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**13. ABSTRACT** (Maximum 200 words)  
Section 2461(c) of Title 10, United States Code, requires that the Secretary of Defense submit a written report to the Congress by February 1 of each fiscal year "describing the extent to which commercial and industrial type functions were performed by Department of Defense contractors during the proceeding fiscal year." Section 2461(c) further requires that the Secretary include in each report "an estimate of the percentage of commercial and industrial type functions of the Department of Defense that will be performed by Department of Defense civilian employees, and the percentage of such functions that will be performed by private contractors, during the fiscal year during which the report is submitted."

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**Report on the  
Performance of Department of Defense  
Commercial Activities**

**(Fiscal Year 1995)**

**Prepared by  
The Office of the Assistant Secretary of Defense  
(Economic Security)**

## INTRODUCTION

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

### A. Reporting Requirement

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

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

### B. Commercial Activities

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

## **MAJOR CATEGORIES OF DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITIES**

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

### **C. Content and Organization of the Report**

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

Section II. This is "The Performance of Department of Defense Commercial Activities by Department of Defense Contractors in Fiscal Year 1995" that describes the extent commercial activities were performed by contractors. The first table displays an estimate of the commercial activities workyear equivalents. The second table displays the commercial activities workyear estimates by major category. These data were extracted from the Fiscal Year 1995 annual inventory of commercial activities. In-house commercial activity workload that is inherently governmental and/or meets national defense requirements is not included in the tables.

Section III. This is "An Estimate of the Fiscal Year 1996 Department of Defense Commercial Activity Workload -- In-House versus Contract" that provides an estimate of the commercial activities workyears that will be performed by the Military Departments and Defense Agencies and by private contractors during Fiscal Year 1996.

\* Does not represent 100% in-house depot maintenance workload

**THE PERFORMANCE OF DEPARTMENT OF DEFENSE COMMERCIAL  
ACTIVITIES BY DEPARTMENT OF DEFENSE CONTRACTORS IN FISCAL  
YEAR 1995**

**DEPARTMENT OF DEFENSE SUMMARY**

Section II. During Fiscal Year 1995, contractors performed 193 thousand workyear equivalents for commercial activities. The contractors that provide support services are not required to report actual workyears of effort. The workyear figures are estimates of the additional in-house labor force that would have been required to perform the contracted work. During Fiscal Year 1995, the Department of Defense performed 327 thousand workyears of commercial and industrial type work. Overall, 63 percent of the workload associated with commercial activities was performed in-house and 37 percent performed by contractors. Table 1 breaks out the estimates by major Department of Defense Component.

**TABLE 1**

**FISCAL YEAR 1995 DEPARTMENT OF DEFENSE COMMERCIAL  
ACTIVITY WORKYEARS - BY MILITARY DEPARTMENT AND DEFENSE  
AGENCIES**

Military Department/ Agencies	In-House		Contract	
	Actual Workyears (000s)	(%)	Estimated Workyears (000s)	(%)
Army	108	68	50	32
Navy/Marine Corps	111	69	51	31
Air Force	49	36	87	64
Defense Agencies	<u>59</u>	92	<u>5</u>	8
<b>Total</b>	<b>327</b>	<b>63%</b>	<b>193</b>	<b>37%</b>

Table 2 breaks out the estimates by major categories of commercial activities. This table shows that installation services and other nonmanufacturing functions accounted for the largest portion of the commercial activities during Fiscal Year 1995.

**TABLE 2**

**FISCAL YEAR 1995 DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITIES BY MAJOR FUNCTIONAL CATEGORY**

Major Functions	In-House		Contract	
	Actual Workyears (000s)	(%)	Estimated Workyears (000s)	(%)
Social Services	25	89	3	11
Health Services	43	91	4	9
M & R (Intermediate/Direct/General)	17	59	12	41
M & R (Modify/Convert/Overhaul)	48	73	18	27
Base Maint./Multi-function	1	4	22	96
RDT&E Support	5	29	12	71
Installation Services	82	69	36	31
Other Nonmanufacturing	53	54	46	46
Education and Training	22	88	3	12
Automatic Data Processing	10	53	9	47
Products Manufactured In-House	3	25	9	75
Maintenance of Real Property	<u>18</u>	49	<u>19</u>	51
<b>Total</b>	<b>327</b>	<b>63%</b>	<b>193</b>	<b>37%</b>

**AN ESTIMATE OF THE FISCAL YEAR 1996 DEPARTMENT OF DEFENSE  
COMMERCIAL ACTIVITY WORKYEARS -- IN-HOUSE VERSUS CONTRACT**

Section III. The Department of Defense estimates that the total Fiscal Year 1996 contract workyears associated with commercial activities will be approximately 193 thousand workyears. The portion performed by in-house is estimated to be 62%. Based on schedules provided by the Military Departments and Defense Agencies, it is anticipated that the Department of Defense will complete cost comparisons involving about 5,000 workyears in Fiscal Year 1996. Additionally the Department will undertake a substantial effort to commence more studies in Fiscal Year 1996 which should increase competitions completed in Fiscal Year 1997 and beyond. Table 3 estimates the total Fiscal Year 1996 commercial activities workyears by major Department of Defense Component.

**TABLE 3**

**FISCAL YEAR 1996 DEPARTMENT OF DEFENSE COMMERCIAL ACTIVITY  
WORKYEARS -- ALL FUNCTIONS**

Military Department/ Agencies	Estimated Workyears			
	In-House Workyears (000s)	(%)	Contract Workyears (000s)	(%)
Army	108	68	50	32
Navy/Marine Corps	106	68	50	32
Air Force	48	35	88	65
Defense Agencies	<u>58</u>	92	<u>5</u>	8
<b>Total</b>	<b>320</b>	<b>62%</b>	<b>193</b>	<b>38%</b>