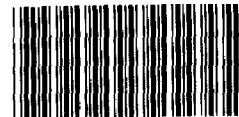


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UNITED STATES GENERAL ACCOUNTING OFFICE
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STATEMENT OF
BILL W. THURMAN
DEPUTY DIRECTOR, NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION
BEFORE THE
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES
HOUSE OF REPRESENTATIVES
ON
THE NAVY'S STRATEGIC HOMEPORTING PLAN



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Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before the Subcommittee to discuss the results of our review of the Navy's strategic homeporting plan. My statement summarizes the information in a draft report that currently is with the Department of Defense for its review and comment.

The Navy initiated the strategic homeporting plan because of concerns that the existing homeporting structure was not optimum from a strategic and military standpoint. The plan calls for adjusting the mix of ships in existing homeports and developing several new homeports for a battleship surface action group at Staten Island, New York; a carrier battlegroup at Everett, Washington; a battleship surface action group and a carrier battlegroup at several gulf coast cities; and a battleship surface action group at two west coast cities and Pearl Harbor, Hawaii.

The strategic homeporting plan has generated considerable congressional and public interest. In response to a request from Senator Thurmond, and other expressed congressional interest in the Navy's strategic homeporting plan, we sought to

- identify the Navy's basis for increasing the number of homeports,
- ascertain the scope and cost of developing the new homeports,
- determine the capacity of existing homeports to accommodate the ships to be assigned to the new ports and any investment costs involved, and

--compare the cost of homeporting the ships in existing homeports with the cost of homeporting them in new ports.

Our review leads us to an overall conclusion that the Navy needs to better demonstrate the strategic benefits of new homeports and to prepare more definitive and complete cost estimates as a basis for proceeding further.

STRATEGIC ISSUES

The homeporting plan is based on five strategic principles related to (1) force dispersal, (2) battlegroup integrity, (3) industrial base utilization, (4) geographical considerations, and (5) logistics suitability.

The Navy has not done a definitive analysis of how the benefits envisioned in applying the five strategic principles would be achieved and the extent that the Navy will realize these benefits is not clear. However, indications are that the benefits should be realized in varying degrees.

The Navy has stated that the dispersal of ships to more ports will improve the U.S. defensive posture and the survivability of the fleet. We found that the decision to disperse the fleet was not based on a formal threat/survivability analysis specifically addressing force dispersal. Some Navy officials advised us that the conventional threat to U.S. ports is relatively low. For example, it is unlikely that complete mining of a U.S. port could be accomplished. In addition, we

were told that the threat from mining and sabotage could be greater in the new homeports than in the existing homeports. This is because most of the new ports are in commercial port areas that are open to Soviet commercial ships whereas many of the existing ports are closed to Soviet ships.

The second strategic principle relates to battlegroup integrity. The idea here is that collocating ships of the same battlegroup will enhance warfighting coordination because they will be able to train and work together as a complete group.

Under the homeporting plan some of the ships will not be homeported in battlegroup configurations at the new homeports. For example, ships comprising the west coast battleship group will be spread among San Francisco, Long Beach, and Pearl Harbor. Retaining battlegroup integrity is difficult under either the expanded homeporting structure or the existing homeport structure because of personnel rotation policies and the differing maintenance cycles of ships.

The third strategic principle concerns industrial base utilization. The Navy has stated that homeporting ships near locations with existing industrial capability will permit the Navy to take advantage of this capability. An expanded fleet will, of course, provide more work for private shipyards and we found that the strategic homeporting plan will benefit shipyards in the vicinity of the new homeports. However, the plan may not

significantly increase overall industrial base capability because a considerable amount of unused ship repair capacity is available in the private sector.

The fourth strategic principle relates to geographical considerations. The Navy believes that homeporting in more diverse geographical locations on both coasts will permit it to train and operate in a variety of environments and reduce the response time to potential conflict areas.

Our review indicated that, while the strategic homeporting plan will provide more diverse training opportunities and some reduced response times, the impact likely will not be significant. Most fleet training will continue to be conducted in the Southern California and Caribbean areas where the Navy already has test facilities and resources. In addition, individual personnel will have to be sent to existing homeports for specialized training, such as fire fighting, unless such facilities are constructed at the new homeports.

The locations of some of the new homeports will reduce the steaming time of ships to potential conflict areas. However, Navy officials advised us that the battlegroups would not be deployed independently into a potential major conflict area and, therefore, would have to rendezvous with ships from other homeports before proceeding.

The final strategic principle relates to logistics suitability. Although the Navy stated that it wanted to maximize the use of the existing base infrastructure, we

found that the logistics suitability of existing homeports was not studied during the selection process for the new homeports. Our review indicated that the infrastructure of the existing homeports will be used at a level which is considerably less than their maximum capacity.

COSTS OF NEW HOMEPORTS

Estimates of the costs to construct the new homeports are numerous and in various stages of development, thus making a complete assessment difficult. The most recent Navy cost estimates for all of the new homeports total \$799 million, but these estimates only cover the construction costs needed to establish an initial operating capability. These estimates were developed by deleting projects from earlier estimates of what would be needed to achieve full operating capability at some locations.

The \$799 million estimate is thus understated because the deleted projects will have to be provided later to achieve a full operating capability. Detailed construction cost estimates to achieve such a capability total \$838 million for the Staten Island and Everett sites alone. Even these estimates are understated. Additional construction costs not included in these estimates could exceed \$185 million. Estimates for the west coast and gulf coast homeports are still preliminary.

The cost estimates which have been prepared relate to construction costs only. Operation and maintenance and procurement appropriations will be required to outfit and operate the new homeports.

The proposed Staten Island homeport is illustrative of the numerous and varying cost estimates associated with the homeporting initiative. Staten Island was the first new homeport to be selected by the Navy. At the time of the selection announcement in July 1983, the site selection team estimated that it would cost \$107 million to establish the homeport. Subsequently, the Office of the Chief of Naval Operations prepared various estimates for budget planning purposes. For example, in February 1985, this office estimated the site would cost \$291 million. Neither of these estimates provided a project by project breakout.

In August 1985, the Navy published a draft master plan prepared by an architect and engineering firm. The total cost of the construction projects included in the draft master plan was estimated to be \$397 million. In November 1985, the Navy reduced the construction cost estimate for Staten Island to \$188 million. The Navy stated that projects making up this amount would achieve an initial operating capability and that any other projects would have to compete with other Navy projects in the normal programming/budgeting cycle.

In reducing the estimate from \$397 million to \$188 million the Navy excluded such projects as family housing; morale, welfare, and recreation facilities; dredging; and a second pier. I should note that the \$397 million estimate also does not include all construction. For example, the draft master plan states that 1,200 units of family housing will be required in addition to the 620 units included in the \$397 million estimate. The total additional cost of the 1,200 units could amount to \$120 million.

In addition to construction costs, the Navy estimates that annual operation and maintenance costs for Staten Island will be \$16.5 million. The Navy also estimates that procurement costs to outfit the shore intermediate maintenance activity with maintenance equipment will be \$14 million.

CAPACITY OF EXISTING HOMEPORTS

We found that existing homeports have the capacity to accommodate the ships included in the Navy's strategic homeporting plan. With the assistance of knowledgeable Navy personnel, we analyzed ship berthing plans and ship deployment schedules for selected existing homeports. Our analysis showed that these ports have the capacity to accommodate an additional 95 ships without any further waterfront construction.

The unused capacity by homeport is as follows:

<u>Homeport</u>	<u>Additional Ships</u>
Norfolk Naval Station	8
Charleston Naval Station	17
Mayport Naval Station	15
San Diego Naval Station	36
San Diego--North Island Naval Air Station	2
Long Beach Naval Station	14
Alameda Naval Air Station	<u>3</u>
Total	<u>95</u>

To illustrate, our analysis of ship berthing plans showed that Mayport has the capacity to accommodate 44 ships. Ship deployment schedules indicate that 29 ships of various types, including two carriers, are expected to be homeported at Mayport in future years. Therefore, we estimate that this port could accommodate 15 additional ships.

The overall capacity of 95 additional ships is well in excess of that needed to accommodate the 36 ships making up the 2 carrier groups and 3 battleship groups planned for the new homeports. Although the existing homeports have the capacity to handle additional individual ships, some waterfront construction would be required to accommodate the ships in battlegroup configuration at certain locations.

We studied several possible alternatives for accommodating the five battlegroups in existing homeports. We took into account available capacity and any physical limitations at existing ports and worked with knowledgeable Navy officials to make sure the alternatives were technically feasible. Some of the possible alternatives are:

- The Staten Island and gulf coast battleship groups could be accommodated at Norfolk after an already planned pier is constructed at an estimated cost of \$35 million.
- The gulf coast carrier group could be accommodated at Mayport after an already planned berthing wharf is constructed at an estimated cost of \$17 million.

- The Everett carrier group could be accommodated in the San Diego area if an additional dedicated carrier berthing wharf is constructed at an estimated cost of \$34 million.
- The west coast battleship group could be accommodated in its entirety at Long Beach without any additional investment. That is, the ships planned for San Francisco and Pearl Harbor could be accommodated at Long Beach.

COST COMPARISONS

Based on our analysis of available Navy cost data, it would be considerably less costly to accommodate the two carrier groups and three battleship groups in existing homeports than to establish new homeports for them. However, an exact quantification of the cost difference is not yet possible because the Navy has not developed complete comparative cost data. Development of such data would require an in depth comparative analysis by the Navy.

Although an exact quantification of the cost difference can not be made, I would like to give you a couple of examples which indicate that the difference would be large. As noted previously, we found that the Staten Island and gulf coast battleship groups could be accommodated at Norfolk after an already planned pier is constructed at an estimated cost of \$35 million. If these battleship groups were placed at Staten Island and Corpus Christi, as the Navy plans, the cost to achieve an initial operating capability would be \$188 million and

\$85 million, respectively. Detailed construction cost estimates to achieve a full capability at Staten Island alone would be \$397 million and this figure does not include the cost of additional family housing which could amount to \$120 million.

I also noted previously that the Everett carrier group could be accommodated in the San Diego area if an additional dedicated carrier berthing wharf was constructed at an estimated cost of \$34 million. If the carrier group was placed at Everett, the Navy estimates that it would cost \$272 million to achieve an initial operating capability, and \$441 million to achieve full capability. Neither estimate for Everett includes all construction costs. For example, a Navy study indicates that \$65 million will be needed to expand the regional ordnance facility to support the carrier group.

In summary, we believe there is a need for the Navy to better demonstrate the strategic benefits of new homeports and to prepare more definitive and complete cost estimates as a basis for proceeding further. We think that the Congress should require such a demonstration before approving funds for the new homeports. With such information the Congress would be in a better position to consider the increased costs (construction, operation and maintenance, and other costs) in light of the strategic goals to be achieved.

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Mr. Chairman, that concludes my prepared remarks. I will be happy to respond to any questions you may have at this time.

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