June 1991

NAVY HOMEPORTS

Expanded Structure
Unnecessary and
Costly
June 14, 1991

The Honorable Charles E. Bennett
Chairman, Subcommittee on Seapower
    and Strategic and Critical Materials
Committee on Armed Services
House of Representatives

The Honorable Patricia Schroeder
Chair, Subcommittee on Military
    Installations and Facilities
Committee on Armed Services
House of Representatives

As requested, we reviewed the Navy’s strategic homeporting program. Our analysis included berthing capacity of existing homeports, the strategic considerations that would be affected if the new homeports were not opened, and the costs to develop and operate each new homeport.

We are sending copies of this report to the Chairmen, Senate and House Committees on Armed Services and on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; the Director of the Office of Management and Budget; the Secretaries of Defense and the Navy; and the Chairman, Defense Base Closure and Realignment Commission. We will make copies available to others upon request.

This report was prepared under the direction of Martin Ferber, Director, Navy Issues, who may be reached on (202) 275-6504 if you or your staff have any questions. Other major contributors are listed in appendix II.

Frank C. Conahan
Assistant Comptroller General
Executive Summary

Purpose
During the early 1980s, in conjunction with the goal to expand its fleet to 600 ships, the Navy planned to expand the number of homeports. Since then, the international situation has changed, the defense budget has decreased, and a smaller fleet is planned. On April 24, 1990, GAO testified on the construction status of the new homeports before the House Committee on Armed Services, Subcommittees on Seapower and Strategic and Critical Materials and on Military Installations and Facilities. As a result, the Subcommittees requested that GAO analyze the strategic homeporting program and recommend actions to be taken.

Background
In 1986, the Navy proposed dispersal of 63 surface ships to 9 new homeports and 4 existing homeports. In early statements, the Navy estimated that the cost to establish an initial operating capability at all the new homeports would be $799 million. In 1986, GAO determined that the Navy’s estimated cost did not reflect the total budgetary impact of the strategic homeporting program. GAO found that the program’s cost would be higher because the original estimate only included funding from military construction appropriations and did not include the costs of projects beyond initial operating capability.

As a result of the recommendations made in 1988 by the Defense Secretary’s Commission on Base Realignment and Closure, the program was reduced to six new homeports. Construction of these new homeports is 2 to 6 years behind schedule. Only one ship (the U.S.S. Normandy) has arrived at a new homeport (Staten Island, New York). The Everett, Washington, homeport is the least developed, and the Gulf Coast homeports at Pensacola, Florida; Pascagoula, Mississippi; Mobile, Alabama; and Ingleside, Texas; are in various stages of development. As of May 1991, after completion of our review, the Navy had deleted Pensacola from the program.

Results in Brief
Navy projections show that instead of increasing, the fleet will decrease from 546 ships in fiscal year 1990 to 451 ships by fiscal year 1995. GAO’s detailed review of the new homeports found that the program will not fulfill most of the original strategic objectives. Furthermore, indications are that the ships scheduled for the new homeports can be accommodated at existing homeports, even with the closures recommended by the Department of Defense (DOD) in April 1991. DOD believes that the Navy adequately considered all homeports in deciding to retain the new homeports while recommending that others be closed. However, in reviewing DOD’s base closure process and recommendations, GAO found...
Executive Summary


The Navy has received over $1 billion for the program from appropriations, state and local contributions, and other sources. By terminating the program now, the federal government could attain one-time savings of up to $593 million. In addition, annual operations and maintenance savings of about $57 million could result from berthing the ships scheduled for the new homeports at the existing homeports.

Principal Findings

Existing Homeports Can Accommodate Ships Scheduled for the New Homeports

The Navy believed the strategic homeporting program would accommodate the planned 600-ship fleet and prevent overcrowding at existing homeports. However, the fleet will decrease to 464 ships by fiscal year 1993 and to 451 ships by fiscal year 1995. Therefore, expansion of the fleet and overcrowding no longer serve as valid support. In fact, even if the new homeports are not opened, the existing ports can accommodate the projected number of ships to be berthed there as well as the ships scheduled for the new homeports.

Program's Objectives Not Fulfilled

The Navy's strategic homeporting program evolved from a plan based on five principles related to force dispersal, battlegroup integrity, industrial base utilization, logistics suitability, and geographical considerations. The Navy continues to apply these principles to demonstrate the strategic advantages that the Navy would expect to achieve at the new homeports. However, the Navy now justifies the program on the basis of its analysis supporting the Secretary of Defense's 1991 base closure recommendations. GAO's review of this analysis found that the Navy had insufficient documentation to support retaining the new homeports.

In 1986, GAO reported concerns about the degree to which strategic advantages would be realized from the program and the added costs of those advantages. Since that time, significant changes have occurred, and most of the program's original objectives will no longer be fulfilled. For example, battlegroup integrity will not be achieved because of ship assignment changes and reductions in the size of the fleet. Furthermore,
Executive Summary

while DOD says force dispersal is still an objective, (1) the Navy estimates that it would have significant strategic warning of a global conflict, (2) the Navy currently plans to concentrate mine hunting and clearing ships at one homeport, and (3) except for mine hunting and clearing ships, the new homeports will have only 14 other active ships and 12 reserve ships.

<table>
<thead>
<tr>
<th>Total Cost Will Exceed $1 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAO identified total costs of about $1.4 billion to develop the new homeports. GAO also identified future projects that may be required to enhance mission capability or improve the quality of life, but the costs of those projects have not been determined. The Navy plans to use $189 million from the base closure account, established in connection with the 1988 base closure recommendations, to construct many facilities earlier than originally planned.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Savings Would Result If New Homeports Were Terminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>A nonrecurring savings of about $593 million could result from closing the Staten Island homeport, halting future development of the other new homeports, and selling land and existing improvements. In addition to the development costs, estimated annual operations and maintenance costs of almost $129 million will be incurred at the new homeports. A previous Navy study indicated that, based on a 600-ship fleet, the annual operating costs of the new homeports could be 44 percent greater than the costs for accommodating the ships at existing ports. Based on the current estimate of $129 million, an annual savings of $57 million could result. GAO believes the marginal savings may be even greater as the fleet decreases.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mission Requirements Should Be Primary Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAO recognizes that the new homeports already have many facilities in place and the Staten Island homeport has received its first ship. In 1988, the Defense Secretary's Commission on Base Realignment and Closure determined that mission-related requirements would be the preeminent factor in deciding which installations to recommend for realignment and closure. The Commission subsequently recommended closure of 86 existing defense bases. Similarly, GAO believes the primary determination of the need for the new homeports should be whether or not they meet mission-related requirements, regardless of their construction status.</td>
</tr>
</tbody>
</table>
Executive Summary

Recommendation

The expanded homeporting structure is not necessary to accommodate the Navy's fleet, most of the original objectives of the strategic homeporting program will not be met, and fiscal realities require reductions in the defense budget. Accordingly, GAO recommends that the new homeports be terminated, and that the Chairman, Defense Base Closure and Realignment Commission, include these homeports in his base closure recommendations to the President.

Agency Comments

DOD did not agree with GAO's recommendation to terminate the new homeports. DOD stated that under the base closure process created by Public Law 101-510, other homeports were determined to be the appropriate candidates for closure. DOD stated further that because the GAO review began before the current base closure effort, GAO did not evaluate the strategic homeports on an equal basis with other homeports and did not consider the final base closure selection criteria. DOD's comments are included as appendix I.

After evaluating DOD's comments, GAO continues to recommend that the new homeports be terminated. Although DOD's base closure selection criteria were published after the review began, GAO's analysis closely parallels the criteria as they relate to military value. GAO considered, for example, mission capability, operational readiness, and condition of facilities. In addition, the new homeports cannot be evaluated on an equal basis with the existing homeports because the new homeports are not complete. Pier and waterfront facilities, operational and maintenance facilities, and quality of life facilities are not yet under construction or are only partially in place. Yet the Navy's evaluation assumes the best case scenario for all these facilities.

In making the recent recommendations of bases for closure and realignment, DOD relied upon a Navy analysis as support for retaining the new homeports. In another review, GAO analyzed the recommendations and the selection process used. In May 1991, GAO reported that the Navy had insufficient documentation to support the base closure recommendations and the Navy did not establish required internal controls to ensure the accuracy of the data used. GAO also reported that the Navy would have significant excess berthing capacity if only the recommended homeports were closed and that additional closures should be considered.
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</thead>
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Abbreviations
DOD Department of Defense
GAO General Accounting Office
In 1982, the Navy asserted the need for a strategic homeporting program to accommodate the anticipated growth of its fleet to 600 ships, to prevent overcrowding at existing homeports due to the increased fleet size, and to correct strategic shortfalls within the existing homeport structure. The Navy subsequently devised a strategic homeporting plan to adjust the ship mix at existing homeports and to develop new homeports as the fleet grew. The plan was based on five strategic principles related to force dispersal, battlegroup integrity, industrial base utilization, logistics suitability, and geographical considerations.

By 1985, the Navy had selected 13 sites for the program, including 4 sites where Navy ships were already homeported and 9 sites where new homeports would be established. The plan originally included (1) a battleship surface action group in the northeast at Staten Island, New York; (2) a carrier battlegroup in the northwest at Everett, Washington; (3) a battleship surface action group on the Gulf Coast at Ingleside, Texas, and Galveston, Texas; (4) a carrier battlegroup on the Gulf Coast at Pensacola, Florida; Mobile, Alabama; and Pascagoula, Mississippi; and (5) a battleship surface action group on the West Coast at San Francisco, California; Long Beach, California; and Pearl Harbor, Hawaii. Homeports at Key West, Florida; Lake Charles, Louisiana; and Gulfport, Mississippi; were designated to receive some miscellaneous support ships. In total, 63 surface ships for the 2 carrier groups, the 3 battleship groups, the Naval Reserve Force, and miscellaneous support ships comprised this program.

Costs and Benefits of Program Previously Questioned

In response to a request from the Chairman, Subcommittee on Military Construction, Senate Committee on Armed Services, we reviewed the Navy's strategic homeporting plan. Our report Navy Ships: Information on the Benefits and Costs of Establishing New Homeports (NSIAD-86-146, June 3, 1986) questioned the Navy's justification for the program and concluded that it would be less expensive to accommodate the larger fleet in existing homeports and suggested that the Congress be aware of the total budgetary impact of the Navy's program. Subsequently, the Congress enacted Public Law 99-591 in 1986, which required that no more than $799 million would be appropriated or obligated through fiscal year 1991 for military construction for the strategic homeporting initiative.

Because of changing world events and anticipated defense budget reductions, we initiated a review in February 1990 to update the status of the program. In April 1990, we testified before the Subcommittees on...
Seapower and Strategic and Critical Materials and Military Installations and Facilities, House Committee on Armed Services. We stated that before proceeding with the program, the Navy should (1) reconsider the need for the program because of changing world events and budget cutbacks, (2) analyze the total cost of the program, and (3) consider alternatives to the program.

Current Status of Strategic Homeports

From initiation of the strategic homeporting program until the start of our review, the number of homeports in the program was reduced from 13 to 6 (Staten Island, Everett, Pensacola, Mobile, Pascagoula, and Ingleside), and the number of ships was reduced from 63 to 39. In May 1991, further changes in the number of homeports and ships were made. The Navy deleted Pensacola from the program. Although the total number of ships at the 5 remaining homeports increased to 48, only 29 ships are active, including 16 mine sweepers.

Today, the new homeports are in various stages of completion. The Staten Island homeport and the other new homeports already have many facilities in place. Staten Island is the most complete and it received its first ship, the cruiser U.S.S. Normandy, in October 1990. With the deactivation of the battleship U.S.S. Iowa, the Normandy may become the capital ship1 at this homeport. The other new homeports will not be completed for several more years. The Everett homeport is the least developed, and it will not receive all assigned ships until 1997.

Thus far, the Congress has appropriated over $664 million in military construction funds for the program to achieve what the Navy terms “initial operating capability.” However, the Navy has never specifically defined what facilities were to be available or what was to be accomplished to achieve initial operating capability. Navy officials have provided definitions ranging from a “fully capable base” to “minimum services required” for a single ship.

1A capital ship is a battleship or carrier considered the lead ship for battlegroup formation.
Impact of Base Closure and Realignment Recommendations

In December 1988, the Defense Secretary's Commission on Base Realignment and Closure\(^2\) made recommendations that affected six new homeports included in the original strategic homeporting program. As a result, construction of new homeports at San Francisco (Hunter's Point), California; Galveston, Texas; and Lake Charles, Louisiana; was halted or never started.

Homeporting for the Texas coast battleship battlegroup was consolidated at Ingleside. All units and activities located at the Brooklyn Naval Station, New York, were to be relocated to the Staten Island homeport. The Navy exchange and certain other functions located at the Sand Point Naval Station, Washington, were to be relocated to Everett, Washington. The portion of the battleship battlegroup designated for Hunter's Point was to be relocated to Long Beach, California; Pearl Harbor, Hawaii; and San Diego, California.\(^3\) The Navy now considers the homeports at Long Beach and Pearl Harbor to be technically part of the base realignment and closure program rather than the strategic homeporting program.

Subsequently, the Congress passed the Defense Base Closure and Realignment Act of 1990 (P. L. 101-610), which established new procedures for closing or realigning military installations. In April 1991, DOD recommended 43 installations for closure and 28 for realignment. The existing homeports at Long Beach and Philadelphia were recommended for closure. DOD's recommendations are currently under consideration by the Defense Base Closure and Realignment Commission established by the act.

Objectives, Scope, and Methodology

As a result of our April 1990 testimony, the Chairman, Subcommittee on Seapower and Strategic and Critical Materials and the Chairwoman, Subcommittee on Military Installations and Facilities, House Committee on Armed Services, requested us to analyze several strategic homeporting issues. Our objectives were to determine (1) the berthing

\(^2\) The Defense Secretary's Commission on Base Realignment and Closure was chartered on May 3, 1988, to recommend military installations within the United States, its commonwealths, territories, and possessions for realignment and closure. The Congress and the President subsequently endorsed this approach through legislation (P. L. 100-626) that removed some of the previous impediments to successful base closure actions.

\(^3\) In conjunction with its recommendation that the strategic homeport at Hunters Point not be executed, the Commission proposed that the U.S.S. Missouri be transferred from Long Beach to Pearl Harbor. Our report Navy Ships: Costs of Homeporting the U.S.S. Missouri in Pearl Harbor Versus Long Beach (NSIAD-90-238BR, Sept. 28, 1990) compared the costs to homeport the Missouri in Pearl Harbor with those to permanently homeport the battleship in Long Beach.
capacity of existing homeports, (2) the strategic considerations that would be negatively impacted if the new homeports were not opened, and (3) the costs to develop and operate each new homeport. We were asked to provide recommendations, based on our analysis, as to whether some or all of the strategic homeports should be completed or closed.

To determine berthing capacity, we performed port-by-port assessments at six of the larger existing homeports in Norfolk, Virginia; Charleston, South Carolina; Mayport, Florida; San Diego, California; Long Beach, California; and Pearl Harbor, Hawaii. We considered ship hull characteristics and other operational limits on the number, type, and class of ships and applied berthing factors, such as in-port percentages and a pier’s capability to berth ships. We also measured berthing requirements and assets on the basis of berthing feet, recognizing that berthing feet is only one factor that must be considered. Because the Navy has cited electrical power as a factor limiting homeporting, especially considering the modern power-intensive ships, we reviewed power availability as well.

We also worked with Navy officials at the ports to develop pier diagrams reflecting actual berthing of individual ships in order to assure that our methodology would translate to technically feasible scenarios. We interviewed port officials responsible for facility planning and reviewed improvement plans and individual project justifications to identify planned improvements to the berthing facilities at each port. We also discussed with port officials additional improvements necessary to accommodate the ships planned for the new ports.

With regard to strategic considerations, we reviewed studies explaining the Navy’s original goals and rationale for the strategic homeporting program. To gain an understanding of how the program meets those goals and what the current justification is in light of a declining force structure, budget reductions, and the changing threat, we held discussions with Navy officials from the Office of the Deputy Chief of Naval Operations (Logistics), Office of the Deputy Chief of Naval Operations (Plans, Policy, and Operations), and Atlantic and Pacific Fleets.

To develop cost data for the new homeports, we analyzed various Navy documents, including relevant studies, master/capital improvement plans, and base requirements statements. We discussed our analyses with officials at the Naval Facilities Engineering Command, officials in charge of construction at all of the new homeports, and other officials involved with the program.
We issued an interim report, Homeporting: Status of Continuing Construction and Development (NSIAD-90-231, June 20, 1990), that provided an update of the new homeports' construction development and the legal status of any limitations on the disposal of land if the new homeports were not opened. A complete list of our prior reports and testimonies on homeporting is on the last page of this report.

Our analysis reflects information received during the course of our review. Since completion of our review, Navy plans show that Pensacola is no longer included in the strategic homeporting program. Data for Pensacola is presented since the berthing improvements at this naval air station were funded from military construction appropriations designated for the strategic homeporting program. Also, in April 1991 the Secretary of Defense proposed closure of the Long Beach Naval Station, an existing homeport included in our berthing capacity analysis. The outcome of this proposal has not been determined. In any event, our berthing analysis demonstrates that Long Beach is only one alternative for berthing ships scheduled for the new homeports. Furthermore, in our May 1991 report on the Department of Defense's (DOD's) analyses supporting its proposed closures and realignments, we reported that the Navy would have sufficient excess ship berthing capacity to accommodate the ships scheduled for the new homeports even if the homeports on the proposed list were closed.

Our review was made between May 1990 and March 1991 in accordance with generally accepted government auditing standards.
In 1982, the Navy initiated plans for a strategic homeporting program to accommodate growth to a 600 ship fleet and prevent overcrowding at existing homeports. We questioned the rationale for new homeports in our 1986 report on strategic homeporting, and today we believe the rationale is even less valid. The fleet never grew to 600 ships, is now decreasing to far fewer than 600 ships, and by 1996 will fall to 451 ships. The existing homeports not only can accommodate their own ships but also can berth the ships scheduled for the new homeports. Further, the existing homeports can accommodate deep-draft and power-intensive ships.

When the program was funded in 1986, the Navy projected a force level of 600 ships. Of the 600 ships, 63 surface combatants were scheduled for 13 strategic homeporting sites. Since that time, both the anticipated overall fleet size and the number of ships and sites selected under the program have been reduced.

The Navy’s fleet peaked at about 670 ships in 1987 and decreased to 545 by the end of fiscal year 1990. During our review, the Navy continued to reevaluate the force structure, including the possibility of further decreasing the fleet. The Congress mandated that the Secretary of Defense submit a force structure plan with the fiscal year 1992 budget request. According to fiscal year 1992 DoD budget plans, the fleet will be reduced to 464 ships, including 13 aircraft carriers, by fiscal year 1993. Reductions include the deactivation of the four remaining battleships and a drop in the number of major surface combatants from 199 in fiscal year 1990 to 144 by fiscal year 1993. Furthermore, the Navy’s posture statement and fiscal year 1992-93 budget request project that the fleet will consist of 451 ships, including 12 aircraft carriers, by fiscal year 1995.

Within the program, the number of homeports and ships has been reduced. The number of strategic homeports has decreased from 13 to 6, and the number of ships scheduled for these homeports had declined from 63 to 39 by the time of our berthing capacity analysis. The ship distribution for each homeport as used in our analysis is shown in table 2.1.
Chapter 2
Existing Homeports Can Accommodate Ships
Scheduled for the New Homeports

Table 2.1: Planned Ship Distribution (as of May 1990)

<table>
<thead>
<tr>
<th>Homeport</th>
<th>Ships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staten Island</td>
<td>1 CG-47 cruiser, 1 DDG-993 destroyer, 2 DDG-51 destroyers, 2 FFG-7 Naval Reserve frigates</td>
</tr>
<tr>
<td>Pascagoula</td>
<td>2 CG-47 cruisers, 2 DDG-51 destroyers</td>
</tr>
<tr>
<td>Mobile</td>
<td>2 DDG-51 destroyers, 2 FFG-7 frigates, 1 MHC coastal minehunter</td>
</tr>
<tr>
<td>Ingleside</td>
<td>1 BB battleship, 1 AVT training carrier, 1 CG-47 cruiser, 1 DDG-51 destroyer, 1 Naval Reserve Craft-of-Opportunity Program minesweeper, 1 AO-177 oiler, 2 FFG-7 Naval Reserve frigates, 2 MHC Naval Reserve coastal minehunters</td>
</tr>
<tr>
<td>Pensacola</td>
<td>1 CV carrier, 1 Naval Reserve Craft-of-Opportunity Program minesweeper</td>
</tr>
<tr>
<td>Everett</td>
<td>1 CVN-68 nuclear carrier, 1 CSG-36 nuclear cruiser, 2 DD-963 destroyers, 2 DDG-993 destroyers, 4 FFG-7 frigates (2 Naval Reserve), 2 MCM-1 Naval Reserve mine countermeasures</td>
</tr>
</tbody>
</table>

Existing Homeports Can Accommodate the Current and Projected Fleet

The existing homeports at Norfolk, Charleston, Mayport, San Diego, Long Beach, and Pearl Harbor accommodated their respective homeported ships in fiscal year 1990. We also found that Norfolk, San Diego, and Long Beach can support their respective scheduled ships in future years as well as the ships designated for the new strategic homeports. We used the projections for a 600-ship fleet, because data showing the number and types of ships at each homeport for a smaller fleet was not available at the time of our analyses. Also, we used fiscal year 1993 projections for the Staten Island and Gulf Coast homeports and fiscal year 1997 projections for Everett because those were the most recent estimated dates the homeports were to achieve full operating capability.

Norfolk and San Diego or Norfolk and Long Beach can collectively berth the ships scheduled for the new homeports. These scenarios are not the only alternatives for homeporting the ships. For example, berthing for the additional ships could be split among several existing homeports.

We found that Norfolk, San Diego, and Long Beach would require some modifications, which the homeports already have under construction or planned, in order to accommodate their own homeported ships. According to the Navy, normal military construction program planning is necessary to modernize the infrastructure and alleviate out-year deficiencies in such areas as shore electrical power and berthing improvements. The Navy stated that modernization is required regardless of homeporting decisions because of the normal aging of port facilities.
Chapter 2
Existing Homeports Can Accommodate Ships
Scheduled for the New Homeports

East Coast Homeports Can Accommodate the Staten Island and Gulf Coast Ships

Norfolk Naval Station, Charleston Naval Base, and Mayport Naval Station had the berthing space and electrical power required to accommodate their respective homeported ships in fiscal year 1990. In fact, according to Navy officials at each homeport, there have been no instances over the past several years when the respective ports have been unable to meet the berthing requirements of their homeported ships.

Norfolk also has the berthing capacity and electrical power to support its projected fiscal year 1993 scheduled ships and the ships designated for the new homeports at Staten Island, Pascagoula, Mobile, Pensacola, and Ingleside.

Navy officials at each of the homeports agreed with our analysis and conclusions about the fiscal year 1990 berthing capabilities of their respective ports. Additionally, the Commander, Naval Base Norfolk, reviewed and concurred with our quantitative assessment of his homeport's ability to berth its projected ships and the additional ships in fiscal year 1993.

Norfolk Naval Station

In fiscal year 1990, a fairly constant 114 ships had been homeported at the Norfolk Naval Station. As many as 119 ships had been homeported there in the preceding 2 years. Our analysis showed that Norfolk could berth and meet the electrical power requirements for its homeported ships in fiscal year 1990. Considering the ship mix and in-port percentages, the 114 homeported ships left a surplus of 379 feet of berthing space and an excess of 76,800 amperes of power.

The Navy projects that 90 ships will be homeported at Norfolk in fiscal year 1993. Excluding 2 Craft-of-Opportunity Program minesweepers and assuming that the Navy's aircraft training carrier remained at a Gulf Coast homeport, adding the other ships designated for the Staten Island and the Gulf Coast homeports would give Norfolk a total of 114 ships in fiscal year 1993. We found that the port could continue to support this total. Even with the additional ships, Norfolk would have a surplus of 824 berthing feet and an excess of 75,200 amperes of power. Table 2.2 summarizes the berthing requirements, pier space availability, and electrical power needs for the 114 ships in fiscal year 1993.
Existing Homeports Can Accommodate Ships Scheduled for the New Homeports

Chapter 2

Table 2.2: Berthing Requirements at the Norfolk Homeport With Staten Island and Gulf Coast Ships in Fiscal Year 1993

<table>
<thead>
<tr>
<th>Ship type</th>
<th>No. of ships</th>
<th>Estimated no. in port</th>
<th>No. of berths required&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Feet of berthing required&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Amperes of power required&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amphibians</td>
<td>16</td>
<td>10</td>
<td>10</td>
<td>7,382</td>
<td>32,800</td>
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<tr>
<td>Auxiliaries</td>
<td>11</td>
<td>7</td>
<td>6&lt;sup&gt;d&lt;/sup&gt;</td>
<td>3,835</td>
<td>14,400</td>
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<td>Aircraft carriers</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4,984</td>
<td>25,600</td>
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<tr>
<td>Battleship</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>987</td>
<td>4,000</td>
</tr>
<tr>
<td>Cruisers</td>
<td>14</td>
<td>6</td>
<td>3&lt;sup&gt;c&lt;/sup&gt;</td>
<td>2,019</td>
<td>24,000</td>
</tr>
<tr>
<td>Destroyers</td>
<td>15</td>
<td>9</td>
<td>4&lt;sup&gt;e&lt;/sup&gt;</td>
<td>2,652</td>
<td>40,800</td>
</tr>
<tr>
<td>Frigates</td>
<td>17</td>
<td>12</td>
<td>6&lt;sup&gt;h&lt;/sup&gt;</td>
<td>3,242</td>
<td>12,800</td>
</tr>
<tr>
<td>Military Sealift Command ships</td>
<td>5</td>
<td>5</td>
<td>4&lt;sup&gt;c&lt;/sup&gt;</td>
<td>2,056</td>
<td>5,600</td>
</tr>
<tr>
<td>Mine counter-measures</td>
<td>3</td>
<td>2</td>
<td>1&lt;sup&gt;h&lt;/sup&gt;</td>
<td>288</td>
<td>2,400</td>
</tr>
<tr>
<td>Tenders</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>3,720</td>
<td>24,000</td>
</tr>
<tr>
<td>Nuclear attack submarines</td>
<td>20</td>
<td>10</td>
<td>5&lt;sup&gt;c&lt;/sup&gt;</td>
<td>2,300</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>114</strong></td>
<td><strong>71</strong></td>
<td><strong>49</strong></td>
<td><strong>33,465</strong></td>
<td><strong>202,400</strong></td>
</tr>
<tr>
<td>Visiting ships</td>
<td>*</td>
<td>4</td>
<td>3&lt;sup&gt;c&lt;/sup&gt;</td>
<td>1,900</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>114</strong></td>
<td><strong>75</strong></td>
<td><strong>52</strong></td>
<td><strong>35,365</strong></td>
<td><strong>204,400</strong></td>
</tr>
</tbody>
</table>

Three percent ship mix allowance and five percent pier downtime

| Total berthing feet and amperes of electrical power required | 38,194 | 204,400 |
| Total berthing feet and amperes of power available          | 39,018 | 279,600 |

Net surplus of berthing feet and electrical power

- 824 |

- 75,200

<sup>a</sup>The number of berths required is calculated using Navy basic facilities requirements documents to extract actual in-port percentages. These in-port percentages vary from 40 to 80 percent.

<sup>b</sup>Generally, 100 feet has been added to each ship length to provide safe clearing distances.

<sup>c</sup>Some types of ships are double nested (share berths), as practiced by the Atlantic Fleet. One destroyer is berthed outboard a tender, which is acceptable Navy practice.

Considering the Navy's current plans for ship assignments and berthing improvements at Norfolk, we concluded that the port has the waterfront facilities to accommodate the 24 ships scheduled for the new homeports. Norfolk already has in place, or plans for, the utilities and other berthing facilities needed to meet the requirements of the ship classes. For example, one project planned for fiscal year 1991 will improve the electrical power capability on six of the piers.

Charleston Naval Base

In fiscal year 1990, the Charleston Naval Base homeported 70 ships, a fairly constant total for the past 9 years. These 70 ships were physically berthed at five different locations: 46 at the Charleston Naval Station; 2 at the Charleston Supply Center; 11 at the Charleston Naval Weapons

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Station; 9 ballistic missile submarines at King's Bay, Georgia; and 2 ballistic missile submarines at Holy Loch, Scotland.

We concentrated our analysis on the Charleston Naval Station and found it had the capacity to meet the berthing and electrical requirements for the 46 ships homeported in fiscal year 1990. In fact, the homeport had a surplus of berthing space totaling 1,668 feet and an excess of 159,600 amperes of power. Navy officials said piers at the other four locations could adequately accommodate the assigned ships.

Mayport Naval Station

During fiscal year 1990, about 30 ships were homeported at the Mayport Naval Station. Navy officials stated that Mayport has accommodated as many as 36 ships.

Our analysis showed that Mayport provided berthing and electrical support for the 30 ships homeported in fiscal year 1990. Although Mayport had a shortage of 1,827 feet of berthing space, the port was able to accommodate the ships by reducing the recommended spacing between ships and by occasionally triple nesting ships. Mayport has programmed construction of a berthing wharf to add 1,000 feet of space. However, that project was stopped by a DOD moratorium on military construction.

West Coast Homeports

Both of the existing homeports at San Diego and Long Beach had the berthing capacity and support structures to accommodate their respective homeported ships in fiscal year 1990. Moreover, each port has the capacity to berth its projected fiscal year 1997 ships and the ships planned for the new homeport at Everett.

Pearl Harbor could accommodate its fiscal year 1990 and projected 1997 ship loads, but was not a viable alternative for homeporting the Everett ships because the port had neither sufficient waterfront nor shoreside support facilities.

Navy officials at Surface Fleet Pacific Command and Long Beach Naval Station reviewed our analyses of the San Diego and Long Beach homeports. They agreed with our analyses and conclusions, given the assumptions regarding in-port percentages, ship mix, ship berthing, and force structure.
In fiscal year 1990, the San Diego Naval Station was the homeport for 74 surface ships, and an additional two aircraft carriers were berthed at North Island Naval Air Station. The Navy projects that the number of surface ships in San Diego will decline to 63 in 1997 and that two aircraft carriers will continue to be berthed at North Island.

Our analysis showed that San Diego had the capacity to provide berths and electrical power for the homeported ships in fiscal year 1990. On the basis of our pier-by-pier analysis, we found that the 74 ships leave a surplus of 5,082 feet of berthing space and 111,860 amperes of power.

San Diego also has the capacity and support structures to accommodate the 63 surface ships and two aircraft carriers scheduled for fiscal year 1997 as well as the ships planned for Everett. Under the Pacific Fleet’s assumptions that two mine countermeasure ships would remain in the Pacific Northwest if Everett were not opened, San Diego’s fiscal year 1997 ship load would increase by 10 ships. Even with these 75 ships, including three aircraft carriers berthed at North Island, an excess of 3,076 feet of berthing space and 99,050 amperes of power would exist. Table 2.3 summarizes the berthing requirements, pier space availability, and electrical power needs for the 75 ships in fiscal year 1997.
### Table 2.3: Berthing Requirements at the San Diego Homeport With Everett Ships in Fiscal Year 1997

<table>
<thead>
<tr>
<th>Ship type</th>
<th>No. of ships</th>
<th>Estimated no. in port</th>
<th>No. of berths required</th>
<th>Feet of berthing available</th>
<th>Feet of berthing required</th>
<th>Feet of power required</th>
<th>Amperes of power available</th>
<th>Amperes of power required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amphibians</td>
<td>26</td>
<td>22</td>
<td>19&lt;sup&gt;c&lt;/sup&gt;</td>
<td>14,351</td>
<td>105,500</td>
<td>13,632</td>
<td>58,800</td>
<td></td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>2,955</td>
<td>4,400</td>
<td>1,990</td>
<td>5,600</td>
<td></td>
</tr>
<tr>
<td>Aircraft carriers</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3,000&lt;sup&gt;2&lt;/sup&gt;</td>
<td>23,000</td>
<td>3,381</td>
<td>21,400</td>
<td></td>
</tr>
<tr>
<td>Cruisers</td>
<td>15</td>
<td>11</td>
<td>8&lt;sup&gt;c&lt;/sup&gt;</td>
<td>5,519</td>
<td>54,050</td>
<td>5,217</td>
<td>35,200</td>
<td></td>
</tr>
<tr>
<td>Destroyers</td>
<td>13</td>
<td>11</td>
<td>7&lt;sup&gt;c&lt;/sup&gt;</td>
<td>4,827</td>
<td>52,600</td>
<td>4,455</td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td>Frigates</td>
<td>10</td>
<td>9</td>
<td>5&lt;sup&gt;c&lt;/sup&gt;</td>
<td>2,692</td>
<td>21,300</td>
<td>2,549</td>
<td>14,800</td>
<td></td>
</tr>
<tr>
<td>Mine countermeasures</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1,540</td>
<td>2,000</td>
<td>648</td>
<td>1,600</td>
<td></td>
</tr>
<tr>
<td>Tenders</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1,548</td>
<td>16,000</td>
<td>1,484</td>
<td>6,400</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>64</strong></td>
<td><strong>50</strong></td>
<td><strong>36,432</strong></td>
<td><strong>278,850</strong></td>
<td><strong>33,356</strong></td>
<td><strong>179,800</strong></td>
<td></td>
</tr>
</tbody>
</table>

Total berthing feet and amperes of power available: 36,432 feet, 278,850 amperes

Net surplus of berthing feet and electrical power: 3,076 feet, 99,050 amperes

<sup>a</sup> The number of berths required is calculated using Pacific Fleet approved in-port percentages. They are 100 percent for aircraft carriers, tenders, auxiliaries, and mine countermeasure ships and 73 to 90 percent for all other ships.

<sup>b</sup> Generally, 100 feet has been added to each ship length to provide safe clearing distances.

<sup>c</sup> Some types of ships are double nested (share berths), as practiced by the Pacific Fleet.

<sup>d</sup> When three carriers are in port simultaneously, one would extend beyond the quay wall.

Aside from a planned construction project at one pier to accommodate deep-draft, power-intensive ships, no additional waterfront improvement is needed at the San Diego homeport to accommodate the ships the Navy plans to berth at Everett. Long-range berthing plans for the San Diego homeport assume that three existing piers would no longer be in service and only one pier would be built. However, Navy officials told us that funding for this pier is not in the Navy's military construction plans for the remainder of this decade. Our analysis demonstrates that this homeport can accommodate its fiscal year 1997 ships and the Everett ships with one of the three existing piers in service and without the new pier.

### Long Beach Naval Station

The Long Beach Naval Station homeported 34 surface ships in fiscal year 1990. For the past 5 years Long Beach has homeported essentially the same number of ships, with a high of 35 ships in 1986. The Navy projects that the number of ships will decline to 27 in 1997. However, in recommendations to the 1991 Defense Base Closure and Realignment...
 Commission, the Secretary of Defense recommended closing the Long Beach Naval Station. This proposal is still under review.

Long Beach had the capacity to berth and provide electrical power for the 34 homeported ships in fiscal year 1990. Considering in-port percentages used by the Pacific Fleet and current ship mix, we found that the port had a surplus of 1,832 feet of berthing space and 105,400 amperes of power.

Long Beach also has the capacity to accommodate the 27 ships scheduled for fiscal year 1997 as well as the ships planned for Everett. Given the Pacific Fleet’s assumptions that two Navy Reserve frigates would be placed in San Diego and two mine countermeasure ships would remain in the Pacific Northwest if Everett were not opened, Long Beach could accommodate the eight remaining ships from Everett with only some modifications, such as dredging. Even with a total of 35 ships, Long Beach would have a surplus of 1,557 feet of berthing space and 80,000 amperes of power in fiscal year 1997. Table 2.4 summarizes the berthing requirements, pier space availability, and electrical power needs for the 35 ships in fiscal year 1997.

As noted previously Long Beach is only one alternative. Furthermore, our May 1991 report on DOD’s analyses supporting its proposed closure and realignment recommendations stated that the Navy would have sufficient excess ship berthing capacity to accommodate the ships scheduled for the new homeports even if the recommended homeports are closed.
Chapter 2
Existing Homeports Can Accommodate Ships
Scheduled for the New Homeports

Table 2.4: Berthing Requirements at the Long Beach Homeport With Everett Ships in Fiscal Year 1997

<table>
<thead>
<tr>
<th>Ship type</th>
<th>No. of ships</th>
<th>Estimated no. in port</th>
<th>No. of berths required(^a)</th>
<th>Feet of berthing available</th>
<th>Amperes of power available</th>
<th>Feet of berthing required(^b)</th>
<th>Amperes of power required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amphibians</td>
<td>4</td>
<td>3</td>
<td>3(^c)</td>
<td>2,026</td>
<td>19,200</td>
<td>2,244</td>
<td>12,000</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2,477</td>
<td>27,200</td>
<td>2,413</td>
<td>6,400</td>
</tr>
<tr>
<td>Aircraft carriers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1,222</td>
<td>12,000</td>
<td>1,189</td>
<td>2,200</td>
</tr>
<tr>
<td>Cruisers</td>
<td>3</td>
<td>2</td>
<td>2(^c)</td>
<td>1,374</td>
<td>24,000</td>
<td>1,363</td>
<td>11,200</td>
</tr>
<tr>
<td>Destroyers</td>
<td>8</td>
<td>6</td>
<td>3(^c)</td>
<td>2,377</td>
<td>18,400</td>
<td>1,931</td>
<td>15,200</td>
</tr>
<tr>
<td>Frigates</td>
<td>11</td>
<td>8</td>
<td>4(^c)</td>
<td>2,298</td>
<td>32,000</td>
<td>2,180</td>
<td>16,000</td>
</tr>
<tr>
<td>Mine counter-measures</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>936</td>
<td>4,400</td>
<td>936</td>
<td>2,000</td>
</tr>
<tr>
<td>Tenders</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>834</td>
<td>11,000</td>
<td>631</td>
<td>3,200</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>26</td>
<td>20</td>
<td>14,444</td>
<td>146,200</td>
<td>12,887</td>
<td>68,200</td>
</tr>
</tbody>
</table>

Total berthing feet and amperes of power available: 14,444 148,200

Net surplus of berthing feet and electrical power: 1,557 80,000

\(^a\)The number of berths required is calculated using Pacific Fleet approved in-port percentages. They are 100 percent for aircraft carriers, tenders, auxiliaries, and mine countermeasure ships and 73 to 90 percent for all other ships.

\(^b\)Generally, 100 feet have been added to each ship length to provide safe clearances.

\(^c\)Some types of ships are double nested (share berths), as practiced by the Pacific Fleet.

Pearl Harbor Naval Station

In fiscal year 1990, the Pearl Harbor Naval Station was the homeport for 19 ships. The Navy projects that the number of ships will increase to 20 in fiscal year 1997. Navy officials stated that Pearl Harbor could accommodate the 20 homeported ships in fiscal year 1997. We agreed with the officials that Pearl Harbor was not a viable alternative for homeporting the Everett ships because of the port's insufficient waterfront and shoreside support facilities.

Existing Homeports Can Accommodate Deep-Draft and Power-Intensive Ships

Although not part of their original justification for the program, Navy officials stated that the new homeports are needed because the new deep-draft and power-intensive ships are physically larger and require more power than the ships they replace. Prior to the Navy's analysis for the Secretary of Defense's recent base closure review, 14 of the 39 ships scheduled for the new homeports were deep-draft or power-intensive. Now the Navy plans to homeport only 7 ships of this type at the new homeports.
Existing homeports are already berthing those types of ships and can continue to do so in future years. For example, both San Diego and Norfolk berthed deep-draft and power-intensive ships in 1990. San Diego homeported at least 17 deep-draft and power-intensive ships in 1990. Of these ships, four were CG-47 cruisers scheduled to replace the CG-26 and CG-16 class cruisers. The CG-47 cruisers require more electrical power than the older cruisers. The Navy’s berthing projections indicate that San Diego will homeport 21 deep-draft and power-intensive ships in fiscal year 1997. Our quantitative analysis shows that San Diego can also accommodate the three deep-draft and power-intensive ships scheduled for Everett.

At Norfolk, at least five cruisers of the CG-47 class were homeported during 1990. One of those cruisers, the U.S.S. Normandy, officially relocated to the new homeport at Staten Island in 1990. Our analysis shows that Norfolk can also accommodate the 11 deep-draft and power-intensive ships scheduled for the Staten Island and Gulf Coast homeports.

Agency Comments and Our Evaluation

DOD agreed that the projected fleet of 451 ships could fit into the existing homeports. However, DOD commented that the methodology we used to reach our conclusion on excess berthing capacity was addressed only in a very general manner and that the assumptions used seemed to be inconsistent with Navy planning procedures. Assumptions cited related to triple nesting (three ships sharing one berth), in-port percentages (the amount of time a ship is actually berthed), and maintenance allowances (pier space required for a ship’s maintenance).

In making our analysis we followed Navy procedures. We did not use triple nesting and used the in-port percentages and maintenance allowances provided by the Navy. We discussed our methodology with Navy headquarters officials at the beginning of the review. As we completed the berthing analysis at each homeport we provided detailed information supporting our findings to port or fleet officials for their review. The officials agreed with our analyses and conclusions.

Although acknowledging that the existing homeports could, with some improvements, accommodate the ships originally planned for the new homeports, DOD stated that these improvements must be weighed against the cost of the new homeports with modern facilities specifically designed for some of the newer class ships. Our review showed that existing homeports are already berthing deep-draft, power-intensive ships and can continue to do so in future years. Our review also showed
that only a small number of these types of ships were planned for the new homeports. At the start of our review only 14 deep-draft, power-intensive ships were assigned to the new homeports and in May 1991 the Navy reduced this type to 7 ships. In view of the overall size of the fleet, seven ships does not seem to be a major burden for the existing homeports or a continued justification for the new homeports.
Chapter 3

New Homeports Will Not Attain Most of the Original Strategic Objectives

The Navy continues to demonstrate the strategic advantages of the new homeports on the basis of five principles first used to justify expansion in 1982. Considering the changing worldwide threat, decreasing fleet size, and budgetary constraints, we found that the program will not fulfill most of the original strategic advantages the Navy used to justify expansion.

During our review, we asked the Navy to comment on the strategic justifications for the program in today's environment. Navy officials held discussions with us but did not provide any studies or data reflecting the Navy's current rationale for the program. Since completion of our review, the Navy has stated it has decided to retain the new homeports based upon its analysis for the Secretary of Defense's April 1991 base closure recommendations. However, we found the Navy's support to justify retaining the new homeports to be inadequate.

How the Rationale Evolved

The Navy's rationale for establishing new homeports was originally based on five strategic principles related to force dispersal, battle group integrity, industrial base utilization, logistics suitability, and geographical considerations. In applying these principles to the homeporting structure in 1982, the Navy believed that shortcomings in the existing structure would be perpetuated by the planned growth to a 600-ship fleet. Therefore, the Navy concluded that an increased number of homeports would begin to correct these shortcomings.

In our 1986 report, we raised many concerns about the degree to which benefits resulting from an increased number of homeports would be realized. We questioned the worth of the benefits in comparison to the additional costs required to achieve those benefits. In response, the Navy disagreed and stated that the strategic homeporting program was a sound and affordable program for growth to 600 ships. In the Navy's judgment, the strategic and tactical advantages of the new homeports made investment in the program worthwhile.

Even though the Navy now has abandoned plans to expand its fleet to 600 ships, and the relative significance of the principles has changed, Navy officials told us that the validity of those principles remains.

Force Dispersal

In the 1982 strategic homeporting plan and supporting documents, the Navy stated that the dispersal of ships to additional ports and to less
Chapter 3
New Homeports Will Not Attain Most of the Original Strategic Objectives

Concentrated ports would improve the U.S. defensive posture, complicate conventional warfare targeting by a potential enemy, and minimize the risks associated with a relatively simple but properly placed attack.

Despite the Navy's statements, in 1986 we found that the Navy's decision to disperse the fleet was not based on a formal threat/survivability analysis specifically addressing force dispersal. Consequently, we were unable to determine why the new homeports could improve survivability of the fleet. In response to our 1986 report, the Navy highlighted the Soviet threat. At that time, the Navy estimated that the Soviets would increase the capability and accuracy of their weapons' platforms, doubling Soviet technological war-fighting abilities over the next 10 years.

In light of today's geopolitical trends, which indicate armed conflict between the Soviet Union and the United States is unlikely, during our current review we questioned the validity of continuing to use a Soviet based threat assessment. Navy officials told us that the Navy had not reviewed the rationale for the new homeports in relationship to different threats. Subsequently, we noted that the Navy, in testifying on the fiscal year 1992-93 budget request, estimated that it would have significant strategic warning of a global conflict.

Battlegroup Integrity

In 1982, the Navy presented the strategic homeporting concept as being a step beyond the traditional battlegroup formation of drawing available ships from several homeports as required. The Navy advocated the strategic homeporting program because it believed a group of ships, each ship with its own capabilities, must be able to support one another immediately. In support of the program, the Navy stated that homeporting ships with battlegroup integrity greatly enhanced war-fighting coordination by collocating the same or similar units that will train together during routine exercises and contingency deployments. The Navy believed homeporting battleship battlegroups at the new Staten Island and Ingleside homeports, and homeporting carrier battlegroups at Everett and Pensacola, with escort ships at Mobile and Pascagoula, would greatly enhance deployment capability and readiness.

Current Navy plans, however, show that ship assignment changes decrease the opportunities for deployment capability and readiness. Many new homeports will now be without the appropriate capital ship—a battleship or carrier. In 1985, the Navy designated Staten Island as the homeport for the U.S.S. Iowa, one of four battleships in the fleet.
Yet, before this homeport reached initial operating capability, the Navy deactivated the U.S.S. Iowa.

Likewise, the Ingleside homeport will be left without the designated battleship U.S.S. Wisconsin because the Navy plans to deactivate this ship. Furthermore, the Navy is considering not homeporting an operational carrier at Pensacola and instead will continue to keep a training carrier there. As a result, the escort ships scheduled for Mobile and Pascagoula would no longer be required to support the Pensacola carrier. Also, Everett will not receive a carrier in the near future because the U.S.S. Nimitz is scheduled to go to a shipyard for a lengthy nuclear refueling and complex overhaul, and no replacement has been named.

Even without a capital ship at the new homeports, Navy officials believe that battlegroup integrity could be achieved to some degree. They stated that if the number of aircraft carriers decreases as anticipated, the number of escort ships required for support will change. Such a change could result in the formation of task groups that would perhaps be led by a cruiser or destroyer. Therefore, the cruiser U.S.S. Normandy could be the capital ship at the Staten Island homeport.

Nevertheless, the end result of these changes is that battlegroup integrity as originally intended will not be achieved.

In 1982, the Navy stated that the new homeports would permit the Navy to take advantage of existing industrial base capability during peacetime and have surge capability in place during wartime. In response to our 1986 report, the Navy further stated that, with the fleet growing, shipyards near existing homeports would not have less work under the program and that increased work load would be more evenly dispersed geographically.

Navy officials now believe decreases in the fleet size will significantly affect a private shipyard's construction work load. For example, if a shipyard's future work load is greatly dependent upon new construction contracts, the shipyard's survivability will be in doubt. However, regardless of the status of the new homeports, the Navy officials say that the Navy will use the industrial base in the most cost-effective manner because of cost competitiveness among the private shipyards.
In 1982, the Navy stated that development of additional logistic support complexes was required to support the expanding Navy. Although the Navy stated that it wanted to maximize the use of the existing base infrastructure, our 1986 review indicated that the Navy did not study the logistics suitability of existing homeports while selecting the new homeports. We concluded that the infrastructure of existing homeports would be used at less than the maximum level. The Navy did not concur with our conclusion and further stated that the number of ships homeported in all existing homeports would remain at current levels or increase. However, most of the existing homeports we studied would have fewer ships assigned under the program than were assigned then.

Because the overall size of the fleet is decreasing, we asked the Navy why it needed additional logistics support complexes. Navy officials stated that the Navy was reviewing ship requirements and that the resulting shore establishment would be sized accordingly.

In 1982, the Navy stated that homeporting in more diverse geographical locations would reduce the response time to potential conflict areas and would permit training and operations in a variety of environments.

Since the new homeports may not have operational carriers or battleships, it appears that ships at these ports will have to rendezvous with ships from other ports, thus increasing response time. Also, the opportunity for significant amounts of joint training and exercises the Navy planned to conduct in the regions of Staten Island and Everett will decrease significantly. For example, without the Everett carrier in the near future, mutual training for carrier group ships and Trident submarines homeported in Bangor, Washington, is limited.

In our discussions, Navy officials again stated that task groups could replace carrier or battleship battlegroups at the new homeports. Regarding response times, the Navy still believes the potential for reduced transit times to possible contingency areas is significant if ships are dispersed to new homeports in the northeast, northwest, and Gulf Coast. The Navy noted that steaming time from Staten Island to the Indian Ocean is less than that from Norfolk. Nevertheless, a cruiser task group from Staten Island would have to join ships from Norfolk or another port for a major contingency.
Chapter 3
New Homeports Will Not Attain Most of the
Original Strategic Objectives

Agency Comments and Our Evaluation

DOD did not agree that the new homeports will not fulfill most of the original strategic objectives. DOD stated that although the Navy's perception of the Soviet threat has changed significantly since the 1982 analysis, these changes do not invalidate the strategic concepts. DOD particularly disagreed with our assessment of the strategic principles relating to force dispersal, industrial base utilization, and geographic considerations.

DOD continues to use the Soviet threat to justify the need for geographic and force dispersal. In our opinion, this justification conflicts with recent Navy statements that it would have significant warning of a global conflict. Also, the Navy's current strategy is to focus on regional threats throughout the world and not on global conflicts.

DOD stated that having fewer ships than originally envisioned under the strategic homeporting program does not make dispersal less desirable. Although we recognize that additional homeports would enhance force dispersal, there are several reasons why this is no longer an objective that the planned new homeports will achieve. First, contrary to the force dispersal principle, the Navy plans to concentrate all 14 mine countermeasure ships and 8 of 12 mine hunting ships at Ingleside. Second, in addition to these ships, only 14 other active ships will be at the homeports. Third, the new homeports will not decrease fleet concentration at San Diego and Norfolk.

DOD stated that the new homeports are located near industrial facilities that could be used to perform depot maintenance and repair. DOD also stated that the geographic dispersal of reserve ships to the new homeports will capitalize on the reserve demographics of those areas. We believe that in both cases the potential benefits to be achieved at the new homeports will be at the expense of the existing homeports and their nearby industrial facilities. This is particularly true in light of the planned reductions in the overall size of the fleet and the reserve manpower levels.
New Homeport Costs Exceed $1 Billion

We have identified costs of $1.4 billion to develop the six new homeports. We also have identified additional projects that may be required in the future to enhance mission capability or improve quality of life, but their costs, which are nonrecurring, have not been determined. In addition to the above nonrecurring costs, annual operations and maintenance costs of $129 million are projected for the new homeports.

Not opening the new homeports would result in significant dollar savings that could amount to hundreds of millions. These savings would be realized by selling existing land and improvements, halting future development, and not incurring operations and maintenance costs.

Costs to Develop the New Homeports

In our 1986 report, we stated that the Navy's estimate of $799 million to establish initial operating capability at the homeports was understated because it did not include facilities needed for the new homeports to be fully functional. In addition, the Navy's estimate excluded nonappropriated fund requirements, military family housing, and state and local government contributions in the form of direct cost support, land, off-base roads, and quality of life and infrastructure improvements.

As of March 31, 1991, we had identified costs of $1.4 billion to develop the six new homeports. As shown in table 4.1, the sources of funds directly associated with the homeports include military construction appropriations, military housing and nonappropriated funds, state and local contributions, base closure funds, and planned/programmed costs beyond fiscal year 1991.
Chapter 4
New Homeport Costs Exceed $1 Billion

### Table 4.1: Sources of Funding for the Strategic Homeporting Program

Dollars in millions

<table>
<thead>
<tr>
<th>Homeport</th>
<th>Total</th>
<th>Military construction</th>
<th>Housing and non-appropriated funds</th>
<th>Contributions</th>
<th>Base closure</th>
<th>Planned/programmed beyond 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staten Island</td>
<td>$398.7</td>
<td>$197.8</td>
<td>$90.7</td>
<td>$19.0</td>
<td>$72.4</td>
<td>$18.8</td>
</tr>
<tr>
<td>Everett</td>
<td>481.9</td>
<td>218.7</td>
<td>0</td>
<td>9.5</td>
<td>94.3</td>
<td>159.4</td>
</tr>
<tr>
<td>Pensacola</td>
<td>55.0</td>
<td>41.8</td>
<td>0</td>
<td>13.2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pascagoula</td>
<td>106.4</td>
<td>47.5</td>
<td>0</td>
<td>58.1</td>
<td>0</td>
<td>0.8</td>
</tr>
<tr>
<td>Mobile</td>
<td>86.3</td>
<td>37.3</td>
<td>0</td>
<td>46.1</td>
<td>0</td>
<td>2.9</td>
</tr>
<tr>
<td>Ingleside</td>
<td>300.3</td>
<td>92.7</td>
<td>0</td>
<td>168.0</td>
<td>22.5</td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,428.6</td>
<td>$635.8</td>
<td>$90.7</td>
<td>$313.9</td>
<td>$189.2</td>
<td>$199.0</td>
</tr>
</tbody>
</table>

aMilitary housing funds and nonappropriated funds are presented in a separate column because they were not included in the legislatively imposed $799 million military construction cap. Nonappropriated fund activities provide military personnel with goods and services, such as naval exchanges, clubs, and recreational facilities.

bThis total does not include $28.8 million in appropriations for homeports (Galveston, Lake Charles, and Long Beach) no longer in the program.

cWe obtained this data through Navy officials. This data includes not only cash, donated land, and some off-base improvements clearly identifiable with the homeports, but also some local government estimates the Navy has not validated.

Of the $635.8 million appropriated for military construction, $454.8 million had been expended as of March 31, 1991. Table 4.2 shows the appropriations, obligations, and expenditures for each new homeport.

### Table 4.2: Military Construction Appropriations, Obligations, and Expenditures (as of March 31, 1991)

Dollars in millions

<table>
<thead>
<tr>
<th>Homeport</th>
<th>Appropriations</th>
<th>Obligations</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staten Island</td>
<td>$197.8</td>
<td>$155.3</td>
<td>$150.7</td>
</tr>
<tr>
<td>Everett</td>
<td>218.7</td>
<td>181.4</td>
<td>164.7</td>
</tr>
<tr>
<td>Pensacola</td>
<td>41.8</td>
<td>35.9</td>
<td>27.8</td>
</tr>
<tr>
<td>Pascagoula</td>
<td>47.5</td>
<td>27.0</td>
<td>25.7</td>
</tr>
<tr>
<td>Mobile</td>
<td>37.3</td>
<td>26.4</td>
<td>25.2</td>
</tr>
<tr>
<td>Ingleside</td>
<td>92.7</td>
<td>61.6</td>
<td>60.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$635.8</strong></td>
<td><strong>$487.6</strong></td>
<td><strong>$454.8</strong></td>
</tr>
</tbody>
</table>

In addition to the almost $200 million in military construction funds still to be spent, most of the $189 million of base closure funds from the 1988 account, and all of the $199 million of planned/programmed costs beyond fiscal year 1991 are also still to be considered.
The $189 million to implement the 1988 recommendations of the Base Realignment and Closure Commission contributes significantly to the future development of Staten Island and Everett. Many projects the Navy identified as necessary for future development in master plans for Staten Island and Everett will now be constructed earlier than originally planned by using base closure funds.

The $199 million planned or programmed for facilities to be constructed after fiscal year 1991 probably will not be enough to cover all future projects. Future funding requests will likely be made for further project development. For example, the Navy has not yet developed cost estimates for potential follow-on projects beyond what the Navy considers initial operating capability for the Gulf Coast homeports at Pascagoula, Mobile, and Ingleside. Projects to improve or expand mission capability and to provide morale, welfare, and recreation facilities available at existing homeports might be needed.

Factors Affecting the Staten Island Homeport’s Costs

The Staten Island homeport achieved initial operating capability 2 years later than originally planned with the arrival of a cruiser, the U.S.S. Normandy, in October 1990. The Navy originally selected this homeport for a battleship surface action group with the battleship U.S.S. Iowa as its capital ship and six escort ships consisting of one cruiser, three destroyers, and two Naval Reserve Force frigates. However, the Navy is deactivating the U.S.S. Iowa, and currently plans to homeport one cruiser, two destroyers, and five Naval Reserve Force frigates at Staten Island.

In our 1986 report, we stated that the Navy’s $188 million estimate to establish initial operating capability at Staten Island did not identify costs for all essential basic operations and quality of life projects to improve morale and increase retention. This has proved to be the case. At the time of our current review, the total identified cost to develop Staten Island was $398.7 million. The Navy estimate was understated due to several factors. For example, (1) projects that were previously deleted are now being constructed, and (2) base closure funds accelerated the construction timetable for some projects.

In developing the $188 million estimate, the Navy excluded some projects that were in early architect and engineering estimates because the projects were not needed. We found that some of the deleted projects are now constructed or are planned for construction. For example, the
Navy stated a project in the architect and engineering estimate to reha-
bilitate the Dayton Manor for military housing was not needed. But, the
Manor now is being rehabilitated to accommodate 120 housing units at a
cost of $12.5 million. The Navy excluded an additional 620 units of
family housing from the initial operating capability estimate on the
basis that housing would be required regardless of where the ships are
placed. Construction of 550 units are completed or planned at a cost of
$60.7 million.

In another case, the Navy stated that a commissary at Staten Island was
not needed because the commissary at nearby Ft. Hamilton could be
used. However, in fiscal year 1990 the Navy requested congressional
approval for a $9.6 million project to construct a combined naval
exchange, package store, and commissary at Staten Island. Approval
has not yet been received.

The Base Realignment and Closure Commission’s recommendation in
1988 to close the Brooklyn Naval Station has significantly contributed to
funding for the Staten Island homeport. Some projects now funded
under the base closure account would likely have been considered by the
Navy for future military construction funding. For example, the Navy
previously stated that a headquarters building was not critical to initial
operating capability but was desirable for ultimate site development.
Now, the Navy is using base closure funds to construct this project at a
cost of $8.5 million.

Similarly, several morale, welfare, and recreation projects, such as out-
door recreation facilities and hobby shops, which the Navy identified as
being desirable for ultimate site development, will now be constructed
using $2.1 million of base closure funds. In our 1986 report, we ques-
tioned the exclusion of these projects from the initial operating capa-
bility estimate because the absence of such morale boosting projects
would tend to detract from the Navy’s efforts to improve morale and
increase retention. Now, by using base closure funds, the Navy can
obtain these morale boosting projects earlier than originally planned.

The Navy also is using the base closure account to fund projects that
were in the initial operating capability estimate. For example, this esti-
mate included a community services center, but the facility was never
built. However, this project is now planned for construction in fiscal
year 1991 using $7.6 million of base closure funds.
Chapter 4
New Homeport Costs Exceed $1 Billion

The total identified cost of $398.7 million to develop Staten Island may increase if additional projects currently under consideration are added in the future. For example, Navy officials are reviewing options for construction of a medical/dental clinic near the waterfront to accommodate emergencies. According to Navy officials, remaining requirements for Staten Island will be reflected in an approved master plan in the near future.1

Also, the Navy has decided to obtain some public works and utility services under lease-purchase agreements. For example, Staten Island plans to obtain steam from boilers leased through a 5-year lease-purchase agreement. Additional funds will be needed if the Navy exercises the purchase option at the end of the contract term.

The Navy has similar plans to obtain an additional 1,200 family housing units for Staten Island. This requirement will be fulfilled under a build-to-lease housing program wherein the Navy will lease the housing for 20 years. Additional funds will be needed if the Navy exercises the right-of-first-refusal option to acquire the housing at the end of the lease period.

Factors Affecting the Everett Homeport’s Costs

Delays in construction due to environmental concerns have caused the initial operating capability date for Everett to slip about 5 years. Initial operating capability is now expected sometime in fiscal year 1993 with the arrival of a frigate as the first ship. The Navy’s original plans identified an aircraft carrier, the U.S.S. Nimitz, as the first ship to arrive and showed that Everett would homeport 12 ships. Since completion of our review, the Navy has announced plans to homeport only 7 ships at Everett.

As of December 1990, work had been completed on a contract for the demolition of existing buildings, utilities and site improvements and work on a contract for construction of the carrier pier was about 50 percent complete. Contract awards for other construction projects were delayed because of a DOD moratorium on military construction that was in effect through April 15, 1991.

1As reported in a Naval Audit Service report entitled Implementation of the Strategic Homeporting Program in the New York Area (062-C-90, Sept. 21, 1990) the Navy developed the new homeport at Staten Island without an official, approved planning document in which to base all facilities acquisition decisions.
In our 1986 report, we stated that the Navy's $272 million estimate to establish initial operating capability at Everett did not identify costs for all essential basic operations and quality of life projects to improve morale and increase retention. This has proved to be the case. At the time of our current review, the total identified cost to develop Everett was $481.9 million. The Navy estimate was understated due to several factors. For example, (1) projects not in the initial operating capability estimate are now planned for construction, and (2) base closure funds provide for construction of some facilities.

In developing the $272 million estimate, the Navy excluded some projects that were in early architect and engineering estimates because they were not needed. We found that some of these projects, which the Navy termed desirable but not needed, are now planned for construction. For example, the Navy plans to build a medical/dental clinic for $11.6 million, a training center for $4.8 million, and a physical fitness facility for $7.5 million.

The Base Realignment and Closure Commission's recommendation in 1988 to close a portion of the Sand Point Naval Station has significantly contributed to funding for the Everett homeport. Some projects funded under the base closure account would likely have been considered for future military construction or nonappropriated funding. For example, the Navy excluded the costs of some morale, welfare, and recreational projects from the initial operating capability estimate because they were not needed. However, in a 1990 briefing document, the Navy acknowledged that the need for quality of life projects at Everett had been understated and that the proposed dependence on existing facilities at Sand Point was never practicable.

Facilities to be constructed with base closure funds include (1) a commissary/exchange for $13.9 million, (2) a logistics complex for $11.3 million, and (3) various morale, welfare, and recreational facilities (including a family services center, an arts and crafts hobby shop, an auto hobby shop, and playing fields and courts) for $7.2 million. Navy officials stated that base closure funds will allow many projects to be constructed earlier than originally planned. On the other hand, the logistics complex was in the original initial operating capability estimate but will now be funded from the base closure account.

The total identified cost of $481.9 million to develop Everett may increase if currently unprogrammed projects are added in the future. For example, funding for military housing may be required. A July 1990
Navy housing study stated that a sufficient supply of affordable housing was available for the majority of military families. However, 281 of 3,168 Navy families, concentrated in the pay grades E-6 and below, would not be able to find suitable housing by the end of 1994. The study also stated that the real estate market was volatile and that major expansion of private industry in the Everett area could contribute to escalated prices and increased demand for housing.

Factors Affecting the Gulf Coast Homeports’ Costs

As of May 1991, the Navy planned to homeport 33 ships, of which 19 are active, at Pascagoula, Mobile, and Ingleside. However, most of the active ships will be mine countermeasures or hunting ships instead of cruisers and destroyers as originally planned. In addition, the strategic homeporting plan originally included Pensacola as the homeport for an operational aircraft carrier, and Pascagoula and Mobile as the homeports for escort ships for this carrier. Although $42 million in military construction appropriations from the strategic homeporting program was for Pensacola, the Navy now no longer considers Pensacola part of the program. Pensacola was considered part of the program during our review. Also, with the deactivation of the U.S.S. Wisconsin, Ingleside will no longer homeport a battleship battlegroup.

Construction at these homeports was in various stages and was affected by the DOD construction moratorium that started on January 24, 1990, and extended through April 15, 1991. The first ships were scheduled to arrive in October 1990, but the initial operating capability dates have slipped into subsequent years.

In our 1986 report, we stated that the Navy estimated it would cost $254 million to establish initial operating capability at the Gulf Coast ports, including $54 million for the Galveston and Lake Charles ports that were subsequently closed due to the 1988 recommendations of the Base Realignment and Closure Commission. We found that this estimate was preliminary and did not list individual projects.

At the time of our current review, the total identified cost to develop the Gulf Coast homeports was $548 million. Of this amount, $285.4 million represents state and local contributions in the form of cash, land, roads, utilities, and similar contributions. Navy officials told us that except for the cash and land contributions, they have not validated the relationship between other contributed improvements and the homeports.
The $548 million estimate for the four homeports primarily includes projects the Navy says will achieve initial operating capability and contains only a few projects that go beyond this capability. The master plans and the accompanying basic requirements lists for the homeports include projects for the ultimate development of the homeports, but these documents do not include an estimate of the cost of follow-on projects beyond fiscal year 1991.

Navy officials stated that many of the follow-on projects may not be needed because of strong support from the local communities. They stated that the gulf port areas have a sufficient supply of affordable suitable housing and that morale, welfare, and recreation facilities are available in the communities. Therefore, they believe that many of the facilities found at other large naval bases, such as commissaries, chapels, and bowling alleys, to name a few, will not be needed.

For example, action plans are being developed at Mobile to provide express transportation to off-base recreation activities. Also, Navy officials stated that a Navy shuttle service will be provided to a nearby Coast Guard base that has a pool, tennis courts, commissary and exchange and that perhaps shuttle service will be provided to Pensacola (about 1-1/2 hours away) where there is a large commissary and exchange. However, since the initiation of our review Navy officials have decided to have exchanges at Mobile, Pascagoula, and Ingleside.

We believe that, even though strong community support exists, the Navy may want to construct other quality of life facilities in the future. These types of facilities are planned at Staten Island and Everett and exist at current homeports. The master plans for the Gulf Coast ports identify follow-on projects—such as training facilities, educational facilities, combined clubs, theatres, youth centers, chapels, and family service centers—that enhance mission capability or improve quality of life and, therefore, have potential for future funding requests.

Potential Operations and Maintenance Savings

As shown in table 4.3, the Navy estimated that annual operations and maintenance costs would total almost $129 million, in constant dollars, at the 6 new homeports if all of the previously planned 39 ships arrived. We recognize that due to ship assignment changes, such as the deletion of an operational carrier at Pensacola and the increased number of ships at Ingleside, this estimate will change. However, data to update this estimate was not available at the time of our review.
Table 4.3: Operations and Maintenance Costs for the New Homeports

<table>
<thead>
<tr>
<th>Homeport</th>
<th>Annual costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staten Island</td>
<td>$16.3</td>
</tr>
<tr>
<td>Everett</td>
<td>23.8</td>
</tr>
<tr>
<td>Pensacola</td>
<td>34.8</td>
</tr>
<tr>
<td>Pascagoula</td>
<td>16.7</td>
</tr>
<tr>
<td>Mobile</td>
<td>14.4</td>
</tr>
<tr>
<td>Ingleside</td>
<td>23.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$128.6</strong></td>
</tr>
</tbody>
</table>

The costs in table 4.3 do not include all recurring costs. For example, the Navy plans to obtain 1,200 family housing units for Staten Island under a build-to-lease housing program that will require leasing the housing for 20 years. However, the annual lease cost, which is expected to be $18.6 million, or $372 million over the 20-year lease period, was omitted from the total.

The Navy has not recently estimated the operations and maintenance costs of homeporting the ships assigned to the new homeports at the existing homeports instead, and data was not available for us to make these estimates. However, earlier estimates indicate that the operations and maintenance cost differential between new homeports and existing homeports would be substantial.

In 1986, the Navy estimated that the total operations and maintenance cost difference between new and existing homeports would be $36 million to $60 million annually. During our current review, Navy officials stated that the cost differential was likely to be on the high side of that original estimate.

A 1988 Navy estimate indicated that the incremental operations and maintenance costs at existing homeports would be 44 percent less than the costs at Staten Island, Everett, and the Gulf Coast. On this basis, annual operations and maintenance savings of at least $57 million would be realized if the new homeports were not opened.

We believe that the annual savings in operations and maintenance costs could be greater than the $57 million estimate. With the abandonment of the 600-ship goal and the planned reduction to 451 ships by fiscal year 1995, the incremental costs at existing homeports and overall operations and maintenance costs for the fleet should be reduced. In addition,
$18.6 million in annual lease costs for the build-to-lease program at Staten Island would be saved.

Potential One-Time Savings

In addition to annual operations and maintenance savings, not opening the new homeports could result in a nonrecurring, one-time savings of about $593 million, in constant dollars, to the federal government.

Navy officials estimated that as of October 30, 1990, the resale value of land and improvements could be $443 million and that these proceeds would be offset by contract termination costs and local reimbursements of $238 million. Therefore, the net savings on existing facilities would be $205 million.

Additional savings could result if planned development projects were not implemented. Future projects fitting into this category total $199 million. In addition, most projects included in the $189 million that would be funded from the 1988 base closure account also might not be constructed if the new homeports were not opened. Furthermore, future projects required to equate the new homeports with existing homeports, which lack cost estimates and have not yet been programmed by the Navy, would add to the potential savings.

Agency Comments and Our Evaluation

DOD expressed concern that our $1.4 billion estimate of the total cost of the new homeports was being compared with earlier estimates of the cost of achieving initial operating capability. DOD specifically cited the Navy’s initial estimate of $799 million in military construction appropriations to achieve initial operating capability and its February 1987 estimate of $1.06 billion in funds from all sources to achieve this capability. DOD also objected to the inclusion of base closure funds in our total cost estimate.

We agree that these earlier estimates should not be compared with the $1.4 billion total cost estimate. Our estimate was derived from the latest available data and included all known projects irrespective of the sources of funds and whether they were needed for initial operating capability or full capability. In addition, since these earlier estimates, several factors have changed the structure and composition of the strategic homeporting program. Base closure actions halted development at three new homeports and realigned three others. Environmental concerns at Everett resulted in the redesign of piers and waterfront operations. Decreases in the size of the fleet caused changes in the number
and types of ships and the number of personnel planned for the new homeports.

DOD stated that our $593 million estimate of one-time savings was overstated because it uses the best possible estimate for value of land and improvements and includes future projects that have not been funded or executed. Our estimate was derived from Navy data, and we acknowledge that it assumes the best case resale value of land and improvements. In this regard, we note that assumptions we used to calculate the savings are similar to the guidance DOD gave the military services to calculate the savings resulting from base closures. The guidance stated that the services should base the estimated land value on its highest and best use. The guidance also instructed the services to include construction cost avoidances for fiscal years 1992 through 1997 and beyond, if known.
Chapter 5

Conclusions and Recommendation

The Navy's original justifications for the strategic homeporting program were to (1) accommodate growth to a 600-ship fleet, (2) prevent overcrowding at existing homeports due to the expected growth, and (3) correct strategic shortfalls within the existing homeporting structure.

However, these justifications are no longer entirely valid today. The fleet never grew to 600 ships and is now projected to decline to 451 ships by fiscal year 1996. Under the 600-ship plan, existing major East and West Coast homeports can accommodate their projected ships and the ships scheduled for the new homeports without overcrowding. For example, Norfolk can berth its projected ships in 1993 plus the additional ships from the Staten Island and Gulf Coast ports. San Diego or Long Beach can accommodate their respective projected ships in 1997 as well as the ships scheduled for the homeport at Everett.

The Navy continues to demonstrate the need for expansion of the homeporting structure to correct strategic shortfalls on the basis of five principles. However, the application of these principles to the program in today's environment has not been clearly defined, and many of the program's original strategic objectives will not be fulfilled. Additionally, the Navy now justifies homeporting expansion, while closing two existing homeports, on the basis of its analysis supporting the Secretary of Defense's April 1991 base closure recommendations. We found that the Navy had insufficient documentation to support its analysis to retain the new homeports.

The identified total cost to develop the new homeports is about $1.4 billion, including $189 million from the 1988 base closure account. The Navy may also require future funding for additional projects to enhance mission capability and improve quality of life, although the costs of those projects have not yet been determined. In addition to funding necessary to develop the new homeports, the Navy could spend almost $129 million annually for operations and maintenance at the new homeports.

Significant dollar savings, in the hundreds of millions, could result if the new homeports were not opened. Nonrecurring savings from selling land and existing improvements and halting future development could be about $693 million. Recurring savings from operations and maintenance, offset by the increased costs of homeporting the ships at existing ports, could be about $57 million and might be greater as the fleet declines.
We recognize that the new homeports already have many facilities in place and the Staten Island homeport has received its first ship. In 1988, the Base Realignment and Closure Commission determined that mission-related requirements would be the preeminent factor in deciding the fate of installations for realignment and closure. The Commission subsequently recommended closure of 86 existing defense bases. Similarly, we believe the primary determination of the need for the new homeports should be whether or not they meet mission-related requirements, regardless of their construction status.

**Recommendation**

The existing homeports can accommodate the Navy’s fleet, most of the original objectives of the strategic homeporting program will not be fulfilled, and fiscal realities require reductions in the defense budget. Accordingly, we recommend that the new homeports be terminated, and that the Chairman, Defense Base Closure and Realignment Commission, include these homeports in his base closure recommendations to the President.

**Agency Comments and Our Evaluation**

DOD did not agree with our recommendation to terminate the new homeports. DOD stated that under the base closure process created by Public Law 101-510, existing homeports at Long Beach and Philadelphia were determined to be the appropriate candidates for closure. DOD stated further that because our review began before the current base closure effort, we did not evaluate the strategic homeports on an equal basis with other homeports and did not take into consideration the final base closure selection criteria.

After evaluating DOD’s comments, we continue to believe that the new homeports should be terminated. Although DOD’s base closure selection criteria were published after our review began, our analysis closely parallels the criteria as they relate to military values. DOD guidance directed the military services to give priority to the criteria addressing the military value of installations. In our analysis, we considered such military value criteria as mission capability, operational readiness, and condition of facilities.

The new homeports cannot be evaluated on an equal basis with the existing homeports because the new homeports are not complete. Pier and waterfront facilities, operational and maintenance facilities, and quality of life facilities are not yet under construction or are only partially in place. In commenting on our draft report, DOD acknowledged
that, in considering the new homeports on an equal basis with existing homeports, it assumed that the required facilities had been built and all of the new homeports had been activated. In actuality, the new homeports are in various stages of development and will not be capable of accommodating ships and personnel in a manner comparable to the existing homeports in the immediate future. A Navy report states that even Staten Island is not ready to receive the remaining ships to be homeported there. We believe that the Navy gave the new homeports an advantage over existing homeports by assuming that the required pier and waterfront, operations and maintenance, and quality of life facilities were in place.

In making the 1991 base closure recommendations, DOD relied upon a Navy analysis as support for retaining the new homeports. In our recent report entitled Military Bases: Observations on the Analyses Supporting Proposed Closures and Realignments (GAO/NSIAD-91-224, May 15, 1991), we analyzed DOD’s recommendations and the selection criteria used and concluded that the Navy had insufficient documentation to support its recommendations and did not establish required internal controls to ensure the accuracy of the data used. We also stated that the Navy would have significant excess berthing capability if only the recommended homeports at Long Beach and Philadelphia were closed and that additional closures should be considered.
Appendix I

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-8000

May 29, 1991

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20458

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report entitled, "Navy Homeports: Expanded Structure Unnecessary and Costly" dated March 13, 1991 (GAO Code 394372, OSD Case #8392).

The draft report states that the strategic homeport program has not fulfilled its objectives, existing ports can accommodate the current and future fleet, and there are significant one-time and recurring savings that could be realized by closing the Staten Island homeport and terminating the program. However, the report also recognizes that other, older ports may be more appropriate closure and realignment candidates, as long as mission related requirements are the preeminent factor.

Under the base closure process created by Public Law 101-510, the Secretary of Defense made recommendations to the Defense Base Closure and Realignment Commission on April 12, 1991. The Act required that all installations, including the strategic homeports, be considered equally. As the GAO has noted in its report, "Military Bases: Observations on the Analyses Supporting Proposed Closures and Realignments," (GAO/NSIAD-91-224), the four base closure criteria on military value, including mission related requirements, were the priority considerations in this process.

The DoD does not concur with the GAO recommendation to terminate the program. Under the base closure process required by law, the strategic homeports were considered for closure or realignment along with all other naval stations. The Navy's analysis resulted in a determination by the Secretary of Defense that other homeports, with significant berthing capacity, were the appropriate candidates for closure.
Appendix I
Comments From the Department of Defense

The detailed DoD comments on the draft report findings and recommendations are provided in the enclosure. However, the draft should be revised to include the effect these closure recommendations will have on the Navy's total berthing capacity and to compare the relative military value of all Navy homeports. The Department stands ready to provide further comments on a revised draft GAO report.

Sincerely,

David J. Berteau
Principal Deputy

Enclosure
Appendix I
Comments From the Department of Defense

GAO DRAFT REPORT - DATED MARCH 13, 1991
(GAO Code 394372) OSD Case 8392-A

"NAVY HOMEPORTS: EXPANDED STRUCTURE UNNECESSARY AND COSTLY"

DEPARTMENT OF DEFENSE COMMENTS
* * * * *

General Comments

Public Law 101-510 established procedures for the submission of the Department of Defense domestic base closure and realignment recommendations to the new Defense Base Closure and Realignment Commission and the Congress. The Act mandated that comprehensive studies be conducted to compare the base structure with the projected the force structure. These studies were to consider all installations on an equal basis using published final selection criteria that included military value, return on investment and community, environmental and economic impacts. The Navy's in-depth study, which addressed all its installations (including the new strategic homeports), identified excess homeporting capacity and the most appropriate bases for closure to reduce excess capacity. On April 12, 1991, consistent with the requirements of PL 101-510, the Secretary of Defense forwarded these recommendations to the Defense Base Closure and Realignment Commission. Notably, the military value criteria were the preeminent criteria in the Navy's analysis supporting these recommendations.

The GAO review began before the current base closure effort mandated by Public Law 101-510. Consequently, the draft GAO report does not evaluate the strategic homeports on an equal basis with other Navy homeports, and does not take into consideration the final base closure selection criteria. Consequently, the Department considers the GAO conclusion that the Staten Island homeport should be closed, and the strategic homeporting program terminated, as being inadequately supported.

The Navy's strategic homeports were reviewed as part of the complete study of the Department of Defense (DoD) base structure. The following DoD comments on this GAO draft report were prepared during the base closure study, and are consistent with the results of the base closure process.

The GAO concluded that the Secretary of Defense should "terminate the new homeports" because: 1) the existing homeports can accommodate the fleet; 2) most original strategic objectives will not be fulfilled; and 3) fiscal realities require reductions in the defense budget.
The DoD does not disagree that the projected fleet of 451 ships can fit into the Navy's existing homeports. In selecting Naval installations for closure or realignment, the current and future mission requirements and the impact on operational readiness, overall facility conditions, as well as the potential to accommodate contingency, mobilization, and future force requirements at receiving locations received priority consideration. Thus, berthing capacity is just one of many considerations that provided an overall context for the DoD base closure and realignment criteria. In recognition of a projected excess of berthing capacity, the Navy nominated naval stations at Philadelphia and Long Beach for closure. These installations possess significant large ship berthing capacity.

However, capacity was just one of many factors considered during the process. Applying the final selection criteria to the new homeports favored their retention. The new homeports provide an addition to the Navy’s infrastructure that provides modern piers, maintenance and other operational facilities. Quality of life factors, such as family housing, and morale, welfare and recreation facilities provided either by the Navy or existing in the community, are also important factors favoring retention. Future mission requirements and the impact on operational readiness were also important considerations. These factors resulted in the recommendation to retain the new homeports.

* * * * *

FINDINGS

Finding A: Navy Homeporting Current Status. The GAO reported that the Navy plan for strategic homeporting was based on five strategic principles related to (1) force dispersal, (2) battlegroup integrity, (3) industrial base utilization, (4) logistics suitability, and (5) geographic considerations. The GAO reported that the six new homeports are in various stages of completion. The GAO observed, for example, that Staten Island, New York, is the most complete—having many facilities in place. The GAO noted that Staten Island received its first ship in August 1990. The GAO observed, however, that the other homeports will not be completed for several years. The GAO also reported that, notwithstanding the fact that the Navy has never defined specifically what constitutes initial operational capability, the Congress nevertheless has appropriated over $662 million in military construction funds for the homeporting program to achieve "initial operational capability."

The GAO observed that, in December 1988, the Commission on Base Realignment and Closure made recommendations that affected six new homeports, leading to construction being halted or never started at San Francisco (Hunter's Point), California, Galveston, Texas, and Lake Charles, Louisiana. The GAO noted that the portion of the battleship battlegroup designated for Hunter's Point, California, was to be relocated to Long Beach, California;
Pearl Harbor, Hawaii; and San Diego, California. The GAO reported that the Navy now considers Long Beach and Pearl Harbor to be a part of the base realignment and closure program, rather than the strategic homeporting program. (pp. 10-14/GAO Draft Report)

RESPONSE: Nonconcur. The Navy has identified the facilities that constitute initial operating capability at each of the strategic homeports. Those facilities satisfy the basic shore requirements necessary to support the homeporting of the ships planned for each individual homeport. In the case of each homeport, except for Everett, the Military Construction projects submitted through FY 1991 will permit the Navy to achieve initial operating capability. During GAO’s review, the Navy provided a list of projects totaling $308 million that would achieve initial operating capability at Everett. Future military construction projects (beyond initial operating capability) will compete with all other projects in the regular military construction program.

FINDING B: The Fleet Size Is Decreasing. The GAO reported that when the strategic homeporting program was funded in 1986, the Navy projected a force level of 600 ships. The GAO found that, since that time, both the anticipated fleet size and the number of ships and sites selected for the strategic homeporting program has been reduced. The GAO further found that, according to the FY 1992 DoD budget plans, future reductions will decrease the fleet to 464 ships by FY 1993, including 12 aircraft carriers. The GAO noted that the reductions include the deactivation of the four remaining battleships and a drop in the number of surface combatants, from 199 to 144 by FY 1993. The GAO also observed that the Navy posture statement and FY 1992 budget request project a fleet of 451 ships, including 12 aircraft carriers, by FY 1995. The GAO reported that the number of strategic homeports has decreased from 13 to six, with the number of ships scheduled for those homeports declining from the current 63 to 39 (at the time of the GAO berthing analysis). The GAO also noted that further reductions in the number of ships scheduled for the new homeports were planned. In addition, the GAO noted that a reduction to 12 operational carriers may impact the strategic homeporting plan. (pp. 18-20/GAO Draft Report)

DoD RESPONSE: Concur. For planning purposes, ship homeporting alternatives were developed for the strategic homeports concurrent with the base closure process. The planning made assumptions concerning the future status of the bases. This planning was done to facilitate analysis and decision making in the context of a decreasing fleet and potential future missions of the strategic homeports. A ship homeporting plan for the strategic and existing homeports can not be finalized until the FY 1991 base closure process is concluded.
FINDING C: Existing Homeports Can Accommodate The Current and Projected Fleet. The GAO reported that the existing homeports at Norfolk, Virginia; Charleston, South Carolina; Mayport, Florida; San Diego, California; Long Beach, California; and Pearl Harbor, Hawaii, accommodated their respective ships in FY 1990. The GAO found that Norfolk, San Diego, and Long Beach can support their respective scheduled ships in future years, as well as the ships designated for the new strategic homeports. The GAO noted that berthing for additional ships could also be split among several existing ports. The GAO found that Norfolk, San Diego, and Long Beach would require some modifications, which the ports already have under construction or planned, in order to accommodate their own homeported ships. The GAO noted that the Navy maintained that modernization is required regardless of homeport decisions because of normal aging of port facilities. (pp. 21-22 Report)

DOD RESPONSE: Partially concur. The capacity analysis performed during the base closure review provided a means to translate projected force structure requirements into facility requirements. An excess capacity in piers was identified. It is noted, however, that capacity is not the only criteria used to evaluate the Navy's ports. Other factors are equally important in determining where ships should be homeported.

While Navy acknowledges excess pier capacity, the draft report addresses how the GAO reached its conclusion only in a very general manner. However, a review of Table 2.2, Berthing Requirements at Norfolk, seems to indicate that GAO's analysis process and the basic assumptions used in that process are inconsistent with the Navy's planning procedures. For example, Table 2.2 indicates that triple nesting was used for one berth (9 destroyers in port with 4 berths), and very high deployment ratios for amphibious ships (6 of 16), auxiliaries (4 of 11), and cruisers (8 of 14) were also assumed. The table also shows one mine warfare ship deployed (not normally the case). Overall the table shows 39 of 114 ships deployed (or 1/3 deployed), and therefore not included in the computations for berthing space.

One of the primary assumptions affecting ship berthing analyses is the in-port ratio. This percentage is applied as a reduction factor to account for ships on deployment, training, local operations, overhauls, etc. The Navy uses a 67% in-port ratio applied to individual surface ship hull types and a 75% in-port ratio for attack submarines. When these percentages are applied for a given homeport situation, the result of rounding and the application of the in-port ratio by individual hull types leads to a greater than 67% of the ships in-port on a port-wide basis. GAO, in Table 2.2 of its draft report, indicates that it used "basic facilities requirements documents to extract actual in-port percentages." The GAO does not, however, specify what percentages were used in their analyses and from reviewing these tables no pattern is discernible.
In developing notional berthing plans, the Navy also provides single berths based on an average of 10% of the total ships homeported for a given homeport. This ensures sufficient single berths to accommodate Restricted Availabilities and Intermediate Maintenance Activities in the homeport. These maintenance activities may require unrestricted access to both sides of a ship's hull for maintenance. The GAO does not indicate any single berths for these availabilities in their analysis. Newer, minimum manned ships are assigned for extensive shore based support during maintenance periods. This requires single berthing of units in maintenance, which normally constitutes one third to one half of an in-port schedule. This period will become greater as these ships are transitioned out of the normal overhaul cycle and into extended pierside availabilities. This process will provide for greater utilization of a ship when compared with an overhaul cycle; however, it requires far more available pier space to accomplish.

The Navy has a policy to double nest ships where feasible (triple nesting is avoided if at all possible). The GAO appears to suggest triple nesting is necessary in its analysis. It appears that the GAO's ship berthing surplus is predicated on an arithmetic analysis, using cumulative lengths of ships and subtracting from the total berthing available. This type of analysis can result in erroneous results because not all pier and wharf berthing assets are suitable for ship homeporting. The GAO's draft report does not indicate what berthing assets for each particular port have been included in its analysis. The GAO does not appear to be consistent in including waterfront and shoreside support facilities required to accommodate homeported ships.

Focusing only on the loading of ships into the homeports isolates the impact to the waterfront and ignores the quality of life and aging plant issues. Physically loading ships into pier space is not the only factor affecting decisions to homeport ships. For example, during the late 1980s, as the Navy was building to its 600 ship force, the existing homeports accommodated the fleet units, in anticipation of strategic homeports being completed. Although the ships were "accommodated," the quality of life due to crowding was far less than ideal. GAO's conclusion ignored the impact of those conditions. Additionally, the Navy is totally dependent on its deep water ports. Ships require modern personnel support facilities and a fully capable industrial repair base.
The Navy does not disagree that the projected fleet of 451 ships can fit into the existing homeports of the Navy. However, in recognition of this projected excess of berthing capacity, the Navy nominated naval stations at Philadelphia and Long Beach for closure. These installations possess significant large ship berthing capacity. However, berthing capacity was just one of many factors considered during the process. In selecting these Naval installations for closure or realignment, the current and future mission requirements, facility condition and the impact on operational readiness, as well as the potential to accommodate contingency, mobilization, and future force requirements at receiving locations received priority consideration. These considerations provided an overall context for the Navy's homeporting recommendations.

FINDING D: East Coast Homeports Can Accommodate the Staten Island and Gulf Coast Ships. The GAO reported that the Norfolk, Charleston and Mayport Naval Stations had the berthing space and electrical power to accommodate their respective homeported ships over the past several years, including FY 1990. The GAO also found that, in addition, Norfolk has the berthing capacity and electrical power to support its projected FY 1993 scheduled ships and the ships designated for the new homeports at Staten Island; Pascagoula, Mississippi; Mobile, Alabama; Pensacola, Florida; and Ingleside, Texas. The GAO reported that the Commander, Naval Base Norfolk, reviewed and concurred with the GAO quantitative assessment of ability of Norfolk to berth its projected ships and the additional ships in FY 1993. (pp. 22-26/GAO Draft Report)

DOD RESPONSE: Partially concur. See response to Finding "C."

FINDING E: West Coast Homeports Can Accommodate the Everett, Washington, Ships. The GAO reported that both of the existing homeports at San Diego and Long Beach had the berthing capacity and support structures to accommodate their respective homeported ships in FY 1990. The GAO found that each port also has the capacity to berth its projected FY 1997 ships and the ships planned for the new homeport at Everett, Washington. The GAO noted that Pearl Harbor could accommodate its FY 1990 and projected FY 1997 ship loads, but was not a viable alternative for homeporting the Everett ships because the port had neither sufficient waterfront, nor shoreside support facilities. The GAO reported that Navy officials at Surface Fleet Pacific Command and Long Beach Naval Station reviewed the analysis and agreed with the GAO conclusions--given the assumptions regarding in-port percentages, ship mix, ship berthing, and force structure. (pp. 26-32/GAO Draft Report)
Appendix I
Comments From the Department of Defense

DoD RESPONSE: Partially concur. The GAO's conclusion that excess power would exist at San Diego if the Everett ships were homeported there is not completely accurate. Although amperes may appear to be in excess, on a given pier power may not be compatible or sufficient to support a deep draft power intensive ship. As a result of an expected increase in the homeporting of deep draft power intensive ships, a new pier would be required for the ship mix shown in table 2.1, "Berthing Requirements at San Diego." Also, see response to Finding "C."

See comment 2.

FINDING F: Existing Homeports Can Accommodate Deep-Draft and Power-Intensive Ships. The GAO reported that Navy officials have stated that the new homeports are needed because the new deep-draft and power-intensive ships are larger physically and require more power than the ships they replace. The GAO noted that, of the 39 ships scheduled for the new homeports, only 14 ships are deep-draft or power-intensive. The GAO found that existing ports already are berthing those types of ships and can continue to do so in future years. The GAO reported that the Navy berthing projections indicate that San Diego will homeport 21 deep-draft and power-intensive ships in FY 1997. The GAO quantitative analysis shows that San Diego also can accommodate the three deep-draft and power-intensive ships scheduled for Everett. Moreover, the GAO quantitative analysis showed that Norfolk also can accommodate the 11 deep-draft and power-intensive ships scheduled for the Staten Island and Gulf Coast homeports. (pp. 32-33/GAO Draft Report)

DoD RESPONSE: Partially concur. Full support of homeporting deep draft power intensive ships in San Diego is dependent on military construction for dredging and power upgrades.

While existing homeports can, with some improvements, accommodate the ships originally planned for the strategic homeports, upgrading and maintaining older facilities at existing bases must be weighed against the cost of completing the construction and maintaining these new bases with modern facilities, specifically designed for some of the newer class ships. For example, at Staten Island the new on-shore maintenance facility is designed to accomplish modern ship intermediate-level work more efficiently. The other strategic homeports offer similar modern advantages.

Additionally, construction of new facilities at existing bases would, over the long-term, conform to changes in base loading, i.e., ships and base population. Reduced loading at a base would ultimately have corresponding decreases in capital outlays.
Finding G: New Homeports Will Not Fulfill Most of the Original Strategic Objectives. The GAO reported that, although significant changes have occurred since the Navy identified homeporting shortcomings in the early 1980s, it has not re-evaluated the purpose of the strategic homeporting program—and continues to justify expansion of the homeporting structure on the basis of the 1982 analysis. The GAO concluded that, considering the changing world threat, decreasing fleet size, and budgetary constraints, the program will not fulfill most of the original strategic objectives the Navy used to justify the expansion. The GAO also asserted that the Navy did not provide any studies reflecting the current Navy rationale for the program. The GAO observed that, even though plans to expand to 600 ships has been abandoned, the Navy maintained that the original principles nevertheless continued to remain valid.

(Dod Response: Nonconcurs. The strategic homeporting concept is still valid. The GAO concludes that the Navy continues to justify expansion of the homeporting structure on the basis of the 1982 analysis, even though Navy perception of the Soviet threat has changed significantly since the initial analysis. While recognizing the reduction in Soviet global naval activity and the apparent adoption of a "defensive strategy," these changes do not invalidate the strategic concepts which underpin the Navy's program for Fleet dispersal. It should be noted that the announcement of candidates for closure and realignment by the Secretary of Defense reflects the Navy's assessment of the infrastructure required to accommodate the force structure necessary to meet the threat.

Given that the active U. S. Navy will be smaller, the strategic homeports would enhance the Navy's ability to mobilize and reconstitute the forces. The following chart summarizes the homeports at which the Navy would expect to achieve specific strategic advantages.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Staten Island</th>
<th>Mobile</th>
<th>Pasco-</th>
<th>Ingle-</th>
<th>Everett</th>
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<td>x</td>
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<tr>
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</table>

Each principle is addressed in the following discussion of the GAO findings:
Appendix I
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Finding I: Force Dispersal. The GAO concluded that the Navy decision to disperse the fleet was not based on a formal threat/survivability analysis specifically addressing force dispersal. The GAO reported that, as a result, it was unable to determine why the new homeports could improve survivability of the fleet. The GAO also reported that, in light of recent geopolitical trends indicating armed conflict between the Soviet Union and the United States is unlikely, it questioned the validity of continuing to use a Soviet based threat assessment during the current review. The GAO also pointed out that, in testifying on the FY 1992 budget request, the Navy indicated it would have significant strategic warning of a global conflict. (pp. 35-36/GAO Draft Report).

DOD Response: Nonconcur. The Soviet Navy's capabilities remain formidable and intentions can change rapidly. Therefore, it is prudent to not underestimate the potential threat. The fact that the Navy will have fewer ships than envisioned under the Strategic Homeporting Concept, does not make dispersal of the fleet less desirable. Concentrating the fleet in a few homeports does not make anymore sense now than it did when we were planning a 600 plus ship Navy. In fact, fewer resources with which to respond to national priorities makes protection of those assets even more important.

Finding I: Battlegroup Integrity. The GAO reported that the Navy concept of homeporting ships with battlegroup integrity greatly enhanced warfighting coordination by collocating the same or similar units that will train together during routine exercises and contingency deployments. The GAO found, however, that current Navy plans show that ship assignment changes have decreased the opportunities for deployment capability and readiness. The GAO further found that many new homeports will now be without the appropriate capital ship—a battleship or cruiser. The GAO noted, for example, that after designating Staten Island the homeport for the battleship U.S.S. IOWA, the ship was deactivated. The GAO also noted that Ingleside could also be without a battleship, because the Navy also plans to deactivate the U.S.S. WISCONSIN. The GAO further reported that, in addition, the Navy is considering not homeporting an operational carrier at Pensacola and, instead, will continue to keep a training carrier there—thus eliminating the need for homeporting the supporting escort ships at Mobile and Pascagoula. The GAO also found that Everett will not receive a carrier in the near future because the aircraft carrier U.S.S. NIMITZ is scheduled to go to a shipyard for a lengthy nuclear refueling and complex overhaul, and no replacement has been named.

The GAO reported that, even without a capital ship at the new homeports, Navy officials contend that battle-group integrity still could be achieved to some degree through formation of task groups led by a cruiser or destroyer. The GAO noted, for example, that the cruiser U.S.S. NORMANDY, for example, could be
the capital ship at the Staten Island homeport. The GAO concluded that, nevertheless, the end result of the cited changes is that battlegroup integrity, as originally intended, will not be achieved. (pp. 37-38/GAO Draft Report)

DoD RESPONSE: Partially concur. The Navy plans to decommission all of its battleships and reduce carrier battlegroups (CVBGs) to twelve by 1995. Staten Island and the Gulf Coast homeports will not be used to attain battlegroup integrity as was originally planned. The Navy plans to homeport a CVBG in Everett.

FINDING J: Industrial Base Utilization. The GAO reported that, according to the Navy, the new homeports would permit taking advantage of existing industrial base capability during peacetime—and provide surge capability during wartime. The GAO reported that the Navy also indicated in 1986 that, with the fleet growing, shipyards near existing homeports would not have less work under the program and that increased workload would be dispersed more evenly, geographically.

The GAO reported that Navy officials now believe the decreases in the fleet size will impact significantly private shipyard workload. The GAO noted that, regardless of the status of the new homeports, Navy officials say that they will utilize the industrial base in the most cost effective manner because of cost competitiveness among the private shipyards. (pp. 38-39/GAO Draft Report)

DoD RESPONSE: Nonconcur. The size and changing complexion of the Fleet will have a far greater impact on the volume of maintenance work and corresponding requirements for a repair infrastructure than will the geographic distribution of homeports. However, dispersal offers the opportunity to homeport ships close to existing industrial facilities and reduce the hardship of family separation imposed when ships are repaired at great distance from homeport. Staten Island, Pascagoula, Mobile and Everett are located near private and/or Navy industrial facilities that could be used to perform depot maintenance and repair to surface ships homeported in those ports. For example, there are at least three private repair facilities with drydocking capability and several more with topside repair facilities in the immediate vicinity of Staten Island. There are about thirty-two shipbuilding facilities, repair facilities with drydocking, and topside repair facilities on the Gulf Coast. Everett is located very close to the Puget Sound Naval Shipyard.
FINDING E: Logistics Suitability. The GAO reported that, in 1982, the Navy claimed the development of additional logistic support complexes was required to support the expanding Navy. The GAO found, however, that the Navy did not study the logistics suitability of existing homeports during the selection process for the new homeports. The GAO questioned the Navy position on the continued need for additional logistics support complexes as the overall size of the fleet decreases. According to the GAO, officials of the Navy indicated that it is reviewing ship requirements and the resulting shore establishment will be sized accordingly. (pp. 39-40/GAO Draft Report)

DoD RESPONSE: Concur. The GAO questions the need for additional logistics support complexes in view of the current situation, wherein the overall size of the fleet is decreasing. It was the Navy's intent to maximize the use of the existing base infrastructure and provide a core of new dispersed bases to permit implementation of the other principles of the Strategic Homeporting Concept. The base closure review addressed the requirement for the new strategic homeports in view of the projected force structure.

FINDING F: Geographic Considerations. The GAO reported that, according to the Navy, homeporting in more diverse locations would reduce the response time to potential conflict areas and permit training and operations in a variety of environments. The GAO found, however, that since the new homeports may not have operational carriers or battleships, it appears that the ships at the new ports will have to rendezvous with ships from other ports—thus, in fact, increasing response time. The GAO also asserted that the opportunity for significant joint training and exercises the Navy planned to conduct in the homeporting regions of Staten Island and Everett will also decrease significantly. The GAO noted, for example, that without the Everett carrier, mutual training for carrier group ships and Trident submarines homeported in Bangor, Washington, is very limited. The GAO reported that the Navy maintained that the potential for reduced transit times to possible contingency areas is significant if ships are dispersed to new homeports in the Northeast, Northwest, and Gulf Coast. The GAO noted that, while the steaming time from Staten Island to the Indian Ocean is less than from Norfolk, a cruiser task group from Staten Island would have to join ships from Norfolk or another port in a major contingency. (pp. 40-41/GAO Draft Report)

DoD RESPONSE: Nonconcur. Geographic dispersal improves the potential responsiveness of our Naval Forces by bringing them nearer to the locus of possible actions. Homeporting in the Northwest improves our responsiveness and surface Navy capabilities in the Northern Pacific. Homeporting in the Gulf is important to protect our sea lines of communication, which support transhipment of vital raw materials to the U.S. and...
significant amounts of initial mount out and resupply of ammunition, fuel, and equipment to the European or Persian Gulf theaters. For example, during the very recent Persian Gulf War, approximately 30 percent of the square footage of shipments for Desert Shield and Desert Storm came out of the Gulf Coast region.

Geographic dispersal also supports the Navy's total force concept of relying on Reserves and Active Forces, supported by civilian components, to carry out its mission. Dispersal of reserve ships enables the Navy to attract additional trained, prior-service personnel needed to man those ships. This is particularly true of the New York area and the Gulf Coast. The Navy plans to homeport FFTs under the Innovative Reserve Concept and other Naval Reserve Force (NRF) ships at strategic homeports. FFTs are FF-1052 Class ships, which will train their own full-time support crew and a Selected Reserve augment crew. Each FFT will also be used to train reserve crews associated with four other FF-1052s preserved as mobilization assets. With FFTs and other NRF ships homeported at strategic homeports, the Navy would realize the benefits of geographic dispersal by capitalizing on the reserve demographics of those areas.

**FINDING II: New Homeport Costs Exceed $1 Billion.** The GAO reported that the cost of developing the six remaining new homeports is $1.4 billion. The GAO found that, in addition to the non-recurring costs, annual operations and maintenance costs of $129 million are projected for the new homeports. The GAO concluded that not opening new homeports would result in hundreds of millions of dollars in savings, which could be realized by: (1) selling existing land and improvements; (2) halting future development; and (3) not incurring operations and maintenance costs. The GAO reported that, of the $633.8 million appropriated for military construction for the Strategic Homeporting Program, $437.8 million had been expended by December 31, 1990. The GAO also observed that, in addition to almost $200 million in military construction funds still to be spent, most of the $189 million in base closure funds and all of the $199 million of planned and programmed costs beyond FY 1991 are still to be spent. The GAO explained that the $189 million to implement the recommendations of the Base Realignment and Closure Commission contribute significantly to the future development of Staten Island and Everett. The GAO reported that many projects identified in the master plans for Staten Island and Everett will now be constructed earlier than originally planned by using base closure funds. (pp. 42-45/GAO Draft Report)

**DOD RESPONSE:** Partially concur. The GAO estimates the cost of developing the six remaining new homeports at $1.4 billion. This total is presented as evidence that the Navy underestimated the cost of Strategic Homeporting construction when it reported that the cost of achieving initial operating capability would be $799 million.
The $1.4 billion figure cited by the GAO includes: Military Construction appropriations; non-appropriated funds; cash contributions by local governments; the estimated value of donated land and off-base road and utility infrastructure improvements by local governments; planned 1988 Base Realignment and Closure implementation projects; and programmed and unprogrammed future Military Construction projects.

The Navy never concealed the fact that the total cost, from all sources, of building the new strategic homeports would be greater than $799 million. The $799 million estimate has always been characterized as only the Military Construction appropriations required to achieve initial operating capability. This number was the basis for Congress' legislative cap on strategic homeport construction which clearly applies specifically to Military Construction appropriations and expenditures. In a letter to the House Armed Services Committee dated February 13, 1987, the Navy reported that initial operating capability was estimated to cost $799 million in Military Construction appropriations, plus $190.8 million in local contributions, $40.4 million for family housing and $28.5 for non-appropriated fund projects, totalling $1.06 billion.

The $340 million difference between the Navy's $1.06 billion estimate and the GAO $1.4 billion estimate consists of:

See comment 5.

1. $189.2 million of construction (now estimated at $132.2 million) planned to implement the recommendations of the 1988 Base Realignment and Closure Commission, not contemplated at the time of the Navy's report;

2. estimates by local governments of the value of off-base infrastructure improvements they claim to have made, or plan to make, as a result of homeport establishment (the Navy's report included only local cash, donated land, and off-base improvements clearly identifiable with the homeport); and,

3. currently planned or programmed projects, which would enhance the capability or livability of the homeports, but which are not required for basic operational capability (these projects compete for future funding with all other Navy Military Construction requirements).

The Navy's $1.06 billion figure reflects the total construction cost of attaining only initial operating capability, whereas the $1.4 billion GAO total adds Base Realignment and Closure construction, unsubstantiated estimates of local off-base infrastructure improvements and future enhancements, which are not required for initial operating capability.

GAO also states that "(m)any projects the Navy identified as necessary for future development in homeporting master plans for Staten Island and Everett will now be constructed earlier than originally planned by using base closure funds." This statement implies that the Navy is improperly using base closure funds to
obtain additional facilities and understate the cost of the new
homeports. In creating master plans for the new homeports, the
Navy prudently allowed for future development and growth.
However, depiction of potential development should not be
interpreted as a concrete plan for facility construction. At
both Staten Island and Everett, the plans for the strategic
homeports called for reliance on substantial, existing facility
assets at Brooklyn and Sand Point, respectively. Ultimate
development of the master plans was not required for initial
operating capability and would have been dependent upon a number
of variables, particularly funding priorities.

The 1988 Base Realignment and Closure Commission
recommendations to close Brooklyn and partially close Sand Point
will eliminate the existing assets available at those locations
to support the new homeports. The scopes of the facility
projects planned for base closure funding have been carefully
examined to ensure that they will provide only the minimum
replacement of existing facilities to be lost at the closing
bases.

FINDING II: New Homeport Costs Exceed $1 Billion. (Factors
affecting Staten Island). The GAO reference to its 1986 report,
in which it indicated that the Navy estimate of $188 million to
establish initial operational capability at Staten Island was
low, The GAO reported that conclusion has proven to be correct,
because the total identified cost, to date, to develop Staten
Island, is $397.2 million. The GAO found that the Navy estimate
was understated due to (1) projects previously deleted now being
constructed, and (2) base closure funds accelerating the
construction timetable for some projects. The GAO noted that the
Base Realignment and Closure Commission recommendation to close
the Brooklyn Naval Station has contributed significantly to
funding for the Staten Island homeport. The GAO found that base
closure funds are now being used to build a headquarters building
and several morale, welfare, and recreation projects that were
desirable but not critical to the initial operating capability of
Staten Island. The GAO reported that the total identified cost
of $397.2 million to develop Staten Island may increase if
additional projects under consideration are added in the future.

DOD RESPONSE: Nonconcurs. The GAO estimates the total cost of
developing the Staten Island homeport at $397.2 million. This
figure includes: Military Construction appropriations; non-
appropriated funds; a New York City cash contribution; the
estimated values of a land discount and promised off-base road
and utility infrastructure improvements by the City; planned Base
Realignment and Closure implementation projects; and programmed
and unprogrammed future Military Construction projects.

1 "NAVY SHIPS: Information on Benefits and Costs of
Establishing New Home Ports" GAO/NSIAD-86-146,
Dated June 3, 1986 (OSD Case 6942, pp.45-49/GAO Draft Report)
The report uses this "total cost" figure to erroneously suggest that the cost of developing the homeport has more than doubled from the Navy's original estimate. To support its position, the GAO cites its 1986 report, which claimed that the Navy's estimate of $188 million to establish initial operating capability at Staten Island was low. The Navy's $188 million estimate has always been clearly understood to be only the Military Construction appropriations required to achieve initial operating capability. The Navy's aforementioned 1987 report to the House Armed Services Committee indicated that initial operating capability for the New York homeport was estimated to cost $188 million in Military Construction appropriations, plus $19 million in local contributions, $40.4 million for family housing and $11.5 for non-appropriated fund projects, totaling $258.9 million. The additional planned construction (future military construction, non-appropriated fund, Base Closure, off-base infrastructure improvements by the City) cited by GAO is not required to attain initial operating capability.

The GAO speculates that "[s]ome projects now funded under the base closure account likely would have been considered by the Navy for future military construction funding." GAO erroneously includes these projects (required to implement the 1988 Base Realignment and Closure Commission recommendation to close Brooklyn) in its calculation of the total cost to develop the homeport. GAO justifies this inclusion by suggesting that the Navy is using base closure funding for homeport construction, thus understating the total cost of homeport development.

The 1988 Base Realignment and Closure Commission recommendation to close Brooklyn will eliminate a large number of existing facilities that the Navy would have used to support the new homeport. The scopes of the replacement facility projects planned for base closure funding have been carefully scrutinized to ensure that they will provide only the minimum replacement of those existing facilities to be lost at Brooklyn. The Navy base closure program will result in replacement of less than 50 percent of the facility assets currently existing at Brooklyn. The loss of the Brooklyn base was unanticipated at the time the Navy's homeport plans and cost estimates were developed.

**FINDING Q: Factors Affecting Everett Costs.** The GAO reported that the delays in construction due to environmental concerns have caused the initial operational capability date for Everett to slip about five years. In its 1986 report, the GAO also reported that the Navy estimate of $273 million to establish initial operational capability at Everett was too low. The GAO found that has proven to be the case because the current total identified cost to develop Everett is now $479.5 million. The GAO found that the Base Realignment and Closure Commission recommendation to close a portion of the Sand Point Naval Station has contributed significantly to funding for the Everett homeport. The GAO reported that, again, projects not in the initial operational capability estimate are now planned for
construction, including a commissary/exchange and various morale, welfare, and recreational facilities. The GAO also reported that a logistics complex in the original estimate will be funded from the base closure account. The GAO noted that the total identified cost to develop Everett may increase even further if currently unprogrammed projects are added. (pp. 49-51/GAO Draft Report)

Deb Response: Nonconcurs. The GAO estimates the total cost of developing the Everett homeport at $479.5 million. This figure includes: Military Construction appropriations; the estimated value of off-base road and utility infrastructure improvements by the local government; planned Base Realignment and Closure implementation projects; and programmed and unprogrammed future Military Construction projects.

GAO uses this "total cost" figure to suggest the cost of developing the homeport has nearly doubled from the Navy's original estimate. GAO cites its 1986 report in claiming "that the Navy's estimate of $272 million to establish initial operating capability at Everett did not identify costs for all essential basic operations and quality of life projects to improve morale and increase retention."

The Navy's $272 million estimate has always been clearly characterized as only the Military Construction appropriations required to achieve initial operating capability. The 1987 Navy report to the House Armed Services Committee, indicated that initial operating capability for the Everett homeport was estimated to cost $272 million in Military Construction appropriations, plus $9.5 million in local infrastructure improvements and $2 million for non-appropriated fund projects, totaling $283.5 million.

The GAO report speculates that "[s]ome projects now funded under the base closure account likely would have been considered by the Navy for future military construction or non-appropriated funding." The report refers specifically to the logistics complex, which was originally planned to be funded as a Military Construction project. When Congress capped Everett Military Construction at $272 million, it required that additional costs (Defense Access Roads, the payment to the Tulalip Indians) not reflected in the Navy's original estimate be included within the capped program. This resulted in displacement of some facilities, such as the logistics complex, from the $272 million program. Consequently, plans were made to provide this supply logistics support from existing facilities at Sand Point. Nevertheless, GAO includes this project as a homeport acquisition cost and suggests that the Navy is using base closure funding for homeport construction in an attempt to understate the total cost of homeport development.
The 1988 Base Realignment and Closure Commission recommendation to partially close Sand Point will eliminate a number of existing facilities which the Navy would have used to support the new Everett homeport. The relocation of these fleet support functions to Everett will benefit morale and retention, but is not required to achieve initial operational capability. The scopes of the replacement projects planned for base closure funding have been carefully scrutinized to ensure that they will provide only the minimum replacement of those existing facilities to be lost at Sand Point. The Navy base closure program will result in replacement of less than fifty percent of the facility assets to be lost at Sand Point. The loss of these facilities was not anticipated at the time the Navy's original homeport plans and cost estimates were developed, and their replacement costs should not be included in any comparison with those original development costs.

The GAO also suggests that its estimate of the total development cost for Everett may increase if military family housing is required. The GAO acknowledges that a July 1990 Navy housing study concluded that a sufficient supply of affordable housing was available for the majority of military families, but notes that changes in the housing market could affect this conclusion. The supply of affordable housing available to military families is subject to fluctuation in any market. In the mid-1980s, when Everett was chosen as a homeport site, the housing supply was ample. Market conditions will vary over the long term. The Navy will continue to monitor the housing market and will take appropriate measures to ensure that its personnel have access to adequate housing. It is speculative at this stage to suggest that family housing construction will be required at some future date.

The Navy's comparative estimate to achieve initial operating capability has been updated and is now $308 million. This new estimate is consistent with the original (1986) Navy estimate of $272 million, when other factors are considered.

The legislative cap, which applies to Military Construction appropriations, encompasses some costs that were not in the makeup of the Navy's original $272 million estimate. Costs for Defense Access Roads ($14.4 million) are funded from Military Construction Appropriations, but were not included in the Navy's original cost estimate for initial operating capability. Also, the unanticipated cost of the Tulalip Indian memorandum of understanding and contract costs resulting from litigation delays ($8.0 million total) were clearly not included in the Navy's initial operating capability estimate, since they were not incurred until well after that estimate was developed. Another adjustment that must be accounted for is escalation due to program stretchout, currently estimated to be at least $12 million. This amount is calculated by spreading the costs of the original $272 million FY 1986-1990 program over the FY 1986 through FY 1994 period and applying projected construction inflation factors to the reduced annual funding increments.
These adjustments result in a total program cost of about $306 million, which is very close to the Navy's current estimate of $308 million. Today's estimate to complete initial operating capability at Everett is not substantially different from the 1986 estimate, nor does it represent a radical departure from previous construction plans.

**FINDING P: Factors Affecting Gulf Coast Port Costs.** The GAO pointed out that, still again, it has proven to be correct in reporting Navy estimates of $254 million to establish initial operational capability at the Gulf Coast ports were too low—because the current total identified cost to develop the Gulf Coast homeports is $549.4 million. The GAO found that the current cost estimate includes projects the Navy says achieve initial operating capability and contains only a few projects that go beyond that capability. The GAO noted, however, that many of the follow-on projects may not be needed because of strong support from the local communities. The GAO nonetheless concluded that, even though strong community support exists, the Navy still may want to construct other quality of life facilities in the future, which are a part of the master plans for the Gulf ports. (pp. 52-54/GAO Draft Report)

**DoD Response: Nonconcur.** GAO estimates the total cost of developing the remaining four Gulf Coast homeports (Pensacola, Mobile, Pascagoula, Ingleside) at $549.4 million. This figure includes: Military Construction appropriations; cash contributions by local governments; the estimated value of donated land and off-base road and utility infrastructure improvements by local governments; planned Base Realignment and Closure implementation projects; and programmed and unprogrammed future Military Construction projects.

The GAO uses this "total cost" figure to suggest that the cost of developing the homeports has nearly doubled from the Navy's original estimate. GAO cites its 1986 report in claiming "that the Navy estimated it would cost $254 million to establish initial operating capability at the gulf coast ports..." 

The Navy's $254 million estimate has always been clearly characterized as only the Military Construction appropriations required to achieve initial operating capability. The Navy's 1987 report to the House Armed Services Committee indicated that initial operating capability for the Gulf Coast homeports was estimated to cost $254 million in Military Construction appropriations, plus $160 million in donated cash, land and local infrastructure improvements and $12 million for non-appropriated fund projects, totaling $426 million. The difference between this amount and the GAO estimate consists of:
(1) the estimated value of off-base infrastructure improvements that local governments claim to have made, or plan to make, as a result of homeport establishment (the Navy's report included only local cash, donated land, and off-base improvements clearly identifiable with the homeport); and

(2) additional planned construction cited by GAO (future military construction, base closure) that is not required to attain initial operating capability.

The GAO acknowledges that more than half of its estimated total cost, $285.3 million, "represents state and local contributions in the form of cash, land, roads, utilities, and similar contributions." The GAO also acknowledges "that, except for the [direct] cash and land contributions, they [the Navy] have not validated the relationship between other contributed improvements and the homeports." The direct cash and land contributions used to construct the homeports were stipulated in written Memoranda of Agreement between the Navy and the local governments, and are readily quantifiable. The indirect contributions (off-base roads, utilities, etc.), in most cases, are not as readily quantified or appraised. There are exceptions, such as the causeway constructed at Pascagoula, which provides the only vehicular access to the homeport site. It is clear that none of the $285.3 million represents Military Construction or even Federal Government costs, and should not be used in any comparison with the Navy's original $254 million estimated cost to establish initial operating capability at the Gulf ports. The Navy's estimate of $254 million has always been clearly identified as Military Construction costs.

A truer picture emerges when the estimated $285.3 million of state and local contributions is subtracted from GAO's estimated total cost. The remainder is $264.1 million, which consists of: $220.8 million of Military Construction appropriations; $22.5 million of planned Base Realignment and Closure projects; and $20.8 million of potential future Military Construction. When the $220.4 million is added to the $25.3 million reserved to complete closeout of the Lake Charles and Galveston ports, the result is a total Military Construction cost of $245.7 to achieve initial operating capability.

The GAO also suggests that the identification of sites for projects such as clubs, theaters, youth centers, chapels, etc. on the homeport master plans increases potential for future funding requests. In creating master plans for the new homeports, the Navy has prudently allowed for future development and growth. However, the depiction of potential development should not be interpreted as a concrete plan for facility construction. The GAO acknowledges the Navy position that the gulf port areas have sufficient housing and morale, welfare, and recreation amenities available to support military personnel and their dependents. If the majority of military and their families are living in the community, significant on-base support facilities are not
expected to be necessary. Ultimate development of the master plans was not required for initial operating capability and the need for further development will depend upon actual levels of community support or evolving mission requirements.

FINDING 4: Potential Operations and Maintenance Savings. The GAO reported the Navy estimates that annual operations and maintenance costs will total almost $129 million at the six new homeports when all of the ships arrive. The GAO pointed out that those costs do not include all recurring costs—such as leased housing at Staten Island, which is expected to cost about $19.2 million (or $384 million over the 20-year lease period).

The GAO found that the Navy has not made any recent estimates of the operations and maintenance costs of homeporting the ships assigned to the new homeports at the existing homeports instead—and data were not available for the GAO to make such estimates. The GAO concluded, however, that the cost differential would be substantial. The GAO explained that, in 1986, it estimated the differential to be $35 to $50 million, and Navy officials have recently indicated that the differential was likely to be on the higher side of the original estimate. The GAO found that, in 1988, the Navy estimated that incremental operations and maintenance costs at existing homeports would be 44 percent less than costs at the remaining six new homeports. The GAO explained that, just on that basis, annual operations and maintenance savings of at least $57 million would be realized if the new homeports were not opened. The GAO concluded that the annual savings in operations and maintenance could be even greater than the latest $57 million estimate, because of lower costs related to the planned reduction to 451 ships by 1995, and the avoidance of the $19.2 million annual lease costs at Staten Island. (pp. 55-56/GAO Draft Report)

DOD RESPONSE: Nonconcurs. Initially, the Navy estimated base operating costs would increase by $35 to $50 million per year with the addition of the new strategic homeports. By the GAO's calculations and using a more accurate annual cost figure for Pensacola, the result would be within the range of the Navy's original estimate instead of the GAO's $57 million estimate. In any case, it is difficult to accurately assess operating cost differentials. For example, estimates can not capture all the costs of continuing to homeport the ships in existing ports. Additionally, the costs of operating the new homeports would have to be examined in the context of the total infrastructure, after implementation of final closure and realignment decisions.
FINDING II: Potential One-time Savings. The GAO reported that in addition to annual operations and maintenance savings, not opening the new homeports would result in a non-recurring, one-time savings of about $593 million to the Federal Government. The GAO explained that the resale value of land and improvements would be $443 million—which would be offset by contract termination costs and local reimbursements of $238 million, for a net savings on existing facilities of $205 million. The GAO reported that additional savings of $199 million could result, if planned development projects are not implemented. The GAO observed that $189 million in projects funded from the base closure account also might not be constructed if the new homeports are not opened. Finally, the GAO asserted that future projects required to equate the new homeports with existing homeports would add to the potential savings (but noted cost estimates are lacking and not yet programmed by the Navy).

DoD RESPONSE: Nonconcurs. The GAO asserts that one-time, non-recurring savings to the Federal Government of about $593 million would result from not opening the homeports (and presumably closing Staten Island).

The $593 million of "savings" identified is overstated. $205 million of this amount is identified in the draft report as the net savings, after contract termination and payback of local contributions, that would result from resale of the land and improvements at all of the homeport sites. In computing this net savings, the GAO uses the most optimistic possible estimate for the value of land and improvements. The draft report notes that "Navy officials estimate that as of October 30, 1990, the resale value of land and improvements would be $443 million and that these proceeds would be offset by contract termination costs and local reimbursements of $238 million." In making its case for the largest possible savings, the GAO fails to quote the cautionary footnote that accompanied the Navy's estimate: "Represents best case by assuming resale value of land and improvements to be equal to original acquisition/construction cost. Actual commercial resale value may be much less, or even zero." In other words, should the Navy realize only fifty cents on the dollar for its marketable $443 million investment (very likely in the current economy) the actual net savings from resale would be zero or a loss ($222 million - $238 million). The very real possibility of a return of less than fifty cents on the dollar would result in an even greater net loss to the Government.

In computing net savings, the difference between its larger estimate of state and local contributions and the Navy's tabulation of the Government's liability for payback of these contributions is overlooked. The GAO figure includes estimates by local governments of the value of off-base infrastructure improvements they claim to have made, or plan to make, as a result of homeport establishment. The Navy's tabulation includes
only local cash, donated land, and off-base improvements clearly identifiable with the homeport. Inclusion of GAO's larger number in this report is likely to be used by the state and local governments to substantiate a claim for reimbursement of all costs they associate with homeport development, as occurred at Lake Charles. The difference between the GAO estimate and the Navy amount is $125 million, which should be subtracted from any GAO estimate of resale proceeds.

The other components of the $593 million savings estimate all represent cost avoidances rather than actual savings, in that they include, for the most part, future projects that have not yet been funded or executed. Included in the $189 million of Base Closure construction "savings" are several projects that have begun construction at Staten Island, with the majority of this investment on Port Wadsworth. Termination costs for these projects would not be offset by resale revenues and would, therefore, decrease net savings, since the Fort Wadsworth property and its facilities have not been considered as available for sale.

GAO's estimate of savings from stopping homeport development and selling the facilities is unrealistic. The bottom line from disposing of homeport land and improvements could very well be a net loss to the Government, if realistic assumptions about resale value and local payback costs are used.

* * * *

**Recommendations**

**Recommendation**: The GAO recommended that, because the existing homeports can accommodate the fleet, most original strategic objectives will not be fulfilled, and fiscal realities require reductions in the Defense budget, the Secretary of Defense terminate the new homeports. (p. 60/GAO Draft Report)

**DoD Response**: Nonconcur. The DoD does not concur with GAO's recommendation to close Staten Island and terminate the program. The Navy's in-depth study, which addressed all of its installations including the new strategic homeports, identified excess ship homeporting capacity and the most appropriate bases for closure to reduce excess capacity. On April 12, 1991, consistent with the requirements of PL 101-510, the Secretary of Defense forwarded these recommendations to the Defense Base Closure and Realignment Commission. Notably, the military value criteria were the preeminent criteria in the Navy's analysis supporting these recommendations.
The draft GAO report does not evaluate the strategic homeports on an equal basis with other Navy homeports, and does not take into consideration the final base closure selection criteria. In the GAO's addendum to this report, the GAO recognized that "... the Secretary of Defense may decide that the more modern facilities, such as Staten Island, may be more desirable than retaining other, older facilities as long as the mission-related requirement is the preeminent factor considered." Consequently, the DoD considers the GAO's conclusion that the Staten Island homeport should be closed, and the strategic homeporting program terminated, to be inadequately supported since the draft does not evaluate the strategic homeports on an equal footing with the Navy's other ports. Before such recommendations can be considered, a more comprehensive analysis is appropriate, that takes into account the recommendations of the Secretary of Defense to the Base Closure Commission.
The following are GAO'S comments on the letter dated May 29, 1991, from the Department of Defense.

**GAO Comments**

1. We do not agree that the Navy has specifically defined what is to be available or accomplished to achieve initial operational capability. Navy officials continue to provide differing definitions of initial operating capability, ranging from a "fully capable base" to "minimum services required" for a single ship. A September 1990 Naval Audit Service report on implementation of the Staten Island homeport concluded that initial operational capability was open to interpretation. The report showed that Staten Island was ready to accommodate one or more of the originally designated ships by mid-1990 but not all seven as planned. Similarly, the plans for initial operating capability at Everett have changed. The total number of ships has decreased, and the first ship to arrive will be a frigate rather than a carrier as originally planned.

2. We asked Navy officials for their analysis showing the need for a new pier at San Diego, but they did not provide such an analysis. During our fieldwork, Navy officials at Surface Fleet Pacific Command reviewed our pier-by-pier analysis and agreed with our conclusion that the ships could be accommodated without a new pier.

3. We asked Navy officials to provide the support for this chart. They stated that the chart is judgmental and there is no documentation supporting the placement of the checkmarks. We also note that the Pensacola homeport, for which $41.8 million has been appropriated as part of the strategic homeporting program, is absent from this chart.

4. In light of the Navy's proposed reductions in Naval Reserve manpower levels for fiscal years 1992 and 1993, we believe the potential benefits to be achieved at the new homeports would be at the expense of existing bases. We asked the Navy to provide data demonstrating how the Navy would capitalize on the reserve demographics at the Staten Island and Gulf Coast areas. The Navy did not provide such data, but referred us to its 1991 base closure analysis for the Secretary of Defense. As noted in our report (GAO/NSIAD-91-224), we found the support for this analysis to be insufficient.

5. The Navy deleted several projects in reducing the base closure estimate from $189.2 million to $132.2 million. These projects include a commissary/exchange at Everett, bachelor officers quarters at Staten Island, and a child care center at Ingleside.
Appendix I
Comments From the Department of Defense

6. The Navy’s estimate of $254 million to achieve initial operating capability at the Gulf Coast homeports includes two homeports (Lake Charles, Louisiana; and Galveston, Texas) that are no longer in the strategic homeporting program.

7. DOD states that by using a more accurate annual cost figure for Pensacola, the estimated annual savings in operations and maintenance costs would be between $35 million and $50 million instead of our estimate of $67 million. Our $34.8 million annual cost estimate for Pensacola was derived from Navy data and consisted of $23.4 million to accommodate the U.S.S. Lexington training carrier and incremental costs of $11.4 million to accommodate an operational carrier. Calculating the incremental costs for all ports except Pensacola and then adding the incremental cost for Pensacola would result in total savings of $53 million in annual operations and maintenance costs.

8. DOD stated that we should subtract $125 million from the one-time savings of $593 million because we included state and local contributions that the Navy has not validated. We did not use these contributions in computing net savings but instead used the amounts validated by the Navy.

9. Our draft report directed our recommendation to terminate the new homeports to the Secretary of Defense. Since then, the Secretary has submitted his proposed closures to the Chairman, Base Closure and Realignment Commission. We are now directing this recommendation to the Chairman, Base Closure and Realignment Commission for consideration in his recommendations due to the President by July 1, 1991.

10. Our draft report recognized that, in comparing the new homeports against existing homeports, the Secretary of Defense may decide to retain more modern facilities, such as at Staten Island, over other, older facilities as long as the mission-related requirement is the preeminent factor considered. The Secretary has since made his decision to retain all the new homeports and proposed closing the existing homeports at Long Beach and Philadelphia. However, as noted in our report (GAO/NSIAD-91-224) analyzing the recommendations and the selection process used, we found that the Navy had insufficient documentation to support its recommendations.
Appendix II

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Related GAO Products


The Navy's Strategic Homeporting Plan (Testimony, Apr. 11, 1986).

The Navy's Strategic Homeporting Plan (Testimony, Feb. 26, 1986).
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