



DEPARTMENT OF THE NAVY
 CHIEF OF NAVAL PERSONNEL
 WASHINGTON, D.C. 20370-5000

IN REPLY REFER TO
 SEP 16 2004

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The Honorable J. Dennis Hastert
 Speaker
 House of Representatives
 Washington, DC 20515

Dear Mr. Speaker:

This letter provides you notification of a decision to convert to contractor performance a function of the Department of Defense (DoD) performed by 290 DoD civilian employees. The Department of the Navy intends to convert to performance by private sector Public Works Center Maintenance and Hazardous Materials of the Washington, DC metro area (initiative number NC20010699).

The analysis of the function was commenced in July 2000 and the U.S. Navy plans to award the contract in October 2004. Conversion to the private sector operations is planned for February 2005 and the life of the contract is expected to be five years.

An examination of the cost of performance of the function by DoD civilian employees and by the accepted offer of the private contractor produced a finding that the most cost effective manner to obtain the services is through a change to performance by the private sector. Below is a summarized comparison of the cost of performance of these functions:

Historical cost to perform by DoD civilian employees:	\$175,000,000
Estimated cost to perform by DoD civilian employees:	\$124,459,000
Amount of private contractor's offer:	\$103,255,000
Estimated government incurred cost because of contract:	\$ 3,117,000
Total projected savings over the period of performance:	\$ 68,628,000

The number of DoD positions performing these functions when the analysis was commenced was 290. This is less than the 334 announced positions due to business unit realignment to better facilitate competition. We estimate, as a result of the competition, 41 DoD employees will be reassigned to equivalent or lower positions, 92 employees will take early or normal retirement, 140 permanent or temporary employees will be separated and 17 positions are currently vacant.

Civil servants affected by change to private sector are given assistance in continuing their Federal careers through priority placement programs and reassignment in DoD or other agencies. In addition, the Department of the Navy works in cooperation with the Department of Labor and State Employment Services to assist affected employees in locating positions in private industry or to afford these personnel opportunities to undertake retraining programs qualifying them for jobs available in local labor markets.

I make the following certifications:

The analysis of the function for possible change to private sector included the estimated cost to the Government for performance in the most cost effective manner by DoD civilian employees; and the analysis

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did not include any predetermined personnel constraint or limitation in terms of man-years, end strength, full-time equivalent positions, or maximum number of employees.

The entire analysis is available for examination and demonstrates that the performance of the function by the private sector will result in savings to the Government over the life of the contract.

The conversion of the function to contractor operations results in anticipated savings that make the resulting cost of operations significantly less than the current cost of operations. This equates to a \$13,725,600 annual reduction of gross salaries and other services being expended into the local economies. With a total business volume of over \$22,336,370,000 in annual sales, this reduction represents less than 0.0614% of sales.

The performance of this function by the private sector will have no adverse effect on the military missions associated with it.

A similar letter has been sent to the President of the Senate, Chairmen Warner, Stevens, Hunter, and Lewis. If I can be of further assistance, please let me know.

Sincerely,



G. L. HOEWING

Vice Admiral, U.S. Navy
Deputy Chief of Naval Operations
(Manpower and Personnel)