

GAO

United States General Accounting Office

Report to the Honorable
Pete Wilson, U.S. Senate

February 1989

NAVY SHIPS

Evaluating Bids for Maintenance to Be Performed Away From Home Ports



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**National Security and
International Affairs Division**

B-229025

February 28, 1989

The Honorable Pete Wilson
United States Senate

Dear Senator Wilson:

This report responds to your request that we obtain information on the costs of moving Navy ships from their home ports to other locations for overhaul and repair work, referred to as interport differential costs. Your concern was that the Navy does not consider all such costs when evaluating competing shipyards' price proposals for this work. Our specific objectives, scope, and methodology are described in appendix I.

Shipyard overhaul and repair proposals usually do not include estimates for interport differential costs. These are additional costs that the government incurs to overhaul and repair naval vessels away from their home port areas and can include such cost elements as fuel, travel for administrative purposes and training, family separation, and crew relocation. A home port area is defined as within a 50-mile radius of a ship's normal berthing area. When evaluating competing shipyard price proposals for overhaul and repair work, the Navy includes its estimates of some interport differential costs to determine the lowest overall cost to the government.

Results in Brief

In the past, Navy guidance identified 11 interport differential costs. Currently, in its evaluation of competing proposals, the Navy considers only five costs that it believes are reasonably predictable and refers to them as "foreseeable costs" (see app. II). However, current law precludes the Navy from considering any foreseeable costs when evaluating proposals for work to be done on the west coast (see app. I).

When a ship is overhauled and repaired away from its home port area, the overhaul and repair site can be designated as the new home port. The crew then becomes eligible for certain permanent change of station allowances. Thus, crew relocation becomes a significant cost element. The Navy does not consider this cost to be foreseeable because of the difficulty experienced in accurately estimating it in advance of an award. We agree with the Navy that it is difficult to predict this cost with reasonable certainty due to the (1) lack of historical data on the actual permanent change of station costs incurred on a ship-by-ship

basis (see app. III) and (2) variances in the number of crew members who elect to move to the overhaul and repair site (see app. IV).

Because the Navy considers few interport differential costs to be foreseeable, those costs have not changed any awards, with one exception (see app. II). The Navy's foreseeable costs will likely have little effect on future awards for several reasons. First, since August 1985 legislation has precluded the use of foreseeable interport differential costs when evaluating competing shipyards' proposals for work to be done on the west coast. Second, the Navy considers only five cost elements as foreseeable, based on its own studies and a 1980 decision by our office¹ that states costs which cannot be quantified with reasonable certainty may not be used as an evaluation factor. Finally, due to changes in Navy policy, more maintenance work will likely be done in home port areas (see app. V).

We identified 14 potential interport differential costs. However, we could not determine actual interport differential costs because data had not been accumulated or retained for these costs on a ship-by-ship basis. On the basis of our detailed evaluation of available data for 11 surface combatants and support ships overhauled and repaired during fiscal years 1984 through 1987, we believe such costs, if predictable, could have been significant enough to change the outcome of some awards (see app. III).

Although interport differential costs could be significant and affect contract award decisions, we do not believe all such costs currently can be predicted with reasonable certainty. Because of this, the legislative restrictions on their use, and changes in Navy maintenance policy, we are not making any recommendations.

The Department of Defense commented on a draft of this report and concurred with our findings (see app. VI).

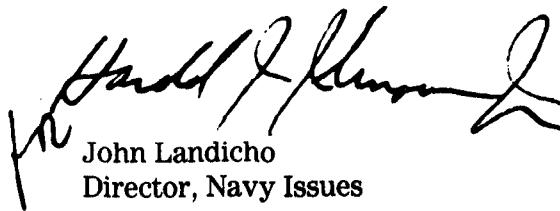
As arranged with your Office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time, we will send copies to the Secretaries of

¹Comptroller General decision (B-198659, Oct. 21, 1980) Bethlehem Steel Corporation protest of contract award under solicitation No. N62678-80-B-0039 issued by the Navy in connection with ship repair work on the U.S.S. Shreveport (LPD 12).

Defense and the Navy, responsible congressional committees and interested parties, and to others upon request.

GAO staff members who made major contributions to this report are listed in appendix VII.

Sincerely yours,



John Landicho
Director, Navy Issues

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Abbreviation

GAO General Accounting Office

Background

The additional costs the Navy incurs for moving vessels and crew members between their home ports and other locations for overhaul and repair work are known as "interport differential costs." Before awarding work among competing shipyards, the Navy estimates and adds certain interport differential costs to the shipyards' proposals to determine the lowest overall cost to the government. The Navy includes only costs it believes can be reasonably predictable in advance of an award and refers to those as "foreseeable costs."

Basis for Evaluating Interport Differential Costs

The Navy incurs various additional costs above the contract price when overhauling and repairing vessels away from home ports. Examples of such costs can include expenses for fuel, administrative travel, crew relocation, and allowances for family separation and for travel and transportation.

Requirements and restrictions for assessing such costs are contained in Navy guidance, the Federal Acquisition Regulation, and legislation. Navy guidance on the use of interport differential costs in evaluating overhaul and repair proposals has evolved over more than a decade, and requires that foreseeable costs, when applicable, be included when evaluating shipyards' proposals to determine the lowest overall cost to the government. The Federal Acquisition Regulation requires that awards be made to responsible offerors whose proposals will be most advantageous to the government, considering price and other factors. The 1987 Defense Authorization Act established permanent legislation that requires the Navy to consider foreseeable costs. However, since August 1985, Defense appropriations acts have precluded the use of such costs as evaluation factors for competed work to be done on the west coast.

A 1980 decision by our office requires that factors used to evaluate contractors' competitive price proposals not be speculative or uncertain. The decision states that costs that cannot be quantified with reasonable certainty may not be used as an evaluation factor when awarding contracts.

Navy Maintenance Strategy

In May 1985 the Navy directed that, except for assigned work, all overhauls that would require over 6 months to complete be competed coastwide. However, the maintenance strategy has changed from lengthy overhauls to more frequent repairs scheduled to take 6 months or less. These types of repairs are restricted to within a 50-mile radius of a ship's normal berthing area.

Objectives, Scope, and Methodology

Our objectives were to (1) identify the various types of interport differential costs that the Navy considers in assessing overhaul and repair awards and other costs not considered that might affect the outcome of awards, (2) determine total interport differential costs incurred for naval vessels overhauled and repaired away from their home ports during fiscal years 1984 through 1987, (3) assess if such costs could potentially affect overhaul and repair awards, and (4) evaluate whether significant costs are predictable.

To identify interport differential costs, we interviewed Department of Defense and Navy officials and obtained information and data from the following offices:

- Office of the Assistant Secretary of the Navy for Shipbuilding and Logistics, Washington, D.C.;
- Naval Office of Legislative Affairs, Washington, D.C.;
- Naval Sea Systems Command, Washington, D.C.;
- Naval Military Personnel Command, Washington, D.C.;
- Naval Military Personnel Command, Permanent Change of Station Various Analysis Department, Navy Finance Center, Cleveland, Ohio;
- Commander, Naval Surface Force, U.S. Atlantic Fleet, Norfolk, Virginia;
- Commander, Naval Submarine Force, U.S. Atlantic Fleet, Norfolk, Virginia;
- Commander, Naval Surface Force, U.S. Pacific Fleet, San Diego, California;
- Supervisors of Shipbuilding, Conversion and Repair, San Diego, California, and Seattle, Washington; and
- Department of Defense Manpower Data Center, Monterey, California.

We also reviewed policies and procedures for ship maintenance work, Navy studies and audit reports, overhaul and repair contracts, ship administrative records, and historical reports from Navy personnel and accounting records. Furthermore, we evaluated how legislation, Navy studies, our reports, and a Comptroller General decision affected the use of interport differential costs in evaluating price proposals for overhaul and repair work.

We identified 169 surface combatants and support ships that were overhauled and repaired in fiscal years 1984 through 1987. Seventy-nine of these ships were overhauled and repaired away from their home ports and thus incurred interport differential costs. Of these 79 ships, 30 were assigned to public shipyards and 49 were contracted out to private shipyards.

We estimated interport differential costs by judgmentally selecting 11 ships home ported on the east and west coasts that reflected the diversity of ships overhauled and repaired at various sites during the 4-year period. Our selection of ships, however, cannot be used to project costs beyond these 11 ships because of the difficulty in selecting a representative sample.

We also identified 14 types of interport differential costs (referred to as cost elements) that could potentially be incurred in overhauling and repairing ships away from their home ports. Since the Navy does not routinely accumulate or retain data for all these costs on a ship-by-ship basis, our estimates are based on a combination of actual and estimated interport differential costs obtained from Navy headquarters, field commands, and ships' records.

We did not obtain cost information for 4 of the 14 elements. The Navy did not incur costs for escort ships since none were used during these overhauls. We did not request data for three other cost elements. Navy officials explained that berthing and/or messing costs are usually the same for each of the offerors wherever the ships are overhauled and that packing/shipping and commercial laundry were eliminated from Navy guidance because these costs were difficult to estimate and insignificant in amount. Also, in some instances these costs have been included in contract solicitations.

To analyze the potential effect of interport differential costs on the awards, we reviewed contract documents, including price proposals, for the selected ships to determine if the foreseeable cost elements used were complete and correctly calculated. Then, we compared the original price proposals of the lowest and next lowest eligible offerors with the Navy's and our estimates of (1) foreseeable costs and (2) other estimated interport differential costs the Navy did not consider.

Because the crew relocation cost was the most significant interport differential cost element not considered as foreseeable by the Navy, we analyzed information on crew members who had moved their dependents and household goods to the overhaul and repair sites to ascertain whether this cost element was reasonably predictable. We also interviewed Navy officials to discuss and identify factors that influenced their decisions to relocate to overhaul and repair sites. We then applied statistical methods to determine if a significant, quantifiable relationship existed between those factors and crew members' relocation decisions.

**Appendix I
Background**

As part of our assessment of crew relocation costs, we interviewed Navy officials to identify alternatives to using crew relocation budget estimates in estimating crew relocation costs. However, we could not test the accuracy of suggested alternatives because it would have required having actual historical crew relocation cost data, which were not available on a ship-by-ship basis for comparison purposes.

Our review was made in accordance with generally accepted government auditing standards and was performed between March 1988 and August 1988.

The Navy Does Not Use All Interport Differential Costs to Evaluate Proposals

During the 1980s, the Navy decreased the number of cost elements used in evaluating competing shipyards' proposals from 11 cost elements to the current 5 elements. We identified 14 potential interport differential costs.

Several Interport Differential Costs Are Incurred

Interport differential costs involve expenses associated with moving a vessel and crew, relocating the crew's families and household effects, and administering a contract for work to be done away from the home port. Table II.1 describes the potential interport differential costs that we identified.

Table II.1: Description of 14 Interport Differential Costs

Cost element	Definition
Fuel	Round-trip fuel costs to move vessels between a home port and an overhaul facility.
Escort ship	Generally limited to fuel expenses, if applicable.
Towing and pilot charges	Charges for incoming and departing vessels.
Type or Squadron Commander travel	Travel and per diem for conferences, progress meetings, inspections, and certifications.
Ship's force travel	Travel and per diem to inspect a ship's boats, such as life boats, overhauled under a separate contract at a different location than the ship overhaul.
Berthing and/or messing	Cost of substitute berthing and messing for the crew if the ship becomes uninhabitable.
Family separation	Monthly entitlement under specified conditions to crew members away from their dependents longer than 30 consecutive days.
Travel and transportation	Round-trip travel entitlement on the 31st day of the overhaul and every 60 days thereafter for crew members away from their dependents longer than 30 consecutive days.
Supervisory travel and per diem	Travel and per diem to administer overhaul contracts outside of the normal commuting area of the responsible Supervisor of Shipbuilding, Conversion and Repair.
Packing/shipping	Cost of packing and shipping government-furnished material to the overhaul and repair site.
Commercial laundry	Cost of commercial laundry when shipboard facilities are inoperative.
Crew relocation	Permanent change of station costs of crew members assigned to ships changing home ports during overhaul.
Travel for crew training	Additional travel expenses for crew training when ships are overhauled outside of home port areas.
Telephone	Additional telephone expenses during overhauls away from a home port.

Navy Considers Few Costs as Foreseeable

In 1979 the Navy considered 11 foreseeable cost elements that, when applicable, were considered in the evaluation of proposals to determine the total cost to the government. During the 1980s, the Navy revised its guidance by eliminating certain cost elements that were never used in evaluating proposals or ones considered to be unpredictable. Current Navy guidance, effective in March 1987, identifies five foreseeable cost

Appendix II
The Navy Does Not Use All Interport
Differential Costs to Evaluate Proposals

elements. These five cost elements, the original 11, and the 14 we identified are shown in table II.2.

Table II.2: Identified Interport Differential Cost Elements

Cost elements identified by GAO	Cost elements considered by Navy		
	1979 guidance	Revised 1979 guidance	Current guidance
1. Fuel	X	X	X
2. Escort ship	X	X	X
3. Towing and pilot charges	X	X	X
4. Type or Squadron Commander travel	X	X	X
5. Ship's force travel	X	X	X
6. Berthing and/or messing	X	X	
7. Family separation	X	X	
8. Travel and transportation	X	X	
9. Supervisory travel and per diem	X		
10. Packing/shipping	X		
11. Commercial laundry	X		
12. Crew relocation			
13. Travel for crew training			
14. Telephone			

Current Navy guidance, as of March 1987, on the use of interport differential costs resulted from studies that showed some costs had minimal effect on contract awards or could not be predicted with reasonable certainty as required by our 1980 decision. A Naval Sea Systems Command analysis prepared in 1983 identified only one overhaul contract award (U.S.S. Barnstable County contract) that was affected by foreseeable costs. Further, at that time, two cost elements (packing/shipping and commercial laundry costs) that were never used in the evaluation process because they were difficult to estimate and insignificant in amount were deleted from the guidance.

In response to our 1983 report,¹ the Navy studied whether the definition of foreseeable costs should be modified to include crew relocation costs. It concluded that crew relocation budget estimates prepared in advance of a contract award were frequently inaccurate. The Navy analysis showed that actual crew relocation costs varied from 17 percent to 103

¹ Award of a Navy Contract to Overhaul U.S.S. Henry B. Wilson (DDG-7), (PLRD-83-41, Mar. 10, 1983).

Appendix II
The Navy Does Not Use All Interport
Differential Costs to Evaluate Proposals

percent of budget estimates. As a result of these findings, the Navy continues to exclude crew relocation costs as an evaluation factor. (App. IV contains a more detailed discussion of the issue of predicting crew relocation costs.)

Other studies in 1985 and 1986² confirmed the Navy's finding that foreseeable cost factors rarely affected the outcome of overhaul awards. Also, because of estimating problems identified by the Naval Audit Service, the Navy eliminated supervisory travel and per diem expenses as foreseeable costs from its guidance.

In March 1987 the Navy incorporated the current five foreseeable cost elements as formal contracting policy. At that time, it deleted two cost factors (family separation allowance and travel and transportation allowance) because they depended on crew relocation cost estimates. The Navy also deleted a third factor (berthing and/or messing costs), which at its option, can be included in the shipyards' price proposals.

²A 1985 Naval Audit Service Capital Region quick response audit (S37245) of foreseeable costs in ship repair and overhaul contracts and Navy's analysis done in response to a 1986 request for information on interport differential from Representative Duncan Hunter.

Interport Differential Costs Could Be Significant

We could not determine actual interport differential costs incurred by the government because the Navy does not account for such costs on a ship-by-ship basis. However, on the basis of our detailed evaluation of actual and estimated costs for the 11 ships reviewed, we believe these costs could have been significant enough to have changed the outcome of some awards.

Actual Interport Differential Costs Cannot Be Quantified on a Ship-By-Ship Basis

Actual interport differential costs cannot be determined because the Navy does not account for such costs on a ship-by-ship basis. Also, information on many cost elements is not retained in historical records, and other costs—such as travel costs for administration purposes or training and crew relocation expenses—are accumulated as part of a larger cost category. However, we estimate the total interport differential cost was \$7.6 million for the 11 ships, as shown in table III.1.

**Appendix III
Interport Differential Costs Could
Be Significant**

Table III.1: Estimated Interport Differential Costs for Selected Ships

Ship name	GAO estimate of		Total
	Foreseeable costs in Navy guidance	Other potential interport differential costs ^a	
Dollars in thousands			
West coast overhauls:			
U.S.S. <u>Cushing</u> (DD 985)	\$564.8 ^b	\$629.1	\$1,193.9
U.S.S. <u>Duluth</u> (LPD 6)	541.7 ^b	732.4	1,274.0^f
U.S.S. <u>Fort Fisher</u> (LSD 40)	190.2 ^c	578.4 ^{b d}	768.6
U.S.S. <u>Harry W. Hill</u> (DD 986)	201.8	521.0	722.8
U.S.S. <u>New Orleans</u> (LPH 11)	87.2 ^c	250.0 ^d	337.2
U.S.S. <u>O'Callahan</u> (FF 1051)	99.0 ^c	542.2	641.2
U.S.S. <u>Vancouver</u> (LPD 2)	214.9 ^c	305.4	520.3
East coast overhauls:			
U.S.S. <u>Page</u> (FFG 5)	132.4	565.5	697.9
U.S.S. <u>Preble</u> (DDG 46)	190.2 ^c	935.1 ^d	1,125.3
U.S.S. <u>Raleigh</u> (LPD 1)	48.3	107.1 ^{d e}	155.3^f
U.S.S. <u>Kittiwake</u> (ASR 13)	13.7 ^c	160.4	174.1
Total	\$2,284.2	\$5,326.4^f	\$7,610.6

^aIncludes crew relocation, travel and transportation, crew training travel, family separation allowance, and telephone.

^bAlso includes supervisory travel and per diem costs.

^cForeseeable costs were not considered in these contracts.

^dAdditional telephone costs during overhaul were not available.

^eCrew relocation costs were zero because a permanent change of station was not designated for the overhaul period.

^fDoes not total due to rounding.

We found that the Navy, in evaluating competing price proposals, considered foreseeable costs for 5 of the 11 selected ships. The Navy did not evaluate foreseeable costs for four ships overhauled on the west coast (Fort Fisher, New Orleans, O'Callahan, and Vancouver) because language in Defense appropriations acts since August 1985 has prohibited the use of interport differential costs. Also, foreseeable costs were not evaluation factors for two east coast ships. In the case of the Preble, this was an oversight when the Navy changed from a cost type to a fixed-price contract. In the case of the Kittiwake the Navy concluded that

**Appendix III
Interport Differential Costs Could
Be Significant**

foreseeable costs would not affect the award process since this ship went directly from sea duty to the overhaul site.

We requested cost data from various headquarters and field administrative offices and ships; however, the Navy generally does not account for interport differential cost elements on a ship-by-ship basis. Contract files for 5 of the 11 ships contained estimates of the foreseeable cost elements that had been used for evaluating price proposals. We obtained some actual interport differential cost data at the individual ships but found that, in many cases, actual cost records were not available. Navy officials explained that records of travel costs were generally kept for only a year or for 90 days after disbursing officers were reassigned. Financial records were retained for 3 years at field administrative offices, but costs generally were not available by ship or specific cost element. For example, we could not obtain actual travel cost data for crew training or crew relocation because the accounting records did not differentiate between the various types of travel expenses. Although the Navy is developing a system that identifies crew relocation costs on a ship-by-ship basis, such expenditures are currently reported with other types of permanent change of station travel.

**Considering All
Identified Interport
Differential Costs
Could Affect Awards**

On the basis of the data for the 11 ships, we found that interport differential costs could have affected the outcome of some awards. As shown in table III.2, when we applied the Navy's foreseeable cost elements, the outcome of the awards did not change. However, if the Navy had considered some of the other interport differential costs in evaluating contract proposals, three contracts could have been awarded to another offeror.

**Appendix III
Interport Differential Costs Could
Be Significant**

Table III.2: Effect of Interport Differential Costs on Selected Contract Awards

Ship name	Award outcome changed if Navy had applied	
	Navy foreseeable costs	Other potential interport differential costs
West coast:		
U.S.S. <u>Cushing</u> (DD 985)	No	No
U.S.S. <u>Duluth</u> (LPD 6)	No	Yes
U.S.S. <u>Fort Fisher</u> (LSD 40)	No	Yes
U.S.S. <u>Harry W. Hill</u> (DD 986)	No	No
U.S.S. <u>New Orleans</u> (LPH 11)	No	No
U.S.S. <u>O'Callahan</u> (FF 1051)	No	No
U.S.S. <u>Vancouver</u> (LPD 2)	No	No
East coast:		
U.S.S. <u>Page</u> (FFG 5)	No	Yes
U.S.S. <u>Preble</u> (DDG 46)	No	No
U.S.S. <u>Raleigh</u> (LPD 1)	No	No
U.S.S. <u>Kittiwake</u> (ASR 13)	No	No

The contractors that won the awards for the three overhauls were located outside the home port areas. Two of the three ships, the Duluth and the Fort Fisher, could have been overhauled in their home port areas if the Navy considered all elements. The next lowest offeror for the third ship, the Page, was located outside of the home port area.

Quantifying Other Interport Differential Costs

Our analysis of potential interport differential costs showed that crew relocation was the most significant cost element that the Navy does not believe to be foreseeable. On the basis of our evaluation, we agree that crew relocation costs are currently difficult to predict with reasonable certainty.

Crew Relocation Is the Largest Cost Element the Navy Believes Is Not Foreseeable

Of the total potential interport differential cost (about \$7.6 million) for the 11 ships, we found that the Navy did not consider an estimated \$5.3 million to be foreseeable. Of this amount, about \$3.9 million, or 73 percent, represented crew relocation costs. The other cost elements were relatively insignificant (see table IV.1).

Table IV.1: Other Interport Differential Costs

Dollars in thousands		
Cost elements	Total	Percent
Crew relocation	\$3,904.5	73
Travel and transportation	469.3	9
Crew training travel	376.5	7
Family separation allowance	341.9	6
Supervisory travel and per diem	179.5	3
Telephone	54.8	1
Total	\$5,326.4^a	100^a

^aDoes not total due to rounding.

The Navy changed the permanent duty station for 10 of the 11 ships and later obligated \$3.9 million for anticipated crew relocation expenditures. The other ship was scheduled to be away from the home port for less than 6 months and was not permanently reassigned to the overhaul port. Thus, crew members were not entitled to a relocation allowance but were eligible to receive family separation and travel and transportation allowances during the overhaul if their dependents remained at the home port.

Using Navy data, we estimate that between 19 and 29 percent of the crew members assigned to 8 of the 10 ships that changed permanent duty stations moved their families to the overhaul ports. Only 3 and 5 percent of crew members on the remaining two ships moved their families.

In further analyzing crew relocation costs for the 4-year period, we identified 59 ships that had their permanent duty stations changed out of 79

ships that were overhauled and repaired at both public and private shipyards away from home ports. Estimated relocation costs for these ships totaled \$22.1 million. The percentage of the crews that relocated varied from about 3 percent to 43 percent.

On the basis of available data, we found that, in general, a significant variance existed in the percentage of crew who relocated—both for crews assigned to similar types of ships and for crews located at similar overhaul ports. We identified various factors that could have affected crew members' decisions to move dependents to the overhaul ports and ultimately crew relocation costs. These factors include the locations of the overhaul and repair ports, distance between the home ports and overhaul and repair ports, cost of living at the overhaul ports, amount of household goods, length of the overhaul, age of crew members, and family considerations, such as employment status of spouses and age of children. However, we could not find a statistically significant relationship that would explain the wide variances in crew relocation decisions and therefore we could not develop a method to accurately estimate such costs in advance of an award.

Foreseeable Costs Could Become a Less Significant Consideration

The Navy's maintenance strategy is changing from one that has ships undergo lengthy overhauls and repairs to more frequent, shorter maintenance availabilities with more work likely be done at a ship's home port. If this strategy continues, foreseeable costs will become a less significant consideration in evaluating competing shipyard proposals.

Navy Overhaul and Repair Policy

In the early 1970s, the Navy began restricting overhaul and repair work to home port areas if competition was adequate. The purpose of this policy was to reverse declining trends in crew reenlistment rates caused by family separation. Between fiscal years 1970 and 1982, about 46 percent of all overhauls was done in home ports.

In fiscal year 1982, the Navy began to reserve at least one-third of ship overhauls for home port areas. The remainder were either assigned to public or private shipyards or competed among eligible shipyards. In May 1985 the Navy directed that, except for assigned work, all overhauls over 6 months be competed coastwide. However, as shown in table V.1, the Navy maintenance strategy is moving from regularly scheduled overhauls performed every 3 to 4 years to shorter, more frequent depot-level repairs called selected restricted availabilities and planned maintenance availabilities.

Table V.1: Ship Maintenance Trends, Fiscal Years 1984-89

Fiscal year	Type of maintenance	
	Overhauls	Selected and planned availabilities
1984	53	98
1985	55	123
1986	33	130
1987	39	162
1988 ^a	27	151
1989 ^a	23	158

^aEstimate as of June 1988.

Those types of depot level repairs expected to be done in 6 months or less are generally restricted to a ship's home port area if competition is adequate. The home port area is defined as within a 50-mile radius of the ship's normal berthing area.

Comments From the Department of Defense



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-8000

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January 13, 1989

(P/CPF)

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and
International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "NAVY MAINTENANCE: Additional Cost to Overhaul Navy Ships Away from Home Ports," dated December 21, 1988 (GAO Code 394581/OSD Case 7863).

The DoD has reviewed the report and concurs with the GAO findings. The Department appreciates the opportunity to comment on the draft report.

Sincerely,

Merle Freitag, MG, USA
Military Deputy

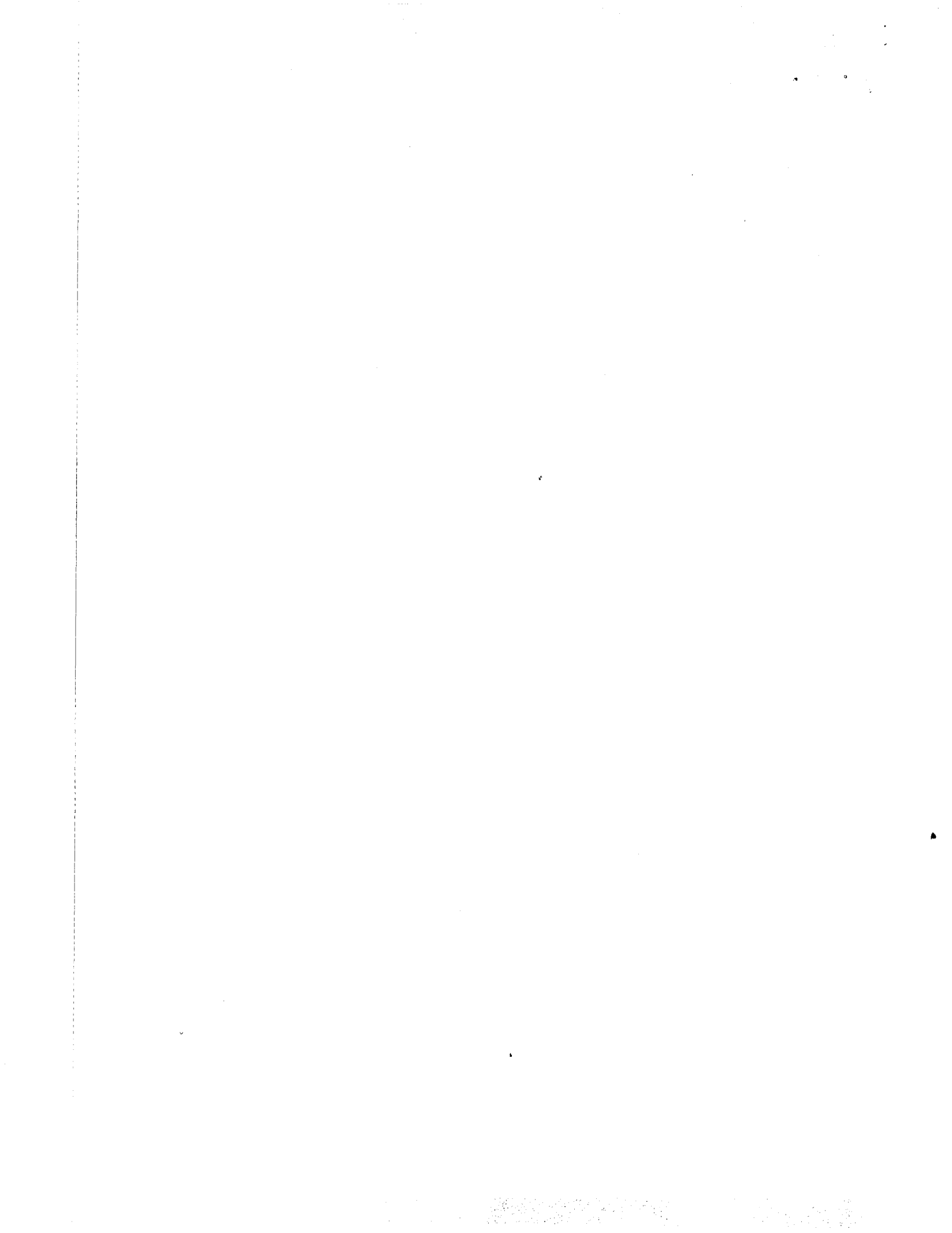
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