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Testimony

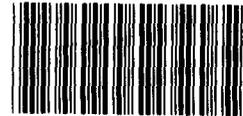
Before the Defense Base Closure and Realignment Commission

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MILITARY BASES

Analysis of DOD's Recommendations and Selection Process for Closures and Realignments

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Mr. Chairman and Members of the Commission:

I am pleased to be here today to testify before the Commission. The Secretary submitted his recommendations to the Defense Base Closure and Realignment Commission on March 12, 1993. As required by the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), as amended, we have submitted to the Commission a detailed analysis of the Secretary's recommendations and selection process.¹ My statement will focus on some of the key issues we raised in our report.

Our review indicated that the Secretary of Defense's March 12, 1993, recommendations and selection process for base closures and realignments were generally sound. We believe Department of Defense (DOD) estimates of savings are overstated, but still substantial. However, the recommendations and selection process were not without problems and, in some cases, raise questions about the reasonableness of specific recommendations. For example, we found that

- because the Navy's process stressed the reduction of excess capacity, there were cases where a base was recommended for closure, even though its military value was rated higher than bases that remained open;
- the Army chose not to recommend a base for closure in part because of environmental cleanup costs--a reason excluded from cost of closure calculations;
- the Air Force's documentation of the basis for some of its final recommendations makes it difficult to understand the justification for some decisions, although Air Force officials' oral explanations seemed to justify the recommendations; and
- the Defense Logistics Agency (DLA) overstated estimated savings of its realignments.

Further, the Office of the Secretary of Defense (OSD) did not exercise strong leadership in providing oversight of the military services and defense agencies during the process. As a consequence, some technical problems occurred, and the opportunity to consider consolidation of maintenance facilities on a DOD-wide basis was lost. In addition, we found the standards used for DOD's cumulative economic impact analysis were not supportable.

Finally, we found that DOD's practice of ignoring governmentwide cost implications remained unchanged, even though we had recommended otherwise. DOD believes its responsibility is to determine whether its recommendations will result in savings to

¹Military Bases: Analysis of DOD's Recommendations and Selection Process for Closures and Realignments (GAO/NSIAD-93-172, Apr. 15, 1993).

DOD, without consideration of the effects on other federal agencies. These costs could be substantial when they involve moving from General Services Administration facilities into newly constructed DOD facilities. In addition, hospital closures could also increase government Medicare costs.

BACKGROUND

The United States is closing and realigning military bases as part of its efforts to downsize and restructure its forces and reduce defense spending. To ensure that this process is fair, Congress enacted the Defense Base Closure and Realignment Act of 1990. The act established an independent commission, the Defense Base Closure and Realignment Commission, and specified procedures the President, DOD, GAO, and the Commission must follow, through 1995, to close and realign bases. Under these procedures, the Secretary of Defense on March 12, 1993, recommended 165 closures, realignments, and other actions affecting bases within the United States.

The 1993 round of closures and realignments is the second of three rounds required by the act. In the first round, in 1991, DOD recommended the closure of 43 bases and the realignment of 28 others. The Commission made several adjustments to DOD's list and proposed 34 closures and 48 realignments. The President and Congress accepted the Commission's recommendations.

For the current round, Congress retained basically the same requirements and procedures as in 1991. As before, the Secretary's recommendations were to be based on selection criteria established by DOD and on a 6-year force structure plan. However, Congress added a new requirement that DOD certify the data it presented to ensure its accuracy.

The eight selection criteria, which remained unchanged from 1991, include four related to the military value of the installations and four that address the number of years needed to recover the costs of closure and realignment; the economic impact on communities; the ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel; and the environmental impact. DOD guidance to the military services and defense agencies directed that they give priority to the four military value criteria.

The force structure plan is the "base force" for fiscal years 1994 to 1999 developed under the Bush administration. Major elements of the plan include 12 active Army divisions, 12 Navy carriers, and 1,098 active Air Force fighter aircraft.

OSD relied on the military services and defense agencies to select bases for possible closure or realignment and established guidance concerning their selection processes. The components submitted their proposed closures and realignments to OSD in February 1993,

and the Secretary of Defense made some revisions to these before transmitting his recommendations to the Commission.

IMPROVEMENTS NEEDED IN OSD'S
OVERSIGHT AND REVIEW PROCESSES

OSD has overall responsibility for overseeing the processes the military services and defense agencies use to develop their closure and realignment recommendations. The office also reviews those recommendations and forwards them to the Defense Base Closure and Realignment Commission. Our evaluation of OSD's role in overseeing the process shows that while OSD provided guidance, it was not actively involved in monitoring the process.

Had OSD been more involved, certain problems could have been avoided. For example, the military services, at OSD's direction, were to consider opportunities for reducing excess depot maintenance capacity. However, the process quickly broke down because, in large part, OSD did not provide the leadership needed to overcome service parochialism. In the end, an opportunity was missed to look at depot maintenance closures on a cross-service basis. In another case, OSD did not review the application of the cost model used by the various DOD components. DLA misapplied the model in a number of cases, which caused the agency to significantly overstate its savings estimates.

We also assessed OSD's review of the components' recommendations and related issues and generally agreed with the actions that were taken. However, we found that the standards OSD used to assess cumulative economic impact were subjectively developed and not supportable. Consequently, the Secretary's removal of McClellan Air Force Base from the Air Force's recommended closure list based on the cumulative economic analysis is not supported. For example, OSD subjectively established standards for an unacceptable cumulative economic impact as a job loss of 5 percent and an employment population of 500,000 or more. However, OSD was unable to explain why Oakland, California's job loss of 4.9 percent with a workforce of over 1 million was acceptable. Similarly it was unclear why Charleston, South Carolina, with an employment population of 243,000 and a 15.3 percent, job loss was acceptable.

DOD COMPONENTS' PROCESSES AND
RECOMMENDATIONS WERE GENERALLY
SOUND, BUT SOME PROBLEMS EXIST

Navy

The Navy recommended by far the largest number of closures and realignments, affecting 28 major bases. The Navy's recommendations and selection process were generally sound and well documented. The data, with the exception of information gathered in the final

phases of the selection process, was validated by the Naval Audit Service.

Our review showed the selections were driven by an overarching goal of reducing excess capacity among categories of bases--shipyards and air stations, for example--while considering military value. This process also relied heavily on the acceptance of certain assumptions and military judgments. For example, in the case of the Navy shipyards, an analysis of the Navy's data showed that because of the Navy's assumptions about the need for a certain amount of capacity to handle an estimated nuclear work load, Charleston shipyard was recommended for closure, even though it was rated as having a higher military value than other bases that remained open.

Generally, the Navy developed a return-on-investment analysis only for configurations of bases that were selected for closure and realignment. Greater savings may have resulted from alternative scenarios, as was the case for the Naval Aviation Depot category where the Navy did consider an alternative scenario.

Army

The Army proposed closure and realignment actions that will affect seven bases. We found the recommendations and selection process were well documented, and the data was audited by the Army Audit Agency. However, the decision not to recommend closing Fort Monroe was not adequately justified. In particular, the use of environmental cleanup cost as a justification should not be a prime consideration because environmental restoration cost is not to be included as a basis for closure. DOD is responsible for these costs whether a base closes or not. In addition, the Army recommended closure of the Presidio of Monterey, home of the Defense Language Institute. The recommendation included moving the Institute to Fort Hauchuca and contracting with a University to provide language training. This recommendation was removed from the closure list by the Secretary of Defense because of intelligence community concerns that the move would disrupt the flow of linguists to national security missions. We found that there are conflicting points of view within DOD on this issue and that certain elements of the cost and savings projections raise questions.

Air Force

The Air Force recommended closures and realignments affecting seven bases. Our review shows the recommendations appear to be generally sound. However, the judgments that were made in the final stages of the selection process for certain categories of bases were not well documented. For example, in the case of K.I. Sawyer Air Force Base, Michigan, the Air Force documentation showed that the base's military value was rated medium; however, it was grouped with bases

given the lowest rating and ultimately selected for closure. We could not understand the basis for placing the base in the lowest category until we had discussions with Air Force officials involved in the final stages of the selection process who told us it was because of significant cost savings. Without additional information, the Commission would have difficulty understanding the basis for these and several other decisions.

Defense Logistics Agency

DLA recommended closures and realignments affecting 14 installations. Cost, rather than military value, was the primary determinant in these decisions. We found the selection process was well documented. However, some errors were made in applying the DOD cost and savings model. As a result, savings were overstated. For example, the estimated savings for realignment of the Defense Personnel Support Center and Defense Industrial Supply Center decreased from about \$474.8 million to \$139.9 million.

Defense Information Systems Agency

The Defense Information Systems Agency recommended actions to consolidate existing facilities into 15 centers. We found the process was well documented. However, data accuracy problems exist. DOD is working to correct these and believes they should not affect the validity of its recommendations.

SAVINGS ARE SUBSTANTIAL BUT DO NOT INCLUDE GOVERNMENTWIDE COSTS

We found that DOD has made improvements to the model it uses to estimate the return on investment of its closure and realignment decisions. However, we found opportunities for improvements still exist. For example, DOD continues to restrict costs and savings solely to DOD, even though its actions have cost implications for other federal agencies. We recommended in the past that DOD consider the governmentwide implications of its recommendations. In addition, DOD did not adjust overhead rates used in the model to reflect the difference between DLA and the services.

Our revised estimate of the savings shows a reduction of about \$940 million from DOD's \$12.8 billion savings estimate for the major bases for the 20-year return-on-investment period. Our estimate does not include any governmentwide cost implications.

Lastly, although not a cost attributable to closure decisions, the services' initial estimates for environmental cleanup costs at the recommended bases are currently estimated at about \$725 million.

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Our report includes suggestions to improve the process. Mr. Chairman, this concludes my testimony. I would be happy to respond to any questions.

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