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IMPACT OF CIVILIAN PERSONNEL
CEILINGS ON THE
CONTRACTING-OUT PROCESS
DOCUMENTS

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KANSAS STATE UNIVERSITY BEFORE THE

MILITARY PERSONNEL SUBCOMMITTEE

OF THE

COMMITTEE ON ARMED SERVICES

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SEPTEMBER 22, 1980

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
MILITARY PERSONNEL SUBCOMMITTEE,
*Naval Air Engineering Center,
Lakehurst, N.J., Monday, September 22, 1980.*

The subcommittee met, pursuant to notice, at 9 a.m., at the Naval Air Engineering Center, Lakehurst, N.J., Hon. Richard C. White (chairman of the subcommittee) presiding.

Mr. WHITE. The meeting will come to order.

Today the Military Personnel Subcommittee is conducting a field hearing at the Naval Air Engineering Center, Lakehurst, N.J., to look into the impact, at the base level, of civilian personnel ceilings and proposals to contract out functions now performed by Department of Defense personnel.

I welcome the opportunity to hear from some of the excellent employees of the Department of Defense who perform the real work essential to our national security posture.

The effectiveness of civilian personnel ceilings and contracting out are issues that have been closely scrutinized in the Congress for the past several years due to continuing indications of problems. Congressman Bill Hughes approached me recently to say that these problems are particularly evident at the Naval Air Engineering Center.

I think this morning's hearings will provide an excellent opportunity for the members of the subcommittee, and other Members of Congress who are in attendance, to trace the legislation the Congress has enacted concerning civilian personnel and contracting out through the various levels of the Department of Defense and see its impact at the base level.

We have a number of witnesses from the base, as well as representatives of the Department of the Navy and the Office of the Secretary of Defense who will appear before us this morning.

Before we begin, I would like to thank Mr. Won Pat, a member of the subcommittee, and Mr. Forsythe for their attendance at this meeting. We would welcome Mr. Forsythe, as well as Mr. Hughes, of course, to sit with the subcommittee as we receive testimony this morning.

The subcommittee has received excellent cooperation from Congressman Hughes and his staff, as well as Captain Friichtenicht, Mr. Cox, and Mr. Grand here at Lakehurst. We thank you.

I anticipate that this hearing will be beneficial to all of us. I would like to make some additional comments before beginning to call on the witnesses themselves.

The subcommittee will have to return to Washington because we are in session this afternoon. In fact, Mr. Forsythe is one of the floor managers for some very important matters coming up before Congress today, and Mr. Hughes sits on the Merchant Marine and

Fisheries Committee as well, so they will both have to be certainly doing their duty there as well as here.

I am going to read you the witness list so you will have an idea of at what point you will make your appearance. I am going to first call on the Honorable W. J. Hughes, Representative from New Jersey and the Honorable Edwin Forsythe, from New Jersey. Then I am going to take these groups as a panel to sit at the table at the same time and make their statements. They will then have themselves available for questions as a panel, and of course, members of the staff can direct questions to the individuals.

So we are going to have Capt. Richard Friichtenicht, commanding officer, Naval Air Engineering Center; William J. Cox, technical director. That will be one panel.

The next panel is Mr. J. Brady, president, Naval Air Engineering Center chapter, Naval Civilian Administrators Association, Mr. B. Kolacommission, past president, Naval Engineering Center Chapter, N.C.A.A.; Mr. F. E. Evans, superintendent, Support Equipment Engineering Department, Naval Air Engineering Center; and Stephen W. Iwasko, Sr., superintendent, Operations Division, Development and Site Support Department. That is another panel.

Then after the Congressmen, will be Mr. Doug Farbrother, Director for Manpower Management, Office of the Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics; Vice Adm. E. R. Seymour, Commander, Naval Air Systems Command; and Mr. H. Lee Dixson, Director, Civilian Manpower Division, Office of Budget and Reports/Fiscal Manager Division, Department of the Navy.

Therefore, since we have a pretty large list of witnesses, we would hope that you could summarize as best you can or keep your remarks as timely and as short as you can. If we have time remaining prior to our departure, then insofar as there are so many persons here who are interested in this subject and probably have their own ideas to place in the record before this committee, I will then ask if there is anyone in the audience—this isn't normal in hearings—I am going to ask if anyone in the audience would like to have anything to say.

At that time, I would like you to come forward and try to confine yourself to 1 minute—I will cut you off if you go beyond that, and place your statement into the record. If someone wishes to ask something further, of course, from the congressional table, naturally they would be so allowed. We will probably have to confine that to no more than ten such persons because I think our time is going to run out, if we even can get that far.

If you hear a bell, we have a system in the Congress, not so much the House of Representatives but sometimes the Senate. In our committee we confine ourselves to a 5-minute questioning period. We have a second round and in the event anyone has extra questions they wish to ask, that 5 minutes is very helpful, then you become more cognizant of the time and your questions become more succinct.

Now, at this time, I would like to call on Mr. Bill Hughes. I want to say this for Mr. Hughes. We are delighted to have you here this morning. You have been a supporter of defense as far as I know on your record, right down the line.

Last year when registration came up and we didn't have that many friends, you voted with us. Of course, this year we passed it. But every appropriation, every authorization bill that had come up relating to defense, you have supported. I can understand why—both Mr. Forsythe and I can see why you are cognizant of defense needs. If you would like to go ahead and make your statement.

**STATEMENT OF HON. WILLIAM J. HUGHES, A
REPRESENTATIVE FROM NEW JERSEY**

Mr. HUGHES. Thank you very much, Mr. Chairman, and good morning, I certainly appreciate that very kind and generous introduction.

For the record, I am William J. Hughes, Member of Congress representing New Jersey's Second Congressional District which contains much of Lakehurst, which I share with my colleague from the Sixth District, Ed Forsythe. On behalf of the employees of the Naval Air Engineering Center, and the many other concerned citizens of our region, I want to express my deepest appreciation to you and your subcommittee for scheduling this hearing today. This is probably the busiest time of the year in Congress, and we are very grateful to all of you for taking the time to conduct this important congressional hearing.

I want to thank Tony Won Pat for traveling from Washington at this time when we are probably as busy as any other time in the Congress, and we deeply appreciate that.

Throughout this morning, you will be hearing from some very talented and dedicated public servants—the people who run the Naval Air Engineering Center. They are deeply committed to Lakehurst, and to the mission it performs in the defense of our country. They have worked through some pretty difficult times, and under less than ideal conditions at the base, and they have always done an outstanding job. It is this tremendous sense of responsibility which brings some of them forward today to testify before this subcommittee. They firmly believe—and I concur with them—that the mission at Lakehurst is again in serious peril. They intend to present the facts to the subcommittee, and to seek your assistance in turning this situation around. All they are asking is that the Navy provide Lakehurst with the tools and the work force which are needed to effectively perform the assigned mission. It is that simple.

This is not a sudden crisis that has developed at Lakehurst. Rather, it is the result of a series of questionable decisions by the Navy which date back to March 1977. That was when the Navy combined the Naval Air Test Facility and the Lakehurst Naval Air Station to form the present Naval Air Engineering Center. I fought that consolidation as vigorously as possible, and I deeply regret that the Navy approved it over my objections. I think history will show that this consolidation was wrong, and that it compromised the integrity of the mission at Lakehurst.

This consolidation was not the only decision by the Navy which I questioned. In 1978, the Navy decided to reclassify Lakehurst as an operations and maintenance facility instead of a research, development and test facility. As a result of this reclassification, Lakehurst has been unfairly subjected to arbitrary reductions in ceiling

point, while other facilities with similar functions have been protected by any cutbacks.

In the last 3 fiscal years alone, the civilian work force at Lakehurst has been reduced by 313 jobs, or 16 percent. The impact of these reductions on the day-to-day working level has been tremendous. In some quarters, they are now down to 1 secretary for 70 or 80 skilled engineers. All of the internal auditors have been laid off.

I might add that all of these reductions have taken place despite the fact that Congress has increased the funded workload at Lakehurst, and the Navy's 5-year defense plan calls for the assignment of even greater responsibilities to the base. I have warned repeatedly that these cutbacks are undermining the mission at Lakehurst in the next few years, and that this mission cannot be carried out unless the work force is increased at the base.

This contradiction simply does not make sense to me. How can the Navy increase the workload at Lakehurst, and at the same time deny the base the skilled employees it needs to effectively perform its mission? I have put this question to the Navy numerous times, and I have yet to receive a reasonable answer. In fact, Navy officials have conceded that the forced reduction is stupid. The Navy assures me on the one hand that Lakehurst is a unique installation, that its mission cannot be duplicated at any other military installation in the world, and that its long-term future is secure and that the cutbacks are stupid.

At the same time, the Navy continues to cut back the work force at the base, refuses to upgrade the barracks and other facilities, and generally acts, not talks like Lakehurst doesn't really fit into their future plans at all.

These ceiling point reductions are having another adverse impact as well. In order to achieve the personnel reductions, Lakehurst has had to contract out more and more vital support activities to the private sector. Generally speaking I have no problem with that system, If the work can be carried out more efficiently in the private sector, and without compromising our in-house capability, then I think it should be contracted out.

However, that is no longer the case at Lakehurst, where vital support activities are being contracted out that should be performed in-house, just to avoid the ceiling point standards. Some of the hardware produced by outside contractors is so poor that it has to be completely reworked by base engineers to bring it up to the test standards, and hampers the in-house capability to respond to field problems. Moreover, we are gradually losing our entire technical community at Lakehurst, and making it unattractive for young engineers and scientists to seek employment at the base.

Mr. Chairman, these problems have combined to create an alarming situation at Lakehurst. What is more, it would appear that these problems are not limited to Lakehurst, but are apparently similar to conditions that exist at other military installations. I believe this entire issue of ceiling point reductions should be carefully reviewed by your subcommittee, to determine if it is truly an effective management tool, or if it simply ties the hands of the commanding officers making it difficult, as I believe it does, for them to carry out their missions.

I also hope your subcommittee will review the procedures for funding industrially based missions. While Lakehurst might not be as glamorous as the military training facilities, I believe its mission is just as important if not more so, and that it should be insulated from these arbitrary ceiling point reductions. I know that the subcommittee intends to examine both of these issues in the months ahead, and I look forward to working with you in that endeavor.

In any event, it is essential that the negative trends at Lakehurst be reversed. I hope today marks a step in that direction.

That concludes my prepared statement. I would be pleased to answer any questions you may have at this time.

I might add that Governor Byrne has asked me to convey his concern. He has asked Commissioner John Horn, commission of labor and industry of our State, to prepare some testimony that he would like to submit on behalf of the office of the Governor. I would ask that the subcommittee perhaps receive that statement.

Mr. WHITE. Without objection, that statement will be included in the record following Mr. Forsythe's statement.

Mr. HUGHES. I thank you and look forward to hearing from the various witnesses.

Mr. WHITE. Any questions of the panel? No questions.

Mr. Forsythe, I know that you really cut your schedule very close to come down here. I know how much you wanted to come here. I serve with you on the Science and Technology Committee. I know your dedication to the interest of Congress and we are delighted to have you here with us this morning.

STATEMENT OF HON. EDWIN B. FORSYTHE, A REPRESENTATIVE FROM NEW JERSEY

Mr. FORSYTHE. Mr. Chairman, first, let me add my thanks to those already expressed by my colleague, Congressman Hughes, for the willingness of the subcommittee to come here to Lakehurst in order to take a firsthand look at what we feel is a major problem. We all know how difficult it is to get away from Washington during these hectic weeks as the 96th Congress tries to finish a major work, but Bill and I feel quite safe in assuring you that this is a problem of such magnitude that it well repays your effort.

Let me also join Congressman Hughes in expressing my appreciation for the outstanding personnel here at Lakehurst. I think we have a unique blend of technical and mechanical expertise located here which is an extraordinary asset to the Navy and to the entire country in carrying out a very difficult mission. We feel the present threat to that mission has ramifications for the entire Navy and for our entire defense posture.

And, finally, let me express my own appreciation for the outstanding job done by Congressman Bill Hughes in bringing this issue to the attention of the subcommittee. Congressman Hughes has done a tremendous job of representing his constituents' interests, but he has also never lost sight of the larger national interests involved in the issue which we are examining today. I think we all owe him our thanks.

Mr. Chairman, the immediate occasion that brings us all here today is the proposed reduction of personnel at the Naval Air

Engineering Center here at Lakehurst—a reduction following similar reductions during the last 3 fiscal years resulting in the loss of over 300 jobs. Since 1973, we have lost over 1,200 positions here at Lakehurst and, if the Navy goes ahead with its plans, we will lose more in the coming years.

Mr. Chairman, I know that whenever any reduction in force is proposed anywhere in the country you are immediately besieged by Members representing the area to stop the proposed reduction.

But here at Lakehurst we have a unique situation. The loss of jobs—while a distressing one—is not the underlying issue. The major problem is the steady reduction in personnel planned by the Navy at a time when the actual mission of the Naval Air Engineering Center is steadily increasing.

What the subcommittee is looking at today is not the usual closing of a base by steady attrition. What we are looking at today is the failure of a major management technique of the Navy—the use of an arbitrary civilian personnel ceiling—and the disastrous effect of that failure upon the mission of a unique and vital defense installation. A direct outgrowth of that failure is the wasteful and dangerous contracting out of necessary support activities.

Mr. Chairman, others here today can more adequately describe to you the unique quality of the operation here at Lakehurst and its contribution to our defense effort. I have seen, however, the Navy's own assessment of the value of this facility and have reviewed the Navy's conclusion that it cannot be duplicated or replaced anywhere else in the world and that the contracting out of critical supplies is not a feasible alternative to in-house production. I must say I have great difficulty in balancing those Navy assessments with the Navy proposal to further reduce personnel here at Lakehurst.

Let me point out that I am a strong supporter of contracting out military support operations to the private sector when—let me emphasize—when such contracting out results in financial advantage and does not impact the military mission. Contracting out as a policy can only be used effectively on a case-by-case evaluation of cost and mission.

The arbitrary personnel reductions here at Lakehurst have resulted in contracting out which has no financial advantage and has a severe negative impact upon the mission of the Engineering Center. Due to the extremely specialized nature of this operation, the private sector cannot adequately supply the material needed for the mission nor can the private sector provide the flexibility needed. As other witnesses will detail for you, the need for contracting out forced by the personnel reductions has consequently resulted in both waste of taxpayers dollars and limits on the ability of the remaining personnel to perform the necessary mission.

But the situation is not occurring only at Lakehurst. Investigations indicate that a similar situation exists around the country in relation to the ceiling point management technique and its impact upon other missions. In the case of Lakehurst, however, due to the unique mission of the base and due to the unique blend of technical and mechanical expertise that has been developed over the years, we have an extreme example of the potential for disaster inherent

in applying these policies across the board with no differentiation for individual cases.

In sum, we feel Lakehurst is an individual case that merits careful evaluation by the Navy. Our hope in bringing the subcommittee here today is to highlight the ill-advised decision of the Navy to further force reduction of personnel at Lakehurst. But we also hope to highlight the broader issues of, one, the implications for using personnel ceiling points as a management technique and, two, the potential waste in contracting out vital technical support activities which should be maintained in-house in order to perform highly technical missions.

Again, Mr. Chairman, we deeply appreciate your willingness to look at these issues. Congressman Hughes and I stand ready to do whatever we possibly can to provide you with additional information as it becomes necessary.

Thank you for your help.

In addition, I also have some colleagues in the State legislature who represent Lakehurst and who have brought a statement here to Lakehurst this morning that I would ask unanimous consent be included in the record.

Mr. WHITE. Without objection, the statements of the representatives from New Jersey shall be placed in the record.

Mr. FORSYTHE. Thank you, Mr. Chairman.

[The following information was received for the record:]

WRITTEN STATEMENT OF JOHN J. HORN, COMMISSIONER, NEW JERSEY DEPARTMENT OF LABOR AND INDUSTRY

I want to express my concern over the immediate and longer-run effects of the planned manpower reduction now taking place at the Naval Air Engineering Center at Lakehurst, New Jersey.

The consolidation of commands that took place in 1973-74 caused 887 civilians to be withdrawn at this installation. In absolute terms that is a significant number of persons; in a county relatively dependent on seasonal employment, the loss of almost 900 permanent, non-seasonal jobs takes on a significance beyond its numerical measure.

Following that loss of jobs, civilian employment at NAEC has continued to decline. The number of civilian jobs at the installation declined by 3.2 percent in each year from 1974 to 1979. The total number of civilian jobs withdrawn from the local economy during these years amounted to 337.

After 1979, civilian employment at NAEC declined even more sharply—at 3.6 percent annually. Including projected manpower reductions through 1982, an additional 189 permanent year-round civilian jobs will be withdrawn from the local economy.

Over the ten-year period, including the consolidation phase, over 1,400 high quality jobs have been withdrawn from Ocean County and the surrounding area. I have an additional concern with the prospect of further manpower reductions actually precipitating a reevaluation of the facility's continued usefulness to the Navy.

The Naval Air Engineering Center and its highly qualified technical support personnel make significant contributions to both fleet maintenance and the local economy. I recommend that the civilian personnel ceilings be reevaluated in light of the importance of the facility's mission to the Navy and its significance in the local economy.

NEW JERSEY PERMANENT COUNCIL ON ARMED FORCES LIAISON, NEW JERSEY DEPARTMENT OF LABOR AND INDUSTRY, TRENTON, N.J.

Whereas the United States Department of Defense and the Department of the Navy have reduced the level of employment and the number of positions at the Naval Air Engineering Center at Lakehurst, New Jersey, by more than three per cent per year since 1974, and;

Whereas the reduction in personnel at the Center, if unchecked will exceed 26 per cent of the 1974 level by the conclusion of 1982, and;

Whereas the Center's mission is unique because it is the only facility in the United States capable of carrying out engineering, manufacturing and replacement functions for aircraft carrier catapult and recovery systems crucial to the defense capability of the United States fleet, and;

Whereas the Naval Air Engineering Center is the largest single employer in Ocean County, with more than 4,000 civilian and military personnel and an annual payroll in excess of \$31 million, and;

Whereas the continuing reductions in personnel threatens the vital mission of the Center and will undermine its ability to respond quickly and effectively to the needs of the nation's aircraft carrier fleet, and;

Whereas additional reductions will have a heavy adverse economic effect on Ocean County and nearby communities, now, therefore, be it

Resolved by the New Jersey Permanent Council on Armed Forces Liaison, That:

1. We express our strong and unequivocal support for maintaining the present personnel level at the Naval Air Engineering Center and that we offer our assistance and support to those persons currently working toward that end.

2. We memorialize the Congress of the United States, the Department of the Navy, the Department of Defense, and the President of the United States to take the necessary steps to avert any further personnel reductions at the Center.

3. We ask that officials at both the county and municipal levels in New Jersey join with the Council in strong support of a continued military presence in the state and in the Northeast. Be it further *Resolved*, That copies of this resolution be forwarded to all members of the New Jersey Congressional delegation, the Secretary of Defense, the Secretary of the Navy, the boards of Freeholders of Ocean and Burlington counties, the state legislators representing Ocean and Burlington counties, and any municipal officials the Council deems appropriate.

CHARLES B. YATES,
Senator, Chairman.

H. JAMES SEXTON,
Assemblyman, Vice-Chairman.

September 15, 1980.

[Memorandum]

STATE OF NEW JERSEY,
DEPARTMENT OF LABOR AND INDUSTRY,
September 19, 1980.

To: Arthur J. O'Neal, Jr., Assistant Commissioner, Income Security.
From: Donald M. Scarry, Assistant Director, Office of Economic Research.
Subject: Naval Air Engineering Center—Lakehurst, N.J.

The attached is a brief descriptive analysis of the planned personnel cutbacks at the Naval Engineering Center at Lakehurst, N.J. It contains a brief statement of the instant problem—actual strength in excess of fiscal year 1981 year end objective—and a discussion of the aggregate impact of the personnel reductions occurring from 1974 to 1982.

The analysis deals with the economic setting in which this personnel reduction has taken place. It contains a description of the economic dimensions of Ocean County; this is excerpted from a current publication of the Division of Planning and Research.

There is an applications of an employment multiplier supplied in a publication of the Economic Adjustment Committee, DOD. This must be understood to be only an approximation of impact. The use of a multiplier does not settle the issues of the areal and time dimensions of the impact.

Attachment.

1. REDUCTION IN PERSONNEL AT LAKEHURST

1.1. *Planned personnel reduction*

The Naval Air Engineering Center at Lakehurst, N.J. (Lakehurst) is currently in the process of implementing a planned personnel reduction. From 1974 to 1979, personnel was reduced from 2075 to 1738 persons. This represented a 3.2 percent reduction per year. (See: Manpower Profile, 1 January 80, attached.) From 1979 to 1982, personnel are to be further reduced to 1549 persons. This indicates a slightly increased rate of reduction—3.6 percent annually for the period. The Manpower

Profile projects no further reduction in personnel through 1982 and gives no information for 1983 or beyond.

Not including what appears to be a consolidation based reduction of 887 persons that took place through or before 1973-74, the total planned reduction in personnel at Lakehurst was 337 persons over the period 1974 through 1978, or about 77 persons per year. For the period 1979 through 1982, a further reduction of 189 persons is planned. This means 63 persons will be released each year through that period. Over the eight year period a total of 526 civilians will have been released.

1.2. Current status of the plan

The Public Affairs Office at Lakehurst, through Mr. N. Grand, supplied information on the current status of the implementation of these planned personnel reductions. Amended personnel plans for Lakehurst, announced January 1, 1980 indicate the following:

Amended manpower plan January 1, 1980, Lakehurst

Actual strength on September 1, 1980	1825
Objective for September 30, 1981 (fiscal year 1980).....	1695
Objective for September 30, 1982 (fiscal year 1981).....	1695
Objective for September 30, 1983 (fiscal year 1982).....	1525

The "actual strength" is composed of 1165 direct NAEC employees and 660 additional persons in sub-offices of the installation. In addition to the "actual strength," subject to the planned reductions, there are 348 persons associated with other military commands that are considered "tenants" of the NAEC command. There are another 182 civilians employed in the PX, commissary, officers' club, etc.; these persons are paid by contract, not out of appropriated funds. They are not directly included in the planned reductions.

The difference between the actual strength on September 1, 1980 and the objective for September 30, 1981 is 130 persons. To achieve the objective set for the end of fiscal year 1980 these persons would have to be released. Captain R. D. Friichtenicht, NAEC Commanding Officer—in an interview in an NAEC in-house organ of August 29, 1981 (attached)—indicated that actual strength as of August 31, 1981, was 1,785. He stated: "That puts us 90 over the ceiling. Two weeks ago I sent NAVIR a message outlining our problem and requesting relief by going over end strength. I hope to know the answer within the next week or so."

A comparison of actual strength on September 1, 1980 and Capt. Friichtenicht's statement of actual strength on August 31, 1981—1825 to 1785—indicates that 40 persons have been deleted by attrition leaving the 90 persons he discussed subject to NAVAIR's decision.

2. GEOGRAPHIC DISTRIBUTION OF CIVILIAN EMPLOYMENT

2.1. Place of residence of selected employees

Table No. 1 indicates the counties and municipalities in which Lakehurst's civilian employees reside. There are 5 counties and 28 municipalities listed. Employees tend to be significantly concentrated in Ocean County and the distribution of payroll among those counties follows the distribution of place of residence.

Note that Table No. 1 describes the place of residence of only 1445 of 1825 civilian employees; it is the most recent and complete distribution available at this time. The exclusion of 380 civilian employees from the distribution probably does not seriously alter the distribution since there is no a priori reason to believe they have located themselves in any more dispersed manner than those covered. If anything, the partial listing may tend to understate the number of residents of Ocean County—the host county—associated with Lakehurst. The distribution will be used because it represents "best available" data; the possibility of underestimating Ocean County residents must be borne in mind.

TABLE 1.—GEOGRAPHIC DISTRIBUTION OF LAKEHURST EMPLOYEES

[Dollars in millions]

Municipality	Number of personnel	Gross payroll
Burlington County:		
Browns Mills.....	46	\$0.861
Marlton.....	38	.926
Medford.....	29	.800

TABLE 1.—GEOGRAPHIC DISTRIBUTION OF LAKEHURST EMPLOYEES—Continued

[Dollars in millions]

Municipality	Number of personnel	Gross payroll
Mount Holly	12	.221
Vincentown	17	.411
Willingboro	21	.496
Subtotal	163	3.7150
Camden County:		
Blackwood/Turnerville	21	.570
Cherry Hill	33	.875
Laurel Springs	20	.433
Subtotal	74	1.8780
Gloucester County: Deptford	14	.342
Subtotal	14	.342
Monmouth County:		
Howell	18	.360
Neptune	14	.268
Subtotal	32	.628
Ocean County:		
Barnegat	27	.475
Bayville	44	.859
Beechwood	77	1.4
Bricktown	89	1.6
Forked River	28	.465
Jackson Township	125	1.6
Lakehurst	124	1.9
Lakewood	95	1.6
Lanoka Harbor	18	.298
Manhawkin	18	.314
Pine Beach	18	.406
Point Pleasant	26	.491
Toms River	423	8.2
Tuckerton	24	.451
Waretown	12	.211
Whitings	14	.265
Subtotal	1,162	20.5350
Total	1,445	27.0980

2.2. Geographic impact

Given the small number of employees still awaiting NAVAIR's decision on allowing Lakehurst to exceed its year end objective and fairly wide distribution by place of residence, it is difficult to anticipate that even a negative decision by NAVAIR could cause serious fiscal impact on schools, municipal taxes, public debt or the housing market. Even including the 40 persons lost by attrition (total 130), the fiscal impact of the implementation of this year's reduction cannot be considered very serious because of its apparently wide distribution.

The revised Manpower Plan, as amended January 1, 1980, indicates no planned reductions through September 30, 1982. Between then and September 30, 1980, a planned reduction of 170 persons is scheduled. It can only be assumed that these reductions will be distributed as its place of residence in the absence of any other evidence.

3. TOTAL IMPACT: NUMBER OF JOBS

3.1. No distinction between jobs lost to attrition and budgetary reasons

While 90 persons may be "laid off" at Lakehurst on or before October 1, 1980, the reduction in the number of jobs available to area residents must include those not filled when their holder leave, retire, etc. The impact of these reductions must be measured by the decrease in the number of jobs available. Combining the planned reductions for previous years with those projected through 1983, NAVAIR has reduced the amount of jobs available to area residents by 526. The observation that many of the jobs were closed by attrition does not alter the fact that 526 jobs are no longer available.

3.2. Average wages and wages lost by personnel reductions: Aggregates through time

Table number 1 indicates that the average Lakehurst employee earned just over \$18,500. A pay increase of 9.1 percent has been announced to take effect as of October 1, 1981. This would increase the estimate of average earnings to about \$20,300. Five-hundred and twenty-six jobs paying this amount add over \$10.5 million to area resident's earnings per year.

If Lakehurst had maintained its "actual strength" of 1974, there would be \$10.5 million in extra earnings available to area residents. The 130 job reduction scheduled for fiscal year 1981 (40 of which are already lost to attrition) would withdraw in excess of \$2.5 million itself.

3.3. Multipliers

Multiplier analysis is fraught with pitfalls. However, it is imperative that secondary, and even tertiary, effects of a withdrawal from the earnings stream available to residents be accounted for. An analysis which skips this conceptual step is more flawed than one which uses a questionable multiplier. Clearly, area residents other than direct employees, i.e., butchers, bakers, car salespeople, etc. depend on the direct employees earnings.

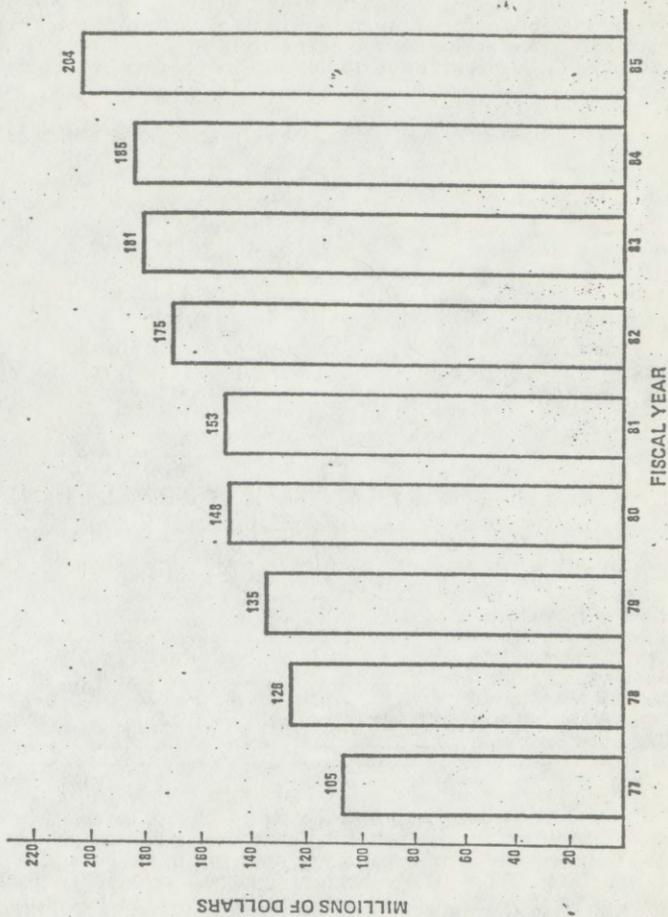
"The Report of the President's Economic Adjustment Committee on Communities Affected by the Defense Facility and Activity Realignments Announced April 17, 1973" as transmitted to Congress, July 1973, contains a discussion of several types of (employment) multipliers to be used in the case of reductions in force at military installations. It suggests an area multiplier of 1.53 supporting sector jobs for each civilian employee. This would indicate the 130 jobs eliminated in fiscal year 1981 have an area wide secondary and tertiary employment impact of about 198 jobs. The sum of all the indirect job losses and the civilian jobs eliminated at Lakehurst would thus be 328 jobs.

The employment multiplier suggested by this report for the loss of military personnel is much lower because of their greater functional dependence on the military facility. Here, however, we are dealing with civilian employees who's primary dependence is on the civilian economy.

Applying the 1.53 multiplier to the aggregate of all jobs eliminated at Lakehurst over 1974 to 1982, would yield a total job impact of over 1300 jobs eliminated in the area: 526 direct and over 800 indirect. This is, of course, an aggregated impact through 1974-1982 and leaves the issue of whether the relevant "area" is the four counties in which the residents live or a broader area.



BUSINESS PROJECTION



4. THE ECONOMIC SETTING

4.1. An economic description of Ocean County

Reviewing Table 1 indicates, even if the elimination of jobs had an areal effect coterminus with the four counties of significant residence, that the greatest portion of that impact would fall on Ocean County. The following description of Ocean County is excerpted from "Economic Profile of Ocean County, New Jersey," Department of Labor and Industry. The full text of the profile is available.

The centers of employment in Ocean County are in the northern municipalities, shown in Table 2. They contain 70 percent of all covered employment in the county and 88 percent of its covered manufacturing jobs; the remaining 30 percent is scattered throughout the county but primarily located among the coastal communities.

TABLE 2.—COVERED JOBS IN LARGEST MUNICIPALITIES, 1976

Community	Total	Manufacturing
Brick Township	5,947	397
Dover (includes Toms River)	14,579	2,193
Jackson	3,200	122
Lakewood	9,305	2,358
Point Pleasant Borough	3,287	141
Total	36,318	5,211
County total	52,102	5,902
Percent of total	70	88

TABLE 2A.—SOURCES OF 1969 FAMILY INCOMES: OCEAN COUNTY AND NEW JERSEY

	Ocean County	New Jersey
Percent with wage or salary income	77.6	89.0
Mean wage or salary income	\$9,786	\$12,060
Percent with self-employment income (nonfarm)	11.3	10.0
Mean self-employment income	\$8,010	\$9,753
Percent with social security income	31.7	19.7
Mean social security income	\$3,312	\$1,666
Percent with public assistance or public welfare income	3.8	5.0
Mean public assistance income	\$1,929	\$1,874

Source: 1970 U.S. census of population.

Table 2 shows the changes in the composition of covered jobs between 1970 and 1976. The manufacturing sector has employed an almost constant number of people but has decreased as a proportion of total jobs in the county. Within the manufacturing group (Table 3), the chemical industries account for the largest number of persons employed in manufacturing; this employment has also been constant over the past few years. Employment in apparel manufacturing, which was almost 20 percent of manufacturing in 1965, had declined in both level and proportion by 1976 to be replaced by increasing employment in lumber, wood, and furniture manufacture. This last phenomenon is related to the importance of new residential development in the county economy.

TABLE 3.—PERCENTAGE DISTRIBUTION OF COVERED JOBS

	1970		1976	
	Ocean County	New Jersey	Ocean County	New Jersey
Manufacturing	14.5	41.4	11.3	34.2
Wholesale and Retail Trade	42.2	25.7	38.9	27.7
Transportation	2.4	5.2	1.8	4.7
Communications and Utilities	4.8	3.2	4.4	3.0
Services	17.1	12.7	27.7	19.4

TABLE 3.—PERCENTAGE DISTRIBUTION OF COVERED JOBS—Continued

	1970		1976	
	Ocean County	New Jersey	Ocean County	New Jersey
Finance.....	4.4	4.8	6.1	6.1
Construction.....	13.0	6.0	8.3	4.4
Other.....	1.7	1.0	1.5	0.8
Total.....	100.0	100.0	100.0	100.0
Total number of covered jobs.....	31,792	2,095,798	52,102	2,269,709

Source: "Covered Employment Trends", New Jersey Department of Labor and Industry, Division of Planning and Research, Office of Labor Statistics, 1976.

TABLE 4.—COVERED JOBS, MAJOR MANUFACTURING GROUPS, OCEAN COUNTY, 1960, 1965, 1970, 1976
[September]

Industry	Number of covered jobs				Percentage Distribution			
	1960	1965	1970	1976	1960	1965	1970	1976
Food and kindred products.....	277	199	409	172	10.9	6.5	8.9	2.9
Textile mill products.....	55	36			2.2	1.2		
Apparel and needle products.....	448	527	581	444	17.6	17.2	12.6	7.5
Lumber and wood products.....	10		15	964	0.4		0.3	16.3
Furniture and fixtures.....	80	47	335	60	3.1	1.5	7.3	1.0
Printing and publishing.....	125	223	356	563	4.9	7.3	7.7	9.5
Chemical and allied products.....	983	1,267	1,404	1,409	38.6	41.0	30.4	23.9
Petroleum and coal products.....	8			65	0.3			1.1
Rubber and miscellaneous plastics.....	44	84	280	263	1.7	2.7	6.1	4.5
Leather.....	15				0.6			
Stone, glass, and ceramics.....	129	137	159	302	5.1	4.5	3.5	5.1
Primary and fabricated metal.....	29	53	215	205	1.1	1.7	4.7	3.5
Machinery (except electric).....	14	24	218	219	0.6	0.8	4.7	3.7
Electrical goods and machinery.....			272	701			5.9	11.9
Shipbuilding industry.....	293	228	213	256	11.5	7.4	4.6	4.3
Instruments and clocks.....				54				0.9
Miscellaneous small goods.....	34	42	81	140	1.3	1.4	1.8	2.4
Total manufacturing.....	2,544	3,068	4,614	5,902	100.0	100.0	100.0	100.0

Source: Department of Labor and Industry, Covered Employment Trends.

Note.—An expansion of coverage in 1969 to include smaller firms and, in 1972, to include nonprofit organizations slightly distorts the continuity of this series, but does not disturb the relative proportions.

Employment in contract construction fell in 1974 as a reflection of the national decline in new residential construction. It expanded again in 1976 and 1977, at the same time as the new shopping centers outside Tome River and along Route 70 became successfully established. The availability of good sewerage in recent years facilitated new development in Manchester and Berkeley Townships, and in 1977 the Ocean County Sewerage Authority obtained permission to complete construction of a new large interceptor. This has the potential of opening large areas for development in the western sections of the county.

Employment in the services includes hotels and motels, amusements, and hospitals and other health care facilities (Table 5). Among these, the greatest increase has been in health services. The county is served by four licensed hospitals with a combined capacity of 840 beds at present. The Garden State Rehabilitation Hospital has an additional 150 beds. Each hospital has applied and received approval for the expansion of its facilities.

Hospitals in Ocean County, 1978

Name:	Number of beds
Point Pleasant.....	280
Paul Kimball, Lakewood.....	263

Name:	Number of beds
Community Memorial, Toms River	237
Southern Ocean, Manahawkin	60
Total	840

TABLE 6.—COVERED JOBS IN SELECTED SERVICES, OCEAN COUNTY, SEPTEMBER EMPLOYMENT

Industry	1960	1965	1970	1976
Eating and drinking places.....	1,124	1,995	3,533	6,737
Hotels, motels, et cetera.....	582	613	948	933
Amusements.....	324	438	987	3,441
Health services.....	380	490	1,251	3,440
Hospitals ¹				2,438

¹ Hospitals are included in the Health Services until 1973.

Source: Covered Employment Trends, New Jersey Department of Labor and Industry, Division of Planning and Research.

Covered jobs in Hospitals and Health Services totaled 380 in 1960 and had risen to almost 6,000 in 1976, at which time they accounted for 11 percent of total covered jobs. A larger population, particularly among the retirement groups, will probably call for further expansion in the future. Among recreation facilities, the Great Adventure Safari and Amusement Park with 400 year-round and 2,500 seasonal employees in 1976 provides a major source of employment for the young people of the county.

Government employment is also important in the county. Lakehurst is the largest public employer; the Toms River School District employs almost 600; and the Ocean County Administration about 1,400.

While tourist-related jobs are no longer as large a proportion of total jobs located in Ocean County, they are the primary source of income in many of the coastal communities. When viewed as a proportion of overall total employment, the number of covered jobs in hotels and motels and in the amusement categories seems less important than one would expect in Ocean County. This is explained in part by the great seasonal variations, which are shown in Table 7. Employment in these categories is low in January and February, and rises substantially in May to mid-August. For example, in August of 1976, employment in eating and drinking places more than doubled from the February low to the August high, rising from 9.9 percent in winter to 13.6 percent of all jobs in the summer. In the summer, therefore, these jobs are of much greater relative importance. As the local job base increases throughout the county, the effect of the seasonal fluctuations on the general economy will decrease.

TABLE 7.—SEASONAL VARIATION IN SELECTED COVERED JOBS, 1976, OCEAN COUNTY

	Covered jobs 1976		Percent of total	
	February	August	February	August
Retail trade.....	14,175	21,852	37.0	34.2
Retail food.....	2,777	3,822	7.3	6.0
Retail auto & filling station.....	2,096	2,404	5.5	3.8
Retail apparel & accessories.....	748	1,183	2.0	1.9
Eating & drinking places.....	3,776	8,668	9.9	13.6
Miscellaneous retail.....	1,797	1,969	4.5	3.1
Service total.....	10,834	16,634	28.3	26.1
Hotel, boarding, etc.....	686	1,310	1.8	2.1
Personal services.....	680	752	1.8	1.2
Amusements, NEC. ¹	723	5,243	1.9	8.2
Total covered jobs in Ocean County.....	38,292	63,838	100.0	100.0

¹ Nowhere else classified.

Source: Covered Employment Trends, New Jersey Department of Labor and Industry, Division of Planning and Research, Office of Labor Statistics, 1976.

To summarize, present and future growth of employment opportunities within Ocean County may lie in those fields that are closely related to the needs of an

expanding population. Thus, retail trade, the service industries, and health facilities have shown the greatest expansion during the last 20 years. The educational sector has also shown significant growth, while jobs in manufacturing have been relatively constant in number, constituting about 11 percent of total covered jobs in 1976.

4.3. Earnings and size of establishment

The average earnings per employee in Ocean County are lower than in the state as a whole, but there are significant variations among industries (Table 8). Only in the manufacture of chemicals, in stone, clay and glass, and in agriculture do Ocean County earnings per employee exceed those in the State. Characteristically, annual earnings in retail trade, and in services—including hotels and amusements—are among the lowest in the county, and lower than statewide averages. Average earnings in medical and health services, which accounted for almost 11 percent of total county employment in 1976, are only a little greater than those in eating and drinking places, which are generally lowest throughout the national economy as well as the state and regional economies. Earnings in miscellaneous business services are also low in Ocean County, probably because most activity in this group of services in the county is concentrated in janitorial and maintenance service. Retail and wholesale trade accounted for almost 40 percent of all covered jobs; and services—including hotels and amusements—accounted for 28 percent, while manufacturing jobs are approximately 11 percent of the total. A significant number of local jobs, therefore, are among those that are traditionally associated with lower earnings.

TABLE 8.—PAYROLL PER EMPLOYEE, 1ST QUARTER, 1973, OCEAN COUNTY AND NEW JERSEY

Industry	Ocean County	State
Manufacturing.....	\$2,077	\$2,473
Food.....	1,486	2,403
Apparel.....	1,141	1,402
Lumber and wood.....	1,933	1,890
Furniture.....	1,674	1,793
Printing and publishing.....	1,317	2,329
Chemicals.....	2,875	2,822
Stone, clay, and glass.....	2,512	2,373
Machinery (excluding electrical).....	2,443	2,605
Electrical equipment.....	1,549	2,440
Transportation.....	1,925	2,843
Wholesale trade.....	1,921	2,702
Retail trade.....	1,287	1,411
Eating and drinking places.....	817	894
Transportation, communications, and public utilities.....	2,439	2,671
Services.....	1,437	1,671
Hotels and motels.....	1,048	1,048
Amusements.....	1,016	1,187
Hospitals.....	1,519	1,712
Health.....	1,261	1,189
Miscellaneous business services.....	1,005	1,675
Finance, insurance, and real estate.....	1,861	2,100
Contract construction.....	2,019	2,769
Mining.....	2,505	2,743
Agriculture.....	1,726	1,503

Source: U.S. Department of Commerce, "County Business Patterns," 1973, Tables 1B and 2.

4.4. Major employers in Ocean County

The list of major employers (Table 9) reflects the economic structure described above. Among manufacturing firms, Toms River Chemical Company is the largest private employer in the county. In addition to those listed, there are many small business establishments in the trades and services.

TABLE 9.—MAJOR INDUSTRIAL EMPLOYERS IN OCEAN COUNTY

Firm name	Location	Product	¹ Employment range
New Jersey Pulverizing Co.....	Bayville.....	Sand and gravel products.....	A
Cosmer Coat Co.....	Bricktown.....	Women's clothing.....	A
Glenrock Lumber & Supply.....	do.....	Lumber building materials.....	A
American Smelting & Refining (ASARCO)....	Lakehurst.....	Ilmenite mining.....	B
Gledden-Durkee Division, SCM Corp.....	do.....	do.....	A
Reade Manufacturing Co.....	do.....	Magnesium and alloy products.....	A
Audio Manufacturing Co.....	Lakewood.....	Plastic products.....	A
Ralph Clayton & Sons.....	do.....	Sand, gravel, concrete.....	B
Excell Wood Products.....	do.....	Kitchen cabinets.....	B
Fluid Packaging Co.....	do.....	Packaging, household & personal goods.....	B
Howell Woodwork.....	do.....	Kitchen cabinets.....	A
Jersey Coast Egg Production.....	do.....	Egg processing.....	A
Leisure Tech. Corp.....	do.....	Building contractors.....	B
Level Line Inc.....	do.....	Window and door units, millwork.....	B
Peter Pan Industries.....	do.....	Records and miscellaneous plastics.....	A
Torwico Electronics.....	do.....	Electronics.....	B
Teledyne Still-Man Manufacturing.....	do.....	Tubular electric heating units.....	B
Wheaton Plastics.....	do.....	Plastic molding.....	B
G Whiz Products.....	do.....	Frozen foods.....	A
Bo Con Manufacturing Co.....	Point Pleasant.....	Contract packing and sewing.....	A
Johnson Boat Works.....	do.....	Boat building and repair.....	A
Borden Inc. Snow Foods.....	do.....	Food products.....	A
Acme Cabinet Manufacturing Corp.....	Toms River ²	Kitchen cabinets.....	A
Daily Observer.....	do.....	Daily newspaper.....	A
Jeans Manufacturing Co.....	do.....	Ladies sportswear.....	A
Netaluone Manufacturing Co.....	do.....	Aluminum products.....	A
Toms River Chemical Co.....	do.....	Dyes, pigments, other chemicals.....	C

¹ Employment range: A=50-100 employees; B=100-500 employees; and C=500 or more employees.

² Toms River is a named place in Dover Township, N.J.

Source: "1975 New Jersey State Industrial Directory" and "This is Ocean County, New Jersey," Jersey Central Power & Light Co.

Ocean County establishments on the average are about two-thirds the size of those in the state as a whole. However, the chemical plants in the county are larger than the state average (180 employees compared to 102 in the state), and establishments in contract construction are also somewhat larger. Real estate offices and medical and health service establishments are larger in the county, as are some kinds of retail establishments, although the average for all retail stores in the county is very little different from the statewide average.

4.5. Nonmanufacturing employers

Although nonmanufacturing activity dominates the Ocean County economy, employers here follow the typical pattern of small retail, service, and financial organizations. Among the major local nonmanufacturing employers are Jersey Central Power and Light, Lakehurst (Federal government), Fluid Chemical Company (packaging services) in Lakewood, the Great Adventure Amusement Park in Jackson Township, county and local government, several large department stores, banks, savings and loans associations, hospitals, and restaurants.

4.6. Commuting patterns

In the 1970 population of employed workers resident in Ocean County, 36 percent or more than a third, commute out of the county. In Ocean County, as in the other coastal counties, commutation out of the county is not balanced by commutation into the county; hence, there is a net export of workers. As the local job based expands, this situation may change.

Table 10 shows that the highest proportion of commuting in the state occurs in the counties adjacent to large cities. In 1970, the suburban ring surrounding New York and Philadelphia had already expanded, but there are no figures to show commuting trends since 1970. Workers traveling out of Ocean County in 1970 numbered 24,455 and those coming in totaled 6,902. Thus there was an export of workers of 17,553, an important component of the county's employment.

TABLE 10.—Percentage of workers commuting outside county of residence, 1970

[Includes Armed Forces]

County	Percent
Atlantic.....	13.6
Bergen.....	42.5
Burlington.....	38.8
Camden.....	40.5
Cape may.....	17.8
Cumberland.....	10.6
Essex.....	29.3
Gloucester.....	48.0
Hudson.....	35.9
Hunterdon.....	41.8
Mercer.....	15.0
Middlesex.....	35.0
Monmouth.....	30.1
Morris.....	38.1
Ocean.....	36.2
Passaic.....	35.5
Salem.....	26.0
Somerset.....	48.1
Sussex.....	43.4
Union.....	36.5
Warren.....	33.1

¹ Source: "1970 Census of Population," adjusted by Division of Planning and Research, New Jersey Department of Labor and Industry.

As would be expected, the largest proportion of both in and out commuting occurs between Ocean County and Monmouth, the neighboring county. Other areas to which people travel in substantial numbers are New York State, and Essex and Middlesex County where the large employment centers are located. Of course there is also some commuting to neighboring Burlington County. The locations from which workers travel to Ocean are also concentrated in Monmouth County, New York State and Middlesex County (Table 11).

TABLE II.—COMMUTATION IN OCEAN COUNTY, 1970

Place of work	Number of workers	Percent of total
A. Out-commuting—Major destinations of Ocean County resident workers:		
Monmouth.....	9,209	37.7
New York State.....	2,587	10.6
Essex.....	2,193	9.0
Middlesex.....	1,897	7.8
Union.....	1,775	7.3
Burlington.....	1,696	6.9
Mercer.....	1,237	5.1
Hudson.....	996	4.1
Pennsylvania.....	640	2.6
Other.....	2,225	9.1
Total.....	24,455	100.0
B. In-commuting—Major points of origin of Nonresident workers in Ocean County:		
Monmouth.....	4,261	61.7
Burlington.....	422	6.1
New York State.....	279	4.0
Middlesex.....	228	3.3
Atlantic.....	194	2.8
Mercer.....	181	2.6
Essex.....	171	2.5
Somerset.....	170	2.5
Hunterdon.....	143	2.1
Other.....	853	12.4
Total.....	6,902	100.0

Source: "U.S. Census of Population," 1970.

Automobile commuting was more prevalent in Ocean County than in the State as a whole, according to the 1970 Census statistics.

Mr. WHITE. Thank you very much.

Any members of the panel have any questions?

Mr. WON PAT. Mr. Chairman, I don't necessarily have any questions except to make a brief comment. First of all, I am very pleased to be here and join the subcommittee for this hearing because this is something I am very interested in. I first would like to commend our distinguished colleague, Bill Hughes, and, of course, Mr. Edwin Forsythe, for making this hearing possible over here.

I do share the common concern of our colleagues because I represent also a parallel situation in Guam. We have military activities and we are presently undergoing what is called a cut-down in personnel. For that reason, I commend heartily our colleagues, Mr. Hughes and Mr. Forsythe, for making these hearings possible over here. They are, of course, detailed hearings, we will have to learn about it.

I am sure that my experience over the years, whenever the military issues a memorandum for a general cutdown in personnel, why, usually, all those who have military activities in our districts are much concerned about such a reduction or proposed reduction. I do hope that my presence here would not only be helpful to the committee but also to myself and to the people of this district.

Again, let me thank you, Mr. Hughes and Mr. Forsythe.

Mr. WHITE. Thank you very much, Mr. Won Pat.

Mr. Won Pat, you have had a similar experience in Guam that you represent, as you have indicated before.

Now, any further questions of either of the two gentlemen?

In that instance, we will then call on Capt. Richard Friichtenicht, commanding officer, Naval Air Engineering Center, and Mr. William J. Cox, Technical Director, Naval Air Engineering Center. You may go ahead and read your statement, if you would like. If you would like to summarize, we shall place your entire statement in the record as though delivered.

STATEMENT OF CAPT. RICHARD FRIICHTENICHT, COMMANDING OFFICER, NAVAL AIR ENGINEERING CENTER

Captain FRIICHTENICHT. Yes sir, I think I will read a little of it, then skip a couple of paragraphs.

Mr. WHITE. Without objection, the entire statement will be placed in the record at this point as though delivered in full.

Captain FRIICHTENICHT. Mr. Chairman, and members of the committee, as commanding officer, I officially welcome you to the Naval Air Engineering Center. I will spend several minutes giving you a brief outline of what the Naval Engineering Center consists of and then will have Mr. William Cox, the Technical Director, address the civilian personnel situation here at Lakehurst.

The Naval Air Engineering Center Command, also known as NAEC, was moved from Philadelphia to Lakehurst in 1974. In 1977, three separate commands, the Lakehurst Naval Air Station, the Naval Air Test Facility, and the Naval Air Engineering Center, were all consolidated under the Naval Air Engineering Center.

The Naval Air Engineering Center, Lakehurst, is one of the largest naval aviation bases east of the Mississippi with 7,400 acres of land. There are 326 buildings on the base with almost 3 million square feet of space and a replacement value of \$494 million.

NAEC has a variety of facilities. There is a complete, operational airfield. We also have a new engineering building which was completed in 1977. Two large industrial hangars are used primarily by tenant activities including two Army aviation commands and the Naval Air Technical Training Center.

There are 219 housing units; 6 bachelor enlisted quarters; 1 bachelor officers' quarters; and, of course, the normal public works and supply buildings as well as a chapel, Navy exchange, and other military support facilities.

The test facilities are extensive. A 12,000 foot dedicated test runway has a complete set of all types of catapults and arresting gear currently in use on aircraft carriers and Navy and Marine Corps aviation shore bases. An elevated fixed platform is utilized as a simulation of landing platform for air capable ships like the FFG-7 and DD-963.

The mission of the Naval Air Engineering Center can be summarized as consisting of technical and support functions. From the technical standpoint, the mission is defined as:

Research, engineering, development, test and evaluation systems integration, limited production, procurement and fleet engineering support in aircraft launching, recovery and air landing aid systems; and ground support equipment for aircraft and airborne weapon systems.

NAEC thus has a complete life cycle responsibility for assigned systems, from the initial design, through production and fleet support, up to retirement. The mission also includes the responsibility for naval aviation specifications and standards.

As a result of the consolidation with the naval air station, the Naval Air Engineering Center mission includes support functions consisting of operation of aviation facilities and providing facilities and services for other commands residing on base. Examples of these support functions include: Married and unaccompanied personnel housing; welfare and recreational services; fire and security protection; maintenance and repair of buildings, equipment and utilities; transportation; budgeting, auditing; and energy conservation, just to name a few.

The Naval Air Engineering Center is a dynamic organization. The support equipment business is growing rapidly as the complexity of our weapons systems increases. A major increase in business is expected to occur as procurement of support equipments for the Rapid Deployment Force commences.

NAEC's workload in support of the LAMPS MK III helicopter antisubmarine warfare system on air capable ships is also scheduled for continued growth. Major developments are now programed including ski jump and an improved arresting gear system of the Navy's follow-on aircraft carrier. The Naval Air Engineering Center's role as primary interface between the aircraft and its landing platform is unchallenged and recognized as essential to the Nation's defense.

Mr. Cox will now address the personnel situation.

[The prepared statement of Capt. R. D. Friitchenicht follows:]

WRITTEN STATEMENT OF CAPT. R. D. FRIITCHENICHT

Mr. Chairman and members of the Committee, as Commanding Officer, I officially welcome you to the Naval Air Engineering Center. I will spend several minutes giving you a brief outline of what the Naval Air Engineering Center consists of and then will have Mr. William Cox, the Technical Director, address the civilian personnel situation here at Lakehurst.

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The Naval Air Engineering Center, Lakehurst, is one of the largest naval aviation bases east of the Mississippi with 7,400 acres of land. There are 326 buildings on the base with almost three million square feet of space and a replacement value of \$494 million.

NAEC has a variety of facilities. There is a complete, operational airfield. We also have a new engineering building which was completed in 1977. Two large, industrial hangars are used for prototyping and manufacturing. The three largest hangars are used primarily by tenant activities including two Army aviation commands and the Naval Air Technical Training Center. There are 219 family housing units; six bachelor enlisted quarters; one bachelor officers' quarters; and, of course, the normal public works and supply buildings as well as a chapel, Navy Exchange, and other military support facilities. The test facilities are extensive. A 12,000 foot dedicated test runway has a complete set of all types of catapults and arresting gear currently in use on aircraft carriers and Navy and Marine Corps aviation shore bases. An Elevated Fixed Platform is utilized as a simulation of landing platform for air capable ships like the FFG-7 and DD-963.

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The Naval Air Engineering Center is a Navy Industrial Fund activity. In layman's terms, this means that the Center operates in a similar manner to private industry, working on the basis of profit and loss. Work is assigned by project managers and acquisitions managers within the mission of NAEC. Most of the work is assigned by NAEC's parent command, the Naval Air Systems command. NAEC also receives project funds with each work task. The amount of funds received is based on a rate which includes direct and indirect engineering and labor charges, other overhead charges and general and administrative expenses. Thus, for each project dollar received, a portion pays for the engineer's time, a portion pays for support personnel, and a portion helps pay for utilities and general upkeep. About the only difference between the way NAEC and private industry operate is that we are not looking for a profit. We actually strive to reach the end of the year with no profit or loss.

Over \$100 million of Navy Industrial Funds flow through NAEC each year with the outyears showing a steady increase. Most of these funds are used for procurement of hardware, primarily ground support equipment and catapult, arresting gear, and landing aids equipment.

On 1 September 1980, NAEC had 1782 civil servants on board. Of that number, half are engineers and other types of direct labor personnel working on specific projects. The other half are indirect support personnel. This represents approximately a 1:1 ratio of direct to indirect personnel. As part of our financial responsi-

bility, we must maintain this ratio to ensure project assignments are accomplished at a reasonable cost while still completing required support functions.

The Naval Air Engineering Center is a dynamic organization. The support equipment business is growing rapidly as the complexity of our weapon systems increases. A major increase in business is expected to occur as procurement of support equipments for the Rapid Deployment Force commences. NAEC's workload in support of the LAMPS MK III helicopter anti-submarine warfare system on air capable ships is also scheduled for continued growth. Major developments are now programmed including Ski Jump and in improved arresting gear system in support of the navy's follow-on aircraft carrier. The Naval Air Engineering Center's role as primary interface between the aircraft and its landing platform is unchallenged and recognized as essential to the nation's defense.

Mr. Cox will now address the personnel situation.

Mr. WHITE. Mr. Cox you may proceed.

**STATEMENT OF WILLIAM J. COX, TECHNICAL DIRECTOR,
NAVAL AIR ENGINEERING CENTER**

Mr. COX. Mr. Chairman, gentlemen—

Mr. WHITE. Would you like to have your entire statement placed in the record?

Mr. COX. Yes sir.

Mr. WHITE. Without objection.

Mr. COX. Thank you for permitting me to present my views.

As Technical Director, I am responsible for the planning, coordination, supervision, and control of the Center's technical programs which are carried out by six technical departments and a technical staff.

The Center's technical effort is concerned with, basically three effort areas; ship and shore installations; ground support equipment; and specifications and standards. Ship and shore installations deals with the interfacing of the air vehicle and the ship platform. It is that business which is peculiar to naval aviation and has no commercial counterpart. The establishment of requirements and the development of hardware needed to make it possible for a ship to operate an airplane and, conversely, the establishment of those special requirements for the design of an airplane to operate from a ship are part of this effort. Our aircraft carriers could not operate without the catapults and arresting gear developed through this effort.

The ground-support equipments work is concerned with all the hardware and software required to service, maintain, test, and operate the airplane while it is on the ground, or not in flight. This effort includes armament handling equipment, tractors, fire and crash equipment, engine test facilities, avionics automatic test equipment, mobile electric power units, and thousands of other types of support equipment.

The engineering specifications and standards effort is that effort devoted to the preparation and maintenance of naval aircraft specifications and standardization work, including NATO standards.

In order to do the job, we must have talented people in the proper numbers. We have the talented people, we do not have the proper numbers. And while we have talent now, we are losing it at an alarming rate as a result of the personnel policies now being followed.

The personnel situation is grim. NAEC ceilings have been reduced to a level below the minimum of 1,700 established by NAVAIR for present mission performance. And at that number, we

have grievous problems. We will survive without a mission change, but the problems we now have will not be solved. Our workload is increasing and projected to increase over the next 5 years. Today, we have sufficient workload to support over 2,100 people. Because of ceiling cuts, we have lost and are still losing critical skills, particularly our technical skills. We are suffering serious skill balance problems. We are forced to contract much of our technical effort.

Our manpower ceiling has been reduced every year since 1973. The Center has taken a 44-percent reduction since 1973. While our ceiling has been moving downward our mission has not changed and our overall workload has escalated.

The work we do is concerned with two overall objectives: maintain the maximum fleet readiness of the hardware we now have in the fleet and to develop the hardware needed for the future fleet. We can't let down on either of these objectives. Every department of the Center, technical and support, is in serious trouble, because of lack of people, in carrying out these objectives.

The engineering departments have serious shortages in GS-5, -7, -9, and -11 engineers with direct impact on solving fleet problems. We have lost critical talent by attrition to industry and other Federal agencies and by retirements. We have not been permitted to replace them. Our talent is stretched to a breaking point. There have been recent occasions when we just plumb ran out of people for fleet problem investigative teams and had to scrounge for knowledgeable retirees willing to be hired by a contractor to cover a particular problem.

Remember, when we lose an experienced catapult or arresting gear engineer, we can't hire one from industry. There is no industry. And also remember, present planning calls for carriers with catapults and arresting gear to be around for another 20 years.

To get our job done, we have had to contract a great deal of engineering effort that should be done in-house. In the Ground Support Equipment Engineering Department we have contracted out over 300 man years of effort in support of a department with less than 300 people. We find ourselves in the position of being hard pressed to maintain management control.

The same is happening in our Engineering Specifications and Standards Engineering Department. We are contracting out excessive amounts of work. Our Test Department, the only test facility in the country which duplicates fleet catapults and arresting gear, is being stretched to keep up with the new test work. The Test Department civilian end strength is marginally adequate for the normal workload. However, major new test programs will seriously strain Test Department resources.

The Development and Site Support Department, the department which supplies the artisans to meet our manufacturing needs and support our test sites, is low on personnel. The manufacturing capability includes prototyping in direct support of the engineering departments and limited production of critical items in direct support of the fleet.

One very critical item manufactured at NAEC, and only at NAEC, is the cross deck pendant for arresting gear on aircraft carriers. Without this pendant, aircraft could not land on an air-

craft carrier. And if this pendant fails during a landing, the airplane is lost. We manufacture these pendants not because we want to, but because no one else will.

The workload in the Development and Site Support Department is heavy. We are running 20 to 30 man years in excess and lower priority programs will slip. Increased workload is forecast in the out years due to the *Saratoga* and *Forrestal* service life extension program, RAST for LAMPS MK-III program, light carrier, and other work. As a point of interest, we already have 32 men—(almost 15 percent of the shop work force)—committed to the *Saratoga* SLEP program, redoing catapults and arresting gear.

Our Fleet Technical Services Department is our direct link to the fleet. This Department furnishes the field representatives who are stationed around the world supporting catapults, arresting gear, and visual landing aids. Their workload is increasing, the fleet is demanding more reps—10 more in 1981 and another 20 over the next 4 years. We have no more resources to pass out.

Our Public Works Department in support of the Center, has already been cut out of proportion to the Center. Since 1974, the Center has been cut 20 percent. The Public Works Department has been cut 49 percent. The department is already committed heavily to contracting and basically everything that can be contracted without a formal OMB A-76 commercial/industrial (C/I) study has been contracted—about 138 man-years.

There are serious shortages in manpower required to manage the Federal programs of OSHA, energy conservation, clean air, hazardous waste, water and sewer treatment standards compliance, and administration of the OMB A-76 C/I program. This department is hurting for people.

The Supply Department has also taken its share of the Center's cuts. The Supply Department has lost 30 percent of its people over the past 6 years. The excess of funded workload and the nonavailability of people in the technical and support departments to do the work directly impacts the Supply Department. More work means more contracting with an already understaffed contracting operation.

Fire protection is furnished by the Air Department and police protection by the Security Department. Of the 55 civilians attached to the Air Department, 48 are fire fighters. We are short 10 fire fighters, according to the validated requirements. We have a fire problem. We have a police problem. Our gate security is contracted out. Our police force is so short that when one man calls in sick, double shifts have to be performed to cover him.

Our Comptroller Department has lost all the auditors in the internal audit group. We can no longer perform audits as required by regulation because there is no one left to do them.

The Administration Department, the Computer Services Department, and the Civilian Personnel Department are all undermanned and hanging on by the skin of their teeth.

There is no fat left in NAEC and if things continue as they are, there won't be any muscle left. And then you can bury the bones. All of the previous discussion on the state of NAEC departments represents the situation as it exists today. And today we have about 1,783 people on board. This includes full time permanents,

temporaries, retired annuitants and student coops. We are supposed to be down to 1,695 by the end of this month.

Initial planning for fiscal year 1982 indicates a possible assigned ceiling as low as 1,525. That is a reduction of 250 personnel below our present onboard count. We can't continue to apply horizontal cuts to our departments and survive. If we are to get down to the proposed end strengths, then we must have a mission change and authority to terminate by reduction in force of some 300 people.

We have looked at every department in detail, and the only mission function we can eliminate without losing the entire mission is the manufacturing one. While this vertical cut won't destroy the Center, it will truly impact the fleet, and reduce the Center's effectiveness. I can see such an action only as a last resort. I believe it would be unwise in the long run and we might all very well live to regret it.

In my opinion, the only real solution to the problem at NAEC, and I suspect at other activities, is to assign ceilings commensurate with workload. It is ridiculous on the one hand to appropriate funds to carry out a program and then on the other hand, to assign personnel ceilings that preclude doing the job in the best professional manner. There has to be a better way.

I again thank you for giving me this opportunity to tell you how I feel, and I am prepared to answer any questions that you might have.

[The prepared statement of William J. Cox follows:]

WRITTEN STATEMENT OF WILLIAM J. COX

My name is William J. Cox and I am the Technical Director of the Naval Air Engineering Center. As Technical Director, I am responsible for the planning, coordination, supervision and control of the Center's technical programs which are carried out by six technical departments and a technical staff.

The Center's technical effort is concerned with, basically, three effort areas; Ship and Shore Installations; Ground Support Equipment; and, Specifications and Standards. Ship and Shore Installations deals with the interfacing of the Air Vehicle and the Ship Platform. It's that business which is peculiar to Naval Aviation and has no commercial counterpart. The establishment of requirements and the development of hardware needed to make it possible for a ship to operate an airplane and conversely, the establishment of those special requirements for the design of an airplane to operate from a ship are part of this effort. Our aircraft carriers could not operate without the catapults and arresting gear developed through this effort.

The Ground Support Equipment's work is concerned with all the hardware and software required to service, maintain, test, and operate an airplane while it is on the "ground." This effort includes armament handling equipment, tractors, fire and crash equipment, engine test facilities, avionics automatic test equipment, mobile electric power units, and thousands of other types of support equipment.

The Engineering Specifications and Standards effort is that effort denoted to the preparation and maintenance of naval aircraft specifications and standardization work.

In order to do the job, we must have talented people in the proper numbers. We have the talented people, we do not have the proper numbers. And while we have talent now, we are losing it at an alarming rate as a result of the personnel policies now being followed.

The personnel situation is grim. NAEC ceilings have been reduced to a level below the minimum of 1,700 established NAVAIR for present mission performance. And at that number, we have grievous problems. Our workload is increasing and is projected to increase over the next five years. Today we have sufficient workload to support over 2,100 people. Because of ceiling cuts, we have lost and are still losing critical skills, particularly our technical skills. We are suffering serious skill balance problems. We are being forced to contract much of our technical effort and we are in danger of losing in-depth management control.

Our manpower ceiling has been reduced every year since 1973. The Center has taken a 44 percent reduction since 1973. While our ceiling has been moving downward, our mission has not changed and our overall workload has escalated.

The work we do is concerned with two overall objectives: maintain the maximum Fleet readiness of the hardware we now have in the Fleet and to develop the hardware needed for the future Fleet. We can't let down on either of these objectives. Every department of the Center, technical and support, is in serious trouble in carrying out these objectives.

The engineering departments have serious shortages in GS-5/7/9-11 engineers with direct impact on solving Fleet problems. We have lost critical talent by attrition to industry and other Federal agencies and by retirements. We have not been permitted to replace them. Our talent is stretched to the breaking point. There have been recent occasions when we just plumb ran out of people for Fleet problem investigative teams and had to scrounge for knowledgeable retirees willing to be hired by a contractor to cover a particular problem. Remember, when we lose an experienced catapult or arresting gear engineer, we can't hire one from industry. There is no industry. And also remember present planning calls for carriers with catapults and arresting gear to be around for another 20 years.

To get our job done, we have had to contract a great deal of engineering effort that should be done in-house. In the Ground Support Equipment Engineering Department we have contracted out over 300 people. We find ourselves in the position of being hardpressed to maintain management control. The same thing is occurring in our Engineering Specifications and Standards Engineering Department. We are contracting out excessive amounts of work. Our Test Department, the only test facility in the country which duplicates Fleet catapults and arresting gear, is being stretched to keep up with the test work. The Test Department civilian end strength is marginally adequate for the normal workload. However, major new test programs will seriously strain Test Department resources.

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We can't do it with horizontal cuts and survive. To get to those numbers we need a mission change and authority to terminate through reduction-in-force 300 people. We have looked at every department for essentiality to the Center and the only function we can eliminate without destroying the Center, is the manufacturing one. While this vertical cut won't destroy the Center, it will truly impact the Fleet. I would propose this cut only as a last resort. I believe it to be unwise in the long run and we might very well live to regret it.

The only real solution to the problem at NAEC, and I suspect at other activities, is to assign ceilings commensurate with workload.

SUMMARY

The NAEC personnel situation is in extremis. As a result of personnel cuts, the Center is operating at a manpower level below that established as a minimum to carry out the Center's present mission. Project and planned cuts over the next three years exacerbate the situation. The Center cannot continue as it is. Either the ceiling must be increased or a mission change authorized. The only function that might be cut from the present mission is the manufacturing function. And to cut the manufacturing function invites disaster as the manufacturing function is closely linked to supporting the Fleet. If for any reason, the transfer of the manufacturing function from NAEC to industry hits a snag, carriers may very well be forced "off the line."

I believe the only alternate should be an increase in ceiling to match the workload.

Mr. WHITE. Thank you very much, Mr. Cox.

Both statements present a rather grim picture. That is precisely why we are here.

At this time, I would like to call on Mr. Won Pat for questions.

Mr. WON PAT. Thank you, Mr. Chairman.

Captain Friichtenicht, let me commend you for your presentation. I think it is a very fine presentation. It illuminates the problem that you have.

Now, first, what is the number of personnel you have under your command?

Captain FRIICHTENICHT. As Mr. Cox indicated, there are 1,783 civilians, appropriated civilians as of today. I don't have the actual statistics, but for unappropriated civilians it is something over 150, as I recall. That is to run the exchange, the commissary, and the other facilities. I also have approximately a total of 300 military personnel under my command.

Mr. WON PAT. That is a total number of military personnel is 300?

Captain FRIICHTENICHT. 500 military—300 NAEL, 200 tenant—1,783 appropriated civilians, approximately 150 unappropriated civilians on the base. In addition to my command, there are the Naval Air Technical Center, a Marine training group, but two Army activities. They are not under my command, they are tenant

commands. They do add to the military and civilian population here on the base, though.

Mr. WON PAT. Could you comment on the consolidation of the Naval Engineering Center command that took place in 1974 and has been in operation now for 6 years—almost 6 years?

Captain FRIICHTENICHT. The Naval Air Engineering Center moved from Philadelphia in 1974. The actual consolidation of the three commands took place in 1977.

Mr. WON PAT. During this period of years, in your own assessment, how has it been working? In other words, we presume that consolidation is done for the purpose of achieving what are called economy and efficiency in administration, isn't it?

Captain FRIICHTENICHT. Yes, sir.

Mr. WON PAT. What is our assessment within that period—

Captain FRIICHTENICHT. I think it has worked very well, sir. To give you an example, the Test Department, which used to be the Naval Air Test Facility, had its own command, had its own cost analysts, had its own other support functions. When we consolidated those, we were able to gain efficiencies. But the main efficiency that we have gained is the coordination between the various departments that we have on base.

The Development and Site Support Department, the one that actually does the prototyping and manufacturing, spends somewhere in the neighborhood of between 60 and 100 man-years all the time supporting the Test Department directly. This helps take care of peaks and valleys in workload. When they don't have a project to work on, as related to prototyping or production, then they can go down and work on Test Department tests.

At the same time, the Public Works Department provides personnel to the Test Department, to the Development and Site Support Department. For example, the riggers that have to operate the heavy crane, run the cranes and lift heavy equipment. So we do economize and take advantage of the efficiencies gained in that area.

Mr. WON PAT. Did that bring about a reduction in personnel?

Captain FRIICHTENICHT. There was approximately a 200-personnel reduction when NAEC transferred from Philadelphia. Only a small part of that was due to the gain in efficiencies. We actually gave up some workload at that point in time. We did gain efficiencies between 1974 and 1977, late 1977. Some of the ceiling reductions that occurred were good because they in fact took advantage of the efficiencies gained as we did away with duplicate services, but since about 1978 there has been no more gain in the efficiency area from the consolidation.

Mr. WON PAT. Has the workload instead increased?

Captain FRIICHTENICHT. It has increased every year, sir.

Mr. WON PAT. Have you gotten any corresponding additional personnel?

Captain FRIICHTENICHT. Normally, reductions in personnel.

Mr. WON PAT. Thank you, Captain.

Mr. WHITE. Thank you.

Mr. Hughes.

Mr. HUGHES. Thank you very much, Mr. Chairman, and first let me just congratulate both Captain Friichtenicht and Bill Cox for

excellent statements. I note that the captain did not read his entire statement but we have read it and we appreciate your laying out the problem extremely well.

Let me just pick up for just a moment, if I might, on what my colleague Mr. Won Pat was talking about, the consolidation. Let me tell you my concern about the consolidation that took place, as I indicated in my own statement, over my objection.

I have no doubt but that we can look at the record and see some economies, but philosophically I don't think we should have in the same command research and development and test and evaluation. I believe they are separate components and I don't think those that provide the research and development should be passing on their own work. That is my complaint. I think they are false economies and I think it would probably be very hard to try to identify those areas of conflict which came back to haunt us. But for those reasons, I just have some very basic philosophic problems with that type of consolidation.

But that is not basically why we are here today. I won't ask you to respond to my own concerns.

The picture you paint is a grim one. On the other hand, every year the workload goes up and by the same token every year the workload goes down, to the point we have to go out and get retired civilians in, we have co-ops in here, we keep contracting out more and more work, regardless of whether we have identified a community, industrial community that could do the work, first rate, quality work.

It almost reminds me in a way of when I was a prosecutor many years ago, we exhausted our jury panel on a juicy criminal case, a homicide or something else. Why we had to send the sheriff out to the hinterland and he would have to grab anybody he could find to help do the job.

Even though it is not quite that bad, it seems to me that is what we have done. My understanding is that we are contracting out more and more work, not because it is the most cost effective way to perform our mission, not because it is what we want to do as the head of the technical community or the captain of a facility, but because you are forced to do that because of arbitrary ceilings. That in essence is what you are doing?

Captain FRIICHTENICHT. We are forced to contract out because of ceiling restrictions, yes sir.

Mr. HUGHES. Captain, would it be fair to say that you are contracting out against your better judgment?

Captain FRIICHTENICHT. Yes sir.

Mr. HUGHES. Well, I am sure that the ceiling point standards was devised as a management tool, and correct me, Mr. Chairman, if I am wrong, but as I understand it, the ceiling point that is contained in legislation has not been used, that is—

Mr. WHITE. That is correct. The reason principally that we have used the ceiling is to be sure that the OMB—Office of Management and Budget—doesn't go too far down. We are trying to pull them up to a point so they don't arbitrarily cut us too much. That is why we have had the ceilings.

Mr. HUGHES. I presume it is a way of providing some oversight by the Armed Services Committee, which is important in reviewing Department of Defense policies?

Mr. WHITE. We have also had a 2-percent—we went to a 2-percent latitude this time in the conference committee report that has been adopted by the Congress and signed by the President. Without objection, I am going to give the gentleman 1 more minute because I have used up some of his time.

Mr. HUGHES. Thank you very much.

I wonder if perhaps either you, Captain or Bill Cox, can answer for me what are the direct implications to the operating fleet by the proposed cuts, what impact is it going to have on the fleet?

Captain FRIICHTENICHT. The ability to make fast reaction to an urgent fleet problem would be the most pronounced problem. If they have a problem with a catapult or arresting gear system on a carrier we can bring that piece here, study the problem, design a fix for it, take it down to the Test Department and test it, if necessary prototype it, and put it into production and deliver it to the fleet in very short order. That is the problem that I see as the most difficult.

I think you are going to hear some examples later on in the testimony of where that has occurred. Obviously whenever you start talking about contracting out, unless you have some sort of open ended contract with a known contractor, you have to go through the process of advertising and negotiating. It just takes time, and it is the immediate response to fleet problems that I think we would have trouble with.

Mr. HUGHES. Does it give you any concern that in the event we would have to mobilize, we would not have the in-house capability to react immediately? For instance, in the limited production work here at Lakehurst, does that give you some concern, if we lost that capability, that we will not be able to respond to fleet problems, field problems?

Captain FRIICHTENICHT. Yes sir, it does. It is my concern, if we contracted out for it, and had a single contractor that was capable, whether or not he would be able to respond under a mobilization base to react to urgent larger requirements; I just don't feel comfortable with that.

Mr. HUGHES. In some areas, how much are we contracting out, what percentage of the work?

Captain FRIICHTENICHT. As Mr. Cox indicated in the case of engineering services, for the Ground Support Department we are contracting out approximately 50 percent; that is, for every engineer, where there is at least one contractor service engineer, if you want to call him that.

Mr. HUGHES. As a base commander, what in your judgment, should be the maximum we should be contracting out in that area?

Captain FRIICHTENICHT. Somewhere between 20 and 30 percent, sir.

Mr. HUGHES. We are almost double what we should be?

Captain FRIICHTENICHT. Yes sir.

Mr. HUGHES. Contracting out?

Captain FRIICHTENICHT. Yes sir.

Mr. HUGHES. To stay within the ceiling point standards?

Captain FRIICHTENICHT. There is still a reasonable amount of contracting out that I think could and should be performed on contract, but I do feel that I am contracting out more than I should.

Mr. HUGHES. We have right now some 15 percent of personnel in some function areas working on the SLEP program, just on the *Saratoga*. What is going to occur when we begin working on the *Forrestal*?

Captain FRIICHTENICHT. They will continue to do that work, assuming they are here, sir. If they are not here, obviously then we will have to contract out that work.

Mr. HUGHES. How are you able to carry on your usual activities and yet still provide the type of work that you are providing with a SLEP program?

Captain FRIICHTENICHT. It is a matter of priority, sir. We have to take a look at the Navy's overall requirement, we consider the SLEP program, *Saratoga* and the follow-on *Forrestal* to be high priority and some of the other work that DSSD is performing will slip.

Mr. HUGHES. My time is up.

Mr. WHITE. Without objection, the gentleman will be allowed 2 additional minutes.

Mr. HUGHES. Thank you, Mr. Chairman.

If I understood your testimony correctly, much of your present cut now seems to be in violation of other rules and regulations, OMB, for instance, we have no internal auditors, that means we are not able to audit the work that is being performed in the facility. Isn't that a direct violation of some of the OMB circulars?

Captain FRIICHTENICHT. Yes sir. I would like to add, obviously I cannot afford not to have auditors in total but as soon as October 1 occurs and we are allowed some flexibility in starting to hire again, I will try to bring some auditors back onboard. But as of right now and for the last few months, we have not had any auditors.

Mr. HUGHES. You have indicated a minimum number of approximately 1,700 ceiling points would allow meeting the mission requirement. What is the optimum?

Captain FRIICHTENICHT. Bill Cox and I agree about 1,900 is optimum. In fact, we have a workload that would cover 2,100-plus. But I feel the 1,900 would be reasonable. That is sort of an off-the-cuff figure, though.

Mr. HUGHES. Is it fair to say that as you contract out more you find you have to rework more and more of the work being performed by outside contractors, and by the same token, losing your in-house capability to respond to problems?

Captain FRIICHTENICHT. I am not sure I understand the question.

Mr. HUGHES. As a result of more and more contracting out, 56 percent in some areas, do you find that you are required here at Lakehurst to reexecute more and more of the work that has been contracted out, rework it after it has been performed inadequately, and on the other hand, find that you are losing the technical expertise to be able to respond in that fashion because you are losing that in-house capability through attrition and other ways to respond to such problems?

Captain FRIICHTENICHT. The more and more we contract out, the less likely it is that we have good solid contracts, and in that regard, the more likely it is we will have trouble with those contracts.

Mr. HUGHES. Thank you.

Thank you very much, Mr. Chairman.

Mr. WHITE. Thank you.

Mr. Forsythe.

Mr. FORSYTHE. Thank you, Mr. Chairman.

I thank both of you for your statements, Captain and Mr. Cox. The picture is pretty bleak. There are about three or four questions I would like to add to the excellent base of questions Mr. Hughes has performed.

How much overtime is used both in civilian and military personnel here on the base to try and meet the mission with the existing personnel?

Captain FRIICHTENICHT. I will make a guess at 4 percent. I would like to provide that for the record.

Mr. FORSYTHE. I would appreciate it if that could be provided for the committee for the record.

[The following information was received for the record:]

OVERTIME PAY

The amount of civilian overtime for fiscal year 1980 is 3½ percent (53 man-years). Overtime data are not kept for the 305 military personnel, but it is estimated that on average each spends four hours a week on overtime.

Mr. FORSYTHE. It is one obvious way to stretch personnel but one that also has many risks down the road?

Captain FRIICHTENICHT. Our overtime has been on the increase, sir.

Mr. FORSYTHE. Can you provide for the record a list of all functions that have been contracted out since 1977, when the consolidation took place?

Captain FRIICHTENICHT. I can provide that for the record, sir.

[The following information was received for the record:]

CONTRACTING OUT

The list of functions that have been contracted out since fiscal year 1977 are: Refuse collection and sanitary land fill; galley equipment maintenance; window cleaning; road maintenance; and furniture repair.

The following additional functions were contracted out between fiscal year 1975 and fiscal year 1977 and are currently under contract: Telephone service; grounds maintenance; janitorial service; office machine repair; bridge crane maintenance; and housing maintenance, repair and alteration.

The above constitutes 141 man-years of effort for fiscal year 1980.

In addition, in support of the technical departments, to handle the rapidly expanding workload, engineering service type contracts have been increasing. Starting with 250 man-years of effort contracted for in fiscal year 1977 to 425 man-years in fiscal year 1980.

Mr. WHITE. At this point, if you will provide counsel then the answers to those questions, in response to the gentleman from New Jersey, they shall be placed at the end of our question.

Mr. FORSYTHE. Thank you, Mr. Chairman.

Captain FRIICHTENICHT. Yes sir.

Mr. FORSYTHE. Have there been occasions when Lakehurst has failed to meet mission requirements?

Captain FRIICHTENICHT. I can't think of a specific case where we have not been able to meet mission requirements, sir.

Mr. FORSYTHE. It is pretty close to that kind of critical point but very fortunately, you haven't gone over it?

Captain FRIICHTENICHT. It is a case wherein we defer priority work until such time as we can do a lesser priority work or it is a case of again contracting out the work instead of doing it in-house.

Mr. FORSYTHE. But it leaves you pretty thin backup in terms of a crisis situation, you really have got yourself stretched thin?

Captain FRIICHTENICHT. Very thin. There have been a few cases where we have brought retired engineers back onboard for a crisis because we didn't have the people to solve the problem.

Mr. FORSYTHE. You never have delayed the actual mission of a carrier getting on station or anything of that nature?

Captain FRIICHTENICHT. I would like to think, sir, we have managed to maintain our basic mission in that capability in the area.

Mr. FORSYTHE. After all that you have told us, I congratulate you.

Mr. Cox, just two phrases that I think would be of great concern to the committee, it comes to catapult and arresting gear. You make the statement there is no industry—in other words, there is no source of contracting out support in this field, is that correct?

Mr. Cox. That is correct, there are no talent pools in industry that one could draw catapult and arresting gear expertise from. It is all located here.

Mr. FORSYTHE. There is or should be an attempt to develop such a contracting out capability, because there just isn't the kind of thing that you are building in multiple units?

Mr. Cox. That is right, it doesn't suit the private sector. Really when you think in terms of the number of catapults in the fleet, it is not a big business, but a very critical and serious business.

Mr. FORSYTHE. It is one of a—

Mr. Cox. One of a kind type of thing.

Mr. FORSYTHE. In every case?

Mr. Cox. That is right.

Mr. FORSYTHE. Different from the other?

Mr. Cox. Yes sir, and we find that the quality requirements, in some of the areas like the cross deck pendants I mentioned, are things that just jack up the price in industry and they are not interested in the effort they must put into it for what they get out of it.

Mr. FORSYTHE. It underlines pretty much else what you have told us. In the very next paragraph on page 2, "Our Test Department only is the test facility in the country"—

Mr. Cox. Yes sir.

Mr. FORSYTHE. Again underlining the critical mission of this, this station so far as the number that—I think you and the captain have completely agreed on where you stand today—and where you should be today, and tomorrow as you go down this road, are basically that you really ought to be 1,700, 1,783 today?

Mr. Cox. That is right.

Mr. FORSYTHE. It should stay there and it should fill some of those slots with other than retirees and co-ops and so forth?

Mr. Cox. The 1,700 is a minimum where we can still hang on to our mission, but we still have all the problems that I mentioned. We can survive on that number, but to solve our problems and to rebuild the talent base and to fill in the slots and holes that we have, there should be more.

The question was asked previously, what do we think an optimum number, we have enough funded workload with 20 percent of our engineering still contracted out to support over 2,100 people next year, close to 2,300 people, and yet 1,695 is what we are talking about for the end of this year—fiscal year 1980.

Mr. FORSYTHE. Well, just following that, the captain said that you agree that 1,900 is an optimum to border just on the minus side of crisis?

Mr. Cox. No sir, I am sorry—

Mr. FORSYTHE. In terms of meeting your mission and still maintaining the contracting out level that you have, it is over 2,000?

Mr. Cox. Our funded workload today would support 2,100 people. The dollars are here, the programs are here, and that also includes a reasonable amount of engineering support being contracted out, something like 20 percent of our effort. Still there is enough work for 2,100 people.

Mr. FORSYTHE. That mission already on the table is expanding every year down the road?

Mr. Cox. Yes sir.

Mr. FORSYTHE. That you see in the 5-year plan?

Mr. Cox. The new light carrier is coming along, MARK-14 arresting gear, ski jump, maybe a stand alone catapult, the RAST system for the MARK-III LAMPS; RAST is a big job.

Mr. FORSYTHE. One of the questions we have to find out really is where this decision has been made back down the road. I am not sure that either of you gentlemen are perhaps the right witness, but I think I ought to start right here, and whether it is Navy, OMB, or the Congress, or who is not awake to what is going on, is it a matter that Congress hasn't responded or is it the administration, either Navy or OMB?

Are either of you able to comment on that?

Captain FRIICHTENICHT. I don't think we are in a position to respond as to which activity or which level of government controls it. We received proposed end strengths assigned here at NAEC from our parent command, the Naval Air Systems Command. We are asked to make statements as to the impact of those ceilings, such items as what would you do if you got reduced? We will make a statement in that regard back to our parent command, then the decisions are made at that level.

Mr. FORSYTHE. We may have to follow this for a number of steps.

Captain FRIICHTENICHT. Thank you.

Mr. FORSYTHE. Thank you.

Mr. WHITE. Thank you.

I would like to ask you several questions which are mindful of what you have just said, that you are in sort of the tenuous position that you receive your marching orders and try to comply. Now, both of you, I am sure, are cognizant of the actions the Congress has taken in the past relating to the contracting out, that the Government must first do certain researches and must be more

specific, they cannot convert to a private contractor to circumvent any civilian personnel ceiling, and they must give a timely notification of the decision, study and estimate of the efficient cost effectiveness of the organization for inhouse performance and the potential economic effect on employees and potential economic effect on the local community, on your mission and various other matters, the military mission, I said, and also cost of performance by the Government, Department of Defense, to prepare to the contractor. You are familiar with those?

Captain FRICHTENICHT. Yes sir.

Mr. WHITE. Are you also familiar with the actions of the Congress in the conference report which has been adopted by the Congress and signed by the President, which changed the procedures from providing that the Department of Defense should no longer give that notification at the same time, but must first, in the inception, must tell, notify Congress of their interest in studying these things and then make the study and then come back and certify that these same things have been fulfilled. You are familiar with that new change?

Captain FRICHTENICHT. Yes sir.

Mr. WHITE. Because Congress has been very unhappy with the Department of Defense in that we feel it is not observing the mandates and interest of the Congress in making sure that it is a cost effective decision, that no one is getting hurt and that it is in the best interests of the national defense.

Now, I am going to ask you a question and you can say I prefer not to answer, if you desire, or whatever answer. Has a contracting out action at our base here complied with the mandates of Congress as enunciated for the fiscal year 1980?

Captain FRICHTENICHT. Sir, I think, if I may, I would like to digress a little bit to answer that.

The functions that are performed in the way of services, maintenance of grounds, taking care of maintenance of the facilities, the janitorial services are contracted out. We have not contracted out any new services in that area for the last several years. We are awaiting the decisions from a higher level to proceed with the contracting out studies.

As I understand it, those functions to be studied have yet to be presented to Congress and, therefore, we are not looking at any additional functions. We do have, I think it was 139 man years of effort that are already contracted out, that have been contracted out for several years, but we are following the intent and the law of Congress in that area. that is in the way of services contracting.

The area of engineering services, the support for the engineers, doesn't quite fall under the same guidelines, as I understand the rules. It can be considered new work and it is just a case of saying I need several man years of effort to help me study or help me put together a maintenance plan, help me to update drawings, and that type of effort.

As far as I know, neither here nor any place else in the Navy are there formal contracting out studies performed in that type of effort.

This third type of contracting out, we perform here is in the contracting out of hardware. Again, that is more or less a standard

type contract. We do a cost-effectiveness study here to determine whether it is cheaper to do it in-house or contract it out. On that basis, we will go ahead and contract it out. But again, it is considered new work, we are not in fact in that regard taking people off the rolls here and contracting out the work.

Does that answer your question?

Mr. WHITE. So you are substantially saying the Navy has complied with the fiscal year 1980 guidelines, as to the predicates for this decision?

Captain FRIICHTENICHT. I think we have here at the Naval Air Engineering Center. I would assume the Navy has, sir.

Mr. WHITE. How do you feel about that?

Mr. Cox. I feel the same way.

Mr. WHITE. So then we are going to do a little magic here, we are going to put you in the Pentagon suddenly and you are going to be in the decision position in the Pentagon, both of you. Now, would you please tell me what, knowing what you know, if you were in the Pentagon making the decisions, what changes would you make and what solutions would you recommend as it relates to Lakehurst, and to other naval installations of which you are acquainted?

Captain FRIICHTENICHT. My recommendation would be to push for legislation that would do away with ceilings, sir.

Mr. WHITE. Is there any other recommendation you would make?

Captain FRIICHTENICHT. Again, sitting in the Pentagon, we would have to sit down with the parent command, the Naval Air Systems Command, and determine priorities, of all the facilities and determine ceilings based on that.

Mr. WHITE. Is there a further answer?

Captain FRIICHTENICHT. No, sir.

Mr. WHITE. Mr. Cox, how about it?

Mr. Cox. I have always been baffled by the group over here that sets up the appropriations and the programs and the dollars, and the group over here who sets up the ceilings; sometimes I think there is a big fat wall between them. They never seem to agree. I think that I would try to break that wall down and get the people concerned with programs and dollars and the people concerned with ceilings together and coordinate the guidelines as dictated by the executive and legislative branches, I think we have got to tie in somehow a defining of how funded programs and personnel can be interlocked.

Mr. WHITE. Are you suggesting a council of representatives from each of the decisionmakers to meet together?

Mr. Cox. To know what the problems are with respect to here is a LAMPS MARK III program funded; over here on the other hand, is the ceiling that is cut down and you can't do the job.

Mr. WHITE. You are talking about in the Pentagon?

Mr. WHITE. And it would be nice to have the Office of Management and Budget there?

Mr. Cox. Yes, sir.

Mr. WHITE. Now, so what you are saying, captain, is that you feel the ceilings are restrictive, but now yet you have never reached your ceiling in the total Navy and, of course, you have this 2 percent this year, for fiscal year 1981, latitude, and have had 1½,

1 ¼ before, but you still feel that the ceilings themselves have been restrictive and part of the genesis of your problem?

Captain FRIICHTENICHT. Yes, sir. When you indicate we have 1,783 people on board today, we also have major problems attendant with that, as Bill Cox indicated earlier. Obviously if I had no ceiling restriction, I would immediately be able to solve many of those problems. It is not a money problem, it is a ceiling problem.

Mr. WHITE. It is interesting to note that this year the House Armed Services Committee and the House itself took off the ceilings for industrially funded activities, but in conference the Senate maintained that if we took off those ceilings it would give OMB and others in the decision chain the opportunity to wreak more havoc on installations. They don't have to draw on the general goal which they should meet or shoot for. If you took off the ceilings and OMB gets into the decision process, you might suffer more. How would you answer that?

Captain FRIICHTENICHT. Inherent in being in Navy industrially funded activity, is to be cost conscious. We cannot afford to charge projects an excess amount of money to do the job, it cost the Government money. If we hire too many people, the cost to the project would go up and we would just go out of business.

Mr. WHITE. You are saying the cost would be in better control than an arbitrary ceiling figure?

Captain FRIICHTENICHT. We already have the cost control, sir, based on the amount of work and dollars that are sent here for us to do the job. I feel it would be an adequate constraint.

Mr. WHITE. Do you have any other argument you have heard against removing the ceilings?

Captain FRIICHTENICHT. I think the Navy position is that removing ceilings only off the industrially funded activities would make it very difficult for the nonindustrially funded activities to absorb the ceilings. Simply, then, if a ceiling cut came along, a major part of the Navy would be exempt from the cuts and the other activities would have to absorb it all.

Mr. WHITE. Well, that was the action of the committee, that is only as to industrial funding. There was some consideration of removing all ceilings whatever on the civilian side.

Gentlemen, do you have any further questions, the members of Congress?

Mr. HUGHES. If I could follow up one thing.

What percentage of the work at Lakehurst is actually research and development?

Mr. Cox. My guess would be 25 to 30 percent.

Captain FRIICHTENICHT. I would like to submit that for the record, sir, if you don't mind.

Mr. HUGHES. Can we receive that information, Mr. Chairman, for the record?

Mr. WHITE. Yes, sir, without objection, that information when received from Mr. Cox, will be placed in the record following Mr. Hughes' question.

[The following information was received for the record:]

R.D.T. & E. APPROPRIATION

Approximately 400 man-years or 21 percent of the Naval Air Engineering Center's work effort is financed by the R.D.T. & E.N. appropriation.

Mr. HUGHES. If in fact that work were designated as research and development, as it once was, we wouldn't have the same constraints, would we?

Captain FRIICHTENICHT. I am not sure——

Mr. HUGHES. Other research and development facilities that I am aware of are not actually sustaining the same cuts because they are fenced.

Captain FRIICHTENICHT. I would like to defer that question to Vice Admiral Seymour when he makes his statement, but the research and development activities do have ceilings just like Lakehurst does.

Mr. HUGHES. Just one more followup question.

As I understand your testimony to the chairman, it was that you do not believe that in fact public laws have been violated by the contracting out and other practices to avoid the ceiling point standard because it is new work, it is classified as new contract work. That is, it would appear, is just a matter of interpretation and a way around what in fact is a clear public law.

I haven't heard a clearer violation of what is the intent of Congress than we have heard today. Contracting out just to stay within ceiling point standards.

Mr. WHITE. May I ask the gentleman to yield. Would you say that this is new work such as characterized, as properly labeled, or do you think it might really be old work under the guise of new work? I understand your position. If you prefer not to answer that, you don't have to.

Captain FRIICHTENICHT. My personal opinion, sir, is it is a mixture of both.

Mr. HUGHES. Thank you. I have no further questions.

In my short time in Congress, Mr. Chairman, we have seen three commands here at Lakehurst, and I want to congratulate Captain Friichtenicht. He really does have the interests of the Navy and his people at the command; and Bill Cox and his technical community, they have done a great job, and as you can see, they are very concerned about what has happened.

Captain FRIICHTENICHT. Thank you.

Mr. WHITE. Any other Member of Congress have any further questions?

Would you indicate that the ceilings, civilian ceilings that we have discussed are the root problem here in Lakehurst, or is this just one of the problems?

Captain FRIICHTENICHT. If we didn't have a ceiling problem, I think I would take a vacation, sir.

Mr. WHITE. Go to the beach. Fine. Thank you very much.

Counsel have questions?

Mr. WINCUP. Thank you, Mr. Chairman.

Captain, I would just like to ask, on this issue of allocation of ceiling points, your testimony is very clear that you are short of what you think you need. Just to trace this through, have you all made a request up to your parent command for additional ceilings in each of the past couple of years?

Captain FRIICHTENICHT. Yes sir. As a normal process, in what they call preparation of the budget, starting a good 2 years before

the President's budget is submitted to Congress, a call is made and we submit our requirements.

For example, back in October 1979, we made our initial input to the Naval Air Systems Command as to what we would need for 1982, so we are working well ahead, sir.

Mr. WINCUP. May I ask you on the OMB circular, the contracting out question, you mentioned there are 23 types of contracting they distinguish in every case, that they are done here at the base, the contracting occurring when it would be cheaper to be done in-house. Is there contracting that is being done that would be cheaper to be done in-house?

Captain FRIICHTENICHT. Yes sir.

Mr. WINCUP. Is your parent command aware of that at the point at which they consider your request for additional personnel?

Captain FRIICHTENICHT. I am afraid I am not in a position to answer that, sir.

Mr. WINCUP. I guess the only other point I make is we have talked about your understanding of the existing law on the subject. Mr. Cox made this point of summarizing between funding and personnel levels. Are you familiar with section 501(d)?

Of course, you wouldn't be by title. In last year's bill that said the Department of Defense has to manage its activities, like its industrial funds, in a manner so that their funding is consistent with their manpower resources, so there is a coordination of those two. Do you get any sense that is occurring?

Captain FRIICHTENICHT. We are familiar with that, with the intent of Congress, sir, on that.

Mr. WINCUP. Thank you, Mr. Chairman.

Mr. WHITE. Mr. Price.

Chairman PRICE. No questions.

Mr. WHITE. Mr. Campbell

Mr. CAMPBELL. Thank you, Mr. Chairman.

Captain, both you and Mr. Cox indicated that the issue of integrating, and interfacing systems was very important. It is kind of a technical question. It would seem to me if you were required to contract out either of those functions, it would have a very detrimental impact upon the ultimate success of the development of a weapon system.

Could you comment briefly, please, on whether you find it necessary on occasion to contract out those functions which are associated with interfacing and integrating systems? If so, if I may, what kind of impact does that have on your operations?

Mr. Cox. We prefer to do this interfacing ourselves. It is peculiar to naval aviation. There is no counterpart. There is no need for a catapult in a private sector. There is no need to operate an airplane from a ship. And this is the mission of the Naval Air Engineering Center.

We consider ourselves experts in that business, of maintaining an airplane and ship, making them work, and giving to that ship those things that are necessary to operate the airplane. And we prefer to do the management of the work, to do the design work ourselves, but we do not have the people to do it, so we have contracted out pieces of the operation. So we do maintain the total management control, but we are concerned that some of that man-

agement control might be lost because we are contracting too much out.

There is another side effect there that when you do that, you lose your in-house talent to take care of the fleet problems once the stuff gets to the fleet. If you contract it out to a contractor, he gets some experience and then another contractor gets involved and the first thing you know, your talent is just diffused throughout, and there is no talent base.

When we have a catapult failure on a ship we have to do something about it. So we ought to have people, we need people who know what to do.

Mr. CAMPBELL. One further question, if I may. I guess it is a related question, in that if you believe you will be short roughly 600 slots, positions, by the end of fiscal year 1982, how would you plan on addressing that problem, through contracting or overtime, increasing overtime?

Captain FRICHTENICHT. We have proposed, in order to handle that type of a problem, that a mission change would be required. As I indicated in my initial statement, one of the functions of the mission is to do limited manufacture. We would have to eliminate that activity and contract out that activity; there are about 300 man-years related to that effort.

We would have to continue to contract other areas as well in addition to eliminating the mission portion of the statement.

Mr. CAMPBELL. Thank you very much.

Thank you, Mr. Chairman.

Mr. WHITE. Thank you very much.

It has been very helpful, gentlemen.

I am going to call to the witness stand, Mr. J. Brady, president, Naval Air Engineering Center chapter, Naval Civilian Administrators Association; Mr. B. Kolacz past president, and Mr. F. E. Evans, Superintendent, Support Equipment Engineering Department, Development and Site Support Department; and Mr. Stephen W. Iwasko, Superintendent, Operations Division, Development and Site Support Department.

Mr. Brady, if you will begin your testimony under the same provisions what we have stated before, without objection, the testimony of all four gentlemen will be placed in the record at this point as delivered.

You may summarize or read your statement if it is not too long, Mr. Brady. If you will start first, Mr. Brady, Mr. Kolacz, Mr. Evans and then Mr. Iwasko.

STATEMENT OF J. BRADY, PRESIDENT, NAVAL AIR ENGINEERING CENTER CHAPTER, NAVAL CIVILIAN ADMINISTRATORS ASSOCIATION

Mr. BRADY. Thank you, Mr. Chairman, for giving us the opportunity to present testimony at this hearing.

As you have indicated, in order to conserve time, I will summarize my statement if it is agreeable to have my statement in its entirety put into the record.

Mr. WHITE. It will be done.

Mr. BRADY. Thank you.

The Naval Civilian Administrators Association—NCAA—is a national organization of senior level managers in Navy civil service with chapters, at 12 shore establishments which include 7 naval shipyards.

NCAA works with, not against, the highest levels of military and civilian management. Accordingly, NCAA has recognition in the Office of the Secretary of the Navy, and the NAEC chapter has a consultative agreement with NAEC's commanding officer.

The NAEC chapter of NCAA has actively pursued the assistance of the New Jersey congressional delegation, and in particular, Bill Hughes, to reverse the downward trend in authorized end strength. The Lakehurst chapter of NCAA and the managers of NAEC know what resources we need to get the job done and what the serious implications would be if those resources are not available.

The job of NAEC, in a nutshell, is interface. NAEC is the only activity of its kind in the world with the broad experience and expertise in providing the interface between the aircraft and the platform—either ship or shore station—so essential for the operation and support of aviation weapons systems. There is a direct and indisputable link between NAEC and the ability of our carrier battle groups, amphibious groups, and ASW groups to perform their missions.

Since the relocation of NAEC from the Philadelphia Naval Base to the Lakehurst complex in 1974, we have experienced a steady decline in our ceiling. There is no indication that this trend will be reversed. During this period, the workload and funding for NAEC has increased.

The Lakehurst chapter of NCAA believes that the following actions are necessary to arrest NAEC's current declining capabilities and to provide a sustained growth that will meet the Navy's requirements now and in the future.

First, personnel ceiling restraints should be recognized for what they are and removed in favor of flexibility to operate in various workload/funding conditions.

Second, there should be a concerted effort to develop and implement a sustained military construction program for the Lakehurst complex.

Third, there should be a concerted effort on the part of the Congress to exempt industrially funded activities of the Department of Defense from artificial ceiling restrictions.

Thank you.

[The written statement of Mr. Brady and Mr. Kolacz follows:]

WRITTEN STATEMENT OF JOSEPH BRADY AND BERNARD F. KOLACZ

One. The NCAA (Naval Civilian Administrators Association) is a national organization of senior level managers in Navy Civil Service with Chapters at twelve shore establishments which include seven naval shipyards, the Naval Ship Systems Engineering Station, the Northern Division of the Naval Facilities Engineering Command, the Naval Air Development Center, the Naval Air Station North Island, and the Naval Air Engineering Center (NAVAIRENGCEN).

NCAA, an actively functioning organization since 1947, has as its basic policy "the contribution to the improvement of the management of the Department of the Navy." In accordance with this policy, the overall objectives of NCAA are:

(a) To promote the efficiency of the various shore establishments of the Navy Department, to advance the science of management, and to foster cooperation between various units of the Naval establishment; and

(b) To protect the legitimate interests of civilian administrators, to take an active interest in the welfare of subordinates, and to maintain an attitude of fairness in all dealings.

NCAA works with, not against, the highest levels of military and civilian management. Accordingly, NCAA has recognition in the Office of the Secretary of the Navy, and the NAEC Chapter has consultative agreement with NAVAIRENGCEN's Commanding Officer.

Two. The NAEC Chapter of NCAA, in keeping with the general objectives of the National, as stated above and specifically in support of the top 1980/1981 objective of NAVAIRENGCEN Lakehurst, namely, "reverse the downward trend in authorized end strength", has actively pursued the assistance of the New Jersey Congressional delegation, and, in particular, Bill Hughes.

Three. It is recognized by all that the Navy must use their resources most efficiently—to squeeze the maximum productivity from every allocated dollar. The Lakehurst Chapter of NCAA, the managers of NAVAIRENGCEN, have, perhaps, a unique vantage point from which to view the business of the Navy. We are involved with ships and aircraft, with daily operations, and with future oriented R. & D.; with manufacturing items as conventional as steel cables and with performing conceptual studies of V/STOL aircraft on new aviation ships. Through many years of experience, we know where NAVAIRENGCEN belongs, what NAVAIRENGCEN can do well, and how NAVAIRENGCEN can best serve the Navy to get the maximum output for every dollar available. We also know what resources we need to get the job done and what the serious implications would be if those resources are not available.

The job of NAVAIRENGCEN, in a nutshell, is interface. NAVAIRENGCEN is the only activity of its kind in the world with the broad experience and expertise in providing the interface between the aircraft and the platform—either ship or shore station—so essential for the operation and support of aviation weapons systems. There is a direct and indisputable link between NAVAIRENGCEN and the ability of our carrier battle groups, amphibious groups, and ASW groups to perform their missions. The effectiveness and safety of today's and tomorrow's weapon systems is a function of the performance and operational readiness of the catapults and other launch assist equipment, of arresting gear, of visual and mechanical landing aides, and of other ship installed and ground support equipment.

In addition to its responsibilities to the Navy, NAV- AIRENGCEN is tasked to conceive, design, and develop expeditionary equipment for the Marine Corps. NAVAIRENGCEN equipment provides the Marines with operational airfields and launching pads quickly assembled in remote areas. NAVAIRENGCEN is also responsible for design and development of shorebased arresting gear for the United States Air Force and United States Army under a Tri-Service Agreement. Thus the NAVAIRENGCEN mission responsibilities extend to virtually every ship, air station, expeditionary site, and test facility conducting aircraft operations.

Our production facilities are used to manufacture one-of-a-kind advanced prototype equipment, as well as less glamorous but highly critical equipment and material for fleet emergencies. We also complete partially manufactured material purchased from private contractors who have defaulted on Navy contracts for financial reasons among others. This task is undertaken to expedite delivery to new ships under construction and preclude any claims for disruption costs. A recent example was catapult cylinder lubrication injectors required to meet the CVN-70 installation schedule at Newport News, Virginia. In other situations, substandard equipment received from private vendors must be reworked to meet safe operational requirements. Examples of these equipments include catapult launching valves, catapult cylinder thrust units, and flush deck nose gear launch buffer assemblies.

The Navy of the next several decades will rely heavily on the experience and expertise of NAVAIRENGCEN. Even now, we are engaged in critical programs such as LAMPS, ARAPAHO, and Light Carrier Design. As new aircraft-ship systems are designed and developed, the interface between the aircraft and the ship will become ever more complex, ever more important. NAVAIRENGCEN is the Navy's prime interface activity. Keeping the present aircraft carrier force supported properly beyond the year 2000 is a NAVAIRENGCEN responsibility. NAVAIRENGCEN expertise is also necessary today—for contributions to aviation safety, improvements in the quality of the work environment for our military personnel through provision of specialized and common support equipment, and for our continuing goal to increase the effectiveness and efficiency of our operating forces.

Since the relocation of NAVAIRENGCEN from the Philadelphia Naval Base to the Lakehurst complex in 1974, we have experienced a steady decline in our ceiling. There is no indication that this trend will be reversed. While we recognize that there has been a continuing personnel reduction in NAVAIRSYSCOM and through-

out DOD, we believe that we can substantiate that NAVAIRENGCEN has been the victim of a much more severe reduction than other Navy research and development, test, engineering, or material acquisition activities. During this period, the workload and funding for NAVAIRENGCEN has increased.

Current DOD planning shows a continued erosion in the number of people available to NAVAIRENGCEN until 1984 when a slight growth is projected. This personnel profile is totally inadequate. Our present funding, with an appropriate 20 percent level of contractor effort will support a work force in excess of 2,100 people. Our projected funding and mission requirements for fiscal year 1982 indicate a necessary work force in excess of 2,300 people. Instead of reductions in personnel, we need the addition of about 100 people per year for the next several years.

One of the impacts of the steady loss of personnel is an erosion of our corporate memory, experience, and knowledge. Because of the hiring freezes and reductions, and reduced opportunities for promotions, we are not able to attract and retain, in sufficient numbers, the engineers, mathematicians, business administrators, and science majors who are vital to our health.

In an effort to accomplish our ever expanding workload, we are becoming increasingly dependent upon the use of contract services. Contract services have been effectively utilized in the past in an adjunctive role. We are now concerned that these increased levels of contracting out will result in an overdependence on industry and will weaken NAVAIRENGCEN's and the Navy's ability to respond to emergencies, to support the fleet day-to-day, and to develop new systems and equipment. The long term welfare of the Navy in the development engineering and critical support areas require us to maintain a high level of in-house ability and expertise augmented, as workload demands, by contractor support. NAVAIRENGCEN must provide adequate technical direction, technical review, and acceptance of quality services and products by supporting contractors. It would be dangerous to rely on a single contractor or a group of contractors to maintain the sustained engineering knowledge and capabilities necessary to meet changing Navy weapon systems requirements, or to provide the rapid maintenance assistance to fleet units to maintain their operational readiness.

The Lakehurst Chapter of NCAA believes that the following actions are necessary to arrest NAVAIRENGCEN's current declining capabilities and to provide a sustained growth that will meet the Navy's requirements now and in the future.

(a) First. Personnel ceiling restraints should be recognized for what they are and removed in favor of flexibility to operate in various workload/funding conditions. Section 501 of Public Law 96-107 which provides that the Secretary of Defense shall manage manpower resources to insure that functions involving engineering acquisition will be provided manpower resources sufficient to fulfill the work requirements for which funds have been appropriated. It is clear that NAVAIRENGCEN falls within the intent of this Public Law.

(b) Second. There should be a concerted effort to develop and implement a sustained military construction program for the Lakehurst complex. The most urgent facilities are a new commissary store to support military personnel and retired constituents, and new military barracks to house our military personnel and the military personnel coming to the Lakehurst complex for training. In addition, energy savings and technical facilities must be approved and programmed. Such a construction program will be a visible demonstration of the Navy's firm commitment to maintain the Lakehurst complex as a viable and necessary facility.

(c) Third. There should be a concerted effort on the part of the Congress to exempt industrial funded activities of the DOD from artificial ceiling restrictions. The Senate Arms Services Committee, in Report #113, referred to Defense Department testimony indicating that the ceiling constraints imposed by the Congress had not hampered the ability of industrial funded activities to carry out their functions. We feel that the personnel strengths comparisons of what our funding could support versus the ceiling we have been assigned would show that our ceiling restriction is hampering the conduct of the mission at NAVAIRENGCEN. We fully support the House Appropriations Committee in exempting industrial funded activities of the Department of Defense from ceiling restrictions. If, however, the Congress feels that ceiling constraints are required, it would appear that the program authorizations must be more closely scrutinized so that personnel levels are consistent with funding levels and the programs authorized.

SUMMARY OF STATEMENT OF J. BRADY, PRESIDENT OF NAEC CHAPTER OF NCAA
B. KOLACZ, PAST PRESIDENT

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NAVAL CIVILIAN ADMINISTRATORS ASSOCIATION,
NAVAL AIR ENGINEERING CENTER CHAPTER,
Lakehurst, N.J., October 3, 1980.

HON. RICHARD T. WHITE,
*Chairman, Subcommittee on Military Personnel, Committee on the Armed Services,
House of Representatives, Washington, D.C.*

DEAR MR. WHITE: During the hearings of your subcommittee held at the Naval Air Engineering Center, Lakehurst, New Jersey on 22 September 1980, you requested the Naval Civilian Administrators Association representatives to furnish data for the record in response to a question from a member of the subcommittee. You also permitted us to file additional statements for the record for a period of up to two weeks from the date of the hearing.

We are pleased to furnish enclosure (1) for the record as our response to the question from the subcommittee. Complete data on a comparable basis was not available to us for 1974, but we have compiled the data for the first full year of operations at the Lakehurst complex for Naval Air Engineering Center, Naval Air Station and Naval Air Test Facilities. Accordingly, we are furnishing comparable data for fiscal year 1976 (excluding the transitional quarter) and fiscal year 1980.

We are also pleased to furnish, as enclosure (2), an additional statement for the record which contains a recommendation by our Chapter to include NAEC in a pilot program for management of an industrial fund facility without ceiling constraints.

We are looking forward to working with your Committee and your staff in the future in order to seek an answer to the issues that were presented during the hearing. Once again, we would like to express our sincere thanks for the time spent by you and your Committee in listening to the testimony at Lakehurst.

Sincerely,

J. J. BRADY,
Chapter President.

Enclosures.

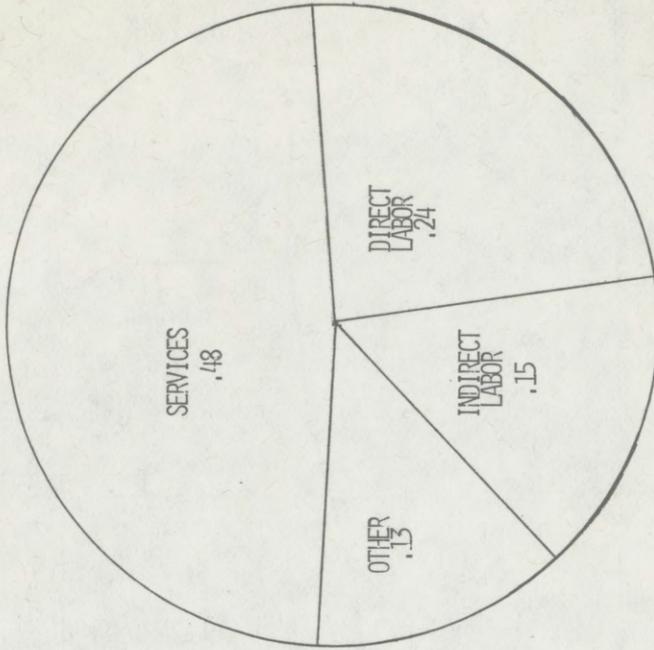
ENCLOSURE 1

	Fiscal year—	
	1976	1980
Orders received	\$88,150,955	\$137,257,036
End strength (on board)	1,996	1,760
Permanent	1,924	1,670

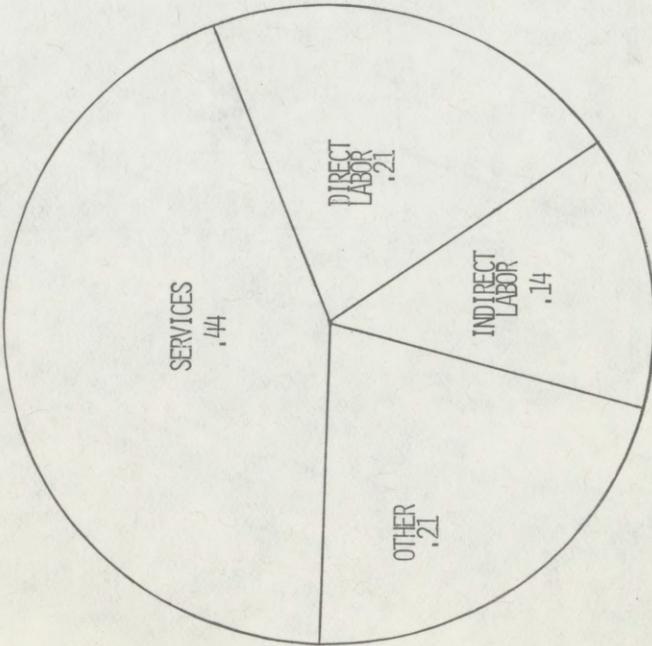
ENCLOSURE 1—Continued

	Fiscal year—	
	1976	1980
Temporary	72	90
Man-years	2,146	1,975
Direct	1,156	1,095
Indirect	990	880
Direct labor:		
Hours	2,012,005	1,906,263
Cost	\$21,946,737	\$28,300,484
Percent of cost	21	24
Indirect labor:		
Hours	1,723,061	1,530,789
Cost	\$14,760,552	\$16,906,248
Percent of cost	14	15
Contract services (and manufacturing)	\$47,125,585	\$56,047,337
Percent of cost	44	48
Other	\$22,266,696	\$14,816,668
Percent of cost	21	13
Total expenditures	\$106,099,570	\$116,070,737
Total percent of cost	100	100

FY80

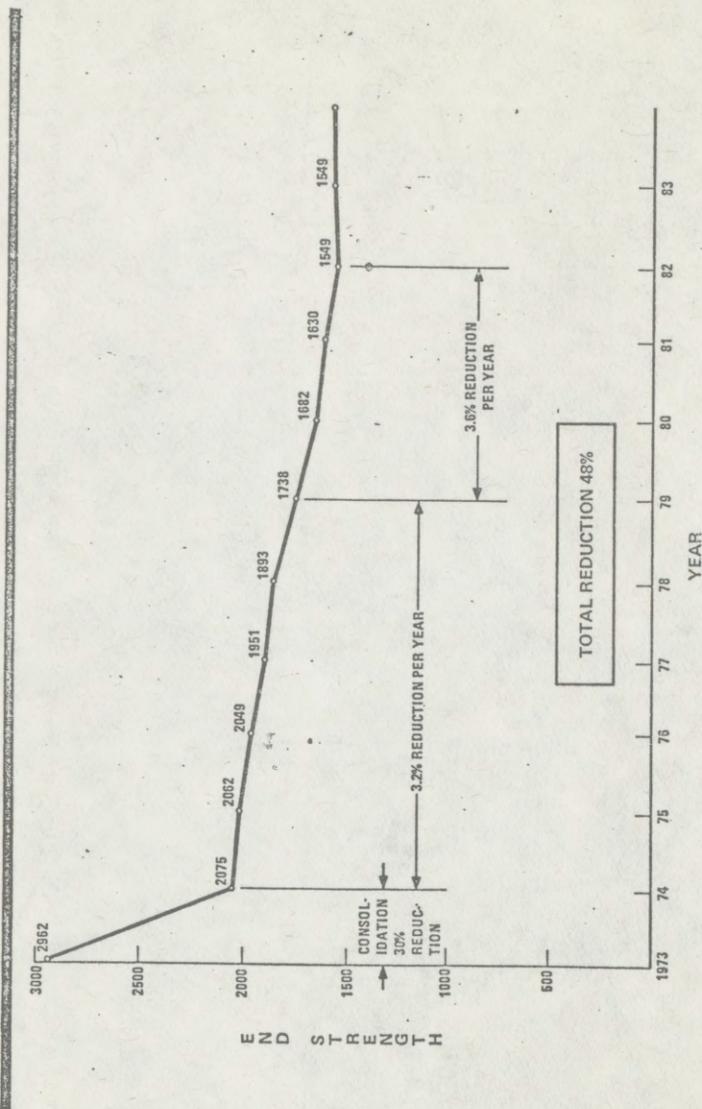


FY76



MANPOWER PROFILE

1 JAN 80



ENCLOSURE 2

Question. What does the Naval Civilian Administrator's Association think can be done to resolve the manpower shortages and resultant inefficiencies in operations and contracting of work at NAEC?

Answer. The problem is caused by the contradiction between the Center's important and growing mission and workload, and the diminishing ceiling allocations created for political and other organizational reasons totally unrelated to the work. We have been told that there is no relief in sight for the government or the Navy in terms of ceiling controls or ceiling reductions. Under those circumstances, the situation is being painted as a hopeless one by higher levels of management. We do not agree with this assessment. We therefore have two recommendations:

First. Since there is a 2-percent leeway granted by Congress to the Department of Defense in the allocation of ceiling; since the 2 percent equates to approximately 20,000 ceiling points for the Navy (according to testimony); and since NAEC's situation is critical and clearly justifies allocation of additional ceiling to do important funded workload; therefore, the Committee on Armed Services should recommend that the Navy request 200 additional ceiling points in each of the next two fiscal years for NAEC Lakehurst. This allocation would be just 1 percent per year of the 20,000 leeway. (A small price to pay to restore an entire field activity to health over a two-year period.) A leeway, which we have been told, has never been fully utilized by the Navy.

Second. If recommendation number one is not acceptable, then another approach could be used. Title VI, Chapter 47 of the Civil Service Reform Act (Pub. L. 95-454) authorizes "Demonstration Projects" which are defined as "projects to determine whether a specified change in personnel management policies or procedures would result in improved Federal Personnel Management" (and which "requires the waiver of a provision of law or of regulation.") We propose a "Demonstration Project" be submitted and approved for NAEC Lakehurst which would waive the ceiling requirements for a period of three years. The purpose would be to demonstrate whether a field activity would have better personnel management and better mission accomplishment at less overall cost, if it were allowed to manage its manpower without regard to ceiling constraints. Manpower decisions would be based on workload, funding, cost, mobilization requirements, quality assurance, and other meaningful criteria. Work would be contracted when it was clearly in the best interest of the Government and the taxpayer to do so. This project, although small in scope, would have wide-ranging Executive Branch and Congressional interest. It could shed some light on an area of system-wide interest for which there is very little hard data. The House Armed Services Committee could set it in motion by endorsing the concept and requesting the Navy to develop and submit the project for NAEC Lakehurst.

Mr. WHITE. Thank you.

Mr. Kolacz.

**STATEMENT OF BERNARD F. KOLACZ, PAST PRESIDENT NAEC
CHAPTER OF NCAA**

Mr. KOLACZ. Thank you, Mr. Chairman.

I would like just to mention something that was in a Naval newsgram back in April. There was a visit by Senator Baker, Senator Biden, and Congressman Stratton, aboard the U.S.S. *Coral Sea* in the Indian Ocean in April. I would like to read one comment by Congressman Stratton. This is on the U.S.S. *Coral Sea*:

Although it is an older U.S. aircraft carrier, we have witnessed a most impressive, precise and up to date exhibition of American naval air power. We have not lost America's professional touch at sea.

There really is no naval airpower on an aircraft carrier without an arresting gear and catapult equipment. As you have heard several times at this meeting, NAEC is the only one in this type of business. So I submit to you that we need the manpower resources to do our job.

Thank you.

Mr. WHITE. I was on the *Coral Sea* at that time with Mr. Stratton. We were impressed with what we saw at that time.

At this time I will call on Mr. Evans.

STATEMENT OF F. E. EVANS, SUPERINTENDENT, SUPPORT EQUIPMENT ENGINEERING DEPARTMENT, DEVELOPMENT AND SITE SUPPORT DEPARTMENT

Mr. EVANS. Thank you, Mr. Chairman.

I would like to take this opportunity to express my concerns regarding this Center's reliance on contracting out of engineering services due to the unavailability of adequate ceiling resources.

While this is a Center-wide problem I intend to address my comments to the Support Equipment and Engineering Department, where we presently are contracting out over 50 percent of our workload.

As a primary field activity for naval aviation support equipment, this Center is the only Government activity involved with all aspects in the lifecycle of an end item of support equipment. There are literally thousands of different end items of support equipment required to support today's aircraft propulsion and avionics systems. At best we are spread very thin in developing and acquiring new systems and also in providing fleet support for the equipment already deployed.

With the drastic personnel losses we have experienced during the last 2 years, we have become increasingly dependent on contractor services to the point where we are in danger of turning contractors from a supporting role into a primary role. This situation compounds a loss of expertise available to the Center and to the Department of the Navy in that personnel that normally were providing this kind of service are now managing contract efforts and preparing the documentation to perform this function.

If we continue to lose our in-house ceiling and related in-house capability, eventually we will be forced to become contract administrators. As such, we will be unable to technically evaluate contractor performances as all engineering expertise will be invested in many different contractors. It has taken the Navy several years to develop an organization that has technical knowledge and experience to deal with all facets of diverse support equipment systems. The Navy is in danger of losing this organic capability and with it, many of the capabilities that have been achieved over the past several years.

Thank you.

[The prepared statement of F. E. Evans follows:]

WRITTEN STATEMENT OF F. E. EVANS

One. The overreliance on contracting out of engineering services in the Support Equipment Engineering Department (SEED) is creating a situation that can lead to a serious problem for the Navy. Approved funded workload in the SEED for fiscal year 1980 and fiscal year 1981 is approximately 600 man-years. Personnel available to accomplish this workload as of 1 September 1980, number 250 resulting in a requirement to "contract-out" over 300 man-years of effort.

Two. As the field activity for Naval Aviation Support Equipment (SE), this Center is the only activity involved with all aspects in the life cycle of an end item of SE, from requirements determination and equipment development and engineering testing to procurement and in-service engineering support through retirement and replacement. The dependence of modern aircraft and weapons/avionics systems on support equipment for all echelons of support make it mandatory that these equip-

ments be effectively designed/developed and fully operational at all times. Programs for the design, development, and acquisition of required new equipment/systems, as well as programs for modifications to existing SE to extend its useful life and prevent proliferation of peculiar support systems, significantly and directly affect Fleet readiness. The ability to effectively support the Fleet in this area requires the engineering efforts of highly specialized and experienced career civil servants.

Support equipment program funding in fiscal year 1981 has been approved at 35 million for engineering services and related support and 85 million for hardware procurements. Specific areas that are impacted by the necessity to "contract out" significant portions of their work are as follows:

Avionics automatic test equipment.—The constantly increasing complexity of modern Navy aircraft has caused proportionally increased dependency on automatic test equipment for support of avionics. As NAVAIR's principal field activity for avionics ground support, the ATE workload has increased on the average of 20 percent per year over the past decade. Contracting is not an appropriate solution for much of the increased workload because it involves management as well as technical functions. If the NAEC is to retain its mission objective of maintaining an organic capability to support the Fleet in ATE logistics management and software systems engineering, its manpower allocation for avionics support must grow in proportion to the annually increasing dependency of the Fleet on ATE.

Common support equipment (handling, servicing, armanent, and propulsion equipment).—The Center has recently completed a long-range plan (10 years) to replace all of the outdated/moded common SE in the Fleet. This plan, with an estimated cost of 700 million to 1 billion dollars to implement, has been used by our NAVAIR sponsor to justify funding to support this substantial effort. Much equipment in this group is antiquated, unreliable, and non-supportable due to age/condition. It is essential that the knowledge and expertise gained in developing the latest state-of-the-art equipment be vested in Government employees vice contractor personnel. In order for the NAEC to be able to support the new systems to be developed in the next several years, we must maintain a high level of in-house expertise.

Weapons Systems Management Office.—The Office provides total engineering management and logistics support for Peculiar Support Equipment (PSE) for the respective Navy and marine Corps aircraft projects, F-14, F-18, A-7, et cetera. PSE is the test/maintenance equipment that is generally unique for the support of a specific weapon system. This responsibility is exercised through direct, interface with the weapon system prime contractors (Grumman, McDonnell-Douglas, Vought, etc.). The Office acquires PSE and its logistic support under the basic aircraft contract as the requiring activity for the specific support equipment contract line items. The magnitude of this responsibility is reflected by the annual expenditure of in excess of 400 million dollars for the design development, initial Fleet outfitting, and logistics support of the support equipment authorized. In addition, the Office manages the SE considerations and acquisitions for the navy's Foreign Military Sales.

Due to the nature of the effort involved (interface with prime contractors, direct representative of NAEC, etc.), it is inappropriate to utilize contractors in this area, compounding the problem elsewhere in the Department.

Three. In an effort to accomplish the increasing workload assigned the NAEC, we have become increasingly dependent on contract services. As we continue to lose ceiling we are turning contractors from a supporting role to a primary role. This situation compounds the loss of expertise and corporate knowledge/experience through reduced ceiling in that a significant number of the remaining work force must now prepare the documentation to contract for and monitor the performance of services formerly provided by the personnel who were lost.

During fiscal year 1980 for example, this Department prepared data for 77 contracts with 40 different contractors. The time is rapidly approaching when, due to the magnitude of the "contracting-out" effort, contractor surveillance will be minimal and not in the best interest of the Government. Further, if we continue to lose ceiling and related organic capability, we will be forced to become contract administrators and will be unable to technically evaluate contractor performance, as all of the engineering expertise will be invested in contractors.

It has taken the Navy several years to develop and organization that has the technical knowledge and experience to deal with all facets of a complicated and diverse support equipment program. By continuing the trend in "contracting out" for engineering services, the Navy is in danger of losing an organic capability and with it many of the gains that have been achieved over the past several years.

Mr. WHITE. Thank you, Mr. Evans.

At this time, Mr. Iwasko.

STATEMENT OF STEPHEN W. IWASKO, SUPERINTENDENT, OPERATIONS DIVISION, DEVELOPMENT AND SITE SUPPORT DEPARTMENT

Mr. IWASKO. Mr. Chairman, I want to thank you and the members of your committee, first, for the opportunity to appear today and offer testimony. I hope it will convince you of the serious nature of the employment level here at the Naval Air Engineering Center.

One of the principal organic elements of the Naval Air Engineering Center is the Development and Site Support Department. This unit is tasked with the responsibility to provide limited production, prototype manufacture, engineering investigation support, emergency manufacture of critical hardware items and technical and administrative management of selected funding categories.

The capability to effectively perform these functions is related to the number of people available to do the work. Over the past few years the Navy's ability to respond to the needs of its operating forces has been seriously jeopardized due to the diminishing resources in terms of manpower.

The Naval Air Engineering Center has been forced into a position of overreliance on contractors to provide critical hardware items. This Center does not advocate the elimination of vendor services. Our present level of contracting out exceeds \$62 million per year and represents in excess of 975 man-years of the industrial effort. Current projections are that these figures will escalate substantially in the immediate out years. We do not propose to enter into competition with private industry, nor can we afford to risk the lives of Navy personnel by abdicating our responsibility to the fleet.

In order to properly evaluate the criticality of the products we are describing, it is necessary to become familiar with their function. The Naval Air Engineering Center is dedicated to the design, development and testing of aircraft launching and arresting devices, visual landing aids, aviation support equipment and in general, the myriad of disciplines necessary to support naval aviation. This is an awesome task, one that cannot be trusted to inexperienced profit seeking entrepreneurs.

To make an analogy with the automobile industry, Ford contracts out to the lowest bidder such items as seats, bumpers, hub caps, grills, and I am sure you can name 100 other items. In the case of brake systems, transmissions, fuel systems, those critical items that spell success or failure, the life support systems if you will, these are produced by experts with proven track records. Their product's reliability, dependability, and quality are unquestioned.

The Naval Air Engineering Center provides that kind of expertise to the U.S. Navy. However, quality, reliability and dependability are compromised by our over-dependence on private industry. It is unreasonable to expect this Center to guarantee the integrity of such sophisticated systems as you will find on board naval aircraft carriers when in fact the control of these products has been stripped from our hands.

Our current reduced ceiling and the projected future cuts forces us into making contracting decisions solely on the basis of availa-

ble manpower. Our ability to provide the Navy with experienced, dedicated technicians is seriously eroded by the continuing ceiling reductions that seem to leer at us from just over the horizon. Young, talented craftsmen seek employment in other arenas and the long term experienced employees leap at the first opportunity to transfer to other Federal activities.

If the Naval Air Engineering Center is to fulfill its mission objective of providing the Navy with an organic capability to support naval aviation on land as well as on the sea, then this outrageous exodus of talent must not only be reversed but reasonable ceiling levels must be established and protected from future manipulations. Failure to take this action now will have serious long term effects on the Navy in particular and certain elements of our overall defense posture.

On a recent visit to this activity, Congressman Hughes of New Jersey was exposed to some of the situations that result from a lack of adequate personnel. Mr. Hughes watched as Center technicians were engaged in completing the work started by a vendor on catapult ejector pumps, an essential element of the C13-1 catapult. The pumps were destined for the CVN-70 under construction at Newport News, Va.

The shipbuilder had threatened to impose thousands of dollars per day in construction delay costs unless the pumps were delivered on schedule. The contractor providing the pumps had defaulted but the Naval Air Engineering Center was able to gather up the remnants of his efforts and build acceptable pumps for delivery to the shipbuilder. This action saved the Navy many thousands of dollars. Our ability to respond in this fashion will be compromised with any further ceiling reductions.

This Center is currently manufacturing tap reel flanges for the M-21 arresting gear, an integral part of the Marine Corps SATS system. We are engaged in this program because two commercial vendors failed to produce even one article but collected thousands of dollars in contracting costs from the Navy.

The question was raised, "why not solicit industry again to see if there might be a firm who could successfully manufacture the flange?" That is a luxury we could not afford at that point in time. Millions of dollars had been spent on the SATS system and without the apparatus to successfully land aircraft, the system was effectively inoperative. The Marine Corps cannot tolerate an air wing that cannot fly airplanes. And the Navy can ill afford to let that situation develop.

We could continue to expand the list of items the Naval Air Engineering Center was forced to accept for re-manufacture due to poor quality or contractor default. The list of recent hardware programs to satisfy emergency situations would include T-2 aircraft bridles, F-4 holdback bars, catapult cylinder brackets for the CVN-70, catapult launching lanyards, aircraft firefighting vehicles, anchor damper piston rods for the CV-60 and on and on and on. These examples only serve to illustrate and support our position that adequate ceiling levels must be maintained to provide the naval aviation community with the support and responsiveness it so vitally requires.

There are two products the Navy has traditionally reserved the right to produce in-house—wire rope cross deck pendants used to arrest aircraft on board operating carriers and at various naval shore stations, and nylon emergency barricades employed for the same purpose but under a different set of circumstances.

We have tried on a number of occasions to buy these products on the commercial market but with absolutely no success. The quality level required is prohibitive to profit oriented industry. The safe arrestment of a multimillion dollar aircraft and the lives of its crew members depends on the reliability of the cross deck pendant. Even if we disregard the millions of dollars involved, perhaps we should query the crew of an A-7 aircraft about to land at speeds approaching 150 knots regarding their thoughts on changing contractors.

This Center has been producing wire rope cross deck pendants and nylon emergency barricades for nearly 50 years and we have never had a failure. Think about that the next time your car won't start or your air-conditioner breaks down. Further manpower reductions will force us to seek commercial vendors for these products. The consequences of such an action could be frightening.

It becomes increasingly difficult to understand the motivation behind ceiling allocations such as we are currently experiencing. The Navy is blessed with a most unique organizational situation here at the Naval Air Engineering Center. Nowhere in the entire naval community will you find the designer, the builder, and the tester all residing on the same property. Design or manufacturing problems are resolved in face-to-face meetings alleviating the need for a briefcase full of correspondence and the loss of many days of valuable time. The designer is afforded the opportunity for hands-on experience, he is able to grow with his idea and become even more expert as he nurtures his brainchild to fruition. The test engineer is consulted even prior to his phase of the program. His experience and expertise are critical elements in the design envelope.

The Navy cannot afford to compromise the effectiveness of the Naval Air Engineering Center. Certainly if the staff is reduced or eliminated the burden of doing the things we do would fall to some other activity. But it would be many years before they did things as well as we do them. The Navy would no longer have a repository of experience they could call on at a moment's notice. Try getting a low bidder to send a crew of technicians to the CVN-69 on Gonzo Station in the Indian Ocean.

How do you build up a cadre of dedicated people to solve fleet problems, if those people change with each new contract? How do you relegate the profit motive to a secondary position in the hierarchy of priorities when dealing with profit making organizations? How do you respond to fleet emergencies if there isn't anyone left to respond?

If this panel has within its authority the wherewithal to halt the erosion of talent and experience from the Naval Air Engineering Center and elects to do so, future generations of Americans will reap the benefits of your courage.

In summary, I would like to say that the Naval Air Engineering Center is truly a center, the core, if you will, of naval aviation.

Certainly we are not foolish enough to propose that you can correct all the ills of the competitive bidding process, but likewise, we are not foolish enough to think the Navy can survive with inferior hardware. It is incumbent upon the decision makers to insure that:

One, those products/services which are more efficiently and/or effectively produced in-house are in fact produced in-house.

Two, adequate manpower resources are available to correct manufacturing deficiencies of purchased items before the delivery to the fleet.

Three, the Navy is capable of satisfying emergency needs when the commercial world cannot respond effectively; and

Four, the design engineer is afforded the opportunity to gain hands-on experience by building prototypes and breadboard models before embarking on a full scale program.

This can only be accomplished through adequate staffing. Like a baseball team, anything less than nine players leaves tremendous gaps in our defenses.

Mr. WHITE. Thank you very much.

Mr. Won Pat.

Mr. WON PAT. Thank you, Mr. Chairman.

First of all, let me commend you all for your excellent presentations. It is difficult, of course, to encompass all of your testimony in such a short time.

Mr. Iwasko, as past president of NAEC, are you still an active employee of the unit here?

Mr. IWASKO. Yes, sir, I am Superintendent of the Development Site Support Department.

Mr. WON PAT. This may be answered by anyone. NAEC is better equipped, do you feel, by virtue of the fact that it has the trained personnel in terms of engineers and technicians to do the necessary work required by the military? Rather than in the words contracting some of this work to private contractors, is the fact that you contract work because it is cheaper and that way you are saving some money?

Mr. IWASKO. Yes, sir, our contracting decisions are not always made on the basis of available funding. As I indicated in my testimony, at this point in time, because of limited manpower resources we often make those decisions based on the availability of manpower. We will select out programs of lower priority and offer those out to the lowest bidder on a competitive market.

We are not in the business of trying to eliminate private industry. As I indicated, we contract out somewhere in the neighborhood of 975 man-years of the industrial effort. I would not propose that the Navy would furnish us with 975 man-years of effort here in-house. What I am saying is that some of those items that are contracted out should in fact be manufactured in-house because of the expertise that resides here, the experience that we have had in those products over the years, and the control that we can exercise in building those products.

Mr. WON PAT. What percentage of manpower has been getting out from the organization, those that are affected by private enterprise?

Mr. IWASKO. I am sorry.

Mr. WON PAT. What is the extent of personnel leaving the organization who are attracted by private enterprise?

Mr. EVANS. Well, we will give you one department. In one department, in the Support Equipment Engineering Department, as an example, which would be typical in the Center, in the past year we have had a net loss of approximately 40 engineers that have left.

Mr. WON PAT. Was that due to the fact that private enterprise is more attractive in terms—

Mr. EVANS. That was primarily due to the fact private enterprise paid substantially higher salaries than the Government can pay.

Mr. WHITE. How many of those 40 went to work for the contracting out contractor?

Mr. EVANS. I don't have those exact figures.

Mr. WHITE. Did some of them?

Mr. EVANS. I would say possibly a quarter, 25 percent.

Mr. WHITE. Thank you.

Mr. KOLACZ. I think possibly some of the people were lost because of low morale. They see a degradation of NAEC and feel there is no reason to stay, some younger fellows.

Mr. EVANS. Also, the fact many of them saw with the reduced ceilings, which of course creates some concern on their part, and that they are being forced to contract out more work; put them in a position of being a contract administrator and where people who are very technically oriented and want to be involved in the design and development equipment, they do not want to monitor a contract.

Mr. WON PAT. Most of those people who left got their expertise, their training and expertise while working for the unit here?

Mr. EVANS. Absolutely.

Mr. WON PAT. I see. As a result, when they leave it deprives your organization of such expertise. In case of the need, where you have to increase your productivity over here, how will you be able to meet that demand?

Mr. EVANS. Well, the only way we are going to meet the demand is by contracting out, until we have contracted out to that point where we just absolutely are not functioning properly any more. Obviously we can't increase our productivity to the point where we can accommodate the losses that we are experiencing.

Mr. KOLACZ. The more you contract out, the more people you need to manage those contracts. We are just about at that point.

Mr. WON PAT. Thank you, gentlemen.

Mr. WHITE. Mr. Hughes.

Mr. HUGHES. Thank you, Mr. Chairman.

I would like to thank the members of the panel for, I think, laying out the basic problems extremely well in very vivid terms, and I appreciate your taking me through a few months back and showing me first hand some of the problems you are experiencing. I think that that is important because you can read about it, somebody can be told about it, but seeing you rework the equipment and understanding what that means to your capability is I think most impressive.

Morale is something that I hope has been raised because I think that this is something that we can't measure but is there. There is

no question in your mind apparently that we have lost good people to the private sector and it is not just because of salaries, as I understand it, we have people here that are committed to Navy Lakehurst that like what they are doing, feeling they are making a contribution, who really question the future of this facility.

Isn't that basically so—that is what has not been said but is there?

Mr. BRADY. Yes, sir.

Mr. HUGHES. I suspect that that particular problem has been there since the transfer in from Philadelphia a few years ago. We build an engineering center, and we have done some other things, but frankly, the signs are all just the reverse, there is a big question as to what future your Navy Lakehurst has in the overall defense establishment.

Would you say that that is an accurate assessment on the part of personnel at Lakehurst?

Mr. BRADY. Absolutely.

Mr. KOLACZ. Absolutely.

Mr. EVANS. Yes, sir.

Mr. IWASKO. Absolutely.

Mr. HUGHES. As I understand it, something else is occurring which frightens you, and that is not just the loss of very competent dedicated people, but the inability to attract new engineers, which is also undercutting your technical community?

Mr. KOLACZ. I think attraction of new engineers and the retention of the current engineers we have on board are in jeopardy.

Mr. HUGHES. Let me just quickly in the short time I have left, you have described some of the work you had to reexecute. Am I safe in assuming the work that you are contracting out because you are up against the ceiling point standard and feeling the crunch, is work that is high risk, that it is work that you realize requires high tolerances, perfection, and that it is going to be difficult when you have identified vendors in the private sector to get that type of quality workmanship? Am I safe in assuming that?

Mr. IWASKO. Yes, sir.

Mr. HUGHES. Do you know if more work is contracted out, that work is going to represent a risk?

Mr. IWASKO. Yes, sir.

Mr. HUGHES. Now, in the short tour that we had a few months back, I saw some of the work being reexecuted. Do you find that the work that has been reexecuted is increasing almost in proportion to the amount of work that is being subcontracted out?

Mr. IWASKO. The more work that you put outside, the more probability you have that some of that work will come back to you in the form of rework, not of a satisfactory quality level to deliver to the Navy for use on carriers, yes, sir.

Mr. HUGHES. Bernie Kolacz described a meeting on board a carrier in the Indian Ocean where your chairman was apparently in attendance with other members of the Armed Services Committee. During the recent mobilization in the Indian Ocean, was Lakehurst called upon to respond to field problems?

Mr. IWASKO. Yes, sir, I can speak for the area under my cognizance. We had one occasion where there were vessels to deploy and we had to furnish them with purchased cable, which is an integral

part of the arresting gear system, a wire which helps arrest aircraft.

We had to do some testing, preliminary testing work on an around-the-clock, 7-day-a-week basis in order to get this material available to the vessel before it departed. One or two other engineering problems that were addressed during the same period of time.

Mr. KOLACZ. We have had times, recently when NAEC type engineers and technicians go out into the Indian Ocean aboard our carriers to resolve problems, catapult/arresting gear problems.

Mr. HUGHES. What is the turnaround time on that, when you have to respond to a field problem?

Mr. KOLACZ. We hope we can get them out either that evening or the next morning. It is that urgent so that we don't, of course, delay any ship movements.

Mr. HUGHES. Well, and with regard to contractors, would it be reasonable to assume that a private contractor would be able to respond to an emergency in that fashion?

Mr. IWASKO. It would be a reasonable assumption he could not.

Mr. HUGHES. In fact, one of the problems you had at Navy Lakehurst is the fact that even with time parameters built into the contract, that vendors just do not perform within the time within which you need the work done, and if it is part of the overall contract, and it depends upon one part, obviously if you hold others up it is going to cost the Government additional money, in addition to the time that is lost in a vessel in port not being used, not ready for mobilization?

Mr. IWASKO. Yes, sir.

Mr. HUGHES. Well, I think that what has happened at Navy Lakehurst is so similar to what happened at the NAVAC, now that being the technical center. When I was first elected to Congress, the morale problem was absolutely horrendous, there was some talk it was going to be moved to Omaha. It is now in Pomona, going to stay at Pomona. We built a \$50 million building program.

Frankly, I believe the Navy is committed to Navy Lakehurst, there is no question they can't duplicate that facility, they have a technical community they can't duplicate anywhere else. What we have to do is get Navy and Department of Defense and OMB committed to shoring up Lakehurst and trying to put to rest some of the fears that it just is a transient facility, and I look forward to working with our excellent group.

Thank you for your testimony. You have been most helpful to me and the committee. Thank you.

Mr. WHITE. Mr. Forsythe.

Mr. FORSYTHE. Thank you, Mr. Chairman.

I thank the panel very much for some very, very good testimony.

Could any of you help me with this question? What percentage of your effort is devoted to servicing equipment on ships at sea? Is that a number that you could get for us and submit for the record?

Mr. IWASKO. Congressman, you mean direct support, interfacing with the vessel itself or—

Mr. FORSYTHE. The vessel itself. Your whole mission really is basically—

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE. On the waterborne air fleet. But what is actually interfacing with that vessel at sea, such as—Bernie, you commented on I believe the *Coral Sea*.

Mr. KOLACZ. Sir, there are certain departments within NAEC that are solely responsible for fleet support. I will just take a guess on my part, but it is anywhere between 25 and 30 percent of the people at NAEC directly involved day to day on ship requirements.

Mr. FORSYTHE. I don't think that quite gets to the kind of specific that I was trying to get at. It is this business of getting the crew on the ship at sea and reaching it on station because of a problem. Does that make it clear?

Mr. EVANS. Could we supply that for the record?

Mr. FORSYTHE. Yes.

Mr. WHITE. Without objection, the answer to that question will appear in the record at this point.

[The following information was received for the record:]

ALLOCATION OF MANPOWER

The Naval Air Engineering Center provides 16 percent of its technical manpower in direct support of aviation support systems on-board naval vessels. Specific functions performed are: Fleet operational and maintenance problems, certification and qualifications, technical directives, and aircraft/ship compatibility.

Mr. FORSYTHE. It was you, Steve, that commented on the construction of the two aircraft F-4 holdback bars. Why aren't these equipment that is logically built by contractors, why is there something again highly technical and short production runs that makes this uneconomic to go out.

Mr. IWASKO. Yes, sir, those particular items that I was referring to were emergency manufactured for any number of reasons. The F-4 holdback case was the fact that industry was just late in delivering the contractual items; the U.S. Navy then solicited Great Britain, who has similar type bars, and we had them shipped over here from England and we modified them here at the Center and sent them out to support naval aircraft because the contractor had not responded in time. That is normally an item that is contracted out. I was trying to point out that we are here often to satisfy those emergency-type requirements.

The same situation existed with the two bridles. Industry did not want to respond to a requirement for bridles because of the fact there were very few of them that the Navy needed, and it was a very complicated and expensive forging and there just was not enough of a profit margin in there for a contractor to bid on. So we took on the job and satisfied the Aviation Supply Office.

Mr. FORSYTHE. You kind of have a dual situation here. One is picking up a fallen contractor, for whatever reason, and so that the total project is not hampered by the failure of a contractor either through design or whatever to meet the problem?

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE. And the other is that basic short run kind of highly technical kind of ware that really isn't practical to do on a bid basis?

Mr. IWASKO. Yes, sir.

I hope I haven't conveyed the idea when we indicate that there are many pieces of hardware coming back which are faulty that we have to fix up, that the commercial world out there is not capable.

They are capable and we have some very fine contractors that work for NAEC and produce very fine hardware products.

I am trying to indicate that there are certain items, certain functions that should be retained in-house because of the critical nature and because of the control the Navy needs to exercise over those items.

Mr. FORSYTHE. This latter statement by far is the more important—

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE [continuing]. Concern. It is not, as you mentioned, this inability of a manufacturer to produce flanges which you are now making in-house. I think you mentioned one other item, that a very, very—

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE. It seems to be a relevantly standard kind of situation. There is not too much of that that you do get involved in in terms of, not necessarily off-the-shelf type of things, but things that normally engineering, normal contractors can deal with in a relatively simple way?

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE. It gets into more sophisticated short run high setup cost production cost things?

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE. It just doesn't make sense to get a contractor up to the point where he can build three, and then that is the end of the run, and because next year's model is going to be different anyhow?

Mr. IWASKO. Yes, sir. He is front end loaded with the setup cost and as I indicated, unless he has an adequate number to produce, he doesn't make a profit.

Mr. FORSYTHE. So overall it really is a very highly specialized mission here at Lakehurst, and not mass production. You really aren't building even 100 airplanes or whatever, probably dealing in half a dozen at most, in this kind of thing, that are highly technical, short run production?

Mr. IWASKO. Yes, sir.

Mr. FORSYTHE. I am very impressed with the statement in the way how do you respond to threat emergencies if there isn't anyone left to respond. I think that kind of puts a big explanation point right where the problem is the kind we have to have a backlog of expertise in personnel here available on base and not loaded to the point where you can't even spring them loose. We would be in a fix if our utility companies would have to wait to get outside contractors to repair all the power failures we have across this country.

Thank you.

Mr. WHITE. Thank you.

Gentlemen, I would like to pose a question, several questions to all of you, if I may.

Now, the NAEC contribution to the Navy in peacetime and wartime, will we have to rely on private industry, which by all accounts cannot meet our peace or war requirements. In other words, on mobilization, how can the response be made?

Mr. EVANS. There are some areas in long-range planning that we certainly can accomplish in peacetime and we have accomplished several very satisfying efforts in this area where we have reviewed the fleet requirements or what type of equipment is going to be required through the eighties and are replacing equipment that is 20 years old, obsolete. You can't get standardized parts so it is an opportunity for us to take a look at what type of hardware is going to be required for associated logistic support and standardized on that to make it easier for fleet operators maintaining the equipment.

Mr. WHITE. Now, as the situation now exists, with the amount of contracting out that has been made, and considering the numbers that you have in-house, can this base meet its mobilization requirements now?

Mr. BRADY. No, I don't think so.

Mr. WHITE. Would you like to expand on that, Mr. Brady?

Mr. BRADY. I don't think so, because as previous testimony has indicated, we are at the bare bones at this point and in order to mobilize we would need more people on board in order to accomplish the task required.

Mr. WHITE. Now, the contracting out circumstances bear on that ability to mobilize, would this impair, impede, would this diminish the ability to mobilize, or could you function just as efficiently?

Mr. BRADY. Well, in order to mobilize as I see it, in contracting out services, you would need additional personnel in order to administrate any additional contracting out. We currently do not have that luxury of adding to the administration function. As Mr. Evans has indicated, he loses personnel because they are technically oriented and they are being tasked to administer contracts; if you were to contract out more under mobilization circumstances, I think it would just be fooling yourselves; you could not control it.

Mr. WHITE. Well, your indication is that if you had as much of the mission contracted out and you had to mobilize, you would find some difficulty in meeting your mobilization requirements, especially as the contracts expired, I suppose.

Now, this other testimony given earlier interested me, whereby some of the work was characterized as the new and old work, but it was submitted as new work, and therefore, it was able to come in under a technicality.

Have you yourself experienced or observed this use of the term new work when in fact it was really old work or had characteristics of old work but was a little bit of change—

Mr. EVANS. I am not sure that is a conscious determination. Through our sponsors there are very, very many different program managers, they each have workloads associated that would come to NAEC. As we negotiate what the workload would be, we may be in a position of doing some of both. Certainly R.D.T. & E. will bring in a new type of work. Some of it may be an increase of existing programs. I don't believe there was a conscious effort made on our part as we evaluate our workload, new versus old.

Mr. WHITE. You studied the problem, can you tell me whether there has been an adequate allocation of money? I am not talking about personnel, money for the mission here at Lakehurst?

Mr. EVANS. I certainly believe there has been very adequate allocation of funds. For example, the Naval Air Systems Command has used some of the long-range planning effort that we accomplished, NAVAIR has used this to go to the budget table to get money in support of these procurements that are required in the out years. They have been very successful in doing that. So when we talk about increased workload and funding for the next several years as reflected by the 5-year defense plan, then this is all part of the previous efforts that we accomplished.

Today, given the situation we are in with the contractors and the number of Government employees, we would be unable to do that level of planning that we have accomplished.

Mr. KOLACZ. May I add something? I think Mr. Evans is speaking about project funding. I think the problem may be, on this base, is station support funding where the station is really run down, compared to other stations, like say Patuxent River, Md. So all we are getting is the proper project funding and we maybe are making some inroads in the station support funding.

I think over the past say 7 years, I think the station has definitely been neglected. You might even say in the military construction area we probably, in my estimation, don't get our fair share of what we really need.

Mr. WHITE. I am going to consider my further questions as the second round, then we will give the other members an opportunity.

Let's follow this up. Are you saying that the mission, your primary mission is being shorted, or are you talking about the adjunct maintenance of the base?

Mr. KOLACZ. I would say the adjunct, sir.

Mr. WHITE. Your primary mission, that is being adequately funded?

Mr. KOLACZ. That is right.

Mr. WHITE. As far as research and experimentation and development?

Mr. KOLACZ. That is correct, sir.

Mr. WHITE. But then if you are getting that adequate money for that and maybe not for your buildings and upkeep, you then have to identify personnel as the problem, not money for the mission?

Mr. KOLACZ. That is correct.

Mr. WHITE. Do you think that it is possible that those at the Pentagon or maybe OMB, who then give their orders to the Pentagon, I presume, it has been the thought that one of the advantages of contracting out might be that it might down the road save the Government money in perhaps matching for annuities when civil service employees retired? Do you think that has anything to do with these decisions? I am just asking.

Mr. BRADY. No, I don't think so.

Mr. WHITE. Do you think then it is merely an effort to dodge the personnel ceilings?

Mr. BRADY. Personally, I think it is an effort to reduce Federal employment.

Mr. WHITE. For what purpose, because of image to the Nation, or cost to the Government? It can't be cost to the Government if they are contracting out.

Mr. BRADY. I would say image to the Nation.

Mr. WHITE. OK. You feel, however that, you think that would be corrected if we removed the ceilings because they would still have that desire for image, wouldn't they or removed ceilings. In other words, if we removed the ceilings, how is that going to help you, because the planners, the ones who have the pencils and papers and make the allocations in Washington, are still going to have the constraint of image and the economies that they have to effectuate, am I correct?

Mr. BRADY. Yes sir.

Mr. WHITE. So I am just wondering, since we have not overall exceeded our ceilings and have had latitudes of 1¼ up to now, 2 percent in the future, those have never been reached, then indeed how is that going to help you here to remove the ceilings?

Mr. EVANS. I believe we have looked at removing the ceilings, and if it were at being directed down to the activity level—that is, if the ceiling restrictions were eliminated at this base and it were based on funding, we would not have a problem here. As higher authority imposes different types of restrictions, we are forced to work back through the system.

Mr. WHITE. The shortage of the personnel on the rolls here is partially an effort to take care of some other base somewhere else, some other mission, and therefore, though they have not exceeded their ceilings elsewhere, that they have shorted you here through contracting out, in order to build some other post. Is that possible?

Mr. EVANS. I certainly would not be in a position—

Mr. WHITE. Have you studied this in your organization as a possibility?

Mr. KOLACZ. Well, I think that the Naval Air Engineering Center has been shortchanged in ceiling with respect to other activities, R. & D. activities, T. & E. activities, naval air rework facilities, shipyards. I think we have taken at NAEC a bigger percentage cut than the others I have just mentioned. Maybe not myself, but I think the opinion of some of the people on the base, is that this really is a conscious effort to cut back NAEC to the point where somebody in Department of Defense is going to say look, with that number ceiling point, they can't manage anyway so close the place down. I think we have that fear here on the base, some of the people feel that way.

Mr. WHITE. If they closed this base down where would they go for this work?

Mr. KOLACZ. That is a good question.

Mr. WHITE. There is no other place, as I understand it.

Mr. KOLACZ. That is correct.

Mr. WHITE. And the mission is going to be there. So really, we have got to keep you alive, don't we?

Mr. KOLACZ. Yes sir, that is what we are trying to point out to—

Mr. WHITE. I think your Congressmen have done a pretty good job of keeping you well, alive and healthy. We are going to see what we can do. I think actually the members of this committee understand and agree with what your purpose is, and we are interested in a firm defense and we see that there can be a great inhibition in national security if we really cut down on in-house

services that can't be really properly performed on a contracting basis.

That is why Congress has instilled these words in permanent law as of last year and this year in the defense authorization bill that went out, because we want to make it certain that the Defense Department fulfilled certain basic precedents before they ever contract out. I think you have lots of friends in Congress, in other words.

Gentlemen, any other questions?

Mr. WON PAT, do you have any further questions?

Mr. WON PAT. No, except to follow up your questioning regarding, of course, the funding, the restrictions or the purpose for which you are reducing your personnel.

You said that the purpose to reduce Federal funding of the Federal planning here is because in order to conform and adhere to national policy of reducing Federal employment, isn't that what you said?

Mr. BRADY. Yes sir.

Mr. WON PAT. And it is not, of course, due to restrictions or diminution of funding?

Mr. BRADY. No sir. We have more than adequate funding.

Mr. WON PAT. Nor is it, of course, in accordance with the authorized planning, planning strength as provided by law. Is that right?

Mr. BRADY. Are you referring to the law that talks to the support of engineers?

Mr. WON PAT. The Congress authorized so many civilian personnel.

Mr. WHITE. We have a 983,600 ceiling for civilian personnel overall. We don't allocate ceilings for the individual services or the mission itself.

Thank you for yielding.

Mr. WON PAT. I have no further questions.

Mr. WHITE. Mr. Hughes.

Mr. HUGHES. Thank you.

Just briefly, I am happy to see us lay on the table the ceiling point standard for what it is, imagery. As a management tool, it has been a failure, and the point I think the chairman and Mr. Won Pat has tried to make is that the ceiling point standard set by the Congress has not been exceeded, it has not been utilized, the ceiling point standard afforded to the Navy has been utilized, they are not pushing up against a standard.

In the Armed Services Committee, even though it did pass and the House passed legislation that would eliminate the ceiling point standard for industrially funded facilities, the Senate feels very strongly about it as a means of oversighting programs, so it seems to me what we have to do is attack the ceiling for what it is, just at this point, as a failure, as a constraint on a field commander in trying to perform a mission.

Mr. Chairman, let me tell you this: Insofar as the station support facilities, they are deplorable here. Take a look at the barracks, the commissary on this facility and you will wonder why military families want to stay in the service. No wife wants to live in some of the facilities that exist.

It is not just the wages that we are not paying our military personnel, it is the fact that we permitted facilities like this to deteriorate to the point where it is not attractive to stay in the military. So our problems with Lakehurst are manifold and all I want to see us do for Lakehurst, I will take 50 percent of what they give the Patuxent River and that would satisfy me at Lakehurst as a start. [Applause]

I seem to have hit a responsive chord. But it is a problem and I am going to be working with the committee in trying to address this ceiling point standards problem.

Mr. WHITE. Thank you very much.

Military construction is not under the jurisdiction of the Personnel Subcommittee, I want you to know that. We have done what we could.

Mr. FORSYTHE.

Mr. FORSYTHE. Thank you.

Just one further question to really follow on in the area that my colleague, Mr. Hughes, has referred to, and there was testimony in this area that one of the things that has been very much short-changed here at Lakehurst has been that support mission in terms of barracks facilities and so forth. You say your other mission is well funded, but in one particular area, I would like to if I can, find out where does Lakehurst stand in terms of complying with our standards on water treatment quality and any effluent maybe escaping the borders of this base?

Mr. EVANS. I think we would be unable to provide that.

Mr. FORSYTHE. Can anybody here refer to that?

Mr. KOLACZ. Not anybody at the table right now.

Mr. FORSYTHE. Can we get that for the record?

Mr. EVANS. Yes sir.

Mr. WHITE. When received by the committee, it will be placed in the record following the question.

[The following information was received for the record:]

ENVIRONMENTAL PROTECTION COMPLIANCE

The Naval Air Engineering Center has been granted a National Pollutant Discharge Elimination System permit by the Environmental Protection Agency. The permit covers the sewage treatment plant discharges to the Manapaqua Brook, a branch of the Toms River. The enforcement of our National Pollutant Discharge Elimination System permit is the responsibility of the New Jersey Department of Environmental Protection. The Naval Air Engineering Center samples the effluent of all discharges and has them tested by a state certified laboratory. The Naval Air Engineering Center reports these results on a monthly basis to the New Jersey Department of Environmental Protection.

Mr. FORSYTHE. Thank you.

Mr. WHITE. Well, I might say that I exhort the counsel for this committee to talk to the counsel for the Military Installations and Facilities Subcommittee to advise them what you have heard today and I think we can get the message across concerning the support.

Counsel?

Mr. WINCUP. Thank you, Mr. Chairman.

I just would like to ask Mr. Iwasko, your statement indicates on page 2 that "your current reduced ceiling in the projection of future cuts forces us into making contract decisions solely on the basis of available manpower." Stated in a different way, does that mean you are making contracting decisions without regard to how

much it is costing the Government but solely with regard to the fact you don't have enough manpower?

Mr. IWASKO. I guess I would have to agree with you although I might not put it in such extreme words. We are in a position right now that there is a normal level of contracting out that we would propose to do if we had satisfied all of our requirements as far as manpower is concerned.

The position we are in now, because of lack of manpower, is that we are making contracting out decisions based solely on this criteria, the fact we don't have people to do the job. If might follow then, that it is more expensive to do it outside, but that is not the reason we put it out there.

Yes sir, you are correct in that assumption.

Mr. WINCUP. Maybe it is just as worrisome, the way it is stated does not mean no one looks, whether it costs, no one looks at relative costs.

Mr. IWASKO. No sir, we do that, yes.

Mr. WINCUP. Let me, if I might, ask a followup question on the point the chairman was making about your mobilization capability, clearly even if it was cheaper to contract out certain things, you wouldn't want to do it because there are certain things you would like to retain in-house, important surge requirements?

Mr. IWASKO. Yes sir.

Mr. WINCUP. To your knowledge, is there a study, some baseline judgment on what mobilization requirements of this installation would be?

Mr. IWASKO. I am not privy to that information. Perhaps one of the other panel members might be.

Mr. EVANS. No.

Mr. KOLACZ. I am sure there is, but I don't think anybody at this table has an answer to that.

Mr. WHITE. Can that be secured for the record?

Mr. KOLACZ. Yes sir.

We will ask the base commander if he would secure that for the record.

[The following information was received for the record:]

MOBILIZATION CAPABILITY

Functions which should be performed in-house have been defined. Civilian employees have been screened to determine which are serving in the Ready Reserves and would have to be replaced immediately. Also, overseas Fleet Service technician positions have been identified as to which would have to remain on station to support the Fleet in the event of mobilization. In addition, a study of reserve industrial capacity has been done in terms of existing capacity, surge and sustain capacity, maximum capacity, and reserve capacity. Maximum capacity is based on full, round-the-clock utilization of existing industrial facilities and machinery. This study estimates that it would take 6 to 9 months to reach maximum capacity.

Mr. WINCUP. Thank you, sir.

Mr. WHITE. Thank you.

Mr. Price.

Chairman PRICE. No questions.

Mr. WHITE. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I have one question, I guess it is related to the one asked by Mr. Wincup. It has to do with the mobilization issue. It seems to me that if you are not certain as to whether or not you can meet—

obviously Mr. Brady stated that you can meet your mobilization requirements, whatever they might be.

One way it seems that we can get a handle on what they should be is to look at your total contribution to Navy aviation in a peacetime environment as the Pentagon sees it, at least in a wartime environment, and a way of measuring that it seems to look at things like capital investment.

Do you have any words on that? Let me restate that as a question now. Can you tell me what the overall capital investment, percentage of capital investment this facility is with regard to the capital investment for naval aviation?

Mr. BRADY. No, we don't have that information.

Mr. CAMPBELL. Could we have that for the record, please?

Mr. WHITE. The base commander will please secure that for the record and it will be placed in the record without objection at this point, following Mr. Campbell's question.

[The following information was received for the record:]

NAEC CAPITAL INVESTMENT

The total capital investment at the Naval Air Engineering Center, Lakehurst is \$118,183,083. This is only a very small percentage of total capital investment for naval aviation.

Mr. CAMPBELL. We have heard that since 1973 you realized about 44 percent reduction in personnel. Could you provide for the record, Mr. Brady, just a rundown of those figures in terms of reduction of authorized personnel since 1973, the increase in workload since 1973, and the percentage of contracting out since 1973?

Mr. BRADY. Yes, we can provide that information.

Mr. CAMPBELL. Thank you very much, Mr. Chairman.

Mr. WHITE. Any other questions?

Thank you, gentlemen, very much for your attendance here today. You have been most helpful to us.

We are going to now call for the next panel and while they are coming to the table, I do suggest that all of you stand and stretch.

Mr. WHITE. The next panel will consist of Doug Farbrother, Director of Manpower Management, Office of the Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics; Vice Adm. E. R. Seymour, Commander, Naval Air Systems Command; and H. Lee Dixon, Director, Civilian Manpower Division, Office of Budget and Report/Fiscal Management Division, Department of the Navy.

The committee will resume.

Without objection, the statements of the gentlemen now sitting at the witness table, Mr. Farbrother, Vice Admiral Seymour, and Mr. Dixon will be placed in the record in full as though, delivered, although I understand that only two statement have been prepared.

We are pleased to hear from you gentlemen. Who is going to begin?

STATEMENT OF VICE ADM. E. R. SEYMOUR, COMMANDER, NAVAL AIR SYSTEMS COMMAND

Admiral SEYMOUR. I will.

First of all, members of the committee, I am very pleased to be here. I recognize as you have by now that we have a problem at Lakehurst. I will place my statement in the record, rather than reading it, although I would very much like for my commanding officer here to publish it on the base so the people that work here can see what my statement had to say, rather than wait for the record. But I will forego reading my official statement. I will try to summarize it in couple of sentences.

The task that I have as commander of the Naval Air Systems Command is one of balancing resources. When we developed the budget, as you have heard this morning the people at Lakehurst come in and say we need x number of people to do the job. I get that from all my field activities as well as the headquarters activities, and then I try to balance that within a constrained amount of money and personnel ceilings that have come down to me through the programing, planning, and budget system.

When we come to the execution year, 1 year later, or 2 years later, I then again have to rebalance the resources to accomplish the most important functions and jobs that I have been assigned to get accomplished during that year.

It is in this balancing process that I really am the bad guy that ends up assigning the ceiling to NAEC. I am the person who makes the final decision as to how many people NAEC gets. It is driven by constraint both in the developing of the plan and the execution of the plan.

[The prepared statement of Vice Adm. E. R. Seymour follows:]

WRITTEN STATEMENT OF VICE ADM. E. R. SEYMOUR

Mr. Chairman and members of the Committee, I appreciate the opportunity of appearing before you today to discuss civilian personnel ceilings and contract support at the Naval Air Engineering Center (NAEC), Lakehurst, New Jersey.

Our task in the Navy is to insure a proper balance of workload, manning levels and funding in order to effectively serve the fleet and maintain fleet readiness. At first glimpse, that may not appear to be too difficult, but I assure you that it is a monumental task when one considers the constraints under which we must meet that task—limitations on civilian personnel ceilings and restrictions on contracting out. In addition, roughly 60 percent of the civilian employees in the Naval Air Systems Command are in activities in which the personnel ceiling has been fenced. Thus, any personnel reduction can only be levied against the remaining activities consisting of 40 percent of our personnel.

During the budget planning process, all Navy components submit their civilian requirements with justification based upon their projected workload and mission to be accomplished. The requirements, missions and functions of the entire Navy organization, are reviewed annually to determine how best to allocate the limited resources to enables the Navy to accomplish its mission. Any reductions in personnel ceiling must be distributed so as to minimize their impact on essential functions. Thus, the ceiling for each Navy component is based on the relative priority of its functions with the priority of other Navy functions to be accomplished.

The authorized civilian end-strength at NAEC has been significantly reduced over the last few years. During this same period, the entire Naval shore establishment has experienced general civilian personnel ceiling reductions as a result of various adjustments such as those necessitated by the Leach Amendment to the Civil Service Reform Act. Every effort has been made to distribute the Naval Air Systems Command's share of civilian personnel reductions in a manner that would have the least impact on services to the fleet.

The authorized civilian end-strength for NAEC for fiscal year 1980 is 1,695. Current Navy planning provides for an end-strength of 1,690 for fiscal year 1981. The fiscal year 1982 manpower budget is currently under review by the Office of the Secretary of Defense and the Office of Management and Budget. Therefore, I cannot predict with any certainty what the civilian personnel ceiling for NAEC will be beyond that which is currently planned for fiscal year 1981. I can tell you that the

minimum civilian staffing required at NAEC, in order to continue operations in accordance with the present assigned mission, is approximately 1,700. Any significant reductions below this level will necessitate a mission change. Because of the possibility that the final end-strength allocation for fiscal year 1982 and beyond will be less than 1,700, contingency planning is underway and alternatives are being evaluated. We are working with the Fleet Type Commanders to assess the impact of proposed alternatives.

With regard to contract support, a great deal of work at NAEC is accomplished through contracts with the private sector. These contracts are in three basic categories: Contracts for support services such as janitorial services; engineering services in support of the technical departments; and hardware procurement for the Branch Aviation Supply Office, etc. Each of those basic categories requires an in-house capability to define the work scope, perform price analysis, monitor the contracts and insure acceptable end products. Contracting is not desirable where NAEC is required to provide urgent fleet items or repairs, to manufacture items requiring tight quality specifications, or for prototyping when close liaison with engineering and testing is required.

We in the Navy are especially sensitive to civilian personnel constraints which literally deny us the capability to alter either the size or composition (skill level and distribution) of our work force. Reductions in personnel over the years have eroded our capability to perform our missions and have caused serious work force imbalances. It is our firm belief that appropriated funds and authorized workload impose sufficient constraints and at the same time provide flexibility to carry out our mission. We, therefore, strongly favor the removal of all statutory limitations on civilian personnel ceilings. The elimination of these ceilings, coupled with a fully implemented OMB Circular A-76 policy for acquiring commercial and industrial products and services, would in our opinion clearly permit a more efficient and cost effective operation of the Navy Department.

This concludes my formal statement; I will be happy to respond to your questions.

Mr. WHITE. Is that your statement, sir?

Admiral SEYMOUR. Yes sir.

Mr. WHITE. Mr. Dixon.

STATEMENT OF H. LEE DIXSON, DIRECTOR, CIVILIAN MANPOWER DIVISION, OFFICE OF BUDGET AND REPORTS/FISCAL MANAGEMENT DIVISION, DEPARTMENT OF THE NAVY

Mr. DIXSON. Yes, I will submit the entire statement for the record, but there are certain portions of the statement I would like to read because I think it sheds a good amount of light on the challenges we are facing in terms of civilian end strength, particularly from a Department of Navy viewpoint.

The disruptive effects of civilian personnel ceilings have been a concern in the Navy for several years. The problems experienced at the Naval Air Engineering Center are not unique to that activity, but are shared throughout the naval shore establishment, both headquarters and field. Over the past 6 years Department of the Navy civilian employment has declined by 27,000 positions, and it has not been possible to protect any large segments of the Navy's civilian population from reductions of that magnitude.

In distributing ceiling reductions, we have had to balance a number of concerns. First there is the current base structure that must be maintained and supported. This includes base operating support to the fleet in the form of stations and bases, centrally managed communications, Naval Reserve support, training, intelligence, logistics support, including supply and maintenance operations and a myriad of other categories.

At the same time, there have been new initiatives and areas which have required increased civilian manpower over previous levels. These initiatives include the phased buildup of personnel in support of the Trident program, civilian mariner manning of addi-

tional fleet support ships, and increased medical support personnel among others. Both of these factors, maintenance of current support and new program growth, have had to be accommodated as best as possible within the constraints of reduced civilian manpower resources.

In implementing ceiling reductions, fleet readiness is a prime concern and we would, of course, prefer that no reductions would have to be applied to readiness-related programs such as those performed at many of our industrial activities, including the Naval Air Engineering Center. These are revolving fund activities where managers must constantly strive to achieve the most cost effective mix of manpower and nonmanpower resources to satisfy customers' demands for goods and services.

Moreover, in an extensive industrial establishment such as that which exists in the Navy, workload is constantly changing, requiring a continuing realignment of resources. Arbitrary personnel ceilings greatly restrict the ability to make work force/workload realignments, and can lead to costly inefficiencies.

The Navy is somewhat unique in comparison to the other services' manpower programs in that over 52 percent of our civilian manpower are industrially funded. The major problem in attempting to exclude industrial activities such as the Naval Air Engineering Center from civilian ceiling reductions is the fact that across-the-board reductions are usually assigned to the Navy based on the total Navy civilian population, including industrial activities.

For instance, the Leach amendment reduction in fiscal year 1979 was applied proportionally, based on Navy's total population and reduced the civilian ceiling by 3,600 one quarter of the way through the fiscal year with no corresponding reduction in funded workload.

Excluding industrial activities from this reduction would have resulted in increased reductions in force elsewhere and created unacceptable work force/workload imbalances at medical centers, fleet operating bases, military training activities, and engineering acquisition activities, among others. Consequently, the Navy has had to assign a share of personnel reductions to industrial activities. Thus, when the Secretary of the Navy supported the recent proposal of the House Armed Services Committee to exclude industrial fund activities from statutory ceilings, it was with the proviso that these activities would also be excluded from the base in computing any reductions.

Another alternative for getting the job done is contracting out work. There is no doubt that personnel ceilings act as a significant incentive to contracting out. There has been widespread concern that in many cases contracting simply to avoid personnel ceilings results in significantly higher cost than if the work were performed in-house. The Navy shares that concern and believes that the revised Office of Management and Budget Circular A-76 and subsequent Department of Defense implementing instructions provide adequate safeguards by increasing standardization in cost comparison procedures and providing for cost comparisons of specific groups of functions on a periodic basis.

In addition, in the event budgeted civilian end strength reductions based on the assumption that contracting out will prove more

economical cannot be executed, the Navy will request civilian ceiling restoration. The action of the Armed Services Committee in the fiscal year 1981 defense authorization bill to increase the Secretary of Defense's authority to exceed statutory ceilings from 1¼ percent to 2 percent will facilitate such restorations.

In summary, I would urge the members of the committee to continue to give serious consideration to elimination of statutory civilian ceilings. Ceiling limitations are clearly counterproductive to efficient management. As Admiral Seymour outlines in his statement, we make a very concerted effort to develop a budget which reflects a well balanced, defensible workload/work force estimate within overall funding workload constraints, and we believe we have done so in the case of the Naval Air Engineering Center. However, I must emphasize that in the event that further across the board ceiling reductions are applied to the Navy, we cannot guarantee that the Naval Air Engineering Center will be excluded. The best way to insure adequate staffing is to eliminate civilian ceiling controls and allow congressionally approved funded programs to determine staffing levels.

Thank you.

[The prepared statement of H. Lee Dixon follows:]

WRITTEN STATEMENT OF H. LEE DIXON

I am pleased to have the opportunity to discuss with you a problem which has been of increasing concern to the Navy over the past few years—namely, the disruptive effects of civilian personnel ceilings. The problems experienced at the Naval Air Engineering Center are not unique to that activity, but are shared throughout the naval shore establishment, both headquarters and field. Over the past six years Department of the Navy civilian employment has declined by about 27,000 positions, and it has not been possible to protect any large segments of the Navy's civilian population from reductions of that magnitude.

In distributing ceiling reductions, we have had to balance a number of concerns. First there is the current base structure that must be maintained and supported. This includes base operating support to the Fleet in the form of stations and bases, centrally managed communications naval reserve support, training, intelligence, logistics support including supply and maintenance operations and a myriad of other categories. At the same time there have been new initiatives and areas which have required increased civilian manpower over previous levels. These initiatives include the phased buildup of personnel in support of the Trident program, civilian mariner manning of additional Fleet Support Ships, and increased medical support personnel among others. Both of these factors, maintenance of current support and new program growth, have had to be accommodated as best as possible within the constraints of reduced civilian manpower resources.

In implementing ceiling reductions, Fleet readiness is a prime concern and we would of course prefer that no reductions would have to be applied to readiness-related programs such as those performed at many of our industrial activities, including the Naval Air Engineering Center. These are revolving fund activities where managers must constantly strive to achieve the most cost-effective mix of manpower and non-manpower resources to satisfy customers' demands for goods and services. Moreover, in an extensive industrial establishment such as that which exists in the Navy, workload is constantly changing, requiring a continuing realignment of resources. Arbitrary personnel ceilings greatly restrict the ability to make work force/workload realignments, and can lead to costly inefficiencies.

The Navy is somewhat unique in comparison to the other Services manpower programs in that over 52 percent of our civilian manpower are industrially funded. The major problem in attempting to exclude industrial activities such as the Naval Air Engineering Center from civilian ceiling reductions is the fact that across-the-board reductions are usually assigned to the Navy based on the total Navy Civilian population, including industrial activities. For instance, the Leach Amendment reduction in fiscal year 1979 was applied proportionally, based on Navy's total population and reduced the civilian ceiling by 3,600 one-quarter of the way through the fiscal year with no corresponding reduction in funded workload. Excluding

industrial activities from this reduction would have resulted in increased reductions-in-force elsewhere and created unacceptable work force/workload imbalances at medical centers, fleet operating bases, military training activities, and engineering acquisition activities, among others. Consequently, the Navy has had to assign a share of personnel reductions to industrial activities. Thus, when the Secretary of the Navy supported the recent proposal of the House Armed Services Committee to exclude industrial fund activities from statutory ceilings, it was with the proviso that these activities would also be excluded from the base in computing any reductions.

I want to emphasize that we realize the justified concern of the Congress, the President, and the public with personnel costs at a time when we need to increase the number of ships, planes and equipment needed for a secure national defense while trying to reduce inflation. On the surface, civilian employment limitations appear to provide a simple tool for forcing managers to economize by limiting the number of personnel that can be employed. In reality, this approach ignores the costly alternatives which must be taken to accomplish funded workload under an arbitrary personnel constraint. Faced with a personnel limitation that is unrelated to workload, managers must either cancel or defer workload or resort to such alternatives as increased overtime and/or using temporaries, who can be released prior to the end of the fiscal year, whereas continuing workload requirements would make fulltime permanent employees more efficient in the long run. The result of such actions is less product for increased cost.

Another alternative for getting the job done is contracting out work. There is no doubt that personnel ceilings act as a significant incentive to contracting out. There has been widespread concern that in many cases contracting simply to avoid personnel ceilings results in significantly higher cost than if the work were performed in-house. The Navy shares that concern and believes that the revised Office of Management and Budget Circular A-76 and subsequent DOD implementing instructions provide adequate safeguards by increasing standardization in cost comparison procedures and providing for cost comparisons of specific groups of functions on a periodic basis. In addition, in the event budgeted civilian end strength reductions based on the assumption that contracting out will prove more economical cannot be executed, the Navy will request civilian ceiling restoration. The action of the Armed Services Committee in the Fiscal Year 1981 Defense Authorization Bill to increase the Secretary of Defense's authority to exceed statutory ceilings from 1¼ percent to 2 percent will facilitate such restorations.

The Navy welcomes additional flexibility, and it has always been our contention that civilian ceilings should be eliminated completely. During most of the period during Fiscal Years 1971-74, the Navy was allowed to operate without fixed administrative employment ceilings. Within Navy, this was administered through the use of flexible employment targets and close monitoring of budgeted civilian phasing plans. Activities were allowed to adjust their targets if they could demonstrate that such actions were consistent with changes in funded workload. During this period, Department of the Navy civilian employment decreased by about 50,000, reflecting reduced workload associated with phasing down of operations in Southeast Asia. If controls were lifted now, there would be no unwarranted growth in civilian personnel simply because the most effective control is the level of funded workload, which is thoroughly reviewed by both the Administration and Congress. Once programs are approved and funded by law, managers should be given the flexibility to carry out those programs in an efficient manner.

Doubts about the effectiveness of civilian ceiling controls have also been expressed by Congress and the General Accounting Office. In its Fiscal Year 1980 report, the House Armed Services Committee stated that, "The committee has never been an enthusiastic supporter of civilian ceilings as a tool to force better management of the Department of Defense civilian work force. This in not to say better management is not needed, because it clearly is, but personnel ceilings have inherent problems which render their use questionable." In its Fiscal Year 1981 Authorization Bill, the House proposed elimination of statutory ceilings on industrial activities. As noted previously, the Navy supported this proposal. In addition, the General Accounting Office has consistently opposed ceilings in a number of reports. In one of these, entitled "Personnel Ceilings—A Barrier to Effective Manpower Management," (FPCD-76-88, June 2, 1977), GAO concluded that personnel ceilings are counterproductive and should be eliminated.

In summary, I would urge the members of the Committee to continue to give serious consideration to elimination of statutory civilian ceilings. Ceiling limitations are clearly counterproductive to efficient management. As Admiral Seymour outlines in his statement, we make a very concerted effort to develop a budget which reflects a well-balanced, defensible workload/work force estimate within overall

funding and workload constraints, and we believe we have done so in the case of the Naval Air Engineering Center. However, I must emphasize that in the event that further across-the-board ceiling reductions are applied to the Navy, we cannot guarantee that the Naval Air Engineering Center will be excluded. The best way to ensure adequate staffing is to eliminate civilian ceiling controls and allow congressionally-approved funded programs to determine staffing levels.

I am prepared to answer any additional questions which you may have.

Mr. WHITE. Thank you.

STATEMENT OF DOUG FARBROTHER, DIRECTOR FOR MANPOWER MANAGEMENT, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, RESERVE AFFAIRS AND LOGISTICS

Mr. FARBROTHER. Thank you, Mr. Chairman.

I am glad to be here today to help the committee understand the issues of civilian ceiling management. I know that you are primarily interested in knowing how the ceilings are developed and allocated from the total Department of Defense level down to the particular Navy commands, and I will say a few words on this and also mention a few things about our policies on contracting, the A-76 procedure.

On the ceiling issue I would like to differentiate between the presence of a ceiling itself and the arbitrary and inflexible handling of the ceiling.

As the committee heard in testimony earlier this year, the Department believes that management ceilings can be efficient management tools if they are handled in a way that is judicious and allows flexibility, so that inefficiencies are not forced and increases can be granted if they are warranted.

In developing the ceiling we begin during the budget review process, which takes place late in the calendar year, before the budget goes to Congress. There is a joint review made by OMB and OSD; we look at every piece of the defense budget in great detail, and in that process, try to make sure that the funded workload and the people to do that work are in balance.

At the end of that process, we have a total manpower requirement. Frequently there is laid upon that another constraint of a broader nature, political decisions sometimes, sometimes guidance from Congress, for example. Mr. Dixson mentioned the Leach amendment to the Civil Service Reform Act. That amendment had the effect of reducing Federal employment, that is the executive branch total, by about 40,000 from the original budget plan for fiscal year 1979.

The Department of Defense, although we have nearly a half of all Federal civilian workers, took about a quarter of that reduction that year. It was a negotiated settlement between OMB and the Department of Defense, and in view of the fact that we had growing requirements for readiness and the fact that we had been making reductions in the past, we got a smaller than pro rata share of that reduction. It is those kinds of across-the-board cuts that are laid on after we do the individual budget review that tend to make the ceiling inflexible and possibly force inefficiencies. But the ceiling per se, if we were allowed to manage ours with enough flexibility, would not be a bad way to manage.

It forces commanders to look for efficiencies, look for better ways to do things. But, when a commander has work he can't accommodate by deferring lower priority work or organizing more efficiently or finding a contractor who can do things more economically, he should be able to come to us and get increases.

Although this committee has been very, very fair and judicious in its efforts to make the statutory ceiling flexible, we have a statutory ceiling that has the force of law. We have an administration that is very concerned about the size of the Federal bureaucracy. I think the ceilings have tended to be too inflexible and handled arbitrarily, but I wouldn't use those circumstances to say that ceilings are bad management or a bad idea from the beginning.

If I could take another minute, I will turn to our A-76 procedures. I have heard a lot of testimony here this morning about contracting without regard for cost. In the past, up until this past calendar year, the Federal Government policy has been to rely on the private sector. The burden of proof as far as cost goes did not lie on the post commander unless he wanted to bring an activity in-house, to start a new job in-house or to bring something that was being done on contract in-house. He then had to prove it was clearly cheaper to do in-house.

If he wanted to contract it there was no detailed procedure that he was forced to go through to show that it was indeed cheaper to contract. That has changed. This year, under the new A-76 procedures, every decision to do a job in-house or contract has to be subject to a complete review. The procedure is broader than just looking at the cost. It begins with looking at the function itself and determining whether that function is contractable, whether there is something unique about it that entails special military capabilities not wisely turned over to a contractor. If there is no contractor available or the contracting would materially delay the process, the function can be kept in-house with no further study.

If the decision is that it is indeed contractable, that there is no clear reason that it has to be done by Federal employees, then the work is subjected to a detailed and very rigorous cost analysis. The key to that cost analysis is competitive bidding. The in-house activity submits a competitive bid, based on the same work statement that the contractor is invited to bid on; and, in effect, the lowest bidder gets the job.

Over the next 5 years the Department of Defense plans to review all commercial industrial activities, those that are being done in-house now as well as those being done on contract, and subject them first to the policy decision on whether the function is contractable, and then to the detailed cost review. If we find that something, as in the case of this Lakehurst activity, has been contracted in the past but will be cheaper under our guidelines to do in-house and be justifiable to bring in-house, we have a commitment to the Department of the Navy and this activity to make civilian spaces available to bring that work in-house.

That is all I have to say right now, Mr. Chairman. I will be glad to answer any questions.

Mr. WHITE. Thank you very much.

We are going to ask the members now to pose their questions.

Mr. Won Pat.

Mr. WON PAT. Thank you, Mr. Chairman.

I want to thank you gentlemen, Mr. Farbrother and Admiral Seymour and Mr. Dixon. I think your presentation is very enlightening regarding the policies of the administration.

Do you all subscribe to the premise that the previous witnesses, that civilian personnel ceilings should be done away with; is that correct?

Mr. FARBROTHER. Mr. Won Pat, I believe that ceilings can lead to inefficiencies if they are too inflexible or set in an arbitrary way. I believe that ceilings can be a usable management tool that does force people to look for efficiencies that they otherwise would not find.

Admiral SEYMOUR. May I answer the same question. From my viewpoint, the Naval Air Systems Command, the top level answer is yes, I think they should be done away with, but I know the system well enough that if Congress does away with it somebody between you and me will establish one. So if you do away with it, please tell everyone else to do away with it, too.

Mr. WON PAT. As you know, Congressmen debate these things and later statutorily, as I understand it, gives authority to the administrative personnel. Isn't it OMB that has the final say in this, or the OSD?

Mr. DIXSON. From our prospective, it is OMB, sir.

Mr. WON PAT. It is OMB?

Mr. DIXSON. Yes, sir.

Mr. WON PAT. It filters down to OSD, it is reduced further, down to the Navy for further reduction and so on?

Mr. DIXSON. Yes, sir.

Mr. WON PAT. So the solution to that would be to provide statutory guidelines?

Mr. DIXSON. It is a hard one to answer. From the Department of Navy standpoint, we believe there are many other facts that would more govern appropriate planning, the primary one being the funded workload and the programs that the Congress approves and appropriates. We would like to see no ceilings on civilian personnel, but rather be held accountable to insure that we accomplish that program as efficiently and effectively as possible. If that requires more people, so be it. If it requires less, so be that as well.

I think though, as a practical matter, it has certainly been policy for many years that the administration has had interest and desire to look at and control Federal employment, and that is clearly their option.

Mr. WON PAT. Let me cite an illustration that happened in my district. The Navy decided to reduce the ship repair facility activity there, to put it in a caretaker status, and the House Armed Service Subcommittee on Installations and Facilities went out to take a look at it and recommended, of course, that it should be continued at a certain level, notwithstanding, of course, the position of the administration.

So what Congress did was to spell out, in terms of the funding, a certain amount of money shall be spent exclusively for the operation of that. That is what I mean by statutory proceedings.

Could that be done likewise in other areas?

Mr. DIXSON. Surely Congress could do most anything they wanted to, but to the extent that you can continue to provide us very detailed guidance in very detailed areas tends to limit our flexibility to manage the entire problem and the entire Navy program and the entire problem that we are faced with in terms of total ceiling.

If we are going to have to live with the ceiling, we would certainly like to see as much flexibility in that ceiling as possible.

Mr. WON PAT. I agree with you that there should be flexibility and the people who know best are those who are actually involved in the project or the mission activity.

Thank you, Mr. Chairman.

Thank you, gentlemen.

Mr. WHITE. Thank you very much.

Mr. Hughes.

Mr. HUGHES. Thank you very much, Mr. Chairman, and thank you, Admiral Seymour, and Mr. Dixson, and Mr. Farbrother for your testimony.

Admiral, I have heard a lot of testimony and yours was the shortest statement I have ever heard sitting on any committee in the Congress since I have been there.

Admiral SEYMOUR. Thank you.

Mr. HUGHES. It just seems that there is a lot more that you would like to say than what you have said.

First, let me just ask you whether or not the Navy has requested authorization to use the additional ceiling points right now and existing in law. There is an additional 1¼ percent in fiscal year 1981. The Congress has increased that margin to give as a management tool technique an additional 2-percent flexibility. Has there been a request by the Navy to use that flexibility?

Admiral SEYMOUR. As far as I know, no, and it is analogous—let me discuss an attempt I made to use it at one time. It didn't have to do with Lakehurst, it had to do with a previous job that I had, but I needed people to work for a foreign military sales case. I felt in my position, they clearly ought to come out of the Secretary of Defense over and above.

It did not go forward from the Navy, partly because it was not a triservice—the three services didn't agree. So that there are a lot of echelons between me and the Secretary of Defense.

So what I feel is a logical case—I will be quite frank with you, I am going to try to make a case for Lakehurst to go get some of it—but I should alert you there will be other levels in Navy that will say no, we can't do that—

Mr. HUGHES. I know, they are endless.

Admiral SEYMOUR. Et cetera, et cetera. I will have to go through the Office of the Secretary of Defense, the whole works.

Mr. HUGHES. Isn't it a fact that actually you have not utilized, that is the Department of Defense has not utilized the ceiling points that are granted by the Congress to begin with?

Admiral SEYMOUR. I don't know that for a fact.

Mr. FARBROTHER. We have used the additional flexibility in several years in our planning. When it comes to the actual head count at the end of the year, we are frequently several percentage points

below authorization, but that is just due to the normal lag in hiring.

Mr. HUGHES. The answer basically is you have not used them essentially?

Mr. FARBROTHER. We authorized additional employment in fiscal year 1977; we used the flexibility. In 1978 we used it; we came back with a plan that was higher than congressional authorization.

Mr. HUGHES. Has all of the flexibility ever bumped up against the ceiling?

Mr. FARBROTHER. We have not used all of it.

Mr. HUGHES. Well, all three of you have heard the testimony today. I mean, I think that the panels have laid it out fairly well, the field commander is, I think, a good Navy man, but his absolute frustration is so much in evidence because he had been denied the ability to perform a mission.

Now, let me ask you, putting aside all the exercise that we can get into and discussing as a management tool this technique, does it make sense to reduce this facility, as we have using this arbitrary standard. Does that make sense, will you answer that?

Mr. DIXSON. I think that again you have to recognize what the Department of Navy has been faced with from our perspective.

Mr. HUGHES. I didn't ask you to blame anybody else, I asked if that made sense. That is a very simple question, I should think you would be able to answer that.

Mr. DIXSON. I can only answer that in the context that the reductions the Department has had over the past 3 years have not made very much sense either.

Mr. HUGHES. Who decides? Is it OMB or the Office of the Secretary? Who decides how much of the ceiling points to allocate, let's say to Navy? Who decides that?

Mr. FARBROTHER. The Office of the Secretary of Defense.

Mr. HUGHES. Who decides within the Office of the Secretary of Defense how to allocate among the NARF's an operation and maintenance, and the other facilities? Who decides that allocation?

Mr. FARBROTHER. In the actual ceiling allocation there is no differential made in the funding source or any other activity level within the Department of Navy. However, during the budget review, which is the basis for the ceiling, we do look at a very detailed breakout of the Navy and every other military department.

Mr. HUGHES. Why is it then that it seems that NAC, Indianapolis, and NAEC bear a disproportionate part of what in effect are the RIF's that have occurred in the last few years?

Let me give you some figures. Since 1977 alone, NATC, Pax River, has seen a reduction of 11 percent. The NARF's, as a group, I won't go down each and every one of them—have seen a reduction of 4 percent during that period of time. NAC, Indianapolis, has seen a reduction of 14 percent and NAEC 17 percent. Why is it that NAEC seems to be on the short end of the RIF's? Anybody want to handle that?

Admiral SEYMOUR. I will try it, Congressman. You are into the area now where I do the assigning, where my staff at Naval Air Systems Command—

Mr. HUGHES. You are the bad guy?

Admiral SEYMOUR. Yes; when it gets to these numbers.

Mr. WHITE. You are wearing a white hat.

Admiral SEYMOUR. Our records show different percentage reductions than those you cite. Since October 1977, civilian personnel ceilings for NATC, Patuxent River, have been reduced by 7 percent; NARF's, as a group, by 4 percent; NAC by 7 percent and NAEC by 13 percent.

I would have to remind you that what I am trying to do is to execute a balanced program. NARF's are fairly low because of readiness impact. If I don't have the airplanes to fly, I don't need the carriers anyway. That is an extreme statement but basically that is why the NARF's have not been cut as well as the fact there is a congressional fence around the NARF's.

Mr. HUGHES. They are fenced, that is even more pertinent?

Admiral SEYMOUR. Yes, sir; they are fenced with a floor, not a ceiling. They have said thou shalt have 22,700—

Mr. HUGHES. I think I would take a floor, if that is what it takes—and let me just say I don't want to interrupt—let me say what you are forcing people like myself to do is fence these facilities. Those Members of Congress who are concerned about the RIF's that were taking place at the NARF's, had been forced to RIF, that is not the answer to this arbitrary standard. If we did that, obviously we destroy the whole mechanism. But that is what we are being forced to do.

Mr. HUGHES. I don't know how much the NARF's account for when it comes to funding, but you are forcing people like myself to make sure that our missions are fenced, too. That is absolutely asinine, wouldn't you agree?

Admiral SEYMOUR. Yes, sir. I do not think you should fence all of them. I don't really think you should fence the NARF's, but I understand what has been done. I don't have a lot of good news for you. When we developed the budget—1982 has been alluded to—I don't know how it is going to come out. Part of my prepared statement noted that in 1980 we had 1,695, in 1981 we expect 1,690, which is the wrong direction, at least it is not as far as the minimum.

1981 is a disaster. When I am looking where we are in the budget now, we prepare a budget that is what they call a minimum budget, then we have a basic band, then an enhanced band. If we get an enhanced budget, which we do not expect to get, we would be fully funded.

Likewise, with ceiling points. But a fair number of the ceiling points for 1982 at Lakehurst are in the basic band, and if I don't get the basic budget because of limitations the President sets the size of the national budget—if our share of that isn't sufficient to fund the basic band, then what I am facing at Lakehurst is, I will have to consider, and I am actively considering, on a contingency basis, a mission change.

You have heard testimony this morning concerning the production department, DSSD, Development Site and Support Division. They do a critical job. As long as I have got carriers with catapults and arresting gear I need them, they are responsive. That expertise doesn't exist anywhere else in this country.

Mr. HUGHES. How are we going to effect a mission change and eliminate our production capability when we don't have production capability anywhere else in the world?

Admiral SEYMOUR. As I was trying to describe to Mr. Farbrother before we started, what I am doing now is contingency planning. I am not doing a commercial industrial study in order to be prepared to contract it out, what I am doing now is contingency planning so if I only get, say, 1,500 people in 1982, what will I do. It is then my job to do the functions but I don't have the people, so I have to do something.

In order to prepare for that, I have got to do the contingency planning now because I can't arbitrarily stop a mission and expect to contract it out in 12 months; it is going to take me 30 months, at least.

In the case of production, which is getting all the discussion, I have got to, (1) find a contractor, if that is feasible. Do I think it is feasible? No. But I have to plan for it just in case I have to do it. Presuming I get him, I have to get him up to speed.

I, at the same, time have to figure out what I am going to do with the people on the base. We have not had a reduction in force (RIF); we have not had one in a number of years that I am aware of. Actually I had a reduction in work force. We have not had a "reduction in force" where it was following the civil service reduction in force procedures. We had a nonquoted reduction in force, which was a deduction in the number of people brought about through normal attrition.

We currently have a skills mismatch here at Lakehurst, the people are attriting. We lost internal auditors. We didn't fire them, they left. We didn't have ceiling to hire a new one. So as a result, we have a skill mismatch. We don't have the internal auditors but that wasn't firing, there just was a lack of hiring.

Mr. HUGHES. That wasn't because there wasn't projected firings, because I can recall some proposed RIF's which were reversed after meetings with others of your staff.

Admiral SEYMOUR. If I may continue. If I get the ceiling I want next year, 1,690 or approximately 1,700, I may still propose a RIF to correct skill mismatches. That doesn't mean a lot of people here would walk out the door, it might even mean there wouldn't be a RIF, because I would retrain people here to do the jobs in the mismatch of people. I have too many engineers and I need the auditors. Perhaps there is an engineer with a background who can be trained to become an auditor.

That kind of detail is what Captain Friichtenicht would have to worry about. It is the balancing act we go through each year when we develop the budget and it builds up, that has a cap on it. There is a certain limit on the number of dollars that can be put in the budget, that flows down. That cap flows down to me in the form of dollars for people.

It gets to NAC and NAEC both in what they call operations and maintenance Navy, Naval industrially funded activities. They are both in the same line item, so I have to, when I am developing the budget, put a set amount of dollars for the ceiling points I expect to have; the people I expect to have here.

For Pax River an R.D.T. & E. funded activity, I have to put a set amount of R. & D. dollars up for those ceiling points; 2 years later, after we have a budget and I am executing it, and I would like to move ceiling points back and forth because of a change in workload—or Lee mentioned Trident, that is not one of mine, the F-18 or LAMPS, two of my ongoing programs that do a fair amount of work here—I cannot transfer funds to cover ceiling points from one appropriation to another.

You saw a helicopter on the pad next to your airplane when you landed today. It was a LAMPS helicopter. It has been here about 4 weeks. It is going to leave this week but it is in the research and development phase. It is critically dependent on a piece of equipment that is located here at NAEC. So that helicopter is brought up here. That is paid for with R. & D. funds. The project manager comes to Lakehurst—pays the test department to do the testing.

I guess the bottom line point I am trying to make is, I can't shift people around that easily from O. & M. to R.D.T. & E.

Mr. HUGHES. Shouldn't a portion of the funded workload here be funded out of R. & D.?

Admiral SEYMOUR. I think it probably is. Somebody testified this morning it was around 25 to 30 percent.

Mr. HUGHES. Why isn't that suggested? Has this been recommended by the Navy, the fact we carry that work that is truly R. & D. funded out of the R. & D. budget?

Admiral SEYMOUR. It is. I am relatively sure that some work at NAEC is funded out of R.D.T. & E.

Mr. HUGHES. Unfortunately, the ceiling point standards as described to Navy, Lakehurst, are based upon its item as an operations and maintenance, and NAC, Indianapolis and Lakehurst, are the only two facilities that I am aware of that have received this type of cut, and I think you were going to explain why it is that actually those two facilities seem to fall under that category.

Admiral SEYMOUR. Well, I am not sure I can. The difference between 17 percent at Pax River, 17 percent at NAC, and 13 percent here—we are talking about less than 100 people. None of them is a large facility. If I take 3 percent of the NARF's, that is a significant number, 600 or so. But when I am talking about an essentially 2,000-person facility, and I get a couple of percentage point differences, it is not a big number.

Mr. HUGHES. A hundred additional people would make a world of difference right now to this facility.

Admiral SEYMOUR. Yes, sir.

Mr. HUGHES. What do you think, in your judgment, you have looked at it very, very carefully, and you know the situation fairly well. What should be the ceiling point standard here at Lakehurst?

Admiral SEYMOUR. I would have to say my judgment now, in order to continue doing the mission that we are in fact doing, that we are trying to do now, is over 1,700. We have had a study done by Captain Friichtenicht and the number for that was 1,733. I would hesitate to bring it any lower than that.

Mr. HUGHES. If we didn't have a ceiling point standard, what, in your judgment, should be the personnel level at Lakehurst, putting aside personnel?

Admiral SEYMOUR. Without a ceiling point restriction, it would go based on the funding and based on the testimony you have seen, and from what I have looked at, it would be about 2,100 people.

Mr. HUGHES. Let me just ask one additional question for you, Mr. Farbrother. You have heard the testimony today. I thought it was laid out fairly well by the witnesses as to the problem that exists here. In your judgment, do you believe that when the base commander doesn't have the flexibility to address the field problems that he has to face, that the standard that we are using makes sense?

Mr. FARBROTHER. No; I think that the commander ought to have flexibility. He ought to have a reasonable chance of making a good case to higher echelons for more people, because in effect, to substantiate that case, he ought to be able to get those people.

Mr. HUGHES. Will you assist us at this point in getting a realistic standard for Navy Lakehurst at this point?

Mr. FARBROTHER. I would certainly like to see the study, yes.

Mr. HUGHES. How about you, Mr. Dixon?

Mr. DIXSON. Yes; I would support it. The problem is that when you are faced with overall reductions, it gets very difficult to say well, I want to protect one activity, possibly at the expense of another. You are asking have we used any of our flexibility, for example.

Mr. HUGHES. Let me just interrupt, that is not what I am saying at all. Of course, I am interested in this facility.

Mr. DIXSON. Yes; sir.

Mr. HUGHES. I am interested in every facility, and we are applying the same standard, we apparently are. It doesn't make sense—I am interested in the mission being performed here, that is what I am concerned about.

Mr. DIXSON. We are, as well, very interested. There are things that simply just don't get done when—as I said in my statement, over the last 6 years we have had for one reason or another had to come down 27,000 people. There are things that aren't going to get done. There are going to be reduced missions, it is going to impact on our ability to get work done, it is happening, and it is just not happening here.

Mr. HUGHES. I just voted for the biggest peacetime budget—there were some \$5 billion additional just for operations and maintenance.

Mr. DIXSON. Yes, sir.

Mr. HUGHES. And if the Navy came to Congress and said that we need more money in these particular areas I have no doubt but that they would get the additional money. I have no doubt about it.

Mr. DIXSON. We agree with you. When we submit a budget, in most instances that budget reflects some very heavy constraints. One of those constraints is civilian end strength. We put together a budget that says this is your top line and then we do our absolute best to maximize the product. We want to protect all the important missions, to enhance readiness, but there are things that drop, that don't get done. That budget is a constrained budget when you see it.

Mr. HUGHES. I understand. I look forward to working with you in the coming weeks.

Mr. DIXSON. Yes, sir.

Mr. HUGHES. Because I appreciate your willingness to work with us and to see that in fact we provide this facility with the tools and manpower they need to get on with the job. Thank you very much.

Mr. WHITE. Well, let's hope that the new budget, when it goes into effect October 1, will give some relief in this area.

Mr. Forsythe.

Mr. FORSYTHE. Thank you.

Just on that point, that is 2 years down the road before it really has an impact, right?

Mr. DIXSON. Yes, sir.

Mr. FORSYTHE. It makes the problems today, looking awfully hard down the road before we get them solved.

You urge elimination of a statutory civilian ceiling. If such action were taken, is it your opinion it would have a free hand in—I guess that was answered by the admiral, wasn't it, somebody between you and you actually doing it up the line, started back the line and trying to find out where that was?

Mr. DIXSON. I think that if you were to eliminate statutory ceilings that certainly would be a step in the right direction. As I said before, I think as a matter of practical policy, and practice, the administration had a desire to look and the right to look into and control the Federal work force and it is no secret we certainly have an administrative ceiling as well as an authorized ceiling from Congress.

Mr. FORSYTHE. Is that point specifically OMB?

Mr. DIXSON. Yes, sir; that is where it is generated.

Mr. FORSYTHE. That is the decision?

Mr. DIXSON. At the Federal sector, I am sure that is correct, and they in turn provide a ceiling to Department of Defense and Department of Defense, of course, splits it out to the services.

Mr. FORSYTHE. Thank you.

Mr. DIXSON. Yes, sir.

Mr. FORSYTHE. This is a nasty question, I admit it. What was the percentage of reductions for headquarters as compared with NAEC? How much of that 27,000 do you have to absorb down in the Pentagon?

Mr. DIXSON. I will have to provide that for the record. I don't have the details on that.

Mr. FORSYTHE. We appreciate that.

Mr. DIXSON. Yes, sir.

[The information follows:]

MANNING LEVELS AT NAEC LAKEHURST

From 30 June 1974 to 30 September 1980, total Department of the Navy civilian employment decreased from 335,147 to 308,711, which is a decline of 26,436, or -7.9 percent. During that same period the definition of management headquarters activities was significantly redefined and standardized within the Department of Defense as a result of House Appropriations Committee recommendations. The redefinition, which required new functional accounting procedures, makes it impossible to readily identify the 30 June 1974 base point using the current management headquarters definition. However, a broader category for which comparable data are available is National Capital Region (NCR) employment, which includes the majority of headquarters and administrative activities. From 30 June 1974 to 30 September 1980, NCR civilian employment decreased from 38,053 to 33,306, which is a decline of 4,747 or 12.5 percent. Thus the Washington, D.C. area has taken a greater than average share of the total reduction.

Admiral SEYMOUR. I can give you a hint for NAVAIR, it has gone down 34 percent in the last 15 years, headquarters has.

Mr. FORSYTHE. Headquarters?

Admiral SEYMOUR. It used to be 3,200. We now have 2,100—37 percent.

Mr. WHITE. Without objection, the figures that are going to be provided by Mr. Dixson for the record will be included after our question.

Mr. FORSYTHE. Thank you.

In closing my time with this matter here today, I really appreciate all of the witnesses, at least this group, very, very much, but I would like to go back to the second to the last paragraph of my statement, we also hope in highlighting the broader issues:

(1) The implications for using personnel ceiling points as a management technique; and

(2) Potential waste in contracting out vital technical support activities which should be maintained in-house in order to perform highly technical missions.

In addition to that, I am concerned that with the rather small mission in terms of 2,000, less than 2,000 personnel, civilian personnel, you get down to the irreducible minimum, it seems to me. I wonder if that is factored in as you try and look at this balance program which you have a great deal of difficulty with, and it is just likely can't run a one girl shop and have it very efficient.

Admiral SEYMOUR. That really, Congressman, is the basis of the problem that I have in the Naval Air Systems Command. A study has been done for NAEC. It has not yet been completed for all of my field activities, and all of my headquarters functions, I feel that is what has to be done, because I can say, some of my headquarters functions have already been studied, and they are manned at 70 percent of what they can prove they have to have to do the job.

When I am faced with this kind of proof across the board, which I don't have yet, but hope to have, then I can make a pretty good case to OSD for an additional ceiling. Either that, or I can get guidance from them as to what I am going to stop doing.

Mr. FORSYTHE. I hope you can get it from OMB.

Admiral SEYMOUR. Yes, sir; if our work force is to keep cutting in size, which has been the trend since 1972, and as far as I can see will continue to be the trend, while we continue to add programs, we have to stop doing something.

For example, one of the things that is done up here at NAEC used to be done in headquarters to some extent. That is the ground support equipment function. NAEC supports a smaller division in headquarters now than it used to be supported in headquarters.

Mr. FORSYTHE. Thank you.

Admiral SEYMOUR. That is the balancing act.

Mr. WHITE. Thank you, Mr. Forsythe.

You know, in listening today, I think we have arrived at one of the big mysteries in the Government as to who makes the decisions? I expect we are getting a little game played by numbers. Each of you has said that you feel that the ceilings are repressive or an inhibition to you, yet you have never reached the ceilings.

We have asked about flexible time. You have had 1¼ before, it is now 2 percent. I am advised that 1 year out of 5 you have used any of that flexibility. Am I correct on that?

Mr. FARBROTHER. No; maybe I can clarify. We have in 3 of the past 4 fiscal years, 1977, 1978, and 1980. We didn't in 1979 because of the Leach amendment. After Congress authorized the ceiling, we came back with a following year budget updated, say the 1980 column of the 1981 budget, and showed a civilian strength in excess of the number that Congress had authorized. We used some of the flexibility.

Mr. WHITE. You have never used all of it?

Mr. FARBROTHER. We have never used all of it in the actual strength at the end of the year because of the hiring lag.

Mr. WHITE. What?

Mr. FARBROTHER. The actual strength at the end of the fiscal year, because of hiring lag, has never really come up to the original authorization.

Admiral SEYMOUR. NAVAIR has used all of its ceiling.

Mr. WHITE. But now the Department of Defense asked for a ceiling, you all tell us you don't like the ceiling, you tell us in Congress what you think the ceiling should be, if we have a ceiling. Of course, the House took the ceiling off the industrially funded activities this last time, but the Senate was against our action and we traded off for other things. They said if you don't, as Admiral Seymour said, somebody down the line is going to make this decision for you and you might get even less if you don't have some ceilings.

I say to you now, if we have ceilings, what should the ceilings be in the Navy. Or for the civilian force in the entire Department of Defense? We gave you 983,000 I think this last time. That is a little down from what you had previously. What do you think, Mr. Farbrother, what should it be?

Mr. FARBROTHER. Well, our request was 990,000.

Mr. WHITE. We gave you 983,000-986,000.

Mr. FARBROTHER. A 4,000 reduction, yes, sir; and flexibility to have this 4,000 back plus another 15,000 or 16,000.

Mr. WHITE. That is right.

Mr. FARBROTHER. We thought when we submitted the budget last year that 990,000 is what we needed. We will be reviewing that fiscal year 1981 plan as we develop the 1982 budget, and we will propose another number. I have no idea right now what this number is going to be.

Mr. WHITE. I think we are getting mesmerized by numbers. Since we have never exceeded the number, the problem seems to be in the allocation, not in the total ceiling involved. Am I correct on that? Is the allocation somewhere up there, up the ladder that decision is being made, that is causing some problems at Lakehurst and other places around the country in areas we can't afford to experience, am I correct on that?

Admiral SEYMOUR. I think so.

Mr. WHITE. Mr. Dixon, you said at one point in your testimony—on page 3—that another alternative for getting the job done is contracting out work. There is no doubt personnel ceilings act as a significant incentive to contracting out, which is precisely contrary to the mandate of Congress, because last year, and this year, under the law we said that no commercially industrial-type function of the Department of Defense, October 1, 1980, that is being per-

formed by the Department of Defense personnel may be converted to performance by private contractor to circumvent any civilian personnel ceiling.

Mr. DIXSON. Yes, sir; and I don't feel we are circumventing personnel ceilings. There is nothing wrong with putting together a budget that forecasts what we think we will be able to contract out by the end of any fiscal year on an economical basis in accordance with the provisions of A-76, We have done that.

As I also said in my statement, as we get through the execution of the year, with additional experience in contracting out, to the extent we feel we cannot execute that contracting out number, we will go back to OSD and ask for the end strength utilizing part of 1¼ and now 2-percent flexibility that you have provided us.

In fact, we are doing that in fiscal year 1981 in the budget that is being reviewed now within OSD and OMB.

Mr. WHITE. I am going to start the second round, if I may.

You stated on the second page:

There has been widespread concern that there are many cases of contracting simply to avoid personnel ceilings results in significantly higher cost than if the work were performed in-house. The Navy shares that concern and believes that the revised Office of Management and Budget Circular A-76 and subsequent Department of Defense implementing instructions provide adequate safeguards by increasing standardization in cost comparison procedures and providing for cost comparisons of specific groups of functions on a periodic basis.

In addition, in the event of budgeted civilian end strength reductions based on the assumption that contacting out will prove more economical cannot be executed, the Navy will request civilian ceiling restoration. The action of the Armed Services Committee in the fiscal year 1981 Defense authorization bill to increase the Secretary of Defense's authority to exceed statutory ceilings from 1¼ percent to 2 percent will facilitate such restorations.

Now, as I understand it, under industrially funded processes the moneys come from other agencies?

Mr. DIXSON. Most of those customers, in the case of Navy industrial activities, are Navy customers and the money is budgeted and programed in the budget identified to specific programs.

Mr. WHITE. All right, outside OSD, right, or does it come from within OSD?

Mr. DIXSON. It is certainly within OSD to the extent that the Department of Navy is part of the Department of Defense.

Mr. WHITE. Does any of it come from outside of OSD?

Mr. DIXSON. Very small amounts.

Mr. WHITE. Some?

Mr. DIXSON. Miniscule.

Mr. WHITE. If some comes from outside OSD, all of that money comes from OSD, does it not?

Mr. DIXSON. I don't understand your question.

Mr. WHITE. Contracting out, who pays the contract, isn't it OSD that pays the contract when you contract out, or is the same money given, give or take—

Mr. DIXSON. If it is a specific function, you look at the function and say how is it financed. If you are talking about a function specifically performed on a reimbursable basis to some agency outside DOD and if we were going to contract out, it would be financed with the same moneys.

Mr. WHITE. What happens the second year after contracting out and the contractor has already built himself in, then next year he

raises his price and there is no competition, in many instances, in many places?

Mr. DIXSON. We will go back—if there is a definite indication of that and we feel that we are being, so to speak, taken to the cleaners by a contractor, there is nothing that prohibits us from going back and looking at the entire function again, including a relook at possibly moving back in-house.

Mr. WHITE. Meanwhile, all your employees have dispersed?

Mr. DIXSON. Yes sir, it definitely would create an execution problem.

Mr. WHITE. Where have you ever done that and in how many instances, do you have a record of how many instances you have gone back from the contracting out back into in-house?

Mr. DIXSON. No; but there have been some specific instances, that I can provide that for the record. You have to recognize the Navy is really just getting underway with this whole contracting out process.

Mr. WHITE. Would you please provide that for the record?

Mr. DIXSON. Yes, sir.

Mr. WHITE. Without objection, it will be placed in the record at this time.

[The following information was received for the record:]

MANNING LEVELS AT NAEC LAKEHURST

DoD Instruction 4100.33 requires periodic assessments of Commercial and Industrial-Type Activities (CITA) performed by contract. The assessment determines whether a likelihood exists that a return to Government performance would be cost effective. If a likelihood exists, a detailed cost comparison is performed. If the comparison reveals savings in excess of 10 percent of Government personnel-related costs plus 25 percent of the cost of ownership of any additional equipment and facilities required for Government performance, the function is returned to Government performance. The Navy has returned the maintenance of heating and air conditioning at the Naval Underwater Systems Center, New London from contract to Government performance as a result of such a study. An assessment had also revealed that a likelihood exists that total base operations support at the Pacific Missile Range Facility, Hawaiian Area, Barking Sands, Kekaha, Kauai may be performed more economically by Government personnel. Efforts are presently underway to obtain the necessary approvals and to program the necessary resources to begin a cost study and to return the function to Government performance if it proves cost effective. A review of CITA contracts by the Defence Audit Agency in FY 80 failed to reveal any incidents of excessive cost growth in a representative sample of Navy CITA contracts.

Mr. WHITE. What happens in the second year, the contractor has a strike, then what happens?

Mr. DIXSON. Then we have got a problem, there is no doubt about it.

Mr. WHITE. You have a real problem?

Mr. DIXSON. Yes sir.

Mr. WHITE. Has that happened?

Mr. DIXSON. Not that I know of.

Mr. WHITE. The admiral said yes.

Admiral SEYMOUR. I was thinking in my particular area where I am talking about procurement. We have had a number of strikes, that have affected delivery of weapon systems.

Mr. WHITE. What does that do to the delivery?

Admiral SEYMOUR. It delays the delivery.

Mr. WHITE. And what is the average delay?

Admiral SEYMOUR. I would have to look that up?

Mr. WHITE. Months, years?

Admiral SEYMOUR. No, generally weeks to months.

Mr. DIXSON. But again, that is a problem we face in anything we do on a private contract. It is just not a function of contracting out. You find the same thing in many contracts such as shipbuilding contract.

Mr. WHITE. I understand. But you don't have shipbuilders—

Mr. DIXSON. Yes, sir.

Mr. WHITE. You do have?

Mr. DIXSON. We have had strikes, yes, sir.

Mr. WHITE. Is that factor taken into consideration in weighing whether to contract out or use the industrially funded activities?

Mr. DIXSON. No, sir, only to the extent that when you initially look at the function and make the determination if this function is contractable. Part of the process is to examine the function to determine if we must keep it in-house, for whatever reason. Part of the reason might be that we couldn't afford a strike because the mission is so critical.

Mr. WHITE. What effect does the Presidential freeze cause in constraining your allocations of personnel?

Mr. DIXSON. Well, in the case of the Navy, when the freeze went on, the Navy was significantly above its fiscal year 1980 end strength and the freeze is basically helping us get to the levels we need to get to in terms of assigned ceilings.

I think Mr. Farbrother would be in a better position to discuss it from the Department of Defense perspective, and the impact it could have in terms of total Department of Defense ceiling.

Mr. WHITE. Thank you very much. Are there any other members who desire to ask any questions?

Mr. HUGHES. Just a couple of followup questions.

Mr. DIXSON, you indicated in response to the chairman's line of questioning that in our judgment Public Law 96-324 has not been violated dealing with contracting out to avoid personnel standards.

You heard the testimony here today?

Mr. DIXSON. Yes, sir.

Mr. HUGHES. Well, some of that testimony indicated that contracting out was being affected because there was no other way to do the work?

Mr. DIXSON. I think that prior to the public law, which was in effect in fiscal year 1980, and prior to the new OMB circular A-76, that clearly there have been instances where we were contracting out to avoid ceilings and that was the only way to get the work done. If it was more economical, fine. If it wasn't, we did it anyway.

That is not to say some of that is still going on; such actions would not be consistent with the Department of Navy policy nor does the Department of Navy know of any such cases at present. If such instances are discovered, corrective action will be taken.

Mr. HUGHES. What is the procedure, for instance, Admiral Seymour, who obviously has been bumping up against his ceiling to secure additional ceiling points so he can perform his job?

Mr. DIXSON. To come and ask. And he has indeed done that, as I said, in the fiscal year 1982 budget that is currently under review. We look very closely at the execution requirements for fiscal year 1981, and we are asking for an additional end strength in fiscal

year 1981. We are asking for an additional end strength as part of the 2-percent flexibility that we now have in fiscal year 1981.

When I say we, I mean the Department of Defense. That is a decision yet to be made. It is all part of an ongoing budget review that will be going on until you see the budget in January.

Mr. HUGHES. Admiral Seymour, Public Law 96-107 requires the Department of Defense to so manage its manpower resources that sufficient manpower are provided to enable field commanders to carry out their work. In your judgment, is that particular public law being complied with?

Admiral SEYMOUR. I would like to judge that they are attempting to do that. I should clarify, not clarify, tell you, Congressman Hughes, that for example, in 1981, I gave you a number of 1,690. That number up until 2 or 3 weeks ago was 1,656. We have, in fact, gone forward to the Department of Defense to request that extra ceiling to get us up to 1,690.

Mr. HUGHES. Are you saying, technically, you think you are complying with the public law, technically?

Admiral SEYMOUR. Well, I don't understand all the ramifications of the public law.

Mr. HUGHES. Let me tell you very clearly what it says. This is the mandate of the Congress. It says that it is the intent of Congress that the Department of Defense shall so manage its manpower resources that field commanders—like Captain Friichtenicht—have sufficient personnel, civilian personnel, to do his job. Do you think we are doing that?

Admiral SEYMOUR. I think all the testimony today has been that, yes, we are now but we are afraid about 1982.

Mr. HUGHES. I see. Thank you.

Mr. WHITE. Any further questions?
Counsel.

Mr. WINCUP. Thank you, Mr. Chairman.

Just to dispel any lingering rumors, or illusions about the fact what happens if the congressional intention is relieved, Mr. Farbrother, you deal with OMB on a daily basis, do you have any feeling that if the Congress relieved its statutory ceiling on civilian end strength, OMB will relieve its internal controls on the base level, it is going to look at any defense in terms of the ceiling they are going to have to deal—

Mr. FARBROTHER. I am fairly confident there will be no change at the base level.

Mr. WINCUP. Maybe we can just go back to how, since inevitably you are looking at ceilings in some form, the Congress has exerted in that process, exercised some discretion through that provision that Mr. Hughes just read about, how that ceiling should be allocated.

One of the points was that essentially industrial funds should be provided sufficient manpower. I guess we can argue as to whether they have been. It seems to me the weight of the evidence is that they haven't. You are from the OSD side. When you get a ceiling from the Congress in 1983, do you in turn allocate that note, do you tell them part of any reduction that might have occurred has to occur in industrial funds?

Mr. FARBROTHER. No. As a matter of fact, this year the conference report specified that none of that reduction should—come from the industrial fund activities, and so when I allocated that 4,000 reduction, I took that into consideration, in effect set aside the industrially funded strength of all the military departments and then decided what was a fair share of the cut.

The Navy, which has a significant share of their civilians, over 50 percent, industrially funded, took a very small proportion of that 4,000 reduction. When I notified them of their share of the reduction, I also specified that none of it should come from their industrially funded activities.

Mr. WINCUP. That is 1981. In fact, in 1980 we had a similar situation with the same language in the law, that industrial funds are not supposed to take any reduction.

Mr. FARBROTHER. My recollection is there was no prohibition against reductions in the industrially funded activities in 1980.

Mr. WINCUP. Same language in the law for 1980?

Mr. FARBROTHER. In the law, I am sorry, yes. Bet it did not preclude reductions.

Mr. WINCUP. Let's move into the Navy, if we might, with Mr. Dixon. OSD had a ceiling and they in turn allocated for 1980-1981 testimony is that they said they did not give specific guidance that those reductions should occur in industrial funds. You allocate the Navy's?

Mr. DIXSON. Yes sir.

Mr. WINCUP. Did any of the reduction that you allocated occur in the industrial funds?

Mr. DIXSON. Not as a function of the ceiling that you approved and the ceiling Mr. Farbrother allocated, but you have to keep in mind again the budget that you are looking at is already constrained, is already limited in terms of specific guidance as it related to civilian end strength, and to the extent that budget reflects a reduction from year to year, yes, there were end strength reductions applied to industrial activities.

Mr. WINCUP. There are two kinds of constraints involved here. The point I think we are talking about is statutory constraints. Are you saying that other constraints overrode the statutory constraint on reduction?

Mr. DIXSON. No sir. What I am saying is that, let's talk about fiscal 1980 as an example. The 1980 budget was submitted to you, you, the Congress, represented over a 2,000 end-strength decrease, I believe from year to year. So we already had reflected in the budget reductions we were going to have to take. To the extent that you, the Congress, provided specific guidance was in committee report, and gave us the ultimate authorization, we certainly followed that guidance, but the point is that there were already reductions built into the budget and those reductions were a result of other guidance.

We were putting together the budget before Congress saw it and, yes, we certainly applied part of those reductions to industrial activities.

Mr. WINCUP. And you made the decision? Your office? Or was it done somewhere else?

Mr. DIXSON. It depended on the nature of the reduction. In fiscal year 1980, for example, in wrapping up the numbers before we went to Congress for the 1980 budget review, there was an industrial productivity assessment made. This was applied only to NIF activities because that was the intent of the guidance and the intent of the reduction.

Mr. WINCUP. Fine.

Mr. DIXSON. By OSD, OMB. In assigning that specific reduction, we assigned it basically all to our industrial activities, it amounted to horizontal reductions, so we applied it horizontally.

Mr. WINCUP. I guess the point I am trying to get at, there is a lot of language if the congressional ceiling was relieved, all would be hearts and flowers, but I think the point of all this is that you may in fact make suggestions or recommendations to the Congress on what the ceiling should be, the Congress acts on it, and provides a ceiling and provides authority to exceed that ceiling, 12,000 a year, 20,000 next year.

In fact, when it gets implemented, some other priorities occur different from what the Congress had said and different from what the law says in terms of managing those resources. So in fact, the congressional process seems to protect some of those concerns maybe more so than is the case internally.

Mr. DIXSON. I really don't think that is so. I think that in executing ceilings the ceilings basically are a reflection of the guidance that we got from the committee as adjusted by whatever additional OSD guidance we may have when we actually began the execution of the fiscal year.

Things do change, but by and large you have to recognize that budget reflects a balance between workload and work force, and to the extent if we wanted to start fooling around with end strength, we would be creating imbalances for us.

The Navy, as you know, goes through a very detailed programming and budgeting process to set priorities and to balance programs with dollars, resources, people, and we are very interested in maintaining those balances. So I don't think there is a lot of shifting going on. There is shifting in response to additional new numbers and additional guidance we get, whether it be from Congress or whether it be from the Administration or OSD.

Mr. WINCUP. I guess the problem is at this level, when in fact reductions are going on, the problem is to figure out who is doing it, what the source of that is, because I believe I am accurate that the congressional guidance has never indicated that industrial funds should be reduced and to the extent that would occur, that ceiling, the authority to exceed the ceiling exists, but which has not been utilized.

Mr. DIXSON. Yes sir, we have attempted in the past to exercise some of that ceiling. As you know, in fiscal year 1980, we are using part of that authority for the CV-SLEP. This is reflected in the fiscal year 1980 column of the already authority in the 1981 budget you finished reviewing. That was never in the 1980 budget when you reviewed it. It is in there now in the 1980 column and that was using the 1¼ percent availability.

Mr. WHITE. Thank you very much.

I tell you what we are going to do now. I would like you gentlemen to stand in place, if you will. I am mindful of the clock and our need to get back to Washington, but we did announce that persons who had other matters could make their statement.

First, before we do that, I want to thank Mr. Hughes and Mr. Forsythe for making this hearing possible for us, for inviting us up here.

I want to thank the people here for coming, for the hospitality and use of the very excellent facility you have here.

Without objection, I am going to keep the record open for 2 weeks, and if there are any persons here who desire to submit a statement, a one page statement, double spaced please, we will then accept those and you can see Mr. Wincup or Mr. Campbell or Mr. Price and get the address where you would mail it.

For approximately 10 minutes or so, I am going to fulfill my suggested promise, first on the record.

Mr. HUGHES. Mr. Chairman, with your permission, I would like to introduce for the record a communication from Commander, Naval Air Systems Command, to the Chief of Operations, under the date of July 3, 1980, and a communication from Commander, Naval Air Systems Command, to the Commanding Officer, Naval Air Engineering center under date of August 12, 1980.

Mr. WHITE. Without objection both statements will be placed in the record at this point.

[The information follows:]

DEPARTMENT OF THE NAVY,
NAVAL AIR SYSTEMS COMMAND,
Washington, D.C., July 3, 1980.

From: Commander, Naval Air Systems Command

To: Chief of Naval Operations (OP-90)

Via: Chief of Naval Material

Subj: Civilian Personnel Ceiling at the Naval Avionics Center (NAC) and the Naval Air Engineering Center (NAEC)

Ref: (a) NAVCOMPT ltr NCB-61 of 2 June 1980

1. The most recent Five Year Defense Plan (FYDP) (January 1980) indicates that the authorized civilian end-strength for the Naval Avionics Center (NAC) will be incrementally reduced to a level below the minimum acceptable efficiency level by FY-82. It has been determined that this minimum level for NAC is 2,241. This determination is based upon an assessment of the minimum staffing level required to continue execution of the critical missions assigned to the NAC. The current FYDP authorizes an end-strength of 2,150 for FY-82.

2. During the POM-82 development process, NAVAIR recommended that the authorized civilian FY-82 end-strength for NAC be increased in order to maintain staffing at the current level. NAVAIR submitted an issue to include an increment of plus 91 in the minimum budget level and an increment of plus 131 in the basic budget level. CNO (OP-597 and OP-926), during the end-game phase of the Navy POM-82 development, indicated that an increment of plus 91 would be included in the basic budget level. NAVCOMPT, by reference (a), has officially provided budget end-strength controls for the NAC which reflect this decision. However, since it is not certain that the basic level will be implemented, this action does not guarantee the restoration of the 91 ceiling spaces to the NAC.

3. The need to maintain staffing at the NAC at the 2,241 level is a critical NAVAIR personnel issue. Your support for restoration of the end-strength decrements at this activity is solicited. It is urgently requested that the increment of plus 91 ceiling spaces currently included in the basic budget level for FY-82 be transferred to the minimum budget level. If this cannot be accomplished at this time, it is requested that this increment be included at some band level which will provide reasonable assurance of actual implementation.

4. The NAC is a Navy Industrial Fund (NIF) activity. Therefore, its recovery practically all of its operating costs from project funds. A decrease in civilian personnel ceiling does not result in any savings to any appropriation. In fact, as the

direct labor base (to which the overhead costs are applied) is decreased, the costs to every project assigned to the NAC are increased. It is important to note that, the tasks assigned to NAC within the designated mission areas are critical elements of projects which must be completed and cannot be either eliminated or deferred.

5. Since 1969 the authorized civilian end-strength of the NAC has been decreased by over 1,200. This 36 percent reduction in staffing has occurred during the same period in which there has been continued expansion in the use of high technology electronic systems, subsystems and components in naval aircraft, missiles, and support equipment. Furthermore, this trend is projected to continue and result in a state of technological flux and complexity which can only be effectively accommodated by reliance on the full technical support provided by the NAC. In view of the unique capability of the NAC and the dependence of NAVAIR, as well as other elements of the Naval Material Command, on this activity for continued technical support and fleet in-service support, it would be counter-productive to allow further personnel reductions to be implemented.

6. The personnel situation at the Naval Air Engineering Center (NAEC) is similar to that existing at the NAEC. This has severely eroded the capability and capacity of NAEC for executing its technical support missions. Furthermore, the current FYDP indicates that the authorized FY-82 end-strength for NAEC is 1,560—a reduction of 178 from the FY-79 end-strength. NAVAIR has determined that the minimum effective civilian staffing level for NAEC is 1,700. Therefore, NAVAIR has also addressed this critical staffing problem during the POM-82 development process. An issue was submitted to include an increment of plus 140 in the minimum budget level for FY-82 in order to maintain NAEC at the minimum acceptable staffing level. CNO (OP-597 and OP-926), during the end-game phase of the Navy POM-82 development, indicated that an increment of plus 97 would be included in the FY-82/83 minimum band and that an increment of plus 140 would be included in FY-84. This decision was reflected in reference (a). While this action, if sustained, ameliorates the personnel resources problem at NAEC, it will not provide the minimum staffing level until 1984. NAVAIR is currently evaluating several operations for accommodating the deficiency.

7. NAEC is assigned two primary mission areas which are critical elements of the naval aviation program: shipboard and shore aircraft launching and recovery (including the full set of landing aids and air-capable ship compatibility) and aviation support equipment systems. These programs are projected to sustain continued technical support workload growths at NAEC. Your continued support in sustaining the minimum acceptable staffing level at NAEC is solicited.

E.R. SEYMOUR
Vice Admiral, USN

DEPARTMENT OF THE NAVY,
NAVAL AIR SYSTEMS COMMAND,
Washington, D.C., August 12, 1980.

From: Commander, Naval Air Systems Command
To: Commanding Officer, Naval Air Engineering Center

Subj: *Impact of Reduced Ceiling on Naval Air Engineering Center*

Ref: (a) CO, NAEC 1tr 00:RDF/WJC: rem of 9 July 1980

Encl: (1) COMNAVAIRPAC msg 300514Z July 80; (2) COMNAVSURFPAC msg 292035Z July 80; (3) COMNAVAIRLANT msg 251551Z July 80; and (4) COMNAVSURFLANT msg 302222Z July 80

1. Reference (a) addressed the elimination of the limited production capability from NAEC's mission in order to meet fiscal year 1980 and fiscal year 1981 reduced ceiling end strengths and solicited user feedback on the Fleet impact of such an action.

2. Enclosures (1) through (4), in response to an inquiry from this Command, expressed unanimous support from the Fleet for maintaining the limited production capability as it now exists at NAEC. Liaison with the Office of the Chief of Naval Operations (OP-55) indicates similar support at that level. This support was fully expected and lends credence to the rationale set forth in the following paragraphs relative to the issue of eliminating the limited production capability from NAEC's mission.

3. Fundamentally there are two basic questions that must be answered in considering whether the limited production capability should be eliminated. The first question is: Can it, realistically, be eliminated now or within the next two years to ease the reduced ceiling end strength problem at NAEC? The second question is:

Should the specialized limited production capability now in place at NAEC be retained there or at any other activity in the Naval industrial base for an extended period into the future?

4. The answer to the first question—Can the limited production capability be eliminated now or within the next two years?—is categorically negative. It cannot be eliminated now because there is no other source, commercial or government, from which the absolutely required products can be obtained. Further, there is no expectation that another source can be qualified to produce the items in the near future since procurement specification packages are undeveloped, vendor interest has not been established, and vendor certification/qualification has not been accomplished, etc. In short, the Navy is not in a position to close down its only source of supply of mission terminal items that are absolutely essential for the continuance of carrier aviation, until another source is identified and proves that it can satisfactorily produce such items, costs and ceiling end strengths notwithstanding. As a long term goal, the Navy probably should establish alternate sources for the products now produced exclusively by NAEC in order to permit greater procurement flexibility in the future. Accordingly, in the interest of good management, actions to prepare adequate specification packages and to solicit vendor interest leading to vendor qualification and certification should be continued.

5. The answer to the second question—Should the specialized limited production capability now in place at NAEC be retained there or at another activity in the Navy's industrial base for an extended period?—is infinitely more complex. There is a valid need for a Navy controlled facility to exist somewhere in the industrial base that is capable of quickly responding to demands for manufactured components when prompt response is necessary to prevent mission termination. The basic mission of aircraft carriers, the major capital ships in the U.S. Navy, is to launch and recover aircraft. This mission is universally recognized as the "edge" the U.S. Navy maintains over the Soviet Navy and this capability cannot be permitted to be degraded simply because launching and recovery systems manufactured components are not always available to satisfy unforeseen or emergency requirements. Having the capability to immediately respond to a manufacturing requirement under these circumstances is the very essence of readiness. It would not be very practical, of course, to attempt to maintain such an immediate reaction facility capability on an emergency stand-by basis alone. The facility should be assigned required work to perform that which would ensure proper utilization of its resources at all times. No better tasks could be assigned to such a facility than the manufacture of Ship Installation equipment components that are difficult to obtain under contract for various reasons, and on which quality control is likewise very difficult. Accordingly, the only relative issue is where the capability should exist. Since it already exists at NAEC and is directly supportive of the Command's engineering development and test site work, it would appear to be inefficient and not in the interest of good management to consider moving the capability to another Navy industrial activity.

6. In conclusion, the elimination of the limited production capability from NAEC's mission is not considered a viable option for relieving the impact of reduced ceiling end strengths at NAEC now or at any time in the foreseeable future. Simplistic economic remedies (such as isolated ceiling reductions) which ignore known and demonstrated operational contributions to fleet readiness and capability, and which jeopardize the existence of an invaluable facility must be challenged, and challenged strongly. The elimination of the limited production facility to meet NAEC ceiling reduction is not considered to be a viable option and its further consideration is not recommended.

G. J. FENZL, Jr.

Mr. WHITE. Is there any further business?

Thank you gentlemen very much for very helpful testimony. We may be calling on you more in Washington to go into some other matters.

If there is no further business, the subcommittee stands adjourned. Thank you.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

