

## DOCUMENT RESUME

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Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Procurement of Goods and Services:  
Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

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The regulations, policies, procedures, and practices used for procuring overhaul of (SUBSHIPS) were reviewed. The emphasis was on the extent of competition obtained and on the determination of fair and reasonable prices. The Navy relies on formal advertising to assure that contract prices are fair and reasonable, but such reliance may be imprudent.

Findings/Conclusions: Among the conditions which eliminate or reduce competition are: the Navy's policy of having ships overhauled at or near home ports, the limited physical capacity and technical capability of private shipyards, and the Navy's inability to provide complete and accurate descriptions of the work to be done before the contract is awarded. The prices of the initial formally advertised contracts were frequently increased by 50% or more through numerous modifications. The SUBSHIPS districts generally did not obtain adequate cost or pricing data when negotiating prices or modifications, and had difficulty conducting such negotiations in a timely manner. Of these modifications, 38% were caused by incomplete or inaccurate specifications. Recommendations: The use of competitive negotiation in procuring ship repairs should be tested. (RRS)

# REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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## Contracting For Navy Ship Repairs And Overhaul--Need For Change

Department of Defense  
Department of the Navy

Navy ship repair contracts generally are awarded using formal advertising, sealed bid procedures, even though effective competition is not present and the scope of the work is unknown at the time of the awards.

GAO recommends the Navy try, on a test basis, procurement techniques used in competitively negotiated contracts. The Navy agreed to such tests and after evaluation will develop revised guidelines for future contracts.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

E-133170

To the President of the Senate and the  
Speaker of the House of Representatives

This report discusses reasons why competitive negotiation, rather than formal advertising, appears to be a more appropriate method when contracting for Navy ship repair and overhaul work.

Our review was made pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretaries of Defense and Navy.

A handwritten signature in black ink, reading "Palmer A. Steele".

Comptroller General  
of the United States

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<u>ABBREVIATIONS</u>	
GAO	General Accounting Office
SUPSHIPS	supervisors of shipbuilding, conversion, and repair

D I G E S T

During fiscal year 1974 the Navy awarded private shipyards \$260 million in contracts.

The Navy relies on formal advertising of contracts to assure that the prices for the repair and overhaul of its ships are fair and reasonable, but such reliance may be imprudent.

Conditions in today's marketplace reduce, and in some instances eliminate, the benefits normally associated with this technique. These conditions are the

--limited number (sometimes only one) of private shipyards competing for Navy contracts and

--Navy's inability to provide complete and accurate descriptions of the work to be done before contract award, a prerequisite of formal advertising.

Since accurate descriptions of the work to be done are not available, the Navy, through contract modifications, increases the work and contract price initially agreed on. In many cases these modifications make up over half the total contract value and are negotiated on a sole-source basis without cost or pricing data.

The Navy, therefore, generally loses any benefits that may have been obtained through the initial competition and is at a disadvantage when negotiating prices for modifications.

Private shipyards are not only familiar with how busy their competitors are but also generally know the prices at which they must operate. In short, shipyards

--are aware of how much competition exists,

--know that the fixed price of the original contract is not firm because it will be modified for substantial work that is unknown at the time of the award, and

--can anticipate negotiating many of these modifications with knowledge of actual costs which is not made available to the Navy.

The same conditions have existed for a number of years and GAO has brought them to the Navy's attention in two earlier reports. (See ch. 2.) Although the Navy agreed with prior GAO recommendations and indicated corrective action had been or would be taken, GAO found the same conditions continued to exist.

Recognizing that conditions limiting competition have existed for many years and that many difficulties in negotiating contract changes have not been resolved, GAO recommends that the Secretary of Defense direct the Secretary of the Navy to test the use of competitive negotiations in procuring ship repairs. Under this process, the Navy could obtain sufficient data to assess the reasonableness of proposed prices. After an appropriate period of time, an assessment of its use should establish whether the Navy should adopt competitive negotiation.

The Navy has agreed to test the use of competitive negotiations on the upcoming overhaul of the U.S.S. Mullinix. After completing the test and its evaluation, the Navy will develop guidelines for future procurement practices concerning ship repair and overhaul.

## CHAPTER 1

### INTRODUCTION

The Chief of Naval Operations has delegated the responsibility for ship repair and overhaul to the Naval Sea Systems Command and fleet commanders. The Systems Command is responsible for establishing procurement policies and procedures and determines where ships are to be overhauled--naval or private shipyards. The contracting for work to be done at private shipyards has been delegated by the Systems Command to 15 Navy supervisors of shipbuilding, conversion, and repair (SUPSHIPS).

Generally, Government procurement is accomplished by either formal advertising or negotiation. The method selected depends on a number of factors. Formal advertising, the preferred method, is used when

--the Government can provide reasonably definite specifications that permit bidders to compete on a common basis and

--a number of responsible bidders are independently contending for the contract to be awarded.

The reasonableness of price is established through this competitive process. Formal advertising is carried out under a relatively rigid set of procedures that involve (1) issuing invitations for bids, (2) submitting sealed bids by prospective contractors, (3) opening bids publicly, (4) awarding the contract to the lowest responsible bidder, and (5) using a fixed-price contract. Award of a formally advertised contract, therefore, does not require bargaining between the Government and the offerors.

Negotiation is used whenever it is not practical or feasible to use formal advertising. Negotiated procurements, however, are to be made on a competitive basis to the maximum extent possible. Competitiveness is achieved by issuing requests for proposals to qualified offerors. In some cases, the lowest proposed price is accepted at the time of proposal opening; in others, after receiving the proposals, the Government bargains with the contractors whose offers are in an acceptable price range. Some form of price or cost analysis is required in every negotiated procurement. Price analysis is a Government examination of the contractors' proposed prices without an evaluation of the contractors' separate cost elements and profits. Cost analysis is an examination of the contractors' cost data and the judgmental factors used in projecting from that

cost data to estimated costs. The cost analysis is conducted to form an opinion on the degree to which proposed costs will reflect contractor performance. Negotiated procurements are awarded under more flexible procedures than formal advertising.

In negotiated procurements a wide selection of contract types is permitted. Generally, the type of contract agreed to will reflect (1) the degree of responsibility or risk the contractor assumes for costs of performance and (2) the potential profit that may be earned by achieving or exceeding specified goals. The firm, fixed-price contract, for example, provides for a price not subject to adjustment and places maximum risk on the contractor. Since the contractor assumes full responsibility for all costs over or under the fixed price, he has maximum profit incentive to control costs and meet the performance goals.

The cost-plus-fixed-fee contract type provides for a fixed fee rather than a fixed price and places more risk on the Government. Since the contractor is reimbursed for allowable costs and receives a fixed fee that does not vary with his ability to control costs, it has little incentive to control costs.

There is a variety of other contract types between the firm-fixed price and cost-plus-fixed-fee arrangements. These contracts reflect the degree of risk assumed by the contractor and the potential profit that can be earned through good performance.

The contract type selected depends on the degree of uncertainty involved in contract performance. If risks are small or can be predicted with some degree of certainty, a firm, fixed-price contract will be selected. As the uncertainties involved in contract performance become greater, another contract type should be selected to avoid placing too great a risk on the contractor.

The advantages of fixed-price contract types are (1) contractor assumes risk, (2) profit provisions motivate contractors to control costs and achieve prescribed performance levels, and (3) profit motive is substituted for Government administration and surveillance. The disadvantage is that their use requires definite specifications so the degree of risk can be assessed. Also, should change orders or modifications become necessary later, the advantages normally associated with a firm-fixed price may be eliminated.



Cost-reimbursable type contracts are used when performance objectives or goals cannot be fully defined or costs accurately predicted. The disadvantages of cost-reimbursable contracts are (1) the Government assumes most, if not all, of the contract performance risk, (2) the contractor does not have an incentive to control costs, and (3) the Government spends a large amount of resources for contract administration and surveillance.

Contracting for ship repairs presents a problem because the Navy cannot always provide complete and accurate specifications for the work to be done; yet, if at all possible, the ship repair contractors should be given an incentive to control costs and maintain shipyard efficiency. The lack of adequate specifications would appear to rule out use of a firm, fixed-price contract and indicate use of a cost-reimbursable type contract. The need to provide an incentive to control costs indicates the opposite--a fixed-price type contract rather than a cost type contract.

At the present time, the SUPSHIPS award contracts for ship repair and overhaul to the private shipyards located in their respective districts using formal advertising procedures. However, the SUPSHIPS frequently find it necessary to negotiate change orders or modifications to the formally advertised contracts because all of the required repairs cannot be identified until the ship is "opened and inspected" to determine its internal condition. A ship's internal condition can vary for many reasons, including the length of service between maintenance intervals and the care exercised by the ship's crew. The open and inspection procedures do not occur until after award of the formally advertised contracts.

## CHAPTER 2

### PRIOR GAO REPORTS

We questioned the Navy's methods of procuring ship repair and overhaul services in two previous reports. <sup>1/</sup> Both reports indicated that, due to various factors, the degree of competition was limited, and the Navy's reliance on formal advertising to obtain fair and reasonable prices was not justifiable. The competition-limiting factors were:

- Navy's policy of having ships overhauled only in the area of their home ports.
- Limited physical capacity and technical capability of some private shipyards.
- Limited capacity available for Navy work due to the amount of commercial work being done by the shipyards.

Both reports described the Navy's difficulties in providing complete and accurate specifications of the work to be done--a prerequisite for formal advertising. Thus, all bidders may not have been bidding on the same basis. The lack of complete and accurate specifications resulted in a large amount of contract growth or an increase in the scope and price of the initially awarded contract. This growth is added to the contract through sole-source negotiated change orders or modifications which have a tendency to dilute, if not eliminate, the advantages normally attributed to advertising. This situation is generally found in the ship repair and overhaul business where it is general knowledge that change orders or modifications will take place.

In our 1970 report, we recommended that the Navy improve its bid evaluating techniques and use negotiation rather than advertising when major differences between its estimate and the bid price could not be justified. We also recommended methods to expedite the negotiation of modifications and the use of actual costs when negotiating after contract completion. At that time, the Navy agreed with our recommendations and said that corrective action either had been or was being planned. However, in this review we found that the actions were not effectively implemented or fully carried out.

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<sup>1/</sup> B-133170, June 8, 1959, and B-133170, March 9, 1970.

## CHAPTER 3

### CONDITIONS CONTINUE TO LIMIT COMPETITION

At the SUPSHIPS districts of Long Beach and San Diego the conditions cited in our previous reports as limiting competition continue to exist. The San Francisco district had difficulty in providing complete and accurate specifications.

In Long Beach and San Diego competition was limited in that only one or two bids were received for about half the solicitations. In San Francisco three or more bids were received for 94 percent of the solicitations, but the largest amount of contract growth occurred in this district. This growth amounted to about 60 percent of initial contract awards, all negotiated on a sole-source basis.

The principal reasons for the limited number of bidders in the Long Beach and San Diego districts are set forth below.

#### NAVY POLICY OF HAVING SHIPS OVERHAULED AT OR NEAR HOME PORTS

The Navy's policy is to assign a ship to be repaired within its home-port area. This policy was made to maintain crew morale by having their ships repaired within commuting distances of their families. Thus, the crew can be with their families during the repairs to offset, to some extent, the long separations during sea duty.

Although this policy is designed to improve morale, it also restricts the SUPSHIPS districts to soliciting bids from the relatively few shipyards within their respective geographic areas. The timing of the ship's arrival for repairs plus the availability of the private shipyards facilities, capabilities, and commercial workloads can further limit the number of shipyards willing to compete.

#### SHIPYARD FACILITIES AND CAPABILITIES

##### Facilities

Facilities required for repairing most of the larger Navy ships are available at a limited number of large shipyards, and only these shipyards are able to compete. For example, in the SUPSHIPS San Diego district only two shipyards can drydock a large ship. In San Francisco 4 of the 27 shipyards do the bulk of the Navy's work because they have the needed facilities.

The Navy requires that ships be periodically drydocked for hull overhaul. Possession of a drydock with adequate capacity, therefore, may become the basic criteria for selecting a shipyard to receive a repair contract. Under such circumstances, the number of shipyards that can compete is limited.

### Capabilities

The technical skill needed to repair and overhaul sophisticated propulsion, communication, and combat systems is another factor in shipyard selection. Retaining this technical skill requires training and keeping supervisors and workers familiar with work peculiar to Navy quality assurance and security sensitive systems. In Long Beach and San Diego, for example, a shortage of journeymen pipefitters existed. Because of this shortage, one shipyard would not bid on repair work requiring extensive pipefitting.

We asked ship repair contractors in the San Diego district why they did not bid on 17 solicitations and learned that in about 40 percent of the cases the shipyards involved lacked the facilities or capabilities to do the job.

### COMMERCIAL WORKLOADS OF PRIVATE SHIPYARDS

The volume of commercial work that private shipyards are actually performing or are committed to in the future has a significant impact on their willingness to compete for Navy contracts. According to private shipyard officials, when their facilities are committed to meeting commercial contracts they tend to submit unrealistically high bids the Navy may find unacceptable. Conversely, when commercial work is low, bids on Navy work tend to be unrealistically low.

During 1973 and 1974, employment at shipyards in the San Diego district had nearly doubled because of commercial work. Our study of 17 Navy solicitations showed that this heavy commercial workload had reduced the average number of bidders by about 35 percent. Since competition is generally limited to the home port, the shipyards are not only familiar with how busy their competitors are but generally know the costs at which local shipyards must operate.

One shipyard official stated that the realism of the price submitted is based on how badly the work is needed. If the shipyard really needs the work, it will try to quote a price that will compete with the prices of competitors; if the shipyard does not need the work, the price will be higher than competitors.

In those geographic areas where only one or two shipyards have facilities or capability to compete or where other shipyards are known to be busy with commercial work, solicitations of a number of bidders and receipt of more than one bid may create the impression of competition when in reality there is none.

CHAPTER 4

MAGNITUDE OF CONTRACT GROWTH

For three SUPSHIPS districts we determined the amount by which ship repair and overhaul contracts increased through modifications during performance. The modifications were negotiated on a sole-source basis with the contractors holding the original contracts. The following table shows that the amount of growth experienced in each of the three districts was over 50 percent of initial awards.

Table I

<u>District</u>	Value of initial awards formally advertised	<u>Negotiated modifications</u>		<u>Total awards</u>
		<u>Value</u>	<u>Percent of initial awards</u>	
	- - (millions) - -			(millions)
San Francisco	\$22.6	\$13.4	60	\$ 36.0
Long Beach	16.0	9.1	57	25.1
San Diego	<u>36.7</u>	<u>19.7</u>	54	<u>56.4</u>
Total	<u>\$75.3</u>	<u>\$42.2</u>	56	<u>\$117.5</u>

A detailed examination of individual contracts showed many instances where the growth was well in excess of initial awards. (See table II.)

Table II

<u>Ships</u>	<u>Price</u>			<u>Percent of totals</u>	
	<u>Initial award</u>	<u>Modifications</u>	<u>Total contract price</u>	<u>Advertised contract part</u>	<u>Sole-source negotiated contract part</u>
U.S.S. John Paul Jones	\$164,882	\$1,031,304	\$1,196,186	14	86
U.S.S. Hoel	116,152	577,409	693,561	17	83
U.S.S. Wiltsie	286,000	553,650	839,650	34	66
U.S.S. Ranger	109,000	209,442	318,442	34	66
U.S.S. Hancock	164,765	303,038	467,803	35	65
U.S.S. Coral Sea	197,500	325,910	523,410	38	62
U.S.S. Tripoli	468,486	1,035,302	1,503,788	31	69
U.S.S. Ajax	276,243	891,960	1,168,203	24	76
U.S.S. Dixie	411,198	698,256	1,109,454	37	63

To determine the reason for and frequency of modifications, we analyzed 81 modifications SUPSHIP in San Francisco indicated as being representative of normal modifications and we randomly selected 107 modifications for review at Long Beach. (See table III.)

Table III

Reasons for modifications	Long Beach modifications		San Francisco modifications		Combined percents
	Quantity	Percent	Quantity	Percent	
Additional work found needed after opening and inspecting	17	16	-	-	-
Growth work (discovered while doing other work)	<u>33</u>	<u>31</u>	<u>43</u>	<u>53</u>	-
Subtotal	<u>50</u>	<u>47</u>	<u>43</u>	<u>53</u>	<u>49.0</u>
Incomplete or inaccurate specifications, including corrective work	39	36	32	40	38.0
Material problems	10	9	2	3	6.5
Miscellaneous	<u>8</u>	<u>8</u>	<u>4</u>	<u>4</u>	<u>6.5</u>
Subtotal	<u>57</u>	<u>53</u>	<u>38</u>	<u>47</u>	<u>51.0</u>
Total	<u>107</u>	<u>100</u>	<u>81</u>	<u>100</u>	<u>100.0</u>

Of the above modifications, 49 percent were from open and inspection work or were discovered while doing other work. These modifications are generally considered unavoidable.

Incomplete or inaccurate specifications, including corrective work, make up the second most frequent reason, 38 percent, for issuing modifications. These modifications are avoidable because the specifications should be corrected before inclusion in the original contract. For example, new lights and ladders were installed on a ship in accordance with original specifications; however, their location obstructed equipment used to transfer materiel to other ships, and a modification was required.

Contract growth of 50 percent indicates an inability to define the scope of required work, and bidders cannot have a clear understanding of the work to be done at the time of contract award. As a result, there is no common basis for evaluating bids or for determining the lowest bid. In addition, bids on the advertised part of the work may contain contingencies because the initial price is firmly fixed.

The numerous changes also make it difficult to agree on what the original price covered and on the amount the original price should be increased or decreased for later

changes. In such circumstances, the situations can become so confused that the only way a final price can be negotiated is on a total cost basis. Although the shipyards have this cost data for final negotiations, generally, the Navy cannot obtain it for the advertised part of the contracts.

In summary, the Navy relies on formal advertising to assure reasonable prices, while the contractor, aware of market conditions and the likelihood of contract growth, can adjust his bid price to obtain the initial contract award and later attempt to negotiate higher prices for the modifications that are sure to follow. While contractors know their overall position (cost plus profit and loss) on the initial award and the modifications, the Navy does not know the position for the advertised contract part nor does it generally obtain adequate cost data from the contractors when negotiating modifications.

Although Government and private shipyards recognize that agreement on the price of modification work should be reached before the work is started, Navy officials said that prices were often negotiated later. We found that the prices for a large portion of the modifications were not negotiated until after all the work was completed and the ship had left the shipyard. (See table IV.)

Table IV

<u>Ship</u>	<u>Total value of modifications</u>	<u>Value negotiated after completion of all work</u>	<u>Percent negotiated after completion</u>
U.S.S. Constellation	\$818,618	\$687,448	84
U.S.S. Point Loma	102,290	82,350	81
U.S.S. Tolovano	221,185	172,830	78
U.S.S. Okinawa	275,627	166,904	61

While the Navy has a right of access to actual cost data for modifications, this data cannot be readily separated from the cost of work included in the formally advertised contract part to which the Navy does not have a right of access. Thus, it is difficult for the Navy to be sure that the cost data the contractors furnished for modifications is accurate and complete. Private shipyards, however, do have total cost data and have an advantage in negotiating changes.



## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATION

#### CONCLUSIONS

Prerequisites for using formal advertising are (1) a number of bidders willing and able to compete effectively and (2) a complete, adequate, and realistic description (specification) of the work required. Chapters 2 and 3 show that conditions which limited the number of bidders for ship repair, in many cases, affected competition within each SUPSHIPS district. As a result, the benefits normally accruing under formal advertising were sometimes greatly reduced or eliminated.

Over the 16-year period covered by our reports, the Navy has experienced difficulty in providing a complete and accurate description of work to be done. (See ch. 4.) In summary, we found that:

- The prices of the initial formally advertised contracts were frequently increased by 50 percent or more through numerous modifications; often the value of the modifications exceeded the basic contract price.
- The SUPSHIPS districts generally did not obtain adequate cost or pricing data when negotiating prices of modifications and had difficulty conducting such negotiations in a timely manner.
- Of the modifications, 38 percent were caused by incomplete or inaccurate specifications, including corrective work.

We recognize that formal advertising is the preferred method of Government procurement and we strongly endorse its use when feasible. However, under existing conditions the continued use of this procurement method for ship repair contracts is not appropriate.

Primary procurement objectives should be to (1) assure that contract prices for both the initial award and modifications are fair and reasonable and (2) minimize the amount of contract growth after contract award. In contracting for ship repair and overhaul, competitive negotiations appear better suited to achieving these objectives. Under formal advertising procedures, the Navy is not entitled to cost or pricing data for the initial work and generally has been unable to obtain cost data for negotiating contract modifications. Under competitive negotiations, the Navy

could request that the offerors submit sufficient data to assess the fairness and reasonableness of initially proposed prices. Also, if cost or pricing data for modifications could not be obtained before the work was authorized, the Navy would still have a basis for obtaining the contractor's actual cost incurred on the overall contract. These procedures would place both parties on equal footing during price negotiations for both the initial contract and later modifications.

Competitive negotiations would also permit discussions with competitors so that a commonly understood and mutually agreed upon work requirement could be reached before award. Such discussions should help to identify and eliminate modifications, especially those resulting from incomplete and inaccurate modifications.

Under formal advertising, discussions before award are not permitted; therefore, competitors may not have a common understanding of the work requirements. This also raises questions as to whether the use of formal advertising is appropriate since the bids may not be based on the same understanding of the work to be performed.

Under competitive negotiations, the Navy would continue to obtain whatever competition is available. In negotiating with contractors, however, the Navy could tailor the contract type to the situation. For example, the Navy could consider a contract award in two phases. Phase one would involve (1) issuing requests for proposals, (2) submitting proposals by the contending contractors, (3) negotiating between the Navy and the responsible offerors in a competitive range, and (4) awarding a firm, fixed-price contract covering the open and inspection work and any other work that could be accurately and completely specified.

Phase two of the contract would cover negotiation of the scope and price of any additional work found necessary after completion of the open and inspection work. To provide the contractor with an incentive to control costs and meet performance requirements on additional work, the Navy could use cost and/or performance incentives.

#### RECOMMENDATION

We recommend that the Secretary of Defense direct the Secretary of the Navy to test the use of competitive negotiation in procuring ship repair. After an appropriate period of time, an assessment of its use should establish whether the Navy should adopt competitive negotiation.

AGENCY COMMENTS

The Navy has agreed to test the use of competitive negotiation on the upcoming overhaul of the U.S.S. Mullinix. After completing the test and its evaluation, the Navy will develop guidelines for future procurement practices concerning ship repair and overhaul.

## CHAPTER 6

### SCOPE OF REVIEW

We reviewed the SUPSHIPS' regulations, policies, procedures, and practices for procuring repair and overhaul work on Navy ships. Our study focused on the extent of competition obtained and on the adequacy of the Navy's determination that prices were fair and reasonable for initial awards, as well as, modifications.

Our work was accomplished at the Naval Sea Systems Command, Washington, D.C., and the SUPSHIPS districts of Long Beach, San Diego, and San Francisco, California. During fiscal year 1974, these three SUPSHIPS districts procured repair and overhaul work totaling \$117 million, or about 44 percent of the total of this category of procurement for that year.



ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

13 AUG 1976

INSTALLATIONS AND LOGISTICS

Mr. Richard W. Gutmann  
Director, Procurement and Systems  
Acquisition Division  
General Accounting Office Building  
Room 6915  
441 G Street, N. W.  
Washington, D. C. 20548

Dear Mr. Gutmann:

This is in reply to your letter of 18 June 1976 to Secretary Rumsfeld transmitting copies of your draft report to the Congress on Contracting for Navy Ship Repair and Overhaul - A Need for Change (OSD Case #4396). Your draft report recommended that the Secretary of Defense direct the Navy to test the use of competitive negotiation in procuring ship repairs.

The Navy has selected the upcoming overhaul of the USS Mullinix (DD944) as a test of the application of the competitive negotiation technique. A control procurement to be used for comparison of the advantages and disadvantages has not as yet been identified. Upon completion of the evaluation period of these two ships, the Navy will develop appropriate guidelines for future procurement practices concerning ship repairs and overhaul.

Your comments and recommendations on this matter have been most helpful and appreciated.

Sincerely,

JOHN J. BENNETT  
Principal Deputy Assistant Secretary of Defense  
(Installations and Logistics)

PRINCIPAL OFFICIALS RESPONSIBLE FOR  
ADMINISTERING ACTIVITIES  
DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
<u>DEPARTMENT OF DEFENSE</u>		
Secretary of Defense:		
Donald H. Rumsfeld	Nov. 1975	Present
James R. Schlesinger	July 1973	Nov. 1975
Assistant Secretary of Defense (Installations and Logistics):		
Frank A. Shrontz	Feb. 1976	Present
John J. Bennett (acting)	Apr. 1975	Jan. 1976
Arthur Mendolia	Apr. 1973	Mar. 1975
<u>DEPARTMENT OF THE NAVY</u>		
Secretary of the Navy:		
J. William Middendorf	June 1974	Present
John W. Warner	May 1972	June 1974
Assistant Secretary of the Navy (Installations and Logistics):		
John J. Bennett	Sept. 1976	Present
Jack L. Bowers	June 1973	Aug. 1976
Hugh Witt (acting)	May 1973	June 1973
Charles L. Ill	July 1971	May 1973
Chief of Naval Operations:		
Adm. James L. Holloway, III	July 1974	Present
Adm. Elmo R. Zumwalt, Jr.	July 1970	July 1974