Missile Range supply job is not being contracted. It is not a part of the Navy's, and therefore the Department of Defense total base supply, or military supply system, as we are mentioning it now.

Mr. HARDY. Well, included in the area served under that contract, are such locations as Midway and Wake, and Johnston Islands. I take it, then, that the supply at these particular installations is not necessary to be kept under the military control you are providing for Patrick?

Mr. MOOT. I think the condition, or the situation, rather, in the Pacific, is much the same as in the Atlantic. The down-range tracking station islands—

Mr. HARDY. Is that all Johnston Island is, a down-range tracking station?

Mr. MOOT. No, sir; there are other operations there, but there are also military operations there. There are military operations completely down the Pacific which are being supported by the military supply system. We are talking I believe from your point of view about the Pacific Missile Range.

Mr. HARDY. That is exactly what we are talking about, and we are talking about the Atlantic Missile Range insofar as it was related to Patrick.

Mr. MOOT. Yes, sir; I tried to make the point that neither now nor in the future in any planning that I have seen, will the down-range Atlantic Missile Range stations be eliminated from contract supply support as they are in the Pacific.

Mr. HARDY. So you are still going to continue this retail contract operation?

Mr. MOOT. Yes, sir; but remember, the material that is being supplied down range has to be supplied by someone and the source of the material will be Patrick Air Force Base.

Mr. HARDY. Then your conviction is General Huston didn't know what he was talking about when he made the statement I read this morning?

Mr. MOOT. No, sir; I am not capable of commenting on that. I would rather he commented on his own.

Mr. HARDY. Well, we will give him an opportunity after while, if we get a chance.

Let me explore just this one other little matter here.

Do you know what the mission at Vance Air Force Base is, in Oklahoma—I believe it is in Oklahoma.

Mr. MOOT. Yes, sir; it is an undergraduate pilot base.

Mr. HARDY. It is not concerned with supply management?

Mr. MOOT. Before you nail me, it is the exception that I mentioned to Mr. Pike.

Mr. HARDY. That is the exception?

Mr. MOOT. Yes, sir.

Mr. HARDY. How did you manage to let that one hang out there like that?

Mr. MOOT. Well, it is a test—and I would rather the Air Force answered this, although we have looked at it, and as a part of our program we are going to look at it again. It is a total service contract test, whereby a contractor was asked to come aboard, and take a range of functions including supply and base maintenance, and at the same time the Air Force picked another base and went completely in-house with no contract functions. The Air Force has been testing the results of this.

Mr. HARDY. How long has this test been going on?

Mr. MOOT. I think I need to refer to the Air Force for that, sir.

Colonel BOYD. 1960, I think.

Mr. HARDY. How long?

Colonel BOYD. 1960.

Mr. HARDY. You have 5 years' experience there? How long is it going to take you to find out what to do with the supply operation?

Mr. Secretary, this is right in your bailiwick. You have had a 5-year experimentation going on, and yet you come into Patrick, and decide this is a solid military requirement, that the Air Force has to manage it.

The inconsistency of it, Mr. Secretary, is what makes it so important.

Well, I have just one other question. In connection with the military significance, the military requirement of this, does the subject issue paper deal with the question of military implications?

Mr. MOOT. Yes, sir; if military implications are a part of the issue, they certainly deal with it.

Mr. HARDY. Well, military implications are a part of this one. A classified subject issue deals with this subject. I have glanced through it. I have not been through it carefully for this purpose, and I won't ask you to undertake to do it right now, but is this one that sets out the alternatives?

Mr. MOOT. I know the one, sir.

Mr. HARDY. Can you tell me if there is any single reference in that document to military essentiality of this action?

Mr. MOOT. No, sir; I think I can answer this properly without any—

Mr. HARDY. I don't want you to get into any classified material.

Mr. MOOT. No. I believe the question raised here is whether we should consolidate and not how we should consolidate in the terms of the subject issue on which the decision was made.

Mr. HARDY. This has to do with personnel.

Mr. MOOT. Yes, sir. Well, you see, that raises the question, because there is a requirement for additional service personnel, versus a Government offsetting cost. The question was not addressed there concerning how we should consolidate.

Mr. HARDY. I didn't recall seeing any suggestion whatever that there were any military implications involved in this, at all. That is the place where I would have expected to find it. Just one other observation, and then I am through.

You made a considerable point of attempting to show that no conflict exists between this consolidation and Bureau of the Budget Bulletin No. 60-2. I notice General Davis had some concern about this in 1963. I trust you got him straightened out?

Mr. MOOT. I didn't personally, sir. I hope he is straightened out.

Mr. HARDY. In a memorandum which he wrote on December 10, 1963, he had this to say:

Specifically, I am concerned with the possibility of a breach of labor relations brought about by the substitution of military and civil service people for existing range contract labor which may be at variance with Bureau of the Budget Circular 60-2.

Mr. MOOT. Without attempting to pass any responsibility I would like to say we have stayed close with the Bureau of the Budget concerning this, and we have been visiting Patrick with the Bureau of the Budget.

Mr. HARDY. Mr. McNamara said he never got any instructions from the Bureau of the Budget; he made the final instructions. If this is the way he wanted the Bureau of the Budget to interpret it, I think by his own admission they would have to do it.

Mr. MOOT. I think Mr. McNamara was actually talking about military planning.

Mr. HARDY. He wasn't talking about this specific case, that is for sure.

Thank you.

Mr. Lennon?

Mr. LENNON. I guess the human factor of this problem has perhaps generated the most interest among the civilian employment at Pan American.

You state here in the concluding paragraph of the next to the concluding sentence of your statement—and I quote from it—and we are delighted to have this assurance, as I am sure is the gentleman from Florida who represents this district:

The additional supply of personnel at Patrick is limited, which means at most the Pan Am employees may, if they wish, transfer to civil service positions at Patrick.

Mr. Secretary, what do you mean by "most"?

Mr. MOOT. I am going to quote from Mr. Witt's statement from memory, Mr. Lennon. Mr. Witt's statement indicated on a nationwide basis, under the directive of Mr. McNamara for referral of displaced employees, there were some 93 employees at displaced places throughout the country who had indicated a desire to transfer to the Patrick operation when jobs opened up there.

Of the 93 employees that I am quoting from memory, 15 of them were supply qualified employees, which means that of the increased supply employment at Patrick, in the central referral system of the Department of Defense, there are 15 claimants against 15 of the jobs as they open up.

For this reason, therefore, the balance of the jobs are available, and the Air Force has not only expressed an intent to give priority to Pan Am, the Air Force has gone to the Civil Service Commission to assure that they could transfer qualified Pan Am employees into these positions.

Mr. LENNON. Well, for the record, since you have given us this assurance, that most of these Pan Am employees could, if they so desired, transfer to civil service, there were 426 slots that would be lost by Pan American employees who engaged in supply activities. What percentage, or what number of that 426 do you mean when you say "most of them" will be given an opportunity to transfer to civil service? There are 426, if the figures are correct, that were given to us by the Assistant Secretary of the Air Force.

Mr. MOOT. If I could be specific first, and then—

Mr. LENNON. That is a good strong statement, where you have given the committee the assurance most of these people will be taken care of by civil service. I want the record to show how many of the 426 slots, assuming that his figures are correct, will be allocated to these Pan American employees for civil service in the supply function at Patrick.

Mr. MOOT. My understanding on the basis of the conditions as they now exist is that 310 of the 325 new positions will become available for Pan American transfer of employees. This is subject to two things. It is subject to Pan American's expressed intent to reassign as many of their employees as they can to other growing Pan American jobs. Pan American's employment itself is growing 10 percent during this period of time.

The second point—

Mr. LENNON. I hate to interrupt you. I apologize.

The Assistant Secretary for the Air Force said that 426 slots or spaces, or jobs, would be affected by this consolidation.

Now, when you say that most of these 426 employees will be given an opportunity, if they so desire, to transfer to civil service positions,

then I think the record ought to reflect exactly how many you are going to be in a position to accord that desire.

Mr. MOOT. My answer was 310. I want to improve that answer. That is a statistical answer. It has two improvements. One is that the job at Patrick, including supply, is increasing, because of other new missions, so there are going to be added supply opportunities at Patrick to this 310. I can't—the Air Force probably can—give you a good estimate of what that additional requirement would be.

The second point I made, and it wasn't an attempt to evade the issue, was the use of the word "affected" Pan American employees, because Pan American's intent is to affect not all of the 426 but to reassign within its growing structure as many of the 426 as it can.

So, therefore, we believe that we are making a true and sincere and valid statement when we say that most of the affected Pan American employees, who will be affected by this consolidation, may, if they desire, transfer to Patrick Air Force Base.

Mr. LENNON. I am delighted to have that assurance. I am sure the gentleman from Florida is delighted.

That is all I have.

Mr. PIKE. Do you have any questions?

Mr. REDDAN. No questions.

Mr. PIKE. Before you leave, Mr. Moot, Mr. Witt told us this morning as a result of the consolidation which has already gone on at Patrick, they have been able to reduce an inventory of 18,800 line items to an inventory of 4,500 line items. Don't you find it something to concern yourself about that they were apparently, in both the Pan American and the Patrick operation, carrying some 13,300 items which they didn't really need?

Mr. MOOT. Oh, I don't reach that conclusion, sir, that they were necessarily carrying items that they didn't need. I think two things happen in a consolidation that give supply benefits. You and I can each need exactly the same pencil that we are holding in our hands, and we can be getting it from different supply sources, and therefore there are two sets of inventories and two line items. If we put those supply sources together, they become one line item and not two catalog items, not two inventory control situations.

Second, if by putting them together, and if you are managing these pencils, you may find they are two different pencils, and we can both get along with one kind of pencil, and that eliminates the second. There are two levels of elimination.

Mr. PIKE. You were here this morning, weren't you?

Mr. MOOT. Yes, sir.

Mr. PIKE. You heard Mr. Witt's testimony. He said:

Pan American was stocking approximately 12,000 line items with a dollar value of \$913,000; Patrick was stocking approximately 6,800 line items with a dollar value of \$518,000; for a total of 18,800 line items valued at \$1.4 million.

Are you telling me now there weren't 18,800 separate line items, but there were duplications in these?

Mr. MOOT. Oh, there is significant duplication, some of it occasioned by being the same Federal number, but different uses, and others being due to improper classification for one reason or another.

Mr. PIKE. Then he went on and said:

Under single management, we needed only 6,700 line items valued at \$672,000 which resulted in a reduction of 12,100 line items and a total savings of \$758,000.

Now, you get this total savings by taking the number of items you had before and their inventory cost, and subtracting the number of items that you have left, and their inventory cost, and you come up with the difference. Is that a real savings? What has happened to the items?

Mr. MOOT. Well——

Mr. PIKE. Where are the items—where have they gone?

Mr. MOOT. Perhaps I can explain it this way: If you have separate stocks of inventory, the supply levels of inventory are constituted by what you use and safety levels. When you consolidate demand on a single inventory level versus multiple inventory levels, the resulting inventory requirement decreases sharply in relationship to the demands, so therefore the total inventory investment on a consolidated basis to support multiple users is less. That is where the dollar savings occur.

Mr. PIKE. Where is the savings? What has happened to the items?

Mr. MOOT. The saving results from taking the total inventory that was in the aggregate, and issuing it for use without procurement till you get down to a lower level.

Mr. PIKE. All right. So these savings that are claimed have come simply out of using your inventory; isn't that correct?

Mr. MOOT. Inventory savings, but there is another savings, and that is the manpower savings.

Mr. PIKE. The savings he is talking about right here of \$758,000 are savings which have come about simply because you have used up the inventory.

Mr. MOOT. Those are the savings you are looking at. Right.

Mr. PIKE. Thank you very much.

Mr. REDDAN. Excuse me, Mr. Secretary. I have just one or two questions here.

Under the replacement program, as I understand it—and correct me if I am wrong—a person can move from one zone to another if there is no job in his particular zone for him to occupy. A welder, say, in Brooklyn, could qualify as a stock clerk in the Patrick Air Force Base supply system if he applied for the job. He would be given retraining and he doesn't have to be a stockman in order to apply for that job; is that correct, sir?

Mr. MOOT. There is a retraining program. A man can qualify for the maximum, I believe, of five different skills, and if he is a welder, he could be retrained for another job; yes, sir.

Mr. REDDAN. So that your statement, "Further, the indicated availability of qualified civil service personnel to meet the requirements for additional personnel at Patrick is limited," may be true, but isn't it equally true that any of those displaced persons could ask for job training for the type of job that was opened there?

Mr. MOOT. Yes, sir; you are absolutely right, Mr. Reddan. My statement was intending to set, on a realistic basis, the scope of the potential problem. So instead of saying how many people were in the total referral system that could be requalified and trained, we attempted to move from the other end and say how many people in this

referral system have indicated they would accept employment at Cape Kennedy, regardless of their skills.

This was the figure that I mentioned, that the maximum number of people, countrywide in the referral system that would accept employment at Cape Kennedy was 93. Within that total was the 15 supply personnel.

Now, you appreciate there are a lot of other job opportunities at Patrick, other than the supply depot. The 93 doesn't necessarily concentrate on a supply group.

Mr. REDDAN. Have any of the Pan American people been absorbed into the Patrick supply operation to date?

Mr. MOOT. I think the Air Force should answer that, Mr. Reddan. I don't know.

Mr. REDDAN. Do you know whether any displaced persons have been brought into the Patrick supply system from outside of the southeastern zone?

Mr. MOOT. I think the Air Force in turn should answer this. I did attempt finding this out during my own look at this situation, and I think the answer was a handful, two or three or four, something along that line, had.

Mr. PIKE. Thank you very much, Mr. Moot.

The next witness we would call would be Mr. Lingelbach.

Mr. Lingelbach, would you give your name and title for the record, please?

STATEMENT OF LEE C. LINGELBACH, DIRECTOR OF CIVILIAN PERSONNEL, HEADQUARTERS, CONTINENTAL AIR COMMAND, ROBINS AIR FORCE BASE, GA., AND DEPARTMENT OF DEFENSE ZONE COORDINATOR, ZONE II; ACCOMPANIED BY CARL T. SIEG, CHIEF OF PLACEMENT, HEADQUARTERS, U.S. AIR FORCE

Mr. LINGELBACH. Yes, sir.

Lee C. Lingelbach, DOD Zone Coordinator, Zone II.

This is Mr. Sieg, Chief of Placement, Headquarters, Air Force.

Mr. REDDAN. Mr. Lingelbach, what job do you hold, and what are your duties in connection with that job?

Mr. LINGELBACH. The job I am here representing today is as Coordinator of the Defense placement program for zone II, which encompasses the Atlanta and Dallas civil service regions. In that connection I supervise and insure that the Defense policies and procedures with respect to application of this program are carried out in that zone for all defense activities.

Mr. REDDAN. Patrick is in that zone?

Mr. LINGELBACH. Yes.

Mr. REDDAN. Could you explain to the committee how this replacement program would be carried out in connection with supply of persons to fill the vacancies created by the displacement of Pan American?

Mr. LINGELBACH. As Mr. Moot just mentioned, the Pan American employees who would be involved in this action would have first priority to those new jobs established on the Air Force side in the base supply activities, after any Defense employee who had indicated

availability and was qualified for one of the positions had been considered.

Mr. REDDAN. He would have second priority, then?

Mr. LINGELBACH. He would have second priority in that connection.

Mr. REDDAN. The displaced base employee would have the first, and Pan American would be second?

Mr. LINGELBACH. Yes.

Mr. REDDAN. Do you know how many base personnel are available for jobs at the present time—base-closed personnel?

Mr. LINGELBACH. Jobs at Patrick?

Mr. REDDAN. No, anywhere.

Mr. LINGELBACH. There are a total, as of the 31st of August, of 9,722 people registered in the entire Defense placement program.

Mr. REDDAN. These are looking for jobs?

Mr. LINGELBACH. Yes, these are people eligible for consideration and have applied for jobs at given locations.

Mr. REDDAN. How many of those 9,000 jobseekers could properly seek employment at Patrick?

Mr. LINGELBACH. Of that group, the initial group that are entitled to consideration in zone II total, as of the 31st of August, 1,040. So there are 1,040 people in zone II, or in the Dallas and Atlanta civil service regions who are entitled to consideration at locations in the zone, itself.

Now, of that group, and as Mr. Moot also mentioned, in the total 9,000 that are available in the system, a total of 87 have indicated they wanted to go to Patrick. Of that 87, 44 are from within zone II, so there are 44 people in zone II who have indicated they would like to go to Patrick.

Carrying that one step further, of those 44 people in zone II, 3 of them that wanted to go to Patrick are qualified in the supply function.

Mr. REDDAN. Well, if they are not qualified, can't they ask for job training?

Mr. LINGELBACH. Only to the extent that they can't be placed in their skill someplace else in the Department.

Mr. REDDAN. Yes.

Mr. LINGELBACH. So at this point we have no indication there is requirement for retraining of employees for jobs in the South. We have at the present time vacancies in excess of the number of people available for them.

Mr. REDDAN. You keep referring to zone II. These base-closed personnel can cross zone lines, can they not?

Mr. LINGELBACH. To the extent there is reasonable assurance that they cannot be placed within the zone in which their closed activity is located.

Mr. HARDY. What does that mean, reasonable assurance?

Mr. LINGELBACH. Basically time, number of jobs, and so forth.

Mr. HARDY. Let's be a little more specific. If I am looking for a job, and I am looking for a reasonable assurance I am going to be able to find a job within my zone, what does that mean to me?

Mr. LINGELBACH. We assume the responsibility then on our side. As you recall, the Defense commitment is any man affected by these closures is guaranteed another job offer, so that that man will be re-

tained until such time as he can be offered a job, so we have the obligation——

Mr. HARDY. You mean you are going to keep him working where he is until you offer him a job?

Mr. LINGELBACH. Yes, sir. So for that reason at any point where we can't, from the data that we have, see that we can accomplish this within the time involved, then of course we would authorize his registration in another zone.

Mr. HARDY. Then can the committee understand there has been nobody released as a result of any of these base closings that were announced last November, that hasn't been offered a job somewhere else?

Mr. SIEG. In the Air Force, sir; we can't speak for the Army or Navy.

Mr. HARDY. You are speaking for the Air Force?

Mr. SIEG. Yes, sir.

Mr. HARDY. Nobody in the Air Force has lost his job because of a base closing, or these other factors that were elicited, who isn't either still employed, or hasn't been offered a job somewhere else?

Mr. SIEG. That is right. If there is—and of course you may have information we don't have—we have not heard of the individual.

Mr. LINGELBACH. Of course, the important part of this provision, as I am sure everybody knows, is the individual. To make this kind of commitment, the individual has to indicate that he is willing to move to a location where there is a job.

Mr. HARDY. Of course, that is the fine print.

I am interested in this total number that you gave. We heard everything, I think, from 85 through 93 who had indicated that they wanted to go to Patrick.

Mr. LINGELBACH. The actual number by count this morning, we have a roster from the machines, we ran through the entire roster this morning, and there is a total of 87 people.

Mr. HARDY. Eighty-seven who have asked to go?

Mr. LINGELBACH. Who have asked or applied for positions at Patrick Air Force Base. Of the 87, 44 were within zone II.

Mr. HARDY. I don't care about the zone, now. You have to skip the zone if you can't find anything within the zone.

Mr. LINGELBACH. That is true. There is a total of 87.

Mr. REDDAN. How many of those have come in within the last week?

Mr. SIEG. Sir, because our reports are drawn up on the end-of-the-month basis——

Mr. REDDAN. I see. How many for the last month?

Mr. HARDY. Is this the total as of now, or is this the total as of the end of the last month?

Mr. LINGELBACH. This is the total as of the 31st of August, out of the 9,000 people in the system as of August 31, 87 had applied for Patrick Air Force Base.

Mr. HARDY. I take it then all of those are either working, or you have offered them a job somewhere else?

Mr. LINGELBACH. Yes, sir.

Mr. HARDY. Of these 87, you are only going to take 3. You haven't got them yet. How many are there?

Mr. LINGELBACH. Of this group there are a total of seven who are qualified in the supply function, and, of course, will be offered positions in that function.

Mr. HARDY. They are going to work on their present jobs until you are ready for them to transfer?

Mr. LINGELBACH. Yes, sir.

Mr. HARDY. Will you make any work over there for them where they are?

Mr. LINGELBACH. Yes, sir.

Mr. HARDY. Are you sure?

Mr. LINGELBACH. Yes, sir.

Mr. HARDY. When they leave, when they leave their jobs, what are you going to do about it?

Mr. LINGELBACH. What typically happens is that the installations negotiate so that the man, to the extent possible, can wrap up what he is doing at the closing base and then move to the new job. There are cases where, because of the need at the new installation this can't be worked out. In that case, the man transfers at the time of the job offer, and a temporary employee is hired to finish up what he has to do.

Mr. SIEG. I think we should explain, Mr. Chairman, these people are not registered for employment consideration at the Patrick Air Force Base, only. They are registered for consideration or referral to any—generally speaking, anything in their own zone, plus others.

For example, this gentleman right here is registered, every one of those numbers means an activity to which his qualifications have been referred—I don't know how many hundred there are—but his chances, if he is registered for Patrick, of being employed at Patrick, are rather remote, unless Patrick is the only cotton-picking place he wants to work.

Mr. HARDY. When you get right down to the deadline, though, you will have a lot of people looking for jobs. Fortunately, you are not at that point right now, otherwise you would find yourself in the position of having to go ahead and retrain for all these extra jobs that you have.

Mr. SIEG. Mr. Chairman, may I tell you how well we have done in the Air Force in just one 8-month period? We have statistics which come into our office at the end of each month. Unfortunately, the statistics are not due in until around the 10th of the month, so I do not have the cumulative totals through the end of August, but I do have them through the end of this last July, beginning as of the first of December, last year, for the 8-month period.

At the Air Force activities or installations we are either closing or phasing down, we had a total of 36,049 employees. A large number of these people will be offered transfers with their positions to other Air Force activities. As you know, we have approximately 4 years to go yet before we finish closing out the installations which have already been announced. But in the 8-month period, of the 36,000 employees, we have already placed at their current grade or at a higher grade, 3,688 employees. We have placed at a lower grade 819 employees, for a total roughly of 4,500 employees who have been placed in 8 months. We have also helped 345 obtain employment in private industry.

Mr. HARDY. How much of that is due to attrition? Most of it is due to expansion. That is a pretty good record.

Mr. SIEG. Most of the placement which has taken place so far has been due to attrition at the installations which are staying in operation, or because the installation has received a workload from some outfit that is being closed, and the employees have not seen fit to transfer with it.

Mr. HARDY. Have you any data on the personnel affected by contract cancellations similar to this involving Pan American? I just wondered whether or not we shouldn't take into account these people who are laid off because you are creating jobs for others. Do you know if there are other contractors that are going to have to let people go, like Pan American is, because of in-house work?

Mr. SIEG. I believe you were out of the room when this question came up. We have made arrangements to bring on to Air Force rolls most of the Pan American employees.

Mr. HARDY. Let's go off the record just a minute.

(Discussion off the record.)

Mr. HARDY. Back on the record.

I didn't want to cover ground that was covered while I was gone, but you have been talking exclusively about Air Force personnel; isn't that right?

Mr. SIEG. These statistics I gave you are Air Force, sir. The Army and Navy are doing about the same.

Mr. HARDY. Is the Air Force expected to take care of any of the personnel of the Army and the Navy?

Mr. SIEG. We scratch each other's backs, sir.

Mr. HARDY. How good a job are you doing, of scratching the Navy's back?

Mr. SIEG. They haven't complained, sir.

Mr. HARDY. I was really thinking of personnel. I wasn't speaking of some of these other things.

Mr. SIEG. I am speaking of personnel, too.

Mr. HARDY. For instance, the Navy is going to have a right sizable situation in Brooklyn. Have you had any applications from Brooklyn?

Mr. SIEG. Yes, sir, and we have placed a number of people from Brooklyn in various Air Force bases throughout the United States.

As a matter of fact, when you run a computer system, with 500 stations feeding into it, some may make a mistake. We have one mistake now we are trying to solve with people at the Navy Yard in Brooklyn. They registered a man for an Air Force base in Florida—not Patrick—as being qualified as a refrigeration and air-conditioning mechanic. At one time he helped install something of that sort in a submarine, but it isn't the kind of work we do on our base.

Mr. HARDY. You don't mean the Navy would mislead you?

Mr. SIEG. Not intentionally, sir. But we have that gentleman working for us right now, and our instructions to the base are, "Train him to do the job." The Navy, meantime, is seeing if they can find a vacancy for which he is qualified in Florida, to which we can reassign him. So I say we scratch each other's backs.

Mr. HARDY. The Navy has a lot of aircraft. Do you have a lot of submarines?

Mr. SIEG. No, but we do have a few boats here and there.

Mr. HARDY. I was thinking actually that as winter comes along, the inclination of the people at the Brooklyn Navy Yard to move down to Florida might increase.

Mr. SIEG. As a matter of fact, of the total 87 who are registered for Patrick, 43, all of those outside of zone II, are from the Navy installation.

Mr. HARDY. That is interesting.

Go ahead, Mr. Reddan.

Mr. REDDAN. Mr. Lingelbach, the latest figures I have here indicate that of the first 23 placements at Patrick of these base-closure employees, 20 of them came from outside of zone II; is that correct, sir?

Mr. LINGELBACH. That is right. Twenty from outside of zone II. And, by the way, eight of those outside of zone II were from the Brooklyn Navy Yard.

Mr. REDDAN. Well, now, this would indicate, then, if this ratio continues, most of your placements at Patrick would come from outside of zone II; is that right?

Mr. LINGELBACH. Not necessarily. When you look at the people that these 23 include—now, of course, there has been exception made for the Brooklyn Shipyard because of the magnitude of that problem and the timing of it. Beyond that, when you look at the other kinds of people, basically we find that these are skills which to date haven't been available in zone II.

As an example, there are a couple here from Warren Air Force Base, missile quality control inspector types. So that the skills from the other regions that have been registered pretty generally have been scarce skills not available in the area at the particular time people have been brought in.

The minute, of course, zone II activity increases, then of course this could reverse and come the other way.

Mr. REDDAN. Do you know whether there is any present requirement at Patrick for supply personnel?

Mr. LINGELBACH. Yes, this is one of the other important points, and one of the reasons why both Mr. Witt and Mr. Moot in their statements indicated, as we see it that the DOD outplacement system will have little or no effect on Pan American people getting all or a majority of the jobs established as a result of this transaction. At the present time, as an example, in the supply activity at Patrick Air Force Base, there are some 54 vacancies and/or jobs filled with temporary employees. So the system, even right now, isn't providing them sufficient numbers of supply people in their own base supply function, let alone being concerned with the 325.

Mr. REDDAN. You say they are filled with temporary employees at the present time?

Mr. LINGELBACH. That is right. There are currently 54 jobs either vacant or filled with temporary employees.

Mr. REDDAN. Have there been any transfers of Pan American employees into the Patrick Air Force operation?

Mr. LINGELBACH. I do not have an answer to that. One of the things we talked to the Patrick people about, if there are openings, is to be sure there are open examinations, so the Pan American people can apply for jobs in advance of the other transfer action.

Mr. REDDAN. Other jobs where, sir?

Mr. LINGELBACH. As I mentioned, 54 jobs in Patrick Base Supply that are currently either vacant or filled by temporary employees.

Of course, Pan American employees, as a part of the normal competitive system, could apply for those positions and be considered.

Mr. HARDY. As anybody else could?

Mr. LINGELBACH. Yes, sir.

Mr. HARDY. They can't qualify except by getting on the register, can they?

Mr. LINGELBACH. That would be the way.

Mr. HARDY. They have to take the examination and get on the register?

Mr. LINGELBACH. For the regular jobs; yes, sir. For the 325 jobs there are special provisions. There is special authority obtained from the Civil Service Commission which applies in this case, and they do not have to qualify competitively.

Mr. HARDY. They are temporary, aren't they?

Mr. LINGELBACH. No, sir; they were brought over—what is that terminology, Mr. Sieg?

Mr. SIEG. This is under the Ramspeck Act. When they are brought on to Air Force rolls, they are given a special type of appointment. During their first 6 months of employment as an Air Force employee, we may recommend them for noncompetitive conversion to regular career or career-conditional status as a civil service employee. They do have to qualify in any examination or meet experience on qualification requirements and so forth which the Civil Service Commission has prescribed for the position in question.

Mr. HARDY. As noncompetitive?

Mr. SIEG. That is right, sir; they are competing only against the examination; not against any other individual.

Mr. LINGELBACH. All that they have to meet is the minimum standard.

Mr. HARDY. All they have to meet is the approval of their supervisor?

Mr. LINGELBACH. Basically, yes.

Mr. REDDAN. Having thus qualified, they would be entitled to a job, providing no base-closed employee came in ahead of them?

Mr. LINGELBACH. Right. As I have indicated in the time period we are talking about, there is every indication there would be few, if any, base-closure employees involved, because we do have this large number of jobs in other Patrick supply activities, as well.

Mr. REDDAN. Do you know whether or not Pan American has lost any employees by reason of the pendency of this action? Has their supply function been affected in any way?

Mr. LINGELBACH. No, sir; I don't know.

Mr. HARDY. Any questions, Mr. Gubser?

Mr. GUBSER. Isn't it likely these 87 who signified their desire to go to Patrick, could be considerably increased as the consolidation becomes more imminent?

Mr. SIEG. Mr. Congressman, you are talking of the consolidation of the base supply?

Mr. GUBSER. Yes.

Mr. SIEG. This will have no effect as far as I can see on how many employees will register for referral to Patrick Air Force Base, because of the employees around and about the Air Force, a lot of them don't know about it, and secondly, if they don't want to go to Patrick Air Force Base, they aren't going to go to Patrick Air Force Base.

Mr. GUBSER. Maybe you misunderstood me. You tell me they don't know about it yet. Isn't it likely that when they know there will be employment opportunities at Patrick, that the number desiring to go there will increase?

Mr. LINGELBACH. Not really, because there are already many times the number of vacancies there compared to the number of people that have applied for them.

Mr. SIEG. They look for the best grade they can get, and in the one particular location to which they would like to move.

Mr. LINGELBACH. I think there is one additional item that I would like to volunteer at this point, to be sure in the personnel area we are talking about the whole group. For the moment, of course, we are talking about 429 positions, and people on the Pan American side. When you consider alternatives, of course, you must consider people on the other side, and so on the Air Force side, in the base supply activity at Patrick Air Force Base, there are some 400 civil service employees, that in the alternative, of course, would have been out of jobs just the same as the Pan American group and, of course, without, I am sure, the same assurances with regard to transfer offers, entitlements, and so on.

Mr. HARDY. I think I understand that. You have 400 civil service employees who would have been adversely affected if the consolidation had taken place under Pan American?

Mr. LINGELBACH. In other words, there are approximately 400 civilian employees in supply at Patrick Air Force Base today.

Mr. HARDY. The impact would have been comparable, either way.

Mr. LINGELBACH. Either way.

Mr. HARDY. This leads me to raise this point: 400 involved in the Air Force, and 420—is that what it is—on the Pan American side?

Mr. LINGELBACH. Yes.

Mr. HARDY. Now the testimony we had earlier was that 65 percent of the volume has been handled by Pan Am, and 25 percent by Air Force. How in the world do you account for that?

Mr. LINGELBACH. I don't have that information.

Mr. HARDY. If the Air Force only handles 25 percent of the total, and Pan American handled 65, how in the world does the Air Force justify 400 employees and Pan Am 429? I don't know. I want somebody to answer that question before we leave here. I don't expect you folks can do it.

Colonel BOYD. Sir, I don't think Mr. Lingelbach, really, we ever conducted any study in this area.

Mr. HARDY. You are saying he is wrong in his figures?

Colonel BOYD. That is right.

Mr. HARDY. OK. We will give you a chance in a minute, Colonel Boyd.

Are there any further questions?

Mr. Pike.

Mr. PIKE. I don't have any questions, Mr. Chairman. I just would like to say, I don't take any offense at the fact they are managing to find some jobs for these people.

Mr. HARDY. I think we all congratulate them.

Mr. PIKE. First of all, you didn't want us to build any ships up there, and now you are concerned that the people who don't build the ships can get a job somewhere.

Mr. HARDY. You can lay that to Mr. McNamara's door; not mine.

I do think they are to be congratulated for relocating as many of these people as they have. As I indicated earlier, I think that is a proper function. I think very properly the Department of Defense has undertaken to prevent hardships and to provide positions insofar as it is possible to do so for these people who are being displaced. I think it would have been a very serious thing if they had done otherwise. I think that has been very good.

Thank you very much, gentlemen.

When we set this session up, I invited Pan American to send a representative, not particularly with a view toward any extensive questioning, but to give them an opportunity to be present and to make any comment they might want to make. I believe we have Mr. Gilbert with us. Is Mr. Gilbert here?

Mr. SCHNEIDER. Mr. Chairman, I'm Hubert Schneider, general counsel for Pan American. Pursuant to your request in a letter to me to produce a witness, Mr. Gilbert is here.

Mr. HARDY. We appreciate your being present.

Mr. SCHNEIDER. I don't know anything about "mops and brooms" either, so Mr. Gilbert will have to take care of himself.

Mr. HARDY. That is fine. Thank you very much. I appreciate your presence, Mr. Gilbert.

If you have any comments you would like to make, or any advice you want to give the committee, or any thought you might have to help us find a better answer to some of the questions we raised, the committee will be very grateful to you.

Mr. GILBERT. Thank you, Mr. Chairman, and members of the subcommittee. With your permission I have a short statement which I would like to read.

STATEMENT OF C. C. GILBERT, MANAGER, ADMINISTRATION, GUIDED MISSILE RANGE DIVISION, PAN AMERICAN WORLD AIRWAYS, INC.

Mr. GILBERT. My name is C. C. Gilbert, I am manager, administration, of the Guided Missile Range Division of Pan American World Airways. I am generally familiar with the subject matter of this hearing and I am appearing pursuant to the chairman's request of Pan American to have a representative present at the hearing. Pan American takes no position with respect to the matter under inquiry. It believes that it is a subject which should be resolved by the appropriate agencies of the Government. We are prepared to abide by and to cooperate fully with any decision reached. We have taken this position with our own employees, as evidenced by the memorandum sent to all of our employees by our general manager on August 5, 1965.

I have attached a copy of this memorandum to my statement and would like to submit it for the record.

I have nothing further to offer, but I stand ready to try to answer any questions which the committee may desire to ask of me.

Mr. HARDY. Mr. Gilbert, we appreciate your being here and your memorandum to all affected Pan American employees will be made a part of the record.

(The memorandum referred to above is as follows:)

AUGUST 5, 1965.

Note to all Pan American Eastern Test Range employees:

I am concerned over the increasing number and variety of rumors about the planned phaseover of certain Pan American supply functions at the Eastern Test Range. These rumors have resulted in confusion and lowered morale, especially among those of our employees who believe themselves to be personally involved. Good men have already resigned to search for what they hope to be more "secure" positions. Others, I am sure, are unintentionally degrading their performance by unproductive speculation and worry. If the current trend continues, our essential mission here could be seriously affected.

Of course, the most effective way to stop rumors is to state facts. Unfortunately, I am unable at this time to predict the ultimate extent and impact of the changes to our supply system. These changes are still in the planning phase with many important considerations yet to be resolved. I pledge to you, however, that as soon as a final, official, approved plan is known to me you will be notified. In the meantime, it is important that each of you know and understand the Pan American position on this matter.

Pan American recognizes the right of the customer "to buy or not to buy." If our customer, in this case our Government, decides that he can better serve himself directly than through the use of our services, then it is incumbent on our company to assist the customer in all possible ways in making the changeover without detriment to the mission.

Pan American also has sincere interest in the welfare of its employees and in continuing their employment and development. If fewer jobs are to be available for certain elements of Pan Am people, then the company hopes to avoid layoffs by allowing attrition to take care of the excess; by fitting people into jobs appropriate for secondary skills; and by arranging direct transfer within or without the company—these transfers hopefully without loss of employment time.

Pan American and its people have an excellent record of harmony and performance without work stoppages. This record has been achieved by direct, fair, and honest dealings by all parties—the company, the employees, and the unions representing the employees. Such dealings will continue, the record must be maintained.

Upon request of the Air Force, Pan Am will provide, to the best of our ability, objective advice and recommendations on any proposed supply plan. Regardless of whether or not our recommendations are accepted, we will support and carry out the approved plan.

The company well understands that these ideas are not in every respect compatible—at least to the satisfaction of all—but we will continue to—

1. respond promptly and fully to direction from the Air Force;
2. meet mission requirements to the best of our ability;
3. work for economy in all phases of this operation;
4. seek to assure the continued employment of Pan Am people; and
5. maintain excellent working relations with the unions representing our people.

I know that I can count on the understanding and support of all Pan American people during this difficult period.

C. R. BORDERS, *General Manager.*

Mr. HARDY. This is a real wise approach that you have, as a contractor. I congratulate you. You ought to get a promotion. This is really very fine. I share your view that this is a subject which should be resolved by the appropriate agencies of the Government.

Mr. GILBERT. Yes, sir.

Mr. HARDY. That is well expressed.

Are there any questions, Mr. Pike?

Mr. PIKE. No; I don't think there is any way you can really attack that gutsy statement.

Mr. HARDY. Anything, Mr. Gubser?

Mr. GUBSER. Mr. Gilbert, would you tell me when your last contact was, verbal or otherwise, with any official of the Department of Defense?

Mr. GILBERT. Are you—

Mr. GUBSER. With respect to this matter?

Mr. GILBERT. Well, sir, we have not dealt with the Department of Defense on this matter at all. We work directly for the Air Force at Patrick, and our point of contact is the administrative contracting officer from whom we receive information, and that is the limit of our contacts.

Mr. GUBSER. Did you have any contacts, verbal or otherwise, with any official of the Air Force, of a higher rank, or higher position, than the contracting officer that you deal with normally?

Mr. GILBERT. I have not, sir. I deal directly with him. I am sure Mr. Mitchell, our vice president, deals on an everyday basis with General Huston and other officials, but if you are asking me, sir, my contact is with our administrative contracting officer.

Mr. GUBSER. Have you or any other representative of Pan American been contacted with respect to your testimony at this hearing?

Mr. GILBERT. No, sir.

Mr. HARDY. Again as an expert in "mops and brooms," you made a really high policy statement. We thank you very much. Thank you, Mr. Gilbert.

Mr. GUBSER. I have one more question. Your operation at present is all computerized, is it not?

Mr. GILBERT. Yes, sir.

Mr. GUBSER. In the contemplated reorganization, or consolidation, where you will still have the responsibility for the downrange supply activity—will you be able to fully utilize your present computer facilities, or will it not be fully utilized?

Mr. GILBERT. Well, sir, in my judgment, our computer capabilities will be fully utilized, in that our requirements must still flow through our computer, and the output must be in such a format that is consistent with the input for the Air Force system. So I see no redundancy in our computer system.

Mr. GUBSER. Would your present facilities be sufficient to handle the situation if you were called upon to be the single supply manager for the entire operation?

Mr. GILBERT. I think not, sir. I think our present capability, our memory storage, would have to be increased. The basic frame would be the same, the 1410-1460 would remain essentially the same, but I'm sure because of the computer time we might have to add equipment.

Mr. GUBSER. Do you happen to know, maybe I should ask this of the Air Force, do you happen to know whether they have the equipment which will be necessary to do the job at Patrick at the present time?

Mr. GILBERT. Well, sir, I have no personal knowledge of this. I have a general knowledge of what they anticipate installing, but I'm not qualified to speak about it.

Mr. GUBSER. They are going to have to make some installations?

Mr. GILBERT. Yes, sir, but I'm not qualified to speak on this, of course.

Mr. GUBSER. Thank you.

Mr. PIKE. Mr. Chairman, I would like to ask a question, if I may.

In your job, Mr. Gilbert, have you been familiar with Pan Am's conduct of its supply system at the Eastern Test Range?

Mr. GILBERT. Yes, sir, I have.

Mr. PIKE. Did you hear the testimony of Mr. Witt this morning to the effect that in the categories of administrative supplies, hand tools, tires, and tubes, and janitorial supplies, you were stocking 12,000 line items, and the job can be done with 4,500 line items?

Mr. GILBERT. Yes, sir, I heard the testimony.

Mr. PIKE. Do you agree this is a proper evaluation of what you had in these four categories?

Mr. GILBERT. Well, sir, the figures that were given, I assume to be a consolidated response which would include the base supply, materials, and supplies, of which I have no direct knowledge. I do know that beginning in the fall of 1963, and concluding in 1964, we did transfer four commodity groups which you have mentioned to the base supply, and they became the procurement source for these, and have operated under that system to date.

Mr. PIKE. Well, would you know whether you transferred some 12,000 different line items in these categories?

Mr. GILBERT. We transferred all line items, procurement responsibilities. The actual number of line items I have no personal immediate knowledge of, sir.

Mr. PIKE. Would you accept the position which is apparently the position of the Air Force that you were carrying roughly three times as many line items in these four categories as you really needed?

Mr. GILBERT. No, sir, but my understanding of the statement was not that. It was that it was the consolidated reduction. I did not think that the testimony stated that this reduction came from a result of Pan Am's inventory transfer.

Mr. PIKE. Pan Am had 12,000 items, Patrick had 6,800 items, a total of 18,800 items, and now they find that they can get away with, instead of 18,800, of which 12,000 were Pan Am's, they can get away with 4,500.

Mr. GILBERT. Yes, sir.

Mr. PIKE. Do you accept their evaluation that you really were stocking, and the American taxpayers were paying for three times as many line items as were really needed?

Mr. GILBERT. My memory of the transaction, sir, was that we apparently had in the area of 12,000 to 13,000 line item records in the four commodity groups under question. In my judgment, we still have the same.

Mr. PIKE. In your judgment what?

Mr. GILBERT. We still maintain approximately the same number of items.

Mr. PIKE. And you feel this number of line items is needed; is that correct?

Mr. GILBERT. Yes, sir; I do.

Mr. PIKE. So if they reduced your 12,000 line items to their 4,500 line items, in your opinion something which is needed is being dispensed with?

Mr. GILBERT. Well, sir, they have not arbitrarily reduced any line items that we require. We establish need, and they supply us in these groups.

Mr. PIKE. But you say you still have these 12,000 items?

Mr. GILBERT. We still use them, yes, sir. We procure them. We lay on our requirement for them to the base supply.

Mr. PIKE. In other words, for your operation, in administrative supplies, hand tools, tires and tubes, and janitorial supplies, you need 12,000 line items, and you feel that these are necessary. The Air Force says it could have been done with 4,500.

Mr. GILBERT. Well, sir, my memory of their testimony is not that accurate, but I do restate, possibly something I should have made clear, that the consolidation figures that were given were not Pan Am's reduction, as I understood it. It was that the four commodity groups were combined, and in the aggregate these line item savings and dollar value savings were approved. But this does not apply to our inventory.

Mr. PIKE. Well, that is true, but 12,000 out of 18,800 of the items apply to your inventory. You had the 12,000, according to their testimony. They said they could do this job in these 4 categories with 4,500 items. I am concerned as to whether these items are really needed, as you seem to feel that they were, or whether they are superfluous as the Air Force seems to feel that they were. I would assume that you would take the position that you weren't carrying more items in this regard than you needed.

Mr. GILBERT. Well, sir, I'm saying today we are supported by the Air Force with all the line items which we require. I'm further saying that it is very possible that in the process of this 2- and 3-year period, which has occurred, that line item fluctuations by each Federal stock class may have gone up or down. It is difficult for me to reconcile these statistics off the top of my head, but I see no substantial change to the number of line items that we had before then and now.

Mr. PIKE. In other words, if you had 12,000 line items then, and you see no change in the number of line items that are available to you now, wouldn't you find it a little hard to accept their statement that there are only 4,500 items?

Mr. GILBERT. Yes, sir; we have more than 4,500 items.

Mr. PIKE. And you get them all from them?

Mr. GILBERT. Yes; we do.

Mr. PIKE. That is all, Mr. Chairman.

Mr. HARDY. Thank you. That is a line of questioning that I had wanted to pursue with the Air Force, and I think we are going to have to do it, so I thank you very much, Mr. Gilbert, for your helpfulness.

Mr. GILBERT. Thank you, Mr. Chairman.

Mr. HARDY. Mr. Witt, there are one or two things I think we need to clear up, if you will come on back up here. If you have any of your people who seem to have answers we may need, they may help.

I would like to go back to the question first of the number of employees at Patrick, the civil service employees who would have been affected by the consolidation in the event Pan Am had been making the assignment. Can you tell us how many?

FURTHER TESTIMONY OF HUGH E. WITT, DEPUTY FOR SUPPLY AND MAINTENANCE, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS AND LOGISTICS; ACCOMPANIED BY COL. HUGH F. BOYD, CHIEF, STOCK AND INDUSTRIAL FUND AND PERSONNEL SUPPORT BRANCH, OFFICE OF THE DIRECTOR OF SUPPLY AND SERVICES

Mr. WITT. I don't know.

Colonel BOYD. Excuse me, sir, would you rephrase that, sir?

Mr. HARDY. You heard the testimony we had here. You wanted to give a correction?

Colonel BOYD. Yes, sir; Mr. Lingelbach assumed we would turn over the total supply support to Pan Am, and this is not the case. Applying statistically, Pan Am has 868 employees in supply. We have 463. That is 53 percent, our total represents 53 percent. So if you take 53 percent of 463, we then would give up 245, or retain—

Mr. HARDY. It doesn't make any difference about that. Of course, you are taking a percentage figure and applying it to the Air Force just because that was the figure that was applied to Pan Am, and you haven't any more idea than a jaybird whether that is rational.

Colonel BOYD. We do not know how many spaces we could give up if Pan Am did the job, as we have not conducted such a study.

Mr. HARDY. You don't have any notion as to how many spaces you would give up if you applied this figure. You have 245 versus 439 of Pan Am's, which would be displaced, just taking the figures you derived by using the 53 percent. And that 245, then, using the figures that we had earlier this morning, accounts for only 25 percent of the business against the 439, and Pan Am accounted for 65 percent. It doesn't seem to me the Air Force is quite as efficient as Pan Am. What is wrong with that argument?

Mr. WITT. Pan Am handles a lot more items than purely base supply functions, sir. A lot of these will be maintained under their control, as we mentioned on the other down-range jobs that they have to perform. So that the 868 isn't really comparable to our 463, because included in their 868 are a number of other functions, other than strictly base supply, is this correct?

Colonel BOYD. That is correct.

Mr. WITT. It is kind of "apples and oranges" to consider those two things.

Mr. HARDY. I think you mixed "apples and orange" right on through this thing, maybe it is "elephants and rabbits." Anyway, we will try to see if we can analyze this point Mr. Pike was talking about a while ago.

I listened to your outline you gave, Mr. Witt. What is the total amount that you actually contend now that you saved on what you have done up to now?

Mr. WITT. \$500,000—

Mr. HARDY. That is a nice round figure.

Colonel BOYD. What we have saved in the four categories of property is \$758,000.

Mr. HARDY. It has already been brought out by Mr. Pike that is not a saving.

Mr. PIKE. You spent your inventory, didn't you?

Colonel BOYD. Yes, sir; this was redistributed to meet other requirements.

Mr. PIKE. Do you call that a saving?

Colonel BOYD. You are right; it depends on your definition of savings—cost avoidance. You don't have to buy it.

Mr. PIKE. In other words, you don't spend your salary, but go to the bank and take out what you've got in the bank, and you don't spend your salary, this is a savings?

Mr. WITT. We are saying we are eliminating that much from the inventory. We will not have that many more thousands of items to process to control to spend people's time on from now on.

Mr. PIKE. Well, isn't your inventory of parts and supplies something like your capital backlog in the supply business?

Mr. WITT. Capital backlog; yes, sir.

Mr. PIKE. All right. I am not in the supply business, but it would seem to me your inventory—you are running a great big store here—it seems to me your inventory is one of your principal capital assets. When you spend your inventory, which is all you have done with this \$758,000, instead of spending money, I don't see how you have saved anything.

Mr. WITT. Sir, every time we have an item in inventory it costs money to process it. That is another card for the machine and so forth, it costs a lot of time.

Mr. PIKE. That is not what you are talking about here. That is not the \$758,000.

Mr. WITT. You are right in saying we are removing \$758,000 from the inventory, that gets rid of that much. In addition to removing that from the inventory we will have what we consider pure savings which we have not even thrown in here, namely less activity to take care of on the part of our supply people.

Mr. PIKE. I don't doubt that for a minute. The less items you have in your inventory the less it costs you to carry the inventory. If you abolish your inventory completely you don't have any expense in carrying your inventory?

Mr. WITT. Right.

Mr. PIKE. I don't know how you consider it a savings.

Mr. WITT. This is semantics; we won't call it savings. We remove that much from the inventory and remove from here out the responsibility of taking care of that number of items.

Mr. HARDY. Let's get into what it amounts to—go ahead.

Mr. PIKE. I'm sure you heard Mr. Gilbert testify very unhappily here to the effect he did not feel that the 12,000 figure of line items could properly be reduced to 4,500. And this is just in these four categories: administrative supplies, handtools, tires and tubes, and janitorial supplies.

Are you really still supplying him with all of the items he needs, or supplying Pan American with all the items they need in this regard?

Mr. WITT. It is my understanding, and I would like to call on the experts if I am off on this thing—my understanding is under our system we will have one stock number for say a tire, as an item. We will maintain only that one stock number; whereas, under the Pan Am system, they might have three stock numbers, different kinds of tires serving the same purpose, it will be the same size, and so forth.

Mr. PIKE. Ah——

Mr. WITT. Now, we can eliminate——

Mr. PIKE. You have eliminated numbers, but not tires.

Mr. WITT. We are going around on these tires here, if you will pardon the expression. We are removing thousands of items from the inventory and we are removing thousands of stock numbers from the inventory.

Mr. PIKE. On the example you just gave me, you are not removing any tires from the inventory, you are removing different numbers by which tires can be called, from the inventory; isn't that correct?

Mr. WITT. Right. Right. Now he——

Mr. PIKE. The man back of you is shaking his head awfully hard.

Mr. HARDY. Let's get him up here. Colonel, come up here. I believe he knows more about it than you do.

TESTIMONY OF COL. ROBERT W. BEERS, CHIEF, GENERAL SUPPORT AND SERVICES DIVISION, DIRECTORATE OF SUPPLY SERVICES, HEADQUARTERS, U.S. AIR FORCE

Colonel BEERS. I think any time that you volunteer, you stick your neck out, but I'm willing to.

I would like to say this, if you have a Firestone tire and a Goodyear tire and a Goodrich tire, and it is a 7:50 by 15, and they are all supporting the same type of vehicles, you only need to stock the Goodyear tire. That is one line item versus three line items.

Mr. PIKE. Well, now, wait a minute, it is one line item if you only wind up with one tire or three tires; isn't that correct?

Colonel BEERS. Yes, sir; but if you are showing consumption data on Goodyear tires, Goodrich tires, and U.S. Royal tires, you maintain a level based on the consumption. But you can keep in inventory, based on consumption and turnover, less of one stock number than you can of three stock numbers. In other words, based on your demand, your procurement leadtime, and your pipeline time, if you have 30 days on each of these——

Mr. PIKE. I don't have any trouble following you there, I agree with you.

Colonel BEERS. That is one way we reduced the number of items we stocked. The second way we reduced it is that Pan Am kept on the shelf items which we, today, go out and buy in the commercial market which we don't stock because there is no leadtime on it. We don't need to have it there. We can run downtown, if the demand is there, and buy that item, and deliver it to Pan American. We do not have to process it through a warehouse and then deliver it to Pan American.

Mr. PIKE. You don't find any savings in that though, do you?

Colonel BEERS. Yes, sir; we are not handling that inventory, processing it in, processing it out, and then picking it up.

Mr. PIKE. Don't you buy it retail?

Colonel BEERS. Yes, sir.

Mr. PIKE. Don't you save money by buying it at wholesale and storing it?

Colonel BEERS. No, sir; not when a lot of these items are on a Federal Supply schedule that has a fixed price. This is the way we reduced a lot of these items Pan American had in their warehouse.

We do not stock them, the demand is not great enough. They may be random-type items which you only need once or twice a year. The availability is there, we can go down and get it tomorrow, we don't carry that as a stock item. We carry that as an item record because it is an item used by Pan American; we must support it; we must know where we can get it; we must know the time frame to get the item, and we do that.

Mr. PIKE. Now, the savings of \$758,000 which you claim as a saving in goods is actually goods that you have used up and not bought, you have reduced your inventory?

Colonel BEERS. We have not replaced the item; yes, sir.

Mr. PIKE. You have reduced the inventory to the extent of that \$758,000 saving. The saving in line items which you claim here is not that you handle less line items, you just don't store them, you go out and buy them when you need them; is that correct?

Colonel BEERS. There are two answers to that. Yes, we handle less line items and some items we don't store, that is correct, just as we pointed out if there is a No. 1 pencil and a No. 3 pencil and Pan American was using No. 1 and we used No. 3, and we said, "Look, can't you use No. 1, can't we all use No. 1?" And they said, "Yes, we can," now we have one pencil.

Mr. HARDY. And to heck with the girls in your offices. I wouldn't want to be in your shoes.

Mr. PIKE. I'm very glad you came forward, Colonel Beers, because I found it very hard to reconcile this reduction of line items from 12,000, or from 18,800, including Patrick's, to 4,500.

What you have done is instead of buying tires from Firestone, Goodyear, and Goodrich, you just buy tires from one manufacturer?

Colonel BEERS. Yes, sir.

Mr. PIKE. That cuts out a couple of competitors, but that is all right, you only have one item instead of three items?

Mr. WITT. But we got them competitive to begin with, sir.

Mr. PIKE. I'm sure.

So the reduction in items is partly a paper reduction, not representing a reduction in inventory, but representing simply—you still have the same number of tires, roughly.

Colonel BEERS. No, sir; I would say we had three Firestone tires and three Goodyear tires and three Goodrich. Now we are probably stocking four Goodyear, which is enough to take care of the pipeline and procurement leadtime to support the demand. So we have reduced numbers.

Mr. PIKE. You have reduced your inventory by roughly 50 percent, is that correct?

Colonel BEERS. I use that as a hypothetical example.

Mr. PIKE. Would you be able to tell us of the reduction in line items, how much is caused by this consolidation of types of equipment under one number, and how much is caused by going out and shopping for it when somebody asks you?

Colonel BEERS. No, sir; I cannot tell you specifically, but I can address my answer to this point: That we do find that where, in our standardization program, which Mr. Moot mentioned, that many times items are not properly identified. That this pencil carries one stock number, a pencil used by somebody else carries a different stock num-

ber, but they are identical items. Now, we know in our own accounts, and we know this exists in Pan American's account, that there are some items carried by stock number, by part number, and local stock number, and in some cases they are all the same item. We are rigidly trying to reduce this in our identification process. Now, we did find in the Pan American account that there were items that were identified in this condition that were transferred to us. One carried a stock number, one carried a parts and manufacture number, and they were the same item. We can find that in our own cases sometimes.

Mr. PIKE. They listed those as two items?

Colonel BEERS. Yes.

Mr. HARDY. I hate like everything for you to come in here and admit you haven't corrected the cataloging situation, as long as we have been working on that. We passed a cataloging bill years ago, I think it was before Mr. Pike even came.

Mr. GUBSER. 1952.

Mr. HARDY. I think it was back before that time, actually. Now you are still carrying pencils, or data for pencils with different stock numbers. I think it is a disgrace, and it ought not to even be admitted. If you have people in the Air Force, Mr. Secretary, that can't do any better than that, you ought to fire somebody, and if you can't do it, I declare, maybe you need a different assistant.

Colonel BEERS. Sir, may I answer that question?

Mr. HARDY. That has been going on entirely too long. The length of time we have had on this cataloging situation is disgraceful.

Mr. PIKE. Sir, he said that was Pan American.

Colonel BEERS. The fact I said pencils is an example. However, many items, commercial types that we use such as vehicle parts which have a high obsolescent rate are mostly never stock numbered. Some are.

Mr. HARDY. We know that.

Colonel BEERS. Every day a contractor is developing a new system, an electronic system—

Mr. HARDY. I have been through that, too, Colonel. I don't think there is any excuse left for common use items, as long as these have been on the books, to still show up with more than one catalog number.

Mr. WITT. In millions of items there is no way to avoid mistakes. There is no way in the world to keep people from putting down the wrong number.

Mr. HARDY. With the computers and computer brains you have in the Department of Defense, you should have had time to work this out. I complimented you sometimes for the accomplishments made, but I still declare there is room for a lot of improvement.

Now you get into a different aspect of this thing, which I don't think is, frankly, any compliment to you at all, that you eliminated, and you used your illustration of tires, three different brands of tires of the same size.

Colonel BEERS. I used that as a hypothetical.

Mr. HARDY. I understand. Essentially the same quality. You probably have a whole flock of other items of the same kind that appear in this 12,000 items that you have been talking about.

Well, why have you let this thing drag on? Why didn't you, by directive, correct this long before now? Why did you let Pan Ameri-

can even do this under contract? And they are under contract to you, on an incentive contract, aren't they?

Mr. WITT. They were put on incentive this year; yes, sir.

Mr. HARDY. Why in the world, with the cost element involved in this, why didn't you correct this? You don't have to have a consolidation of this activity to correct this kind of thing. And the fact that you are claiming savings because of this kind of a performance, to my mind doesn't reflect anything except an indication of inadequacy in the past.

Mr. WITT. As I said this morning, I have no alibis, sir, for not moving into this area sooner. I think we should have, and I am very frankly sorry we haven't.

Colonel BEERS. Since I am the one on the mat here——

Mr. HARDY. This is your baby.

Colonel BEERS. While I'm on the mat here, I would like to correct this impression. It appears I have attempted to put Pan American in a poor light.

Mr. HARDY. They tried to put you in a good one.

Colonel BEERS. Let me recast this and state this: That they may have had Goodyear tires and we had Firestone tires. And when we did consolidate we consolidated on one tire. But they weren't wrong in using Firestone and we weren't wrong in using Goodyear, but there were two items, both doing the same job. When we got together, we said we can use the Goodyear tire.

Mr. HARDY. You could have done that whether or not you had a consolidation of the activity, couldn't you? Of course you could.

Mr. WITT. We still would have had duplicate stocking, sir; they would have had a stock and we would have had a stock.

Mr. HARDY. Perhaps.

Mr. WITT. Yes, sir; there is no question about it.

Mr. HARDY. You lead me to the point where I don't know if we are saving a dime by the so-called consolidation.

Mr. WITT. Aren't you convinced by cutting the inventory stock down it will be less for our people to handle?

Mr. HARDY. I could be convinced, but I don't know if you will be.

Mr. WITT. That is a different frame of reference.

Mr. HARDY. It is entirely different.

Mr. PIKE. Let me ask you a question along that line, Mr. Secretary. You have requirements to carry certain amounts of inventory. Are all of your inventories at Patrick up to their requirements?

Mr. WITT. I couldn't say. I don't know whether every single item is up to a certain level or not. I would say that, based on everything we know of the situation, we are not having any immediate troubles there; isn't this correct? As far as the supply support is concerned, it is certainly adequate and proper.

Mr. PIKE. When this was being done on a joint basis with Pan Am, wasn't there any limit on the amount of inventory that would be carried jointly?

Mr. WITT. Well, they had a separate system in addition to ours. This is one thing we are trying to get rid of right now. That is what we are striving for. So that they were carrying tires and we were carrying tires. They were carrying pencils and we were carrying pencils.

Mr. PIKE. Wasn't their control over the amount of inventory carried in your contract with them?

Mr. WITT. The contracting officer has a certain job of keeping an eye on how they run the contract. I think the overall contract is worth \$110 million.

Colonel BOYD. As far as the inventory is concerned, there is not a dollar control per se.

Mr. WITT. There are certain general regulations by which they try to keep an eye on the way the whole operation is run.

Mr. PIKE. Is it just a dollar value of inventory they can carry?

Colonel BOYD. We control the amount of money we give Pan Am each year that they can expend for replenishment of the inventory.

Mr. PIKE. In your contract arrangements with these—any contractor, not just Pan Am—isn't there any control over the amount of inventory that they can build up to back up an operation other than the dollar amount?

Mr. WITT. There are checks and balances by which the contracting officers try to keep an eye on this thing. It fluctuates up and down.

Mr. PIKE. Wouldn't you say it got out of hand if you had a total inventory of \$1,400,000, and you wound up with an inventory of \$672,000?

Mr. WITT. In my opinion, very frankly, I think, based on what I have seen of it, Pan Am had too much stock. They were carrying too many line items. That is my personal opinion, sir, the fact we were able to get hold of this and reduce it indicates to me this is true.

Mr. PIKE. You have reduced it by better than 50 percent just in these four categories. How many categories are there?

Mr. WITT. I don't know whether they handle all supply categories.

Colonel BOYD. We have some 64 categories.

Mr. PIKE. How many of those did Pan Am also handle?

Colonel BOYD. I don't know, sir.

Mr. WITT. Let me say this, to keep it a little bit in perspective here. I don't think we want to leave the impression just because we have done such an outstanding job in my opinion on these four—in my opinion, on these four categories, those are the most susceptible to this type of management. I don't want to mislead you by saying we can grab all the rest of this inventory and do as good a job, very frankly.

Mr. PIKE. Mr. Witt, I will leave you happily with that self-serving statement.

Mr. WITT. Thank you very much. I think they have been scarce enough today.

Mr. HARDY. Following up on that, now this is intriguing. You claim \$758,000 savings and that developed to be nothing but an inventory reduction, that is all that amounted to. Then you say you are going to save money because you have fewer items to handle, and yet, maybe it has changed since then, but Colonel Richardson, in his briefing on what this thing was going to do, about a year ago made this statement. He said:

The range contractor's present strength of 862 could be reduced by 226 for a remaining total of 636. When base supply is fully phased in with the computer and additional functions their manpower strength would need to be increased by 309, added to the present 386 for a total of 695 spaces.

If my arithmetic is correct, what he is saying is you are going to wind up with 83 more people than were required to do the job when Pan Am was doing it.

Mr. WITT. I'm not acquainted with that document, I believe.

Mr. HARDY. Let me read his next sentence:

Recognition of this 83-man-year deficit is viewed with great consternation, especially when we were convinced that appreciable savings in manpower could be realized, as previously reported.

That is what Colonel Richardson said in a briefing on October 22, 1964. This was to Air Force Systems Command. You don't know anything about this?

Mr. WITT. No.

Mr. HARDY. I will be glad to furnish you this document.

Mr. WITT. As I say, I certainly don't receive copies of all the information that goes back and forth between Patrick and the Systems Command.

Mr. HARDY. He says you have to have 83 more people than the total required to perform the job before. This is in spite of all the savings you claim.

Now if I could get back for just a minute, and this is the thing that is worrying me now. You made your decision, you can't change it, because it has been decided up topside, and you can't possibly go against what you have already done, but I'm not a bit sure at the rate you are going this consolidation that you are effecting isn't going to be more expensive than if you had left it like it was.

Let's talk a little bit more about these improvements you have made and we will see where we are.

You had these tires as an illustration. It is a good one. Different manufacturers of the same article which will serve the same purpose, you can reduce the number of catalog items by reducing it to one specific brand.

Mr. WITT. We already have done that, sir.

Mr. HARDY. But you could have done that whether or not you had consolidated, couldn't you?

Mr. WITT. Not and take them over from Pan Am.

Mr. HARDY. I am not talking about whether you take them over or not. You might have reduced your inventory by having, if Pan Am had to have one in their stock and you had to have one in your stock you would have had two tires; whereas, you might have been able to do with one, but I am not sure you could do that, because if you supplied both Patrick's requirement and Pan Am's requirement, I am not at all sure you can do with the inventory needed for only one. So you wouldn't get a complete elimination of the inventory, would you?

Mr. WITT. We have already shown in these four classes we can make over 50 percent reduction.

Mr. HARDY. Yes, but you are talking now about items, or are you talking about dollars?

Mr. WITT. Well, both. I don't remember the dollars, but it is very substantial.

Mr. HARDY. All right, now, in the tires that you have got to have, suppose you were operating both systems, and you said to Pan Am: "Let's eliminate two of your brands of tires, just carry one, and we

will carry one, it will be the same tire." You could do that. You wouldn't have to do a thing in the world except write a letter, isn't that right?

Mr. WITT. This is right.

Mr. HARDY. That is within your authority?

Mr. WITT. Right.

Mr. HARDY. That is all you have to do.

Mr. WITT. You are saying we could have made some reductions but not as much as we will in the consolidation.

Mr. HARDY. I am not sure of that.

Mr. WITT. I am, sir.

Mr. HARDY. You are welcome to your opinion. I have mine.

Mr. WITT. Thank you, sir.

Mr. HARDY. You could have reduced the brands that you were carrying, but I am not at all sure that you would have to have twice as much inventory if both systems were operating as you will have to have if one is operating, because you've got more customers to supply, more demand on it, isn't that right?

Mr. WITT. Well, you are saying that the degree of the savings will vary, depending on if we left some with Pan Am and had taken some on ourselves?

Mr. HARDY. What I am trying to say to you is this, I don't know whether this is a fact, but I'm trying to explore it. If you had continued your dual system, you could have achieved a great many of the savings that you are claiming under your consolidation.

Mr. WITT. We could achieve some savings. I don't know how many.

Mr. HARDY. I am not sure you couldn't have achieved practically all of them.

Mr. WITT. No, sir.

Mr. HARDY. All right. Let's explore a little bit more. I don't know what else you've got. We had the tire business here. You are talking about purchases made locally, instead of warehousing. If you have GSA providing warehousing for you, maybe they can serve you, I don't know, I don't know what your time element is on that. But you have Pan Am on an incentive contract, haven't you?

Mr. WITT. Yes, sir.

Mr. HARDY. That incentive contract is somewhat related, is it not, to the time of delivery and performance?

Mr. WITT. Yes.

Mr. HARDY. So that if you delay, if you should have a delay in procurement locally, then you are jeopardizing their performance under the incentive contract, aren't you, and you are apt to find yourself in a position of having a claim?

Mr. WITT. That is why we made clear I thought earlier, we have given to them the responsibility for emergency procurement. They come to us, if we don't have it, it is a hot item and they tell us it is, they can go out on a crash basis.

Mr. HARDY. Why do they have to come to you?

Mr. WITT. Because we might have it in our inventory, sir. We want them to check with us first before they go out on a crash basis and buy something.

Mr. HARDY. If you are going to do that, why don't you let them go out in the local market and buy everything they need?

Mr. WITT. On a crash basis they might need something. It is doubtful they need something of local market type.

Mr. HARDY. Suppose they need something of a local market type, Mr. Witt, this is one of the claims that have just been made? Suppose they need something that can be procured in the local market? They already have authority to procure on an emergency basis?

Mr. WITT. After they contact us and make sure we don't have it.

Mr. HARDY. If that is the case why do you procure anything for them on the local market? Why don't they do it all that way?

Mr. WITT. Because we are going to have a lot of our own stocks, and we also have local procurement responsibility.

Colonel BEERS. Sir, since I brought that up, may I answer it?

Mr. HARDY. If you can do it better than he did.

Colonel BEERS. I brought it up, about the common supplies we didn't stock. We are talking about supporting other people on there besides Pan Am—we have Army, Navy, NASA. We have 20 other contractors, and we have our own requirements. If I get a requisition saying Pan American needs a box of typing paper which maybe we don't stock—maybe we do, I don't want you to pin us down on this—I get a requisition from the Army, from one of the contractors, and from one of our own base organizations, I go out with a procurement purchase request and buy it. I distribute it to the four people and make one procurement.

Mr. HARDY. Can you tell me why it is necessary for them to go through this other step of coming to you? Every single one of these agencies is maintaining some procurement unit of their own, for items peculiar to their needs. They would have the authority to go out and procure it locally if you didn't have it anyway. So what you are making them do is bring to you the order that you are going to take out on the local economy and buy it, when they could go direct. If this isn't "beating the devil around the bush," then I never saw it. You are adding a step in the procurement process.

Colonel BEERS. I'm consolidating the procurement for several customers, I am not adding a step.

Mr. HARDY. You are consolidating the procurement, and you know very well if you are consolidating it you are going to delay it.

Colonel BEERS. No, sir; I will not accept the premise that I am going to delay it.

Mr. HARDY. Are you trying to tell me that the Army—and they have a procurement group left in their organization still, because they have to have it for supplies peculiar to their needs, isn't that right?

Colonel BEERS. I'm not familiar whether the Army does or not, sir, I cannot answer that.

Mr. HARDY. I understood all of them had some requirements.

Mr. WITT. The Army doesn't, sir.

Mr. HARDY. Then I picked the wrong example.

Colonel BEERS. How about the Navy?

Mr. WITT. Pick one of the contractors.

Mr. HARDY. An agency that has to come to you for one of these common use items that can be procured from GSA, or you are going to procure on a local economy, can get that order to the local economy as quickly as they can get it to you.

Colonel BEERS. Yes, sir, but does he know whether I have to go out and buy it?

Mr. HARDY. He ought to know it. If he doesn't, I don't know why you have all these confounded computers.

Colonel BEERS. The only thing he is interested in is whether I supply the item to him, not whether I supply it off my warehouse shelves or get it in the local market——

Mr. HARDY. You are adding another step.

Colonel BEERS. I'm not saying so.

Mr. HARDY. I went through a series of hearings about 18 years ago on a small procurement thing of the kind you are talking about, and I recommend you go back and read the hearings on those, and I think you might learn something about small procurements even now. I'm not sure at all you know it all.

Mr. WITT. Sir, we don't want those people if they have a crash requirement for something to go dashing out and buy it when we have it sitting on our shelves. It takes a relatively short time for us to check. That is all we are saying. We think this makes good common sense.

Mr. HARDY. I got the impression there is a great big list of these items you don't have on your shelves.

Mr. WITT. No; I don't think so.

Mr. HARDY. Then I misunderstood the implication completely.

Is it anywhere in the ball park to suggest that under this present arrangement Pan Am is going to have to buy direct at least 34 percent of the items they require?

Mr. WITT. I don't know where that figure came from. We don't anticipate this.

Mr. HARDY. I didn't tell you where it came from.

Mr. WITT. I noticed. I couldn't speak to that. I don't know why——

Mr. HARDY. Can you tell me what the correct figure is?

Mr. WITT. No, sir; I cannot.

Colonel BOYD. No, sir; we won't know that until we get into it. By better management and through timely forecast of requirements we should be able to cut down on emergency purchases.

Mr. HARDY. The thing I am trying to develop here is a completely different approach than I had any notion I would have been led into. I have come to the conclusion you don't know whether you are going to save any money or not by this consolidation.

Mr. WITT. I am sorry that you feel that way. We already started knocking items out of the inventory.

Mr. GUBSER. Not because of the consolidation.

Mr. WITT. We already picked these up from Pan Am.

Mr. HARDY. You could have done a good bit of that by directive, and how much of it I don't know, but if it is true that it is going to take 83 more people to perform the total job than are currently required, as was stated in this briefing I referred to earlier, then you are going to run up your costs instead of reducing them.

Mr. WITT. Well——

Mr. HARDY. I don't think you know what you are doing, just to be honest with you.

Mr. WITT. I am sorry you feel that way.

Mr. HARDY. I am sorry, too. I wish I didn't.

Mr. WITT. We have checked it over, and we are sure we are going to make manpower savings; there is no question about it.

Mr. HARDY. I have a thought in mind—I don't know whether it is really likely to be productive, but it could be, on the basis of the doubts that have been created by this testimony here today—frankly, I already have one serious doubt from the analysis made of the documentation that we have reviewed. Now, I have a completely new series of doubts about the testimony. As of right now, I am disposed to suggest we ask the General Accounting Office to make an analysis of just what could be accomplished under the dual system.

Mr. WITT. The one they recommended we get rid of?

Mr. HARDY. I am not talking about what they recommended. What I am talking about now is the basis of the improvements that could have been made under that system, and which you are taking credit now for under consolidation, and they ought not to have been included in your consolidation. They really show deficiencies in previous administration.

Mr. WITT. But we have consolidated and we are making money off of it.

Mr. HARDY. You have consolidated and are making money because you are correcting deficiencies which you should have corrected a long time ago.

Mr. WITT. That is part of it.

Mr. HARDY. I don't know how much of it. That is the thing that bothers me. It seems to me GAO could make an analysis of this. As I understand it, practically all, if not all of the agencies involved in this operation have to maintain a nucleus of procurement people for the items peculiar to their requirements.

Mr. WITT. Yes, sir.

Mr. HARDY. I don't know why they couldn't buy the items from GSA, which you are going to buy from the local economy anyway.

Mr. WITT. You can cut down the number of individual procurements, sir, and this always provides us with better situations. Instead of having five people buying the article all over the place, we buy one article.

Mr. HARDY. It doesn't make any difference whether you buy 100 or 1, as they are on GSA. Mr. Witt, I have been through this a time or two myself.

Mr. WITT. Surely.

Mr. HARDY. Actually, you are increasing the steps in your procurement process, because every agency that is going to ask you to supply them with something has to write out a procurement request for it, has to submit it to you, and he could just as well submit it to the agency that he gets it from, GSA, and most of them know exactly where it comes from anyway, because they have been doing it over a period of time; isn't that right?

Mr. WITT. You are asking the GAO to consider the difference in the savings under a dual system as compared with one system?

Mr. HARDY. Actually I wanted to find out if you are going to save money. I am not sure you are going to save any more than if you had the dual system. You are still retaining your retail proposition down-range, which somebody here said you had to eliminate eventually.

Mr. WITT. GAO didn't argue with that premise, sir.

Mr. HARDY. I am not necessarily in agreement with GAO. I find myself disagreeing with them right often. It doesn't necessarily mean I am right, either, but I am trying to find out, and these points that I am making, I don't profess to be clairvoyant on them, or to know that they are right, but it raises an awful lot of doubts in my mind, Mr. Witt.

Mr. WITT. I am sorry it does sir. We have certainly taken the GAO report seriously. We have done everything we can to follow the guidelines which they set forth, and do a good consolidation job, and it is very difficult for us to go to all this trouble to try to work this thing out in detail on how we are going to do it and save some money and reduce the inventory and provide better benefits to the Government, and it is difficult for us to see why we should be criticized for making all these efforts, sir.

Mr. HARDY. No, I don't criticize you for making efforts, and I congratulate you for actually making improvements which I think you ought to have made a long time ago.

Mr. WITT. Are you disagreeing with the extent?

Mr. HARDY. I am trying to find out, but I really don't believe the figures you have given me reflect the savings you think they are going to reflect.

Mr. WITT. We are relying on the supply experts, sir, who live with this thing day in and day out. They provided these figures. I certainly didn't make them up.

Mr. HARDY. Let me make one other point. I am going to suggest you find this document of Colonel Richardson's and read it; that is where the 34 percent came from.

He is supposed to be expert on this. I don't think he is here, is he?

Mr. WITT. Yes, he is here.

Mr. HARDY. Where is the gentleman?

Colonel BEERS. I will be glad to vacate my stand.

Mr. HARDY. I thought he was expert on this. This 34 percent is his figure, not mine.

Mr. WITT. I have not seen the document, I am sorry to say.

Mr. HARDY. Then you are not educated. I am trying to be educated, that is all.

Mr. WITT. I don't have as good investigators as you have, sir.

Mr. PIKE. I will start off by saying I think you will save money with the consolidated operation. I don't think you can avoid saving money in the consolidated operation.

Mr. WITT. Thank you, sir.

Mr. PIKE. Aside from the saving of \$758,000, which you claim, and which I say is not a savings because it is a reduction——

Mr. WITT. We won't call it a savings, sir.

Mr. PIKE. You have had this system going since March of 1964, which is over a year now, on these four categories.

Mr. WITT. That is right.

Mr. PIKE. During that time you should have realized, if you really are going to realize any savings other than just getting rid of your inventory, you should have realized a savings in handling these fewer items, in having fewer cards to maintain, and keeping them up; what can you tell us about how much money you have actually saved?

Mr. WITT. The Air Force has picked up this increased workload, in other words, handling all of these, going through the whole process of scrubbing them down, and so forth, within our resources, without extra people.

I don't know what has happened to the Pan American people, whether they have laid anybody off or not. I personally couldn't tell you that.

Colonel BOYD. Back in 1963 Pan American had 878 people in the supply and supply-related field. I don't know whether the drop to 868 is directly attributable to this, or not. I couldn't say.

Mr. WITT. They have fewer supply people now than they did at the time of the takeover, and we don't have any more. Drawing a conclusion here, they laid off some people for some reason in the supply area.

Mr. PIKE. How many people did they lay off in the supply area?

Colonel BOYD. Ten; 878 to 868 as of today.

Mr. PIKE. Let's say they laid off 10 people in the supply area, and how much do you suppose these 10 people averaged in pay, per year?

Mr. WITT. \$5,000 or \$6,000.

Colonel BOYD. \$6,850.

Mr. WITT. Around \$6,800, I would say.

Mr. PIKE. Around \$6,800.

So you think it would be a fair guess that we have really actually saved, other than getting rid of our inventory, roughly \$68,000 by this takeover in these four categories?

Colonel BOYD. I couldn't say, but I think that is a very fair statement as far as manpower is concerned. When we get through with the total consolidation Pan American can reduce by approximately 400 people and we will require an additional 300 or so in the Air Force. It will be in round figures between 75 and 100 people. That is our best estimate right now, as to how many we will reduce in the total of the two operations.

Mr. PIKE. Quite frankly, Mr. Witt, if you end up with a reduction of people, you will have a savings of money. If you don't end up with a reduction of people, I don't buy any saving of money by lowering your inventory.

Mr. WITT. Sir, don't you agree if you have thousands of less items to feed into the system day in and day out, it takes less machine time and less people, and less energy, and less management?

Mr. PIKE. But the only way you can prove it is by winding up with less people. The whole thing comes to people; it doesn't come to items. If you wind up with less people, you will be saving money; if you just wind up with less inventory, you haven't saved a thing.

Colonel BOYD. Sir, I don't want to belabor that.

Mr. WITT. Don't.

Colonel BOYD. All right.

Mr. HARDY. Well, I think we have about —

Mr. GUBSER. May I ask a question?

Mr. HARDY. Sure. Go ahead.

Mr. GUBSER. I wasn't here for all of Mr. Moot's testimony, and I didn't have the opportunity of questioning him on account of the quorum call, but I detected at least a different emphasis in his testi-

mony than I have detected in yours, and if I am wrong in my impression, I want to be corrected.

Your testimony, it seems to me, has said, in effect: "We were going merrily along with Pan Am and the Air Force jointly operating the base supply when GAO came up with its report. Then, though maybe we should have seen it ourselves, we accepted the premise that consolidation would result in a saving. So then it became a question of whether the consolidation would be all Pan Am or all Air Force. And then because of a strictly military consideration, we decided that it had to be all Air Force."

Now, subsequent to that basic decision, you decided that you were going to have some considerable savings by the consolidation, and you produced figures to show there would be savings.

But Mr. Moot, on the other hand, at least from the questioning that I heard, and I may have missed it, didn't seem to concede that there was going to be any particular saving at all. He doesn't emphasize it as much as you do. Is there a difference of opinion between the two of you on this?

Mr. WITT. We have discussed this in detail and we have shown them all of our figures, and they have gone over them, Mr. Moot and his office, and they agree savings in this order of magnitude will accrue to the Government.

Mr. GUBSER. Let me ask you this question: If Mr. Hardy is right that there will actually essentially be no savings and in fact there might be an increase, would you still say it would have to be all Air Force, on the grounds of military necessity?

Mr. WITT. I will say we are not ready to contract our base supply. We are going to have base supply. It is an integral part of the mission, and we must have it.

Mr. GUBSER. You would place the economy in second place to the military requirement?

Mr. WITT. You are speaking hypothetically, now, of course?

Mr. GUBSER. No, I don't think I am.

Mr. WITT. You are saying, if it could be proven——

Mr. GUBSER. Yes, I will accept that.

Mr. WITT. You are saying, hypothetically maybe it could or couldn't. We agree. We don't know for sure. We are saying we must have this base supply operation. This is an inherent part. You can find industry people who will——

Mr. GUBSER. Then you are saying cost is not a consideration in making this decision on whether the consolidation is all Air Force or all Pan American; isn't that correct, Mr. Witt?

Mr. WITT. This is correct. I thought I was very candid this morning in saying this.

Mr. GUBSER. I thought so. I didn't get quite that impression from Mr. Moot.

Mr. WITT. I don't want to speak for him, but it is my understanding he said there are two basic points, in responding to Mr. Pike. He went into detail explaining—quite a bit of detail as a matter of fact—in explaining how the integrated system in the Department of Defense applies, which the Air Force is a part of.

His second point was he agreed with our position, it should be base supply, very definitely.

They got off into many, many detailed discussions of the supply system, and I don't think they ever got back around to that point, but he did make two basic points, as I understood his testimony.

Mr. GUBSER. Now, since the overriding consideration in the making of the decision as to which way you are going to go, all Pan American or all Air Force, was one of military necessity, could you tell me what the difference is insofar as the consideration of military necessity is concerned with the operation of the Pacific Missile Range, or with—

Mr. WITT. I am not acquainted with that, sir.

Mr. GUBSER. Or with the operation of BMEWS, where obviously a commander had to submit himself to a base supply that was handled by a private contractor?

Mr. WITT. It is not a base supplying function, sir. They supply certain parts for the equipment, the contractors at BMEWS, that is my understanding. There isn't a base supply with a military mission as such. As Chairman Hardy pointed out very clearly, BMEWS is a very important weapon system as far as we are concerned, there is no question about it. We have never said it is not important. We have said we prefer to have it with military or civil service people handling it. This has not proven out. We cannot do it.

Mr. GUBSER. You are not implying the military mission of Patrick Air Force Base is more acute or more serious than the one that BMEWS performs or CONAD?

Mr. WITT. We can put military people at the base supply in the top spots, and we can have civil service people reporting to those military people, and we can have them reporting to the commander there. At the BMEWS we would like to have a comparable situation, either civil service or military reporting directly to the man responsible. We find we cannot keep the people after we get them trained, and it doesn't work out.

Mr. GUBSER. Again this question should have gone to Mr. Moot, but I didn't get a chance.

How did you imagine—you must have discussed this with him—how can you justify the Pacific Missile Range being handled that way?

Mr. WITT. The Pacific Missile Range is not a base supply, as such; there is not a base supply mission there. I better not get into that. I am sorry, I cannot speak to the Pacific.

Mr. GUBSER. I cannot help but think you have the same situation occurring some place in the Pacific Missile Range as you have down at Patrick; maybe not.

Mr. WITT. I don't believe so. We could certainly supply this for the record, sir, if it would be helpful.

Mr. GUBSER. I would like to know, I would like to have it to satisfy my own mind.

Mr. WITT. Yes, sir; I would be glad to.

(The statement subsequently submitted by the Air Force follows:)

The National Range Division was established and assigned to the Air Force Systems Command in 1964. When this was accomplished, the Air Force Western Test Range (AFWTR) was organized with headquarters at Vandenberg Air Force Base (SAC) and assigned to the National Range Division. In February 1965 the operation of certain transferred facilities of the Navy's Pacific Missile Range was assumed by the Air Force and assigned to the Air Force Western Test Range. Several contracts in-being which provide for maintenance and operation

of the Pacific Missile Range were assumed by the Air Force. At the present time there are three major contractors who provide (a) technical operation and maintenance of range facilities located at Vandenberg, (b) for operation and maintenance of technical range equipment downrange, and (c) base operation and maintenance (O. & M.) of the Eniwetok Facility.

Base supply at Vandenberg furnishes supply support to all tenants assigned to Vandenberg. The Federal Electric Corp. (FEC), a contractor and tenant at Vandenberg, provides technical O. & M. for tracking, communications, optics, and data processing equipment, and provides technical instrumentation O. & M. for range ships based at Port Hueneme, Calif., for the Western Test Range. Items of supply for support of the Federal Electric Corp. are requisitioned upon Vandenberg Air Force Base supply. If the items cannot be supplied within the time required by the requisitioner, authority is given to FEC to obtain from other sources. There are other contracts at Vandenberg to operate the precision measurement equipment lab and provide component cleaning of equipment for the Western Test Range. These contracts are supervised by the range contract office at Headquarters, AFWTR, Vandenberg AFB, which includes a procurement office and a contract management office. Supply support is obtained from Vandenberg AFB supply.

The Bendix Corp. with offices in Honolulu provides support for telemetry, communications, and optics downrange from Vandenberg. This contractor obtains supply support from Hickam Air Force Base supply, Pearl Harbor (Navy), and/or the Barber's Point Naval Air Facility.

A third major contractor, Holmes & Narver, was the successful bidder for the currently existing O. & M. contract to maintain base facilities in the Eniwetok area. This contract was effective July 1, 1965. Their responsibilities include furnishing the necessary services, materials, and equipment to provide logistic and base support for range users and tenants in the Eniwetok/Bikini area. There are no military units stationed at this location. This contractor obtains his supply support from the base supply at Hickam Air Force Base, Hawaii.

Mr. HARDY. In following up on that, did the Joint Chiefs of Staff decide military necessity required the base supply in Patrick be in-house?

Mr. WITT. They were not consulted, to my knowledge.

Mr. HARDY. They are the top military people, aren't they?

Mr. WITT. But certain responsibilities are still left in the hands of the Air Force, sir, such as maintaining their own military functions of a base.

Mr. HARDY. I didn't know the Air Force did anything without clearing it with Mr. McNamara.

Mr. WITT. No comment.

Mr. HARDY. As a matter of fact, on matters of—well, let me put it another way: Would the Air Force Chief of Staff make a finding that the military force needs the supply at Patrick?

Mr. WITT. His logistic officer has approved it, sir. He has approved this consolidation. He is the man who reports directly to General McConnell, in the supply and logistics business. It is his responsibility.

Mr. HARDY. I want to correct the record on one point Mr. Gubser stated a while ago. I don't want the record to indicate that I have said this consolidation will not produce any savings. I have said I have some doubts about it.

Mr. GUBSER. That was my intention.

Mr. HARDY. Frankly, I have some serious doubts that it will produce any savings, especially when compared to what could have been done without the consolidation in the nature of things you have done. I don't want to leave any implication we are criticizing the progress that has been made, but—

Mr. WITT. It is hard to get that out of the discussions, sir.

Mr. HARDY. Well, I am sorry.

Mr. WITT. We have been working pretty hard on this, and it is rather discouraging, very frankly, sir, it is very discouraging to work this hard on something like this and do what is recommended, and what everybody thought was taking the best course of action, and then to be so severely criticized.

Mr. HARDY. I am trying to find out what the facts are.

Mr. WITT. I realize that.

Mr. HARDY. I reckon it is discouraging.

Mr. WITT. It sure is.

Mr. HARDY. If you get off on the wrong track you sometimes have a hard time getting back on the right one, don't you? If you are on the wrong track we want to help you get back.

Mr. WITT. If we thought we were on the wrong one we certainly would head back to the right track—we really would, very seriously.

Mr. HARDY. I don't question that for a second.

There was one other thing that I wanted to raise. You have indicated the Air Force was unwilling to contract out their base supply. Recalling the discussion of what is happening at Vance, how much more time do you think you have to have on your experiment?

Mr. WITT. I don't know, sir, I cannot speak to that point.

Mr. HARDY. Well, that is an element in this, isn't it? Don't you have the same problem of the supply function being performed in-house by base supply or being contracted for at Vance?

Mr. WITT. This is correct. This is the one exception that has been on a test case. I am sorry that I do not know the cutoff point for that, or how it stands. I just don't have that information.

Mr. HARDY. Let me thank you gentlemen. And let me say again, frankly, I don't know what the real answer to this is. The unfortunate part from my viewpoint is I don't think you do, either.

We are just trying to see if we can make some sense out of this situation, and if the military necessity requires that Patrick perform its own base supply, certainly I wouldn't want to try to interpose my judgment in that respect. We don't have that kind of expertise on the committee, and we wouldn't try to suggest to countermand military judgment in that regard. I think it is rather strange, though, the way it came into play in this particular situation.

Again I am not overly enthusiastic about the claimed savings for things which should have been done or could have been done without so-called consolidation.

In view of the fact that Pan American still continues with a contract for down-range supply, I do not know whether you are really accomplishing any savings or not. I think some could be accomplished. But with the procedures what they are, and the fact that every agency still has its own little procurement group, for peculiar items, I am not a bit sure consolidation in this case can produce any savings under this set of circumstances, I am just not certain about it. In that respect I may find myself in disagreement with the GAO. But there are things I think we need to find out. We are going to do the best we can to analyze the material we have gathered.

Mr. Gubser has one more question.

Mr. GUBSER. As long as the question that is pertinent here is still being the subject of an experiment, why did you go ahead and decide that GAO was right in this one when you are still more or less reviewing the case and conducting an experiment to determine this question?

Mr. WITT. In looking at the responsibilities under these various contingency plans, and so forth, that Patrick has, we were convinced that there was no question in anyone's mind that this is one base supply operation that had to remain under that commander's purview. Vance is a training command base and I am not acquainted with wartime activities at Vance, very frankly. I couldn't speak to that point. But in looking at this specific case that was presented to us here, there was no question in our minds that that was not the type of operation that the commander should have to rely on in times of emergency purely on a contractor.

Mr. GUBSER. I was glad you said that. I was afraid GAO was becoming a new policymaking arm of the Defense Department.

Mr. WITT. We feel we have to keep an eye on GAO, too, in that regard, sir. They have shown us in a number of cases where we have been wrong. In this case we fully agree with them, consolidation is the way to go.

Mr. HARDY. Thank you very much, gentlemen. Again, I appreciate the helpfulness that you have provided.

Mr. WITT. I assure you that we have not tried to hide anything, sir. I think we have tried to be as candid in our answers as possible.

Mr. HARDY. I think by and large that has been a pretty successful session in that respect. I congratulate you and appreciate it.

I don't know whether it will be necessary to hold any more hearings on this or not.

Mr. WITT. We stand ready to supply anything necessary any time.

Mr. HARDY. Thank you very much; I want to express my appreciation to you and your associates who have been helpful in this regard.

Thank you for your presence, and, General Huston, you got off easy.

The committee will stand adjourned, subject to the call of the Chair.

(Whereupon, at 4:40 p.m., the subcommittee adjourned.)

APPENDIXES

APPENDIX I

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
September 17, 1965.

Hon. PORTER HARDY, Jr.,

Chairman, Subcommittee on Special Investigations, Committee on Armed Services, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: First let me say that I appreciate your personal efforts and those of your committee to develop a clear picture of the impact of the proposed consolidation of a supply function at Patrick Air Force Base, Fla., by which the Air Force would replace a substantial number of contractor-type employees with civil service personnel. Second, no one can rightfully oppose the elimination of duplication of Government services, particularly when such duplication results in higher costs.

The question is whether or not the proposed consolidation actually will provide economies in the operation of the guided missile range at Cape Kennedy and whether the claimed "in-house supply experience" the Department of Defense lists as one benefit to be derived from the consolidation will actually contribute to national defense readiness.

It has been exceedingly difficult for me to understand why, at one point, those who created the management concept of the down missile range established the fact that contractor-type personnel could perform the necessary supply function more efficiently and more economically than said function could be performed by civil service personnel.

There is no evidence to show, nor is it claimed, that there are any deficiencies in the contractor supply function. The duplication apparently occurs as a result of the Air Force buildup of its own supply functions which, in some instances, duplicate those of the contractor.

I seriously doubt that the in-house experience gained by the Air Force handling the entire supply function is a significant consideration that would result from consolidation for it is readily evident that, in case of a national emergency, the contractor supply people could, on a moment's notice, be mustered into a civil service-type supply function under the Air Force.

I question, too, the cost reductions which are claimed as benefits from the proposed consolidation. According to Department of Defense figures, there will be a net reduction of 100 people in the total number of employees now engaged in supply work at the cape. At the same time, the Department points to an anticipated overall increase in the contractor work force of about 1,000 people during this fiscal year, so economy in that area cannot be considered as an important factor.

Of significance in this entire matter, although attempts have been made to minimize it, is the hurtful effect on several hundred families of the breadwinner losing his job. Those who will be displaced are established in the community; many own their homes and have children in school. It is not an easy thing for these people to find themselves unemployed with their jobs being filled by others who may come into the area from outside to add to an already difficult housing problem and to confuse the employment situation.

The Department of Defense, as stated above, has attempted to minimize this impact, and I hope that their arguments are sound. However, I have seen no guarantee whatever that the impact will not be as hurtful as those of us concerned feel that it will be.

I shall hope that your inquiry into this situation will reveal a basis for modification of this consolidation action that will both guarantee a satisfactory supply function at reasonable cost and protect the security of several hundred loyal and efficient contractor employees who have no control over the destiny that is being arranged for them.

Thanking you for giving me the opportunity of making this statement, I am
Yours faithfully,

SPESSARD L. HOLLAND.

APPENDIX II

STATEMENT BY CONGRESSMAN EDWARD J. GURNEY

There are two important issues involved in this investigation by the subcommittee of the consolidation of the supply functions at Patrick Air Force Base, Fla. First, there is the loss of their jobs by approximately 500 workers of Pan American Airways. I need not emphasize the importance of this to these wage earners and their families. Second, there is a much broader implication involved in this decision to change the handling of the supply function at Patrick from Pan American and private enterprise, to the Air Force and civil service. This is the question whether the Department of Defense intends to convert other similar activities now being performed by private enterprise to in-house Government military or civil service operation.

In the spring of this year, rumors began to circulate at Patrick Air Force Base that the supply functions being performed by Pan American were to be transferred to the Air Force, and that many Pan Am workers would lose their jobs. I received inquiries from concerned constituents and in turn asked DOD for an explanation.

Thereafter, beginning in March and extending into August, an exchange of correspondence with DOD and three conferences developed the following information:

The first replies were evasive and sketchy. They admitted that a change in operation was intended but that great savings would be effected and only a reduction of 100 personnel was involved. Conveniently overlooked were the 500 Pan American workers whose jobs were affected. Later it was admitted that these numbers were involved.

It was also learned that a General Accounting Office study of the supply operation at Patrick in 1963 has been critical of a duplication by Pan American and the Air Force and stated that there was waste and excessive costs in the duplication.

DOD then used this GAO report as a basis for ordering the change of the supply functions from Pan American workers to Air Force Government civil service personnel.

However, it is important to note that the GAO report made no recommendation as to who should do the supply function—Pan American or Air Force. It simply said that there be a single manager—either Pan Am or Air Force. GAO also asked both for estimates on how much their single management would cost. Pan Am furnished figures. Air Force did not. GAO made an estimate of what Air Force costs would amount to and these came out higher than Pan Am.

Realizing that it was advisable and necessary to consolidate the supply functions at Patrick, I asked DOD to furnish figures showing that the Air Force could do the job more cheaply than Pan American. This DOD has refused to do. One can only assume that they are unable to make a case that they can do it more cheaply.

Abandoning the economy argument when asked to prove it, DOD then based their case on Air Force, in-house supply management, by saying that they must do it because of military readiness necessity.

I pointed out that Patrick Air Force Base was not a tactical air base, but was a military installation which had a mission to support a national rocket and missile range, that it is mainly a research and development activity, that the supply function at Patrick in support of Air Force activities is the same as the support for the National Aeronautics and Space Administration, a civilian space agency.

Finally, realizing the weakness of the military readiness argument, DOD took the position that supply functions are normally done by the military, therefore this supply function should be so done.

I submit that the position of DOD is unsound for many reasons:

(1) There is good reason to believe that the job can be done more cheaply and efficiently by private industry—Pan American.

(2) The Pan American operation has been carried on for years in a satisfactory, efficient fashion. Why reward a job well done by booting them out now?

(3) The supply function was originally an Air Force, civil service operation, and private industry had to be brought in to do a job that was not being handled well by the Government.

(4) It is absolutely wrong to fire these 500 Pan American workers and replace them with civil service workers for the little or no reason shown here.

(5) Military readiness is not a valid argument for the change because the mission at Patrick is basically in support of a research and development activity, not a tactical operation. The same answer applies to the DOD contention that supply functions are traditionally done in-house.

(6) The proposed changeover here is disruptive of relations with the labor unions involved. The workers belong to unions that have had the best record of no work stoppage and good cooperation. This is surely a poor way to reward them.

Of particular importance, and I treat it separately because of that, is the fact that DOD, in my opinion, is violating basic national policy as set out in Bureau of the Budget Bulletin No. 60-2. Department of the Air Force interoffice correspondence during the planning stages of this changeover recognized that this action appeared at variance with this national policy which states in essence that DOD shall use private enterprise to the fullest extent in its procurement of goods and services.

There is also another very unjust aspect about this changeover to civil service. DOD has announced that civil service workers who lost their jobs by the base closures of last November will be given first priority. DOD has tried to minimize this factor, stating that not many people will avail themselves of the Patrick openings. The fact remains that civil service people can fill all these slots at Patrick and that Government workers can be transferred to Patrick from long distance at Government expense to replace fully trained, competent workers now there. This is a most unfair and reprehensible action, besides being a great waste of money.

Finally, there is the second broad point of Department of Defense making a basic change in policy regarding the use of private enterprise.

Last year Secretary McNamara set in motion a contract support services project (CSSP) study to look into the whole area of how much DOD should use private enterprise in this area of support services. The study was under the Office of Deputy Assistant Secretary of Defense Paul Ignatius, and Robert C. Moot was appointed project director.

An exhaustive study was made and a voluminous report filed by the Moot staff a few weeks ago. The report recommends that several thousand jobs now under private industry be taken away and turned over to Government civil service.

Simultaneously with the Moot study, the Government is also in the process of revising the Bureau of the Budget Bulletin No. 60-2, which establishes the basic national policy of using private enterprise to the fullest extent.

Several drafts of revision have been prepared. I asked to be furnished with the latest revision and the Bureau of the Budget refused to give me a copy.

I don't think there is any doubt that the Moot study of contract support services, with its recommendation to take away thousands of jobs from private industry, coupled with the proposed Bureau of the Budget Bulletin 60-2 revision, is designed to push private enterprise out in some sizable fashion and phase Government civil service in. A basic change in national policy is contemplated without question.

This is an issue very important to our nation and to Congress charged with representing how our constituents feel about this whole matter. For myself, I'm a firm believer in private enterprise, the basic economic factor that makes our society function so well. Contrariwise, I've never seen any convincing evidence that Government could do a job cheaper or more efficiently—in fact, just the opposite. Many Members of Congress feel just as keenly as I do about this basic issue.

Since the Department of Defense is by far the biggest user of private enterprise and also the biggest Government employer, it is certainly clearly within the jurisdiction of this committee to concern itself with any basic changes in national policy in this area.

Department of Defense denies that the Pan Am supply changeover has anything to do with the Moot study or Bureau of the Budget Bulletin No. 60-2. It is a fact that the GAO report of 1963 threw the direct torchlight on the Pan Am situation. But it is equally certain that the Pan Am supply changeover is a contract services matter and the Moot report even referred to it. The Pan Am situation can't help but be directly related to the subject matter of the Moot study and Bureau of the Budget Bulletin 60-2 and, in turn, whatever is finally resolved at Patrick in this matter is bound to be a case study for reference and guidance in future decisions on whether civil service or private industry does a particular job.

I urge the committee to look into this Pan Am-Patrick Air Force supply situation with great care to shed light on this most important matter to the end that justice and fair treatment be awarded the Pan Am workers and that our present sound national policy of utilizing private enterprise to the fullest extent be preserved.

Since the preparation of the report of the Eastern Test Range, the Department of Defense has been able to obtain more information regarding the situation of the Eastern Test Range. It is now known that the Eastern Test Range is in a state of emergency and that the Department of Defense is taking steps to bring it back to normal.

The Department of Defense has been informed that the Eastern Test Range is in a state of emergency and that the Department of Defense is taking steps to bring it back to normal. The Eastern Test Range is a critical part of the Department of Defense's operations and it is essential that it be brought back to normal as soon as possible. The Department of Defense is working closely with the Eastern Test Range to identify the causes of the emergency and to develop a plan to bring it back to normal.

I am sure that the Department of Defense will be able to bring the Eastern Test Range back to normal as soon as possible. The Eastern Test Range is a critical part of the Department of Defense's operations and it is essential that it be brought back to normal as soon as possible. The Department of Defense is working closely with the Eastern Test Range to identify the causes of the emergency and to develop a plan to bring it back to normal.

