



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

MAR 20 2008

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(INSTALLATIONS AND ENVIRONMENT)  
ASSISTANT SECRETARY OF THE NAVY  
(INSTALLATIONS AND ENVIRONMENT)  
DEPUTY CHIEF OF STAFF FOR PERSONNEL,  
UNITED STATES AIR FORCE  
DIRECTORS OF DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

Subject: Department of Defense Competitive Sourcing

I want to reaffirm the Department's commitment to the Administration's public-private competition program as an important and essential management tool. Competitive sourcing saves money while promoting innovation, efficiency and greater effectiveness of government operations. I believe it is imperative that the Department continue its use to the greatest extent possible. Restrictions in the National Defense Authorization Act for Fiscal Year 2008 limit but do not entirely prohibit the use of the competitive sourcing tool.

Section 323 amends 10 U.S.C. 2461 to provide that a Military Department or Defense Agency may not be required to conduct a public-private competition at the end of the performance period specified in the performance agreement. This provision gives the Military Departments and Defense Agencies discretion to conduct follow-on competition at the end of the period specified in the performance agreement. Nothing in this provision prohibits the conduct of such a competition. I believe subjecting commercial activities to the forces of competition on a regular basis ensures costs remain competitive and improves efficiency of government operations. Components may continue to carry out follow-on competitions at the end of performance periods at their discretion.

Section 325 prohibits the Office of Management and Budget (OMB) from directing or requiring the Secretary of Defense or the Secretary of a Military Department to undertake a public-private competition under OMB Circular A-76. The Department independently determines its competitive sourcing program during the normal program and budget review process. Annual and out-year plans are established by each Component and submitted via the DoD Comptroller's PB-42 budget exhibit and Components are expected to execute these plans.



Section 1676 prohibits the Department from initiating any new public-private competitions for the performance of functions at military medical facilities until the Secretary of Defense (1) makes a prescribed certification and (2) submits a report to Congress on competitions being conducted at military medical facilities. If the statutorily prescribed requirements are met, the DoD may perform a public-private competition at a military medical facility.

Competitive sourcing consistently results in greater government efficiency and cost-savings to the taxpayer. The DoD has documented savings in the Defense Commercial Activities Management Information System (DCAMIS) of over \$7 billion from competitions completed between FY2000 – FY2007 and expects these savings to grow to \$10 billion after the completion of all planned competitions initiated in FY2008. Additionally, a robust competitive sourcing program increases the effectiveness of other management efficiency tools. Components are encouraged to continue to use competitive sourcing to the maximum extent possible to determine the most cost-effective business methods to perform commercial activities.

A handwritten signature in black ink, appearing to read 'Wayne Army', with a long horizontal line extending to the right.

Wayne Army  
Deputy Under Secretary of Defense  
(Installations and Environment)