

GAO

United States General Accounting Office

Report to the Chairman, Subcommittee
on Defense, Committee on
Appropriations, U.S. Senate

OVERSEAS BASING

**Costs of Relocating the
401st Tactical Fighter
Wing**



**National Security and
International Affairs Division**

B-235882

September 21, 1989

The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

In your April 19, 1989, letter you asked us to review certain matters concerning the relocation of the 401st Air Force Tactical Fighter Wing from Torrejon, Spain, to Crotone, Italy. Specifically, you asked that we determine the costs of severance pay to Spanish employees who will be terminated as a result of the base closure, the costs of moving the other units currently based at Torrejon, and the impact on the Air Force budget of maintaining the 401st rather than deactivating the wing. In a subsequent meeting with your office, you requested that we also report on the costs of constructing the new base at Crotone.

Results in Brief

The Air Force estimates that vacating Torrejon will cost \$51.2 million—\$19.2 million in severance payments to Spanish employees and \$32.0 million to relocate units other than the 401st Tactical Fighter Wing. In addition to these budget outlays, \$96.3 million in capital investments will be turned over to Spain. These costs will be incurred regardless of the eventual disposition of the 401st.

The United States and the North Atlantic Treaty Organization (NATO) will share the costs of constructing a new air base at Crotone. NATO will fund construction of the base and family housing through its infrastructure program at an estimated cost of \$827.3 million, including \$181.3 million for housing construction. The U.S. contribution to NATO infrastructure is about 27.8 percent. Therefore, the United States will fund \$230.2 million of the NATO costs.

Housing costs—generally the responsibility of the base tenant—will be paid through the NATO infrastructure program. However, the United States will repay NATO the \$181.3 million, without interest, over 10 years. The United States will incur some additional costs for Crotone that are not covered by NATO infrastructure funds. These costs include \$14.3 million for morale, welfare, and recreation facilities and \$7.0 million for a U.S.-Italian air-to-ground training range. (Italy will also contribute \$7.0 million for the range.) In total, without adjusting for

inflation, the net non-U.S. costs will be about \$423 million, and the U.S. portion will be about \$433 million, including repayment of the housing costs.

Because of the uncertainty over whether the 401st would remain in NATO or be deactivated, the Air Force made several adjustments to its 5-year defense plan. When the United States first agreed to vacate Torrejon, the Air Force adjusted its budget to reflect deactivating the 401st and projected savings of about \$1.0 billion over 5 years. As a result of the proposal to move the 401st to Crotone, the Air Force restored the 401st to its budget and added the costs of moving—a net increase of about \$468.1 million over 5 years. The cumulative result of restoring the 401st to the budget and moving to Crotone is an increase of approximately \$1.5 billion over the 5-year period.

When the decision was made to retain the 401st, the Air Force decided to reduce its force structure by 72 aircraft—a wing equivalent—at several U.S. bases. Although the wing equivalent deactivation will not save as much as deactivating the 401st and closing Torrejon, the Air Force is projecting a savings of approximately \$721.6 million over the 5-year period.

Background

On December 1, 1988, the United States and Spain signed a new base access agreement governing the use of military facilities in Spain. The United States agreed to comply with Spain's sovereign decision that the Air Force's 401st Tactical Fighter Wing be removed from Torrejon Air Base within 3 years of ratification of the new agreement by the Spanish Parliament. The agreement was ratified on May 4, 1989; therefore, all the aircraft must be relocated by May 4, 1992. Although the agreement allowed the other units located at Torrejon to remain through the 8-year term of the new agreement, the United States decided it would be more cost-effective to relocate all operations. Torrejon is also the headquarters for the 16th Air Force of the U.S. Air Forces in Europe and units of the Air Force Communications Command and the Military Airlift Command. Currently there are over 5,000 U.S. military and civilian personnel at Torrejon and an equal number of dependents.

Anticipating the closing of the air base, the Air Force included the deactivation of the 401st in its fiscal year 1989 amended budget submission. In the 1989 Military Construction Appropriations Act, the Congress prohibited U.S. funding, with the exception of NATO infrastructure funds,

for construction of military facilities or family housing to support the relocation of the 401st.

Concerned over the gap in the Southern Region's¹ defense that the loss of the 401st would create, in December 1988 the NATO Defense Ministers announced their intention to fund the relocation of the 401st in order to retain it in the Southern Region. Italy agreed to host the new NATO base with the United States as tenant. Soon thereafter, the Air Force reinstated the 401st to the fiscal year 1990 budget and adjusted its 5-year plan to reflect the additional costs of moving all operations.

401st's Mission Is Defense of Southern Region

The 401st is the only U.S. Air Force tactical fighter wing in the Southern Region. Its mission is to support the U.S. Air Forces in Europe by developing and maintaining the capability for implementing war plans and supporting combat operations. The aircraft are both conventional and nuclear capable. In a war, the wing's three squadrons would deploy to their wartime locations.

United States Will Incur Costs to Vacate Torrejon

Vacating Torrejon will cost an estimated \$147.5 million. This includes the costs of making severance payments to Spanish nationals whose employment will be terminated and transferring the remaining U.S. units at Torrejon and, in addition to these budget outlays, the capital investment value of U.S. assets remaining at Torrejon. All of these costs will be incurred regardless of where the 401st is eventually moved.

U.S. officials agreed to make severance payments to about 750 Spanish nationals employed by the United States at Torrejon. The Air Force estimates the cost to be \$19.2 million. Severance payments are based on current salary and years of service to a maximum of 14 months pay. The Air Force has no contingency or reservation of funds to cover this liability.

The estimated cost to transfer remaining units at Torrejon is \$32.0 million. Moving the Military Airlift Command, primarily to Rota, Spain, will cost an estimated \$10.0 million. The Air Force Communications Command will relocate to other U.S. bases within Spain and to Crotone at an estimated cost of \$14.0 million. Moving the 16th Air Force headquarters to an undetermined location is estimated to cost \$8.0 million.

¹The Southern Region includes Spain, Portugal, Italy, Greece, and Turkey.

Provisions of the U.S.-Spanish defense agreement also stipulate that the United States has no residual rights to the base. All real property will be turned over to Spain when the United States leaves. The Air Force estimates that \$96.3 million in appropriated military construction funds was invested at Torrejon; the estimated replacement value of the assets is \$616.7 million.

NATO Costs to Construct New Base at Crotone

NATO agreed to pay construction costs, estimated at \$827.3 million, from its infrastructure program for a new base to house the 401st. NATO's infrastructure program normally restricts funding to minimum wartime operational capabilities. However, in order to keep the 401st in Europe, NATO took the unprecedented step of agreeing to fund construction of a new peacetime base, including land acquisition and utilities costs.

The United States contributes \$500 million annually, or about 27.8 percent of NATO's infrastructure program funds. This amount would be dedicated to NATO's infrastructure program even if the United States were to deactivate the 401st or move it elsewhere. The U.S. share of the \$827.3 million in construction at Crotone will be \$230.2 million over the construction period.

U.S. Share of Construction Costs

Aside from its NATO contribution, the United States will incur additional costs for housing, training, and recreational facilities not covered by NATO. The United States will spend \$7.0 million to fund construction of a bilateral U.S.-Italian air-to-ground training range. The United States has also agreed to fund construction of certain recreational facilities at the base at a cost of \$14.3 million. Finally, the United States plans to repay the \$181.3 million prefinanced by NATO to construct 2,507 units of family housing. Payments will be made over 10 years, beginning when the base is occupied, by increasing the U.S. contribution about \$18.1 million per year over the amount it would otherwise contribute to NATO. At the end of the 10-year period, the United States will occupy the housing rent-free and be responsible only for operation and maintenance costs. The Air Force estimates that in 20 years it will save \$143.8 million in housing costs at Crotone compared to the cost of leased housing at Torrejon.

The total cost to construct Crotone (including the U.S.-Italian air-to-ground training range), without adjusting for inflation, is \$855.6 million. The non-U.S. portion is \$422.8 million (49 percent), and the U.S. share is \$432.8 million (51 percent). The present values of the respective figures

are \$374.5 million (58 percent) and \$269.8 million (42 percent). The difference in the present values is largely due to the favorable repayment terms for the prefinanced housing costs.

Air Force Adjusts Budget to Restore 401st

The Air Force estimated that continuing operations at Torrejon would cost \$1.0 billion over the next 5 years. The Air Force had planned to deactivate the unit and reduce its expenditures. Upon the decision to keep the 401st in NATO, the Air Force restored it to the budget and estimated it would cost \$468.1 million more over 5 years than it would cost to phase out Torrejon. This figure includes \$57.5 million for costs to transport equipment to Crotona. The result of restoring the 401st to the budget and moving to Crotona is an increase of approximately \$1.5 billion over the 5-year period.

To meet fiscal constraints, the Air Force planned to reduce its force structure by a wing in fiscal year 1990. When the decision was made to retain the 401st, the Air Force decided to deactivate 72 aircraft, a wing equivalent, and corresponding operations and support personnel from forces based at five locations in the United States. Authorized military and civilian positions will be reduced by 1,737 spaces—73 officers, 1,599 enlisted personnel, and 65 civilians. The Air Force estimates that it will save \$721.6 million over 5 years from the deactivation of the 72 aircraft.

Objective, Scope, and Methodology

Our objective was to obtain information on the costs and budget impact of closing Torrejon Air Base and relocating the 401st and other units now based there. We interviewed key officials of the Departments of Defense and State and reviewed agency documents. All the cost data are estimates as of July 18, 1989, provided by the Air Force and other DOD components in Washington, D.C. Some costs are projections based on Air Force cost models.

We conducted our review between May and July 1989 in accordance with generally accepted government auditing standards. As agreed with your office, we did not obtain written agency comments on this report. However, we discussed the information in the report with agency officials and incorporated their comments as appropriate. More details on the results of our review are contained in appendixes I through III.

We are sending copies of this report to appropriate congressional committees and members of the Congress; the Secretaries of Defense and

State; the Director, Office of Management and Budget; and other interested parties.

This report was prepared under the direction of Joseph E. Kelley, Director, Security and International Relations Issues, who may be reached on (202) 275-4128 if you or your staff have further questions. Other major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank C. Conahan". The signature is written in a cursive style with a large initial "F" and "C".

Frank C. Conahan
Assistant Comptroller General

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Abbreviations

AFCC	Air Force Communications Command
DOD	Department of Defense
GAO	General Accounting Office
MAC	Military Airlift Command
NATO	North Atlantic Treaty Organization

United States Will Incur Costs to Vacate Torrejon

In compliance with the sovereign decision of the government of Spain, the United States agreed in January 1988 to withdraw the 401st Tactical Fighter Wing from Torrejon, Spain. The Department of Defense (DOD) estimates the costs for vacating the base to be \$147.5 million. The costs of vacating Torrejon fall into three categories—those required to transfer remaining U.S. units at Torrejon, severance payments to Spanish nationals terminated from employment, and the value of U.S. assets that will remain at Torrejon. These are costs the United States will incur regardless of whether the 401st moves to Crotone or elsewhere.

Other Units Will Relocate Within Spain and to Italy

As a result of Spain's decision to require withdrawal of the 401st, DOD decided to relocate the remaining units currently at Torrejon rather than operate an inefficient base. The Air Force estimates it will cost \$32.0 million to relocate the 625th Military Airlift Support Group of the Military Airlift Command (MAC), the 1989th Communications Wing of the Air Force Communications Command (AFCC), and the 16th Air Force headquarters based at Torrejon.

The MAC aerial support group will predominantly relocate to Rota, Spain, at a cost of \$10.0 million. The MAC unit at Torrejon currently includes 354 people who provide logistics support to all the services for the movement of personnel and cargo. According to Air Force officials, each base that has MAC aircraft has a small detachment, but Torrejon currently has the largest detachment in Spain; Crotone will also need a small MAC unit. The Air Force is reassessing its strategic route structure in Europe; therefore, it is uncertain how many people will be needed at Rota and Crotone. However, the Air Force estimates that Rota will assume from 150 to 300 of the Torrejon positions and Crotone will acquire about 67 positions.

It will cost an estimated \$14.0 million to relocate the AFCC's communications network currently at Torrejon. Air Force officials informed us that the cost will be to replace communication lines with satellite transmission. The AFCC provides both base communications and international communications at Torrejon. The Autovon network hub at Torrejon will be transferred to the Navy at Rota. About 240 of the 300 persons manning AFCC at Torrejon will relocate to Crotone. The remaining personnel will transfer to Zaragoza Air Base and to a communications site at Humosa, both in Spain.

According to DOD, the 16th Air Force headquarters should be relocated where it can support the 401st for operational command and control

efficiencies. Since it is not a part of the 401st Tactical Fighter Wing, cost of construction to support the 16th Air Force will not be paid for by NATO. The Air Force estimates that moving the 16th Air Force and its support units (228 people) will cost approximately \$8.0 million.¹

United States Agrees to Make Severance Payments to Spanish Employees

U.S. officials agreed to pay severance pay to about 750 Spanish nationals employed at Torrejon when the base is vacated. The Air Force estimates the cost of severance pay to be around \$19.2 million. The Air Force estimated that the total severance pay liability as of March 31, 1989, was \$12.2 million for all the workers at Torrejon. However, officials stated that this figure did not include several factors that will increase costs before the closure date. Specifically, the \$12.2 million estimate did not include

- two retroactive pay raises for 1988 and 1989 that will increase the current estimate by \$1.6 million,
- additional pay increases through the closure date,
- annual leave payoffs amounting to about \$3.1 million, and
- liquidation costs of about \$2.3 million to be paid to service contractors for the remainder of their contracts.

There are no accruals or reservation of funds to cover this potential liability within the Air Force accounting system.

Although U.S. officials agreed to make severance payments, DOD believes that the agreement is ambiguous enough to permit the U.S. government to determine on a case-by-case basis if an individual is entitled to severance pay and, if so, the amount. A DOD Assistant General Counsel suggested that severance pay be offset by any pay received as a result of continuing employment by the government of Spain. DOD also stated at a hearing that if Spanish workers are willing to relocate to other U.S. bases within Spain, they will not be given severance pay.²

¹In addition, 153 housing units may be required at a cost of approximately \$15.6 million.

²Testimony before the Subcommittee on Military Installations and Facilities, House Committee on Armed Services, April 12, 1989.

United States Has No Residual Rights to Facilities at Torrejon

By the terms of the U.S.-Spanish agreement, all facilities at Torrejon are to be turned over to Spain; thus, the United States will not be compensated for the U.S.-constructed real property. The agreement also calls for the United States to leave Torrejon in operating condition, although the Air Force will recover all movable equipment. The estimated value of the remaining assets is \$96.3 million based on the appropriated military construction funds invested at Torrejon. The Air Force estimates the replacement value to be approximately \$616.7 million.

The agreement also contains a provision for the United States to maintain a limited number of personnel at Torrejon for wartime emergency and contingency purposes. Although no decision has been made yet, according to DOD officials, the United States and Spain have agreed to develop a plan on the use of Torrejon in a contingency situation. DOD officials stated that the planned use of the base may be to provide NATO reinforcements with en route logistical support. Aircraft traveling to and from the United States to NATO's Central and Southern Regions could refuel or be supported at Torrejon. The United States would also like to retain a hospital at Torrejon in a standby status to recover casualties and serve medical evacuation needs.

NATO and the United States Will Share the Cost of Constructing the Base at Crotone

The 401st Tactical Fighter Wing is the only U.S. tactical fighter wing in NATO's Southern Region that contributes to deterrence and defense of the region. To keep the 401st in Europe, the United States and NATO are planning to construct a new base at Crotone, Italy, to replace the U.S. base at Torrejon, Spain. The total U.S. and NATO costs for the new base will be approximately \$855.6 million. NATO will fund approximately \$827.3 million of the total, including \$181.3 million for construction of family housing that the United States has agreed to begin repaying when occupied. The United States will pay \$14.3 million in construction costs for recreational facilities¹ and \$7.0 million for a joint U.S.-Italian training range. The Air Force has authorized some increases in manpower for dual operations during the transition to the new base and for additional requirements at Crotone.

Italy Offers to Host 401st

During negotiations of a new defense cooperation agreement, the government of Spain insisted that the United States withdraw the 401st from Torrejon, and in early 1988 the United States agreed to comply. At that time, Secretary of Defense Carlucci advised NATO that the United States would deactivate the wing and bring the 401st back to the United States unless NATO funded the relocation of the wing in the Southern Region. Congress prohibited U.S. funding for construction of a new base except through U.S. contributions to NATO. Section 123 of the Fiscal Year 1989 Military Construction Appropriations Act restricts the use of appropriated funds, with the exception of funds appropriated to NATO's infrastructure fund, to support relocation of the 401st wing. DOD, in consultation with House and Senate Appropriations Committees, requested funding in its fiscal year 1990 and 1991 budgets for recreational and training facilities, which are not normally funded by NATO.

The NATO allies were concerned that losing the wing would create a significant gap in the region's defense. Therefore, in May 1988, the NATO Defense Ministers invited Italy to host the wing, and the Italian government accepted on the condition that Italy would incur no costs. At their December 1988 meeting, the Ministers agreed to fund construction of a peacetime base from the common-funded infrastructure program.

The United States and Italy discussed several possible sites for basing the 401st. The United States initially focused on Aviano and Comiso, but

¹ An additional \$4.8 million in non-appropriated funds will provide start-up costs for some revenue-producing morale, recreation, and welfare facilities.

the Italians rejected these sites because of domestic and political considerations. Italy presented three basing options—Crotone, Lamezia, and Ortanova. The United States chose Crotone, presently a remote, largely undeveloped area in Southern Italy, after considering the basing needs of the 401st and Italian internal political concerns. U.S. officials believe that Crotone is a better location for the 401st than Torrejon for several reasons. Logistics and coordination with other countries will be simplified by locating the wing closer to its wartime missions. The United States will also have greater flexibility in use of the base in Italy. Further, the Italian government believes that the 401st will protect its nation and its presence will enhance Italy's NATO status.

The 401st's Mission Described as Vital to Defense of NATO's Southern Region

The 401st Tactical Fighter Wing's mission is to support the U.S. Air Forces in Europe by developing and maintaining the capability for implementing war plans and supporting combat operations. It is composed of three squadrons of F-16 aircraft (24 each, with 7 replacements). In the event of hostilities, the 401st would deploy to its wartime locations to take on defensive and combat missions as necessary. According to Air Force officials, some aircraft are currently dispersed in the European theater to meet the required response time.

The aircraft are capable of performing in conventional and nuclear-strike roles. The 401st represents a significant portion of NATO's nuclear-capable forces to be available within 12 hours of mobilization. With the elimination of the Ground-Launched Cruise Missiles under the Intermediate-Range Nuclear Forces Treaty, the 401st also provides the only U.S. land-based intermediate-range nuclear target coverage in the region.

DOD believes that the in-theater availability of the 401st would be crucial to an effective defense of the region if a conflict situation were to arise quickly. Further, its presence provides NATO a deterrent against Warsaw Pact military action as well as a deterrent to other military and terrorist threats against U.S. interests.

DOD officials said that it would be difficult to continue the mission of the 401st if the aircraft were brought back to the United States. In the event of hostilities, the 401st would have to compete with other priorities for the additional airlift and refueling capacity that would be needed to reestablish the wing in Europe. In addition, U.S. Air Forces in Europe officials stated that one-half of the 401st would have to return to NATO

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NATO and the United States Will Share the
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each year for recertification and training at an estimated cost of \$1.5 million to \$2 million per year.

If the 401st were deactivated, continuing its mission would require the rotation of NATO's Central Region² squadrons, all of which are already committed to that region in the event of hostilities. According to Air Force officials, if units based in the Central Region were committed to take over the 401st's mission, restrictions on overflight could result in a 24-to 48-hour delay in meeting commitments in the Southern Region. Bringing reinforcements from the United States could take even longer; many of the reinforcements would come from reserve units that do not have a nuclear capability and are not trained in a strike role.

DOD has strongly supported NATO's efforts to find a way to maintain the forward deployment of the 401st Tactical Fighter Wing in the Southern Region for political reasons, as well as for strategic advantages. The administration views NATO's agreement to fund relocation of the 401st as an important example of burden sharing and believes that U.S. leadership in NATO would be undermined if the United States decided to deactivate the wing now. It also sees the presence of the 401st as a demonstration of the U.S. commitment to defend the area and believes that its removal would undermine the ongoing arms control talks on conventional forces in Europe.

NATO Agrees to Fund Most Construction Costs of New Base

Because of NATO's concern about losing the 401st, it took the unprecedented step of agreeing to fund construction of a new peacetime base in order to keep the wing in Europe. To construct a new base at Crotone, NATO agreed to pay land acquisition and utilities costs that are usually the responsibility of the host nation as well as costs usually borne by the tenant nation, such as facilities and equipment. NATO will also finance housing costs, which will be repaid to NATO by the United States. According to DOD officials, NATO and the U.S. Air Forces in Europe are now developing detailed requirements and estimates for the new base. Table II.1 shows preliminary requirements and estimates of costs to be funded by NATO based on the infrastructure program's accounting units³

²The European Central Region is comprised of NATO Forces in Belgium, West Germany, Luxembourg, and the Netherlands.

³An infrastructure accounting unit is an artificial unit of exchange that forms the basis for estimates and funding of projects. The value of one unit is established semiannually by NATO based on average currency exchange rates.

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NATO and the United States Will Share the
Cost of Constructing the Base at Crotona

computed at currency exchange rates prevailing through June 1989 and reported to Congress in February 1989.⁴

Table II.1: NATO-Funded Construction Costs for Crotona Air Base

Dollars in Millions	
U.S. Mission and Construction Requirements for the 401st	Costs
Facilities	\$382.3
Family Housing ^a	181.3
Communications Equipment	51.0
Petroleum, Oil, Lubricant Resupply	17.5
Subtotal	\$632.1
Italian Requirements	
Land	\$29.7
Italian Facilities	22.8
Utilities Tie-in	19.8
Requirement Study/Design	5.1
Rome Coordination Office	4.3
Subtotal	\$81.7
Indirect (e.g., Design, Administration)	\$113.5
Total NATO Requirements Estimate	\$827.3

^aTo be repaid by the United States over 10 years.

The United States contributes 27.8 percent of NATO's \$1.8 billion annual infrastructure program (\$500 million). This amount would be dedicated to the program even if the United States were to deactivate the wing or move it to a different location. Based on this percentage, the U.S. share of the total NATO expenditures for Crotona is \$230.2 million over the construction period.

⁴The actual dollars expended will be subject to currency fluctuation. For example, on January 1, 1989, one infrastructure accounting unit was equal to \$3.808. On July 1, 1989, the rate dropped to \$3.434. At this rate, the total costs in U.S. dollars would be \$746.0 million.

United States to Fund Some Construction Costs

The United States agreed to pay \$202.6 million for construction of housing, recreation, and training facilities at Crotona. These facilities are not considered part of a minimum wartime capability and are not normally funded by NATO's infrastructure program.

United States to Repay Housing Construction Costs

The United States agreed to repay the \$181.3 million NATO will spend to construct 2,507 units of family housing for U.S. personnel. Housing is usually the responsibility of the base tenant. When the base is occupied,⁵ the United States will repay the construction costs without interest by increasing its NATO contribution about \$18.1 million per year for 10 years.⁶

After repaying the housing construction costs, the United States will occupy the housing at Crotona rent-free, and costs will be reduced to operations and maintenance expenses. NATO's prefinancing arrangement offers the United States favorable terms and the potential to save further housing costs. According to a DOD analysis, housing costs at Crotona will be roughly comparable to current costs of leased housing at Torrejon for the first 10 years. After the repayment is completed, DOD estimates that it will save \$143.9 million in then-year dollars over 20 years compared to what it would have spent for housing at Torrejon.

United States Will Fund Some Recreation and Training Costs

The United States has agreed to pay for recreational facilities, such as a recreation center, base theater, and sports field, requiring approximately \$14.3 million in appropriated funds. In addition, the United States plans to spend \$4.8 million in non-appropriated funds to construct revenue-producing amenities, such as a base package store and a bowling center.

The United States and Italy are currently discussing sharing the costs of building a bilateral air-to-ground training range. The costs of the range will be about \$14.0 million, or \$7.0 million each. Air Force officials told us that the range will eliminate the need to incur extra costs to send the

⁵The actual occupancy date is unknown; however, to project housing costs, DOD selected 1994 as the estimated date to begin repayment.

⁶Because NATO's prefinancing arrangement allows the United States to delay payment until the housing is completed and then spread payments over 10 years without interest, the value of the repayments in 1989 dollars is \$79.3 million. In other words, \$79.3 million invested today at the current average Treasury bond rate of 8.4 percent would be sufficient to meet the expected future costs of housing payments.

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NATO and the United States Will Share the
Cost of Constructing the Base at Crotona

401st's aircraft and personnel to ranges in Spain or other countries in Europe for training and will ensure that the 401st has adequate training time.

The Air Force has not completed its analysis of costs associated with the facilities needed at Crotona. It expects to have to purchase some new equipment to replace equipment usable in Spain but not in Italy. For example, differing voltage in the electrical systems in the two countries will require a change in some equipment in Italy. However, according to Air Force officials, current maintenance requirements at Torrejon are very high, and the Air Force expects lower maintenance costs at Crotona because the equipment will be newer.

**Total Costs for
Crotona Shared by
United States and
NATO**

The total cost to construct Crotona, without adjusting for inflation, is \$855.6 million.⁷ (See table II.2.) The non-U.S. portion (NATO and Italian construction costs) is \$604.1 million. After repayment of the \$181.3 million housing loan, the non-U.S. share will be \$422.8 million, or 49 percent. The U.S. share is \$432.8 million, or 51 percent of the total.

⁷Total construction costs include NATO construction, Italian construction, and U.S. military construction costs.

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NATO and the United States Will Share the
Cost of Constructing the Base at Crotone

Table II.2 Total Planned Construction Costs

Dollars in Millions

	Fiscal Year						Beyond	Total	Percent
	1989	1990	1991	1992	1993	1994	1994		
NATO Costs									
Non-U.S. Share	\$82.5	\$82.5	\$109.9	\$109.9	\$109.9	\$102.4	0.0	\$597.1	72.2
U.S. Share	31.8	31.8	42.4	42.4	42.4	39.4	0.0	230.2	27.8
Total NATO	\$114.3	\$114.3	\$152.3	\$152.3	\$152.3	\$141.8	0.0	\$827.3	100.0
U.S. Costs									
U.S. Share of NATO Costs	31.8	31.8	42.4	42.4	42.4	39.4	0.0	230.2	
Housing Repayment ^a	0.0	0.0	0.0	0.0	0.0	18.1	163.2	181.3	
Military Construction MWR ^b	0.0	8.4	5.9	0.0	0.0	0.0	0.0	14.3	
Training Range ^c	0.0	7.0	0.0	0.0	0.0	0.0	0.0	7.0	
Total U.S.	\$31.8	\$47.2	\$48.3	\$42.4	\$42.4	\$57.5	\$163.2	\$432.8	
Italian Construction									
Training Range ^c	0.0	\$7.0	0.0	0.0	0.0	0.0	0.0	\$7.0	

^aThe United States will begin paying back NATO's 10-year housing loan at a rate of \$18.13 million per year. The actual occupancy date is unknown; in projecting housing costs, DOD used 1994 as the estimated date to begin repayment

^bMorale, welfare, and recreation facilities include a recreation center, youth center, base theater, sports fields, hobby shop, and radio/television station.

^cThe United States and Italy will share costs of a \$14 million air-to-ground training range.

To compare the U.S.- and non-U.S. construction costs, a present value analysis should be used to reflect the time value of money. Present value analysis—a technique used to compare two series of expenditures over time—converts future dollar amounts into their value at the present time by taking into account anticipated inflation and real interest rates. The present value of non-U.S. outlays over this period, expressed in 1989 dollars, is \$374.5 million, or 58 percent of the total. The present value of the U.S. outlays is \$269.8 million, or 42 percent. The present value of the U.S. share is \$104.7 million less than the non-U.S. share because the non-U.S. outlays are made during the first 6 years, while U.S. outlays are spread throughout the 15-year period due to the repayment for construction of housing.

Additional U.S. Military Personnel Budgeted for Crotona

Beginning operations at Crotona will require 955 more U.S. military personnel than were budgeted for Torrejon. Of these, 290 will be temporary authorizations required for operating both Torrejon and Crotona during the phased move. The remaining 665 will be permanent manpower increases to the Crotona base. (See table II.3.)

Table II.3: Additional Personnel Authorized for Crotona Air Force Base

Function	Number of Positions
Temporary Positions	
Aircraft Maintenance	83
Communications	207
Subtotal	290
Permanent Positions	
Other Base Operating Support	26
Weapons System Security	154
Subtotal	180
Base Operating Manpower Adjustment	485
Total	955

Of the 290 people in temporary positions, 83 will be required to maintain the aircraft at both locations, and 207 will be required for command, control, and communications functions. These temporary authorizations will be eliminated when Crotona is fully operational.

The 485-person manpower adjustment represents a budget adjustment only. Plans to contract base service functions at Torrejon were budgeted but placed on hold during base negotiations with Spain. As a result, these services were performed by U.S. military personnel. Under the Status of Forces Agreement with Italy, however, DOD cannot contract these services, and the Air Force reauthorized these positions for Crotona.

The base at Crotona will also require authorizations for 154 additional permanent spaces for weapon system security. More security personnel are required at Crotona because the base at Crotona is designed for dispersed aircraft parking over a large land area in contrast to the smaller, more compact parking arrangement at Torrejon. Finally, operations at Crotona will require an additional 26 support positions due to the other personnel increases.

Air Force Will Offset Expense of Relocating 401st With Other Reductions

The decisions made on the future of the 401st resulted in several changes to the Air Force budget. When the United States agreed in January 1988 to withdraw the 401st Tactical Fighter Wing from the base at Torrejon, Spain, the Air Force began planning to deactivate the wing and close the base and adjusted its budget accordingly. As a result of NATO's December 1988 offer to fund construction of a new base, the Air Force restored the 401st to the budget and, in order to meet authorized force levels, chose to deactivate 72 aircraft—a wing equivalent—from five bases in the United States. Although the reduction of the aircraft does not allow savings from closing a base, the Air Force estimates that it will save \$721.6 million over 5 years from procurement, operations and maintenance, and personnel appropriations.

Air Force Restored 401st to Budget Plan

According to Air Force officials, in its 1989 budget, the Air Force proposed deactivating the wing and support operations and relocating its assets to replace aging aircraft at other U.S. bases. It projected cost avoidance in personnel, operations and maintenance, and procurement to be \$1.0 billion over 5 years from the base closure and wing deactivation, not including moving costs. When the United States agreed to maintain the 401st in Europe and move it to Crotone, the Air Force had to adjust its 1990-94 budget to reflect reinstatement of the 401st and additional costs to move the wing. The Air Force estimated that it would cost \$468.1 million more over the next 5 years to move and operate the 401st at Crotone. This figure includes costs for

- operation of both bases for an approximately 2-year transition period;
- manpower increases at Crotone;
- construction of morale, welfare, and recreation facilities for the base; and
- transportation to Crotone.

The cumulative result of restoring the 401st to the budget and moving to Crotone is an increase of approximately \$1.5 billion over the 5-year period.

Force Structure Reduction of 72 Aircraft Produces Savings

To meet fiscal constraints, the Air Force planned to reduce its force structure by a wing in fiscal year 1990, according to Air Force officials. As a result of NATO's agreement to fund construction of the new base for the 401st, the Air Force decided to offset the costs of maintaining the wing by deactivating 72 aircraft—a wing equivalent—from forces stationed at several locations in the United States. Table III.1 shows the

Appendix III
Air Force Will Offset Expense of Relocating
401st With Other Reductions

aircraft the Air Force has targeted for deactivation and their current locations.

Table III.1: Wing Equivalent Deactivation

Type of Aircraft	Number	Current Base
F-4E	6	George Air Force Base, California
RF-4	28	Bergstrom Air Force Base, Texas
A-10	10	Davis-Monthan Air Force Base, Arizona
F-16	24	Homestead Air Force Base, Florida
F-15	4	Tyndall Air Force Base, Florida
Total	72	

The Air Force will reduce authorized military and civilian positions for the Tactical Air Command by 1,737—73 officers, 1,599 enlisted personnel, and 65 civilians—as a result of the wing equivalent deactivation. According to an Air Force official, the Tactical Air Command, which has operational responsibility for the wings affected by the reduction, has not decided where it will make the manpower cuts, but it is likely that the cuts will be made at the bases where aircraft are deactivated.

Although the wing equivalent deactivation will not save as much as deactivating the 401st and closing Torrejon, the Air Force is projecting approximately \$721.6 million in savings over 5 years from this action. (See table III.2.)

Table III.2: Savings Associated With the Wing Equivalent Deactivation

Appropriation	Fiscal Year					Total
	1990	1991	1992	1993	1994	
Aircraft Procurement	\$32.45	\$46.06	\$46.71	\$45.42	\$57.00	\$227.64
Operations and Maintenance	64.32	57.37	55.01	75.16	74.80	326.66
Military Personnel	62.11	51.97	25.84	15.58	11.80	167.30
Total	\$158.88	\$155.40	\$127.56	\$136.16	\$143.60	\$721.60

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