DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:
11350
LF/LR

DEC 10 1999

From: Commandant of the Marine Corps

Subj: UTILITY PRIVATIZATION AND COMPETITIONS UNDER OMB CIRCULAR A-76

Ref: (a) CMC ltr 11350 LFF-1 of 28 May 99

1. The reference acknowledged that conducting privatization studies of the electric, natural gas, water and waste water functions directed by Defense Reform Initiative Directive (DRID) #49 complicated the conducting of competitions mandated by OMB Circular A-76. The reference also established the Marine Corps' preference to privatize rather than compete these utility functions, where doing so proves cost effective. This approach requires performing a privatization study to determine the cost effectiveness before we complete the A-76 competition. To minimize the time required to determine the appropriate approach, the reference established the policy of conducting these privatization studies concurrently with A-76 competitions.

2. The use of concurrent studies has several advantages:

a. It minimizes duplicative data gathering efforts for kinds of data required in both studies.

b. It facilitates the integration of the affected utilities functions into A-76 competitions if the privatization initiative does not prove cost effective. This approach ensures that the A-76 competition will result in a single, integrated facilities management structure regardless of outcome.

c. It provides offsets against the modernization wedge as early in the process as possible by minimizing the delays associated with conducting these studies in a serial fashion.

3. Given the timeline that is emerging for privatization studies, however, it now appears that many of our ongoing A-76 competitions will reach a final decision before we have reached a decision on privatization. This scenario leaves commands

with three basic alternatives for addressing ongoing A-76 competitions that may reach a decision before the privatization study:

a. Continue the A-76 competition, structuring the performance work statement and most efficient organization with the affected utilities as severable bid items to facilitate privatization if it proves cost effective for one or more of the utilities at a later time. This alternative appears to be the best approach for those scenarios where there is some doubt that the affected utilities will be privatized, since doing so will ensure that the A-76 competition will result in a single, integrated facilities management structure regardless of its outcome.

b. Delay the A-76 decision if the outcome of the privatization study is anticipated within the same approximate time frame as the A-76 study, and the delay will not have a dramatic impact on the command's ability to realize its savings in a timely manner. Then, either remove the utilities functions or proceed with the A-76 study, depending on the outcome of the privatization study.

c. Remove the utilities portion of the A-76 competition affecting electric, natural gas, water, or waste water until a final decision is reached on privatization. If the privatization studies subsequently result in a decision to continue in-house performance, the data gathered can then be used to develop an accelerated A-76 competition for the operation and maintenance of the function or functions.

4. I recognize that competing utilities as severable bid items in the A-76 competitions to facilitate potential, post A-76 privatizations may be viewed as violating the understanding with the employees in these functions that your most efficient organization would be implemented if the A 76 competition results in a decision favoring in-house performance. Unfortunately, the direction provided by the Deputy Secretary of Defense under the DRIDs requires us both to review all our utilities for privatization and also to conduct A-76 competitions, regardless of how we sequence the two studies. We need to be candid with our employees in regard to this matter, explaining to them and their union representatives that we will do everything that we can to ensure their competitiveness.

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5. Recognizing that you are in the best position to develop the right approach for your installations, I am asking you each to recommend your preferred approach for your installations by January 31. Unfortunately, a decision to remove or delay one of these initiatives will not result in a reduction of or delay in achieving your share of the privatization wedge. In such cases, you will have to use alternative means to satisfy the reductions that have already been incorporated into your budgets.

6. I recognize that the increased emphasis on identifying efficiency and cost reduction initiatives across the Department of Defense and across the Marine Corps has resulted in many conflicting mandates. I am committed to eliminating or, where that is not possible, to minimizing, the conflicts that you are facing as you deal with the many challenges presented by Installation Reform.

G. S. McKISSOCK
Lieutenant General, U.S. Marine Corps
Deputy Commandant for
Installations and Logistics

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