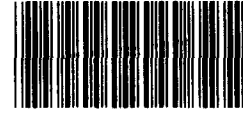


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[Revised Plan for the National Air and
Space Museum Extension]

Statement of
L. Nye Stevens, Director
Government Business Operations Issues
General Government Division

Before the
Subcommittee on Libraries and Memorials
Committee on House Administration
House of Representatives



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**REVISED PLAN FOR
NATIONAL AIR AND SPACE MUSEUM EXTENSION**

**SUMMARY OF STATEMENT BY
L. NYE STEVENS
DIRECTOR, GOVERNMENT BUSINESS OPERATIONS ISSUES
GENERAL GOVERNMENT DIVISION**

On February 5, 1991, GAO testified before the Subcommittee on Interior and Related Agencies, House Appropriations Committee, on the process the Smithsonian Institution followed to select a site for its National Air and Space Museum Extension.

GAO reported that, in general, the Smithsonian's site selection process did not systematically follow the procedures or practices that are generally associated with a consistent and businesslike approach to siting and developing a facility under potentially competitive circumstances. GAO identified concerns with the Smithsonian's determination of Extension requirements, identification of potential sites, communication of needs, and evaluation of offers. GAO concluded that the Smithsonian's site selection process could not ensure that the most cost-effective site had been selected. GAO did not attempt to verify cost estimates or identify the most cost-effective site.

In response to a subsequent request by the Under Secretary of the Smithsonian, GAO met with Smithsonian officials three times to discuss the issues raised in the testimony. Over the course of those meetings, the Smithsonian did further site analyses and revised their Extension plans in order to address and resolve the issues identified at the February 5 hearing.

The Smithsonian sent a letter to the Chairman of the Subcommittee on Interior and Related Agencies that described these revisions and included additional cost analyses. The Smithsonian's revisions included reducing the size and cost of the Extension to roughly one-half the size and cost of the previous plan GAO reviewed. The scope of the Extension's functions were similarly reduced. In the revised Smithsonian plan, the Extension serves primarily as a support facility for the National Air and Space Museum on the Mall rather than a Museum Extension with a distinct program of its own.

GAO reviewed these Smithsonian revisions and analyses and sent a letter to the Chairman of the Subcommittee on Interior and Related Agencies stating that the major concerns raised in the February 5, 1991, testimony had been adequately addressed by the Smithsonian. While not endorsing the Dulles site, GAO concluded that the choice of Dulles International Airport as the preferred site could be objectively defended by the Smithsonian.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to review our previous work concerning the Smithsonian's plan for the National Air and Space Museum Extension. In January of this year, at the request of Chairman Yates of the Subcommittee on Interior and Related Agencies, House Appropriations Committee, we reviewed the Smithsonian's site selection process for the Extension.

We focused our work on the Smithsonian's development of its requirements for the Museum Extension and the process by which it identified and evaluated suitable locations. We did not verify cost estimates prepared by the Smithsonian or jurisdictions submitting site proposals. Also, we did not attempt to identify the most cost-effective site for the Smithsonian's needs.

On February 5, 1991, we testified before the Interior and Related Agencies Subcommittee on the results of our review.¹ In general, we found that because the Smithsonian did not systematically follow the procedures or practices that are generally associated with a consistent and businesslike approach to siting and developing a facility under potentially competitive circumstances, the Smithsonian could not objectively defend the selection of Dulles International Airport as the preferred site of the Extension.

¹Statement of L. Nye Stevens (GAO/T-GGD-91-5; February 5, 1991)

Subsequent to our testimony, Ms. Carmen Turner, the Under Secretary of the Smithsonian, requested that we meet with Smithsonian officials to discuss the issues raised in our testimony. Over the course of three meetings, the Smithsonian did further site analyses and revised their Extension plans in order to address and resolve those issues. The Smithsonian sent a letter to Chairman Yates describing these revisions and included additional cost analyses with the letter.

On the basis of our review of the Smithsonian's revisions and additional analyses, we notified Chairman Yates on March 20, 1991, that the major concerns we raised at the February 5, 1991, hearing had been adequately addressed.

Mr. Chairman, I would like to summarize for the Committee our previous testimony and our response to the Smithsonian's letter to Chairman Yates.

PREVIOUS GAO TESTIMONY

We reported the following in our February 5, 1991, testimony:

- The size, scope, and expected cost of the Extension grew over the past decade. Extension size estimates escalated from 300,000 square feet in 1983 to 1.5 million square feet in 1989. The original scope of the Extension--an industrial-

type storage facility for large aircraft--was gradually modified to a multiple-use facility with a distinct museum program of its own, extensive visitor and exhibit support capabilities, a substantial educational role, and expansion space for other Smithsonian bureaus. Costs estimates grew from approximately \$48 million for the original facility plan to about \$355 million for the final, expanded plan.

-- Over the course of the site selection process, the Smithsonian had provided only limited and sporadic delineation between essential or critical requirements and those that could be considered optional or desirable. We noted that the requirements ranged from specifications that clearly addressed critical needs, such as the overcrowded storage facilities at the Smithsonian's Paul E. Garber Facility, to items that were not critical to the Extension, such as the provision of expansion space for other Smithsonian bureaus.²

-- One of the Smithsonian's key requirements--the need for the Extension to be within 1-hour travel time of other Smithsonian facilities in Washington, D.C.--should not have been evaluated absolutely as a reason for rejecting proposals from remote

²The functions of the Garber facility, which is located in Suitland, Md., are the preservation, restoration, and storage of air and space artifacts. The facility prepares exhibits and aircraft for display at the National Air and Space Museum on the Mall. The buildings at the facility are generally overcrowded with substandard environmental conditions.

locations but rather evaluated from a cost-benefit viewpoint in order to enhance competition. We noted that site offers that did not meet the 1-hour proximity criterion could be required to compensate for any additional costs in their proposals.

- The Smithsonian had never formally, publicly announced or actively solicited proposals from jurisdictions for possible Extension sites. However, a limited competition with Dulles evolved after Maryland and Denver became aware of the Smithsonian's needs and, through their elected representatives, asked the Smithsonian to consider proposals.

- The Smithsonian's evaluation of offers had gaps and inconsistencies. We expressed the view that the cost comparisons we reviewed were incomplete and that a comparative life-cycle cost analysis of the different proposals in present value dollars should be done.

- The Smithsonian's site selection process, while achieving some competition, had not been sufficiently systematic, open, or cost-conscious to ensure that the most cost-effective site had been chosen. We suggested that better assurance could be obtained by reopening the selection process and using a more systematic and competitive process.

GAO's LETTER TO CHAIRMAN YATES

In a March 18, 1991, letter to Chairman Yates, Smithsonian Under Secretary Carmen Turner acknowledged our meetings with Smithsonian officials subsequent to our February testimony and said she believed our major concerns had been addressed.

In brief, the Under Secretary's letter indicated that the Smithsonian had reduced the scope of the Extension to roughly one-half the size and cost of the plan we reviewed for our February 5, 1991, testimony. This reduced scope Extension was described as a replacement for the Garber facility with the added capability of handling the Museum's largest artifacts that could not be transported to the Mall because of their size. The Under Secretary's letter also included additional cost analyses and explanatory material concerning the importance of the proximity criterion in the site selection process.

On March 20, 1991, we sent Chairman Yates a letter conveying our views on the information contained in the Under Secretary's March 18, 1991, letter. We said that the major concerns raised in our February 5, 1991, testimony had been adequately addressed. We noted the following in our March 20 letter:

-- The Smithsonian had better defined its requirements by reducing the scope of the proposed freestanding Extension and

limiting it to a support facility for the National Air and Space Museum on the Mall.

-- The Smithsonian had better documented and supported its rationale for selecting the Washington, D.C., area as the geographic locale where these reduced requirements could best be met.

-- The Smithsonian had prepared a revised cost analysis using present value life-cycle costs to compare competing offers within the chosen locale. This analysis showed that Dulles was the least costly alternative to meet the Smithsonian's reduced requirements.

The Smithsonian's decision to restrict the Extension's scope to meet its immediate need for a replacement support facility, rather than a museum facility with a distinct and ambitious program of its own, represents a clearer determination of the Institution's essential needs and reverses the accretion of desirable but nonessential features that occurred over the past decade. The overall estimated cost of the facility was reduced from around \$355 million to about \$162 million. Since some of this cost will be borne by the host state and private contributions, the cost to the federal government will be even less.

Our concern that the Smithsonian did not communicate its requirements to all possible offerors was allayed by the changed nature of the facility. In our letter, we agreed with the Smithsonian that the reduced scope facility should only be competed in the Washington, D.C., area. Other Smithsonian requirements explicitly set forth in the Under Secretary's letter--such as access to an active runway capable of handling large jet aircraft--limited possible offerors to the Baltimore-Washington International (BWI) and Dulles airports.

Our major concern over the Smithsonian's evaluation of offers was the lack of a comparative assessment of life-cycle costs for the different sites on a present value basis. The Under Secretary's letter included a Smithsonian analysis of the Dulles and BWI sites using present value life-cycle costs. In this analysis, the discounted, 30-year life-cycle costs of the Dulles proposal, \$248.4 million, were \$10.8 million less than the costs of the BWI proposal. We noted in our March 20 letter that we did not attempt to verify this analysis, but it appeared to be more complete and systematic than earlier Smithsonian analyses.

ADDITIONAL OBSERVATIONS

In our February 1991 testimony, we concluded that a fair and reasonable way to ensure the Smithsonian had selected the best site would be to reopen its selection decision and use a more

competitive and systematic process. However, since the Smithsonian is not required to follow competitive procedures in selecting a site, we did not consider this alternative to be the only way to improve assurance that the best site had been selected. Moreover, when we outlined the steps that this alternative should follow in our February testimony, we included defining minimal, real requirements and systematically evaluating all responses that meet those requirements in terms of present value life-cycle costs. The Smithsonian has responsively addressed these concerns.

I would also like to emphasize that the scope of our work cannot support an endorsement of the Dulles site, but we have concluded that the Smithsonian's choice of Dulles as the preferred site can now be objectively defended based on more rigorous analysis and data than was available in February.

This concludes my prepared statement, Mr. Chairman. My colleagues and I would be pleased to respond to questions.

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