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REPORT TO THE CONGRESS



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Little Progress By The
Department Of Defense
In Acting On Opportunities
For Significant Savings By
Consolidating Real Property
Maintenance Organizations

B-164217

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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DEC. 12, 1972



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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CI To the President of the Senate and the
Speaker of the House of Representatives

This is a report on the little progress made by the Department of Defense in acting on opportunities for significant savings by consolidating real property maintenance organizations.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of Defense.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

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in this report

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ABBREVIATIONS

DOD Department of Defense

GAO General Accounting Office

D I G E S T

WHY THE REVIEW WAS MADE

In 1968 the General Accounting Office (GAO) reported potential annual savings of \$3.4 million by consolidating real property maintenance organizations on Oahu, Hawaii, and in the Norfolk, Virginia, area. (See p. 3.)

The Department of Defense (DOD), which spends \$3 billion yearly on real property maintenance, promised to consider consolidation at those locations and elsewhere. (See pp. 3 and 4.)

GAO reviewed DOD progress in carrying out the 1968 recommendations because of the increasing costs, concern with high Federal budgets, and need for managing the military establishment more efficiently.

FINDINGS AND CONCLUSIONS

In the 4 years since GAO's last review, almost no consolidation has taken place. Studies were made by DOD at 25 locations, including Oahu, Hawaii, and Norfolk, Virginia. Most of these did not seriously consider consolidation. (See p. 8.)

Instead of considering the feasibility of consolidation, the Interdepartmental Committees making the studies emphasized the joint use of equipment and increased use of, and/or consolidation of, contracts.

Some savings have been reported. (See pp. 8 to 14.)

The effectiveness of the committees was reduced because:

--Many members represented maintenance organizations that would be affected by consolidation.

--Informal guidance from committee members in Washington, in conflict with the original intent of the studies, advised the Interdepartmental Committees not to be concerned with feasibility of consolidation. (See pp. 8 and 23.)

Although efforts to date have merit, potential savings from consolidation seem far larger than those attained. Some of the above studies and other studies have identified various locations where consolidation would be economical. (See pp. 13, 17, 20, and 21.)

Benefits of consolidation are demonstrated by Navy experience with Public Works Centers. For example, three locations where Centers have been serving installations in their vicinity for 6 years report annual savings of \$1 million. (See p. 6.)

Some Navy Public Works Centers, however, are underused because individual installations are not required to use them and, instead, maintain their own duplicative maintenance force. (See p. 7.)

RECOMMENDATIONS

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The Secretary of Defense should have maintenance organizations consolidated where studies indicate consolidation would be economical. In addition, the Secretary of the Navy should require, where feasible, that all naval activities within a reasonable distance of a Public Works Center use the Center fully. (See p. 24.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD said that interservice support agreements have been most effective in consolidating real property maintenance activities. The use of such agreements has resulted in savings by avoiding unnecessary duplication of functions and by increasing the use of consolidated contracts.

Although stressing limitations which

must be overcome in complete organizational consolidation, DOD said that such consolidation was its ultimate goal. DOD also said the Navy is improving use of Public Works Centers. (See pp. 25 to 27.)

Revised guidance issued by DOD in March 1972 is an initial step toward consolidating maintenance organizations wherever practical. GAO plans to look into the implementation of this guidance and the effectiveness of DOD's continuing efforts in this area.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

DOD should be able to reduce its cost of maintaining real property millions of dollars a year by taking effective action on GAO's recommendations.

CHAPTER 1

INTRODUCTION

On August 5, 1968, the General Accounting Office (GAO) issued a report to the Congress entitled "Report on Feasibility of Consolidating Military Real Property Maintenance Functions on Oahu, Hawaii, and in the Norfolk, Virginia, Area" and recommended that the Secretary of Defense:

- Consider consolidating real property maintenance organizations on Oahu and in the Norfolk area, each under a single manager with supporting subactivities as appropriate.
- Study the feasibility of consolidation in other locations having large concentrations of military installations.
- Insure that consolidation decisions be based on independent studies and that such decisions be made binding on the installations involved.

We reported that, by consolidating eight separate maintenance organizations on Oahu, an estimated \$2.4 million could be saved annually. Similarly we reported that consolidating the 16 separate maintenance organizations in the Norfolk area could save an estimated \$960,000 annually.

The Assistant Secretary of Defense (Installations and Logistics), in response to the recommendation that consideration be given to consolidating maintenance organizations on Oahu and in the Norfolk area, directed that Interdepartmental Real Property Maintenance Committees be established by the military departments to effect maximum consolidation at these two locations. Later, on August 31, 1968, such committees were established in additional geographical areas to make surveys of possible consolidations. (See app. II.)

A Washington Interdepartmental Real Property Maintenance Committee comprising representatives of the military departments was established to advise, coordinate, and review the activities of the local Interdepartmental Committees.

GUIDELINES FOR CONSOLIDATION SURVEYS

On August 31, 1968, the Assistant Secretary of Defense issued guidelines for surveys at installations containing real property maintenance organizations that were either contiguous or in close proximity. According to the guidelines, the primary objective of the surveys was to have the Interdepartmental Committees analyze the maintenance organizations to determine the feasibility and economy of consolidation.

The above guidelines listed the following economies which could result from consolidation.

- Decreased administrative, technical, and supervisory overhead.
- Better use of direct labor personnel as well as the provision of skills when and where they are needed.
- Better availability of qualified engineering and management personnel.
- Reduced stock levels and supporting personnel.
- Reduced Government investment in, and maintenance and replacement of, some maintenance shops and equipment.
- Better use of modern labor-saving equipment and devices.

The guidelines stated that, where consolidating maintenance organizations was not warranted, consolidating maintenance functions (i.e., refuse and custodial services, utilities, etc.) should be considered and that, in any case where consolidation was not recommended, the record should show conclusively why it was not advantageous or economical.

DOD REAL PROPERTY MAINTENANCE ORGANIZATIONS

DOD spends approximately \$3 billion per year and uses 200,000 in-house employees to operate and maintain its worldwide real property.

The real property maintenance program has as its objective the application of sound management principles to insure economical maintenance, protection of real property, efficient operation of utilities systems, and optimum use of resources. In achieving this objective, the guidelines issued by the Assistant Secretary on August 31, 1968, stated that the organizations for real property maintenance, repair, and operation at contiguous military installations or in close proximity should be consolidated to the maximum extent.

DOD real property maintenance organizations are generally concerned with matters of civil, mechanical, electrical, and sanitary engineering and public safety. Specifically, the functions include maintenance and repair of buildings and utilities plants and systems; operation of utilities, such as electricity, heating, and water plants; minor construction (less than \$50,000 per project); fire protection, custodial, pest control, and refuse collection and disposal services; operating and maintaining construction, weight handling, and automotive equipment; and related management and engineering support. These organizations are managed by a Facilities Engineer (Army), a Public Works Officer (Navy), or a Base Civil Engineer (Air Force).

Except for the Navy's Public Works Centers and the consolidated Air Force organizations in Montgomery, Alabama, and Oahu that were in existence before the August 1968 GAO report and a recent consolidation in Albuquerque, New Mexico (see p. 8), most installations have their own real property maintenance organizations. If an installation is very small, however, it may be satellited to a larger activity providing some degree of consolidation. By the use of intraservice and interservice support agreements, maintenance services for more than one installation (e.g., refuse collection, and provision of mobile construction equipment) are at times consolidated. Most of these agreements, however, are a means by which an installation provides maintenance support to tenant activities.

Navy Public Works Centers

A Navy Public Works Center is a centralized and consolidated organization for rendering maintenance services to a number of activities within a geographic area, normally

within a 10-mile radius. A Center is usually operated on a revolving-fund basis, charging customers an approximation of actual costs including overhead. The Navy Centers are located at Newport, Rhode Island; Norfolk, Virginia; Pensacola, Florida; Great Lakes, Illinois; San Diego, California; Pearl Harbor, Hawaii; Guam; Yokosuka, Japan; Luzon, Republic of the Philippines; and Guantanamo Bay, Cuba.

In March 1965 the Secretary of the Navy directed that a study group review the Public Works Centers fully to determine the feasibility of their retention or elimination. In May 1968 the Chairman, Navy Installations Survey Group, submitted to the Secretary the group's "Navy Public Works Center Utilization Study." The survey group endorsed the Center concept and recommended additional consolidations.

The study said that established Centers resulted in more economical operations. The reported annual savings, as shown below, were validated by the Naval Area Audit Service.

<u>Public Works Center</u>	<u>Date activated</u>	<u>Annual savings</u>
Great Lakes	1965	\$274,005
Pensacola	1965	131,739
Yokosuka	1965	569,000

Because of the reduction in requirements for personnel, office and shop facilities, material inventory, shop equipment, etc., the Centers provide maintenance support more economically and practically than separate maintenance organizations.

Other advantages of the Centers are (1) better execution of maintenance programs, (2) procurement flexibility, (3) higher level supervision and direction, (4) better qualified technicians and artisans, (5) need for less resources, and (6) ability of commanding officers to devote more time to their primary mission. Some disadvantages of the Centers are that commanders of the supported activities have less flexibility in using funds and personnel and cannot readily set maintenance work priorities.

The survey group noted that, even though Public Works Centers have been established in such areas as Norfolk and San Diego, many of the nearby Navy installations maintained their own maintenance organizations. The group recommended that the Centers be expanded to include these organizations.

The major installations in the Norfolk area still do not use the Center. (See p. 10.) Some major installations in the San Diego area also maintain their own organizations. However, the maintenance organization of the Naval Electronics Laboratory Center in San Diego was recently phased into the Public Works Center. This consolidation resulted in a reduction of at least 30 personnel and an estimated annual savings of \$400,000.

Air Force consolidated maintenance organizations

The Air Force on Oahu has consolidated real property maintenance under the Base Civil Engineer at Hickam Air Force Base who is responsible for engineering activities at all Air Force installations in Hawaii. Administrative and engineering functions of the Office of the Base Civil Engineer are located at Hickam Air Force Base, and direct labor forces are stationed at Hickam and Wheeler Air Force Bases.

The maintenance organizations at Maxwell and Gunther Air Force Bases (7 miles apart) near Montgomery have been consolidated for several years. The Base Civil Engineer at Gunther Air Force Base, with a minimal organization for day-to-day maintenance, is a division of the maintenance organization at Maxwell. The Air Force estimated the consolidation saved \$80,000 annually.

CHAPTER 2

ANALYSIS OF SURVEYS ON

CONSOLIDATING REAL PROPERTY MAINTENANCE ORGANIZATIONS

Except for the survey in Albuquerque, the Interdepartmental Committees generally did not consider the feasibility of consolidating organizations. Instead the committees mostly considered such matters as the joint use of and/or consolidation of commercial contracts for maintenance services, such as custodial services, painting, and refuse collection and disposal, by the respective maintenance organizations.

Although the above efforts had merit, we believe that it would have been better had the committees adequately considered the primary objective of the surveys. The committees received conflicting instructions. The August 1968 guidelines of the Assistant Secretary of Defense directed the committees to determine the feasibility of consolidating maintenance organizations. But the Washington committee subsequently advised some local committees (e.g., at the Wright-Patterson Air Force Base, Ohio, and San Diego conferences) not to be concerned with the feasibility of consolidation. DOD instructed certain committees to restudy the matter to consider possible consolidation more thoroughly. (See pp. 13 and 14.)

According to representatives of the Assistant Secretary, one factor which apparently influenced the activities of the Interdepartmental Committees was that members were from the maintenance organizations being considered for consolidation and in many cases did not have the requisite rank or prestige to fully accomplish their job.

We reviewed the 25 Interdepartmental Committee survey reports listed in appendix II. Six of the surveys, which we studied in more detail, are discussed below.

Albuquerque Interdepartmental Committee

The Albuquerque committee concluded that consolidating maintenance activities in the area was economically feasible.

The Deputy Assistant Secretary of Defense (Installations and Housing) concurred and directed that activities be consolidated. As a result, the maintenance organizations of the Nuclear Support Agency's Sandia and Manzano Bases were consolidated with the Kirtland Air Force Base maintenance organization by the end of fiscal year 1972, at estimated one-time savings of \$600,000 (because of reduced requirements for new construction) and annual savings of \$100,000 in personnel and equipment costs.

Denver Interdepartmental Committee

The survey report for the Denver area, dated July 15, 1969, outlined nine recommendations for improving the management of maintenance activities. A status report on the committee recommendations submitted to the Deputy Assistant Secretary of Defense in July 1970 indicated potential annual savings of \$188,000 and one-time savings of \$42,000. In January 1972, however, the Denver committee informed officials of the Office of the Secretary of Defense that it had no documentation of actual savings attributable to implementation of the recommendations.

In its report of July 1969, the Denver committee stated that it believed some type of consolidation of maintenance organizations was probable in the future and would mutually benefit Lowry Air Force Base, Fitzsimons General Hospital, and Rocky Mountain Arsenal. This belief, however, was not based on any indepth study. The Denver committee felt that the problems (e.g., complexity of commands, differences in funding procedures, and manpower requirements) of consolidation could be resolved only by higher authority.

The Washington committee, during a conference at Wright-Patterson Air Force Base in January 1969, advised the Denver committee that it was:

"*** not looking for any physical consolidation of functions or single manager concepts. We are only looking for inter-service support agreements that are mutually advantageous to the services."

Norfolk Interdepartmental Committee

Even though the Navy has a Public Works Center in the Norfolk area, there are 15 major installations (three Army, 11 Navy, and one Air Force) that still maintain their own real property maintenance organization. A number of small satellite activities are supported by one or more of the major installations.

According to the chairman of the Norfolk committee, the committee considered consolidating real property maintenance organizations in the Norfolk area and concluded that it would not be feasible or economical. Although the chairman was unable to document this conclusion, he advised us that it was based primarily on the premise that a central location would have to be established where maintenance personnel would report and then commute to respective jobsites.

According to the Norfolk committee report, dated May 15, 1969, the committee estimated that approximately 2,000 personnel would commute a minimum of 1 hour per day from the central location to the job and lose productive time worth \$2 million annually. We disagree with this rationale now, as we did in our previous report.

During our current review we again discussed a central worksite with officials of the Public Works Center. They advised us that little time is lost in transporting maintenance personnel to and from jobsites because under the Public Works Center concept the personnel report directly to annexes at locations served by the Center. Therefore the estimate of the \$2 million annual loss of productive time would be largely invalid, and any loss would be small compared to the savings from consolidation noted in our 1968 report.

Center officials advised us that additional annexes would be established if the Center was expanded to include other maintenance organizations. The craftsmen needed to support the daily maintenance workload would be assigned to an annex at the respective location. Peak workload would be supplemented by Center personnel as needed. This approach was also concurred in by officials of the Naval Facilities Engineering Command.

The Norfolk report contained 17 recommendations for improvements in the management of maintenance activities. The main thrust of the recommendations was to increase the use of, and/or to consolidate, commercial contracts for refuse collection and custodial services. Also it was recommended that some mobile construction equipment be disposed of as excess and that most of the remaining equipment be used jointly. According to preliminary data provided by the committee to DOD late in 1970, substantial savings would result from the implementation of these recommendations.

Subsequently, it was decided within the Office of the Secretary of Defense that the area under consideration in Norfolk was too large and should be rezoned into two areas-- the Hampton-Newport News area with an Air Force representative as chairman of a committee and the Norfolk area with a Navy representative as chairman. In August 1972 the Norfolk committee advised the Assistant Secretary of Defense (Installations and Logistics) that an evaluation review had not disclosed additional consolidation actions which were feasible at the time. The committee did, however, cite annual savings of about \$336,000 and one-time savings of about \$80,500 as of July 1972 on implemented recommendations.

The initial report of the Hampton-Newport News committee, dated July 31, 1972, although containing no estimated savings, stated that major actions recommended and applicable to its area had been implemented.

Oahu Interdepartmental Committee

The survey report for the Oahu area, submitted in May 1969, primarily considered savings through the consolidation of maintenance service contracts and through the increased use of interservice support agreements between and among the established real property maintenance organizations.

Although the Oahu report contained 16 recommendations for improvements in the management of maintenance activities, consolidating the maintenance organizations was not considered. The report noted that the military services operated eight separate maintenance organizations on Oahu (the same organizations we considered in our 1968 report). In its July 1972 comments on our draft report, DOD indicated that the Barbers Point Naval Air Station was being consolidated into the Public Works Center at Pearl Harbor. (See discussion on p. 27.)

San Antonio Interdepartmental Committee

In the San Antonio area there are five major installations, one Army and four Air Force. The survey report for the San Antonio area, submitted in July 1969, contained 16 recommendations mainly on using consolidated contracts for maintenance services.

In May 1970 the Deputy Assistant Secretary of Defense (Installations and Housing) advised the Army and Air Force that the San Antonio report did not comply with the main intent of the survey. It was specifically noted that the report did not conclusively address the economics of consolidation and that apprehensions over reduced mission responsiveness and loss of command flexibility appeared to have precluded an indepth economic and operations analysis.

Further, the Deputy Assistant Secretary advised the Army and Air Force that the above apprehensions were similar to those that existed before the Department of the Navy established Public Works Centers. He stated it was an established fact that consolidated real property maintenance organizations not only reduce costs but also increase efficiency and that:

"The magnitude of the San Antonio area real property maintenance effort and concentration of major military installations make it highly susceptible to the establishment of a consolidated real property maintenance organization. Accordingly, it is requested that further study be made towards the establishment of such an organization for some or all of the Air Force installations within this area. In addition, consideration should be given towards incorporating the real property maintenance activities at Fort Sam Houston into any consolidated maintenance organization developed by the Department of the Air Force."

In an endorsement of the above guidance, the Air Force advised the San Antonio installations that:

"*** the continuing austere condition of resource availability requires us to realize all possible savings. In order to accomplish this we must continually reexamine our way of doing business. Therefore, request you reactivate the San Antonio Interdepartmental Real Property Maintenance Committee to accomplish an in-depth study that thoroughly addresses all economic and operational aspects and alternatives for establishment of a consolidated organization as requested by Deputy Secretary of Defense (Installations and Housing)."

In the fall of 1971 the committee completed its report regarding the feasibility of consolidating maintenance organizations. The committee estimated that, if a consolidated organization were implemented, \$2.8 million could be saved over a 10-year period. The committee concluded, however, that consolidation would not save enough to warrant a change when such intangible factors as mission response and loss of command control of the maintenance force were considered. For the San Antonio area the committee specifically recommended retention of the present organizations.

In July 1972 the Department of the Air Force advised the Office of the Secretary of Defense that it did not recommend consolidating real property maintenance organizations in the San Antonio area. The Air Force stated that:

1. Consolidating Air Force bases does not provide the internal control and mission response needed within the various commands represented.
2. An Air Force analysis of the annual savings of \$280,000 related to consolidation showed that, rather than a savings, annual costs would increase in excess of \$200,000.

On August 31, 1972, the Deputy Assistant Secretary advised the Army and Air Force that it approved the recommendations in the 1969 committee report for implementation and agreed with the committee's position in the 1971 report. The services were to forward results or plans by December 1, 1972. Defense personnel advised us that at this time they were not considering consolidation any further.

San Francisco Interdepartmental Committee

The San Francisco committee stated that it did not consider the feasibility of consolidation in its initial report of July 1969.

"In accordance with guidance received from the Washington Committee at the San Diego conference in February, no significant attention or effort was given to abolition of shop forces or establishment of a single manager for Real Property Maintenance. The main thrust of the study was directed toward increased Inter-service Support Agreements and master contracting."

A review of the committee's correspondence files and records confirmed that no studies were made which considered consolidating maintenance organizations. Nor was there any evidence that consolidating maintenance functions common to each installation was considered.

In February 1972 the Deputy Assistant Secretary of Defense asked the Departments of the Army, Navy, and Air Force to reevaluate the study. The reevaluation was forwarded by the San Francisco committee in May 1972. The results of this reevaluation and the potential for consolidating maintenance organizations in the San Francisco area are discussed in chapter 3.

CHAPTER 3

POTENTIAL FOR CONSOLIDATING MAINTENANCE ORGANIZATIONS IN

SAN FRANCISCO AREA

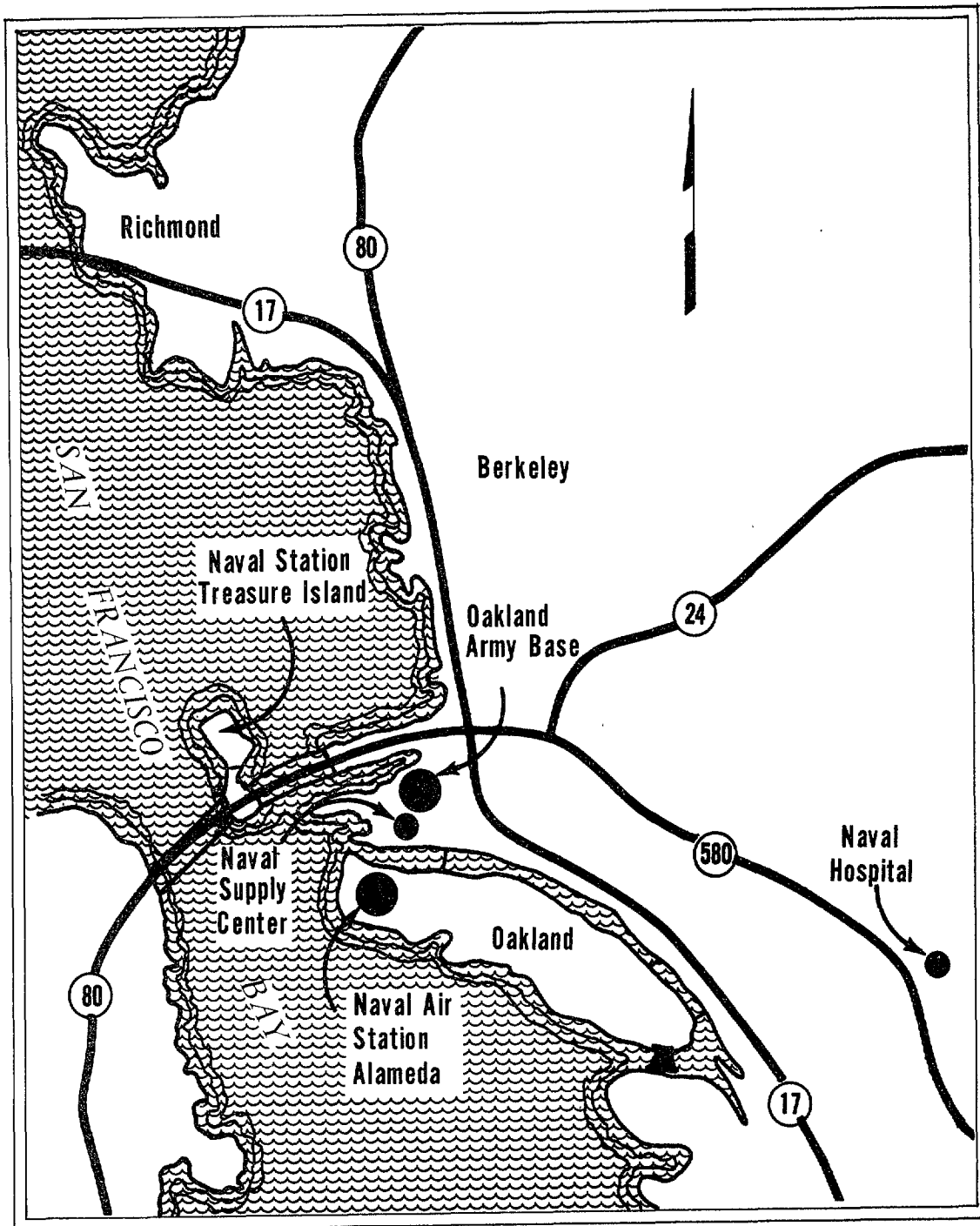
There are 10 installations within a 10-mile radius of the Naval Supply Center in Oakland, California. Seven have their own maintenance organizations and the other three receive maintenance support from one of the seven. The maintenance organizations at the Naval Supply Center, Oakland; Naval Air Station, Alameda; Naval Station, Treasure Island; Naval Hospital, Oakland; and the Oakland Army Base are particularly suitable for consolidation. (See map on p. 16.)

The Navy's experience in consolidating maintenance organizations has resulted in certain guidelines to be considered in forming a Public Works Center. The above five maintenance organizations exceed the minimum criteria and their consolidated organization would compare in size to the Center in San Diego. Later this organization could be expanded to include other installations in the Bay area.

<u>Characteristics</u>	<u>Navy minimum criteria (note a)</u>	<u>San Francisco organizations</u>	<u>San Diego Public Works Center</u>
Current plant value	\$200 million	\$713 million	\$590 million
Number of public works personnel	1,000	1,616	1,610
Annual public works funds	\$10 million	\$30.6 million	\$30 million

^aCurrent minimum criteria, according to DOD, based on Navy experience at Great Lakes and Newport.

The geographic dispersion of the maintenance organizations would be comparable to that of the San Diego Center which serves installations within a 16-mile radius.



Navy studies have supported the economic and operational feasibility of a Center in the San Francisco Bay area. In October 1969, subsequent to the San Francisco Interdepartmental Committee study, the Naval Area Audit Service recommended that the Public Works Transportation Center, Treasure Island, be redesignated as a Public Works Center. Although the Center's maintenance functions were limited to transportation services, the auditors' rationale was that advantage could be taken of the existing nucleus of administrative and comptroller personnel familiar with the Navy Industrial Fund procedures and operations used by the Public Works Centers.

The proposed initial consolidation was to have included the maintenance organizations of the Naval Supply Center, Oakland; Naval Air Station, Alameda; Naval Hospital, Oakland; Naval Station, Treasure Island; and the San Francisco Bay Naval Shipyard at Hunters Point.

The Naval Area Audit Service estimated that personnel savings alone would be \$600,000 annually. Three more distant organizations were also considered, increasing the annual personnel savings to about \$1.5 million. In addition, other economic benefits of a Center were set forth in the report. The Chief of Naval Operations concurred with the recommendation and agreed that the estimate of savings was reasonable.

The Navy advised the Assistant Secretary of Defense (Comptroller) in July 1970 that, while it endorsed the principle of consolidation, any Navy statement of concurrence or nonconcurrence with the recommendation for a Public Works Center was not feasible at that time because budgetary constraints currently imposed or anticipated were generating indepth reviews by all three services of support requirements.

In October 1970 the Assistant Secretary of Defense (Comptroller) questioned the need for deferring action on the audit recommendation. On November 18, 1970, the Navy requested that further followup be deferred pending the Navy's approval of the Chief of Naval Operations' "Project for the Phased Reduction of the Naval Shore Establishment." As of September 1972 no further action had been taken on the recommendation.

The Public Works Transportation Center was established in 1957 to provide consolidated transportation services to naval installations in the Bay area. These installations did not use the Center, and the Center resorted to depot-level overhauling of Air Force transportation, construction, and ground support equipment. As a result, despite a stated Navy policy of consolidating common support functions and Naval Facilities Engineering Command inspection reports recommending that the Navy installations use the Center, the Department of the Air Force was the Center's only major customer. The 1969 Navy audit report stated that about \$100,000 annually could have been saved had the Center's transportation services been used by seven of the principal Navy installations in the Bay area.

A February 1970 Navy case study stated that, since the Air Force work was being phased out, the Center would be disestablished effective July 10, 1970. The Air Force work was phased out, but it would appear that the reason for disestablishment of the Public Works Transportation Center was not that it could not operate economically but that the Navy installations were not required to use it.

In 1965 the District Public Works Office, 12th Naval District, San Bruno, California, also studied the feasibility of a Public Works Center. The study group recommended establishing a Center comprising the maintenance organizations of the Naval Station, Treasure Island; Naval Supply Center, Oakland; Naval Air Station, Alameda; Naval Hospital, Oakland; and the above-mentioned Public Works Transportation Center, Treasure Island. With the exception of the San Francisco Bay Naval Shipyard, these were the same Navy installations the Naval Area Audit Service considered for consolidation. Annual personnel savings were estimated to be between \$420 thousand and \$670 thousand, depending on the organizational makeup of the Center. Although this study provided a comprehensive implementation plan, no further action was taken on the recommendation.

As previously noted, the Deputy Assistant Secretary (Installations and Housing) expressed dissatisfaction with the initial report submitted by the San Francisco Interdepartmental Committee and requested in February 1972 that a reevaluation of the consolidation study be made. In May 1972

the reevaluation was submitted by the committee, and as of September 1972 the Office of the Secretary of Defense was awaiting comments of the Department of the Navy.

The recent study considered the feasibility of consolidating real property maintenance activities in the San Francisco area under a single facilities engineering organization. In its report the committee referred to several studies made over the past few years which concluded that consolidating was feasible. The committee felt that the feasibility of consolidation should be accepted without further indepth study at this time. The committee concluded and recommended that initially a Navy Public Works Center should be established in the Oakland-Alameda area to consolidate all real property maintenance activities for the Naval Station, Treasure Island; Naval Air Station, Alameda; Naval Hospital, Oakland; Naval Supply Center, Oakland; and Oakland Army Base.

The committee felt that consolidation should be limited initially to allow for the consolidated organization to form and to begin functioning smoothly. The committee was of the opinion that, after a period of 5 years, further consolidations should be considered.

CHAPTER 4

OTHER GEOGRAPHICAL AREAS WITH POTENTIAL FOR CONSOLIDATING MAINTENANCE ORGANIZATIONS

Before DOD established the Interdepartmental Committees, the Navy had a program aimed at identifying locations where public works organizations could be consolidated. Some of these proposed consolidations were implemented (see p. 5), and others were not.

JACKSONVILLE AND KEY WEST, FLORIDA, AREAS

The Navy Installations Survey Group in its report dated May 1968 (see p. 6) noted that comprehensive consolidation studies in two geographical areas concluded that a Center would result in economies. The following Centers were proposed to be established in fiscal year 1969, and the estimated savings pertaining to Key West were validated by the Naval Area Audit Service.

<u>Proposed Public Works Center</u>	<u>Estimated annual savings</u>
Jacksonville	\$452,723
Key West	210,043

As of September 1972 no action had been taken on these proposals; however, the Jacksonville study was being reviewed by the 6th Naval District and the Key West proposal was being reviewed by the Chief of Naval Operations.

PHILADELPHIA AREA

In January 1967 the East Central Division of the Naval Facilities Engineering Command recommended consolidating the maintenance organizations of the Philadelphia Naval Shipyard, Naval Air Engineering Center, and Naval Hospital. One-time savings of \$85,000 and annual savings of \$266,466 were estimated. In addition, reduced requirements for new

construction would result in a cost avoidance savings of \$437,000. The estimated savings were validated by the Naval Area Audit Service.

In April 1968 the Commandant, 4th Naval District, advised the Chief of Naval Operations that a Public Works Center should be established and that other naval and Marine Corps activities in the South Philadelphia area had indicated a desire to use it.

In summarizing the advantages of a Center, the Commandant added that:

"*** there is little to indicate that the Public Works Center would increase the costs, and this may be the best that can be determined in advance, while having due regard for the favorable experience of Public Works Centers in other areas. The motivating reason for the establishment of a Public Works Center is considered to rest upon the greater potential for effectiveness and responsiveness to all of the organizations, while maintaining the capabilities for the two largest organizations, that is, Naval Shipyard and Naval Air Engineering Center."

The Philadelphia Interdepartmental Committee noted that action had not been taken on the recommendation as of June 1969. Most of the committee's recommendations were contingent upon the proposed Center.

In November 1970 the Department of Navy advised the Assistant Secretary of Defense (Installations and Logistics) that, although attractive advantages were projected for the Center, a decision to establish it would not be considered until the impact of base closure studies was known. As of September 1972, no major base closure announcements had been made as a result of such studies nor had any further action been taken on the proposed center.

BOSTON AREA

In fiscal year 1967 the Northeast Division, Naval Facilities Engineering Command, recommended that maintenance

organizations in the Boston area be consolidated at the Boston Naval Shipyard. One-time savings of \$83,624 and annual savings of \$197,116 were estimated. This recommendation did not receive favorable support from the commands involved. The objections were that the reduced responsiveness and loss of direct control of maintenance personnel would outweigh the advantage of monetary savings.

The Boston Interdepartmental Committee reviewed the above study and concluded, in general, that the recommendations were supported and the potential savings appeared to be valid as of July 1969. However, the committee recommended that the study be reviewed after a decision is made regarding the relocation of the Boston Naval Shipyard to the South Boston area. No such decision had been made as of September 1972, nor had any further action been taken on the proposed consolidation.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Although the Interdepartmental Committees' reports contained recommendations that should be beneficial, most of the committees did not make any indepth studies as to the feasibility of consolidating maintenance organizations. Although its instructions conflicted with the guidelines from the Assistant Secretary of Defense (Installations and Logistics), the Washington committee advised local committees not to be concerned with consolidation.

Another factor that apparently influenced the activities of the Interdepartmental Committees was that members were from the maintenance organizations being considered for consolidation and in many cases they did not have the requisite rank or prestige to fully accomplish their jobs. As a result, the committees' apprehensions over reduced mission responsiveness and loss of command control or flexibility reflected the views of the respective installations and commands to which they were assigned, instead of an independent consideration of consolidation.

Except for the Navy's Public Works Centers and a few consolidated Air Force organizations existing before the 1968 GAO report and a recent consolidation in Albuquerque, most installations still have their own maintenance organizations.

The existing consolidated organizations have shown that they provide effective maintenance support to the installations served as well as economic benefits. We believe that additional consolidations would be beneficial. For example, recently completed studies have indicated potential for consolidation in the Boston, Philadelphia, San Antonio, and San Francisco areas. Established Public Works Centers can be expanded to include additional organizations.

The reduced budgetary and personnel resources within DOD would, in our opinion, be additional reasons to more seriously consider consolidation. A consolidated maintenance organization would be flexible enough to adapt to base closures or realignments.

RECOMMENDATIONS

We recommend that the Secretary of Defense have the maintenance organizations consolidated where studies have indicated that consolidation would be economical.

We also recommend that the Secretary of the Navy require, where feasible, that all naval activities within a reasonable distance of a Public Works Center use the Center fully.

CHAPTER 6

AGENCY COMMENTS

The Assistant Secretary of Defense (Installations and Logistics), in commenting on our report (see app. I), stated that, because of the different missions normally assigned to installations within any given geographical area, real property maintenance support must respond to different priorities and command requirements assigned to each. Size and distance are additional complications. Thus an attempt to consolidate real property maintenance activities in a given area under a single manager usually results in complex command/organizational relationships.

He advises that the following current DOD objectives and policies, are contained in DOD Directive 4165.2, revised March 14, 1972.

"Real Property Maintenance Activities (RPMA) functions at military installations in a given geographic area will be consolidated where such action is cost effective and can be taken without mission impairment. Normally, consolidation studies will consider maximum use of Interservice Support Agreements (ISSAs), joint service contracts, and other cross-servicing techniques whenever such practices make the most effective use of resources and do not adversely affect mission accomplishment.***"

Interservice support agreements are formal agreements for the provision of support (material, facilities, or services) between DOD components or between a DOD component and another Federal agency.

In our opinion, the obstacle frequently placed in the way of organizational consolidation is the argument put forth by the military services of possible mission impairment. This argument implies that, if an installation or command is not able to control and direct its own real property maintenance activities, it may not be able to accomplish its mission. The argument ignores that such consolidated maintenance

organizations as the Navy Public Works Centers have existed for many years with no apparent impairment of the mission of the installations supported.

The Assistant Secretary stated that consolidation of activities by the use of an interservice support agreement leaves each commander with a facilities engineering staff to carry out staff engineer functions even though all or part of the day-to-day operations are performed by others. He stated that generally such support agreements have been most effective in consolidating these activities. Further, the use of such agreements has resulted in substantial savings by avoiding unnecessary duplication of functions and by using consolidated contracts. He cited a current example where organizational consolidation was being sought by using an interservice agreement. He stated, however, that, where the limitations involved can be overcome, DOD's goal is organizational consolidation.

The revised guidance issued by DOD is an initial step toward consolidating maintenance organizations wherever practical. However, we have noted that interservice support agreements have been in use for a number of years and that, in many cases, their use is limited to consolidation of procurement of some items or some service or that they are basically host-tenant agreements. We plan to look into the effect that the use of these agreements and other efforts will have on the goal of consolidating maintenance organizations as part of our continuing reviews of DOD's management of real property maintenance. Meanwhile, we hope such arrangements will not be used as an excuse for not consolidating maintenance organizations where consolidation is feasible and cost effective.

Because members of the Interdepartmental Committees were from organizations being considered for consolidation and in many cases did not have the requisite rank or prestige to fully accomplish their job, we proposed in a draft of our report that the Secretary of Defense have independent studies made on the feasibility of consolidation in geographical areas where indepth studies have not been made. In commenting on our proposal, the Assistant Secretary stated that studies by independent parties had been given previous consideration, and although this approach had merit, the

concept of using local committees was sound and effective. In view of recognized shortcomings, steps had been taken to upgrade the principal committee membership to executive level participation.

In commenting on our recommendation that more use be made of Naval Public Works Centers, the Assistant Secretary said the Navy is improving their use through studies and directives in several locations where Centers exist and such action will be continued and emphasized. He pointed out that on Oahu the Public Works Department of the Naval Air Station, Barbers Point, was being consolidated into the Public Works Center at Pearl Harbor.

CHAPTER 7

SCOPE OF REVIEW

We reviewed the 25 Interdepartmental Committee survey reports and other study group reports to determine the extent to which these committees analyzed the feasibility and economy of consolidating maintenance organizations. We also considered whether recommendations in these studies have been implemented.

We examined pertinent DOD guidelines and regulations and met with responsible officials of the Washington Interdepartmental Real Property Maintenance Committee, Naval Facilities Engineering Command, and Public Works Centers at Norfolk and San Diego.

We met with representatives of the Denver, Norfolk, San Antonio, and San Francisco Interdepartmental Committees. Supporting documentation provided by these committees was reviewed. Work was also done at some of the installations that were included by the local committees in their surveys. In addition, we met with officials of the Naval Area Audit Service in the Norfolk, San Francisco, and San Diego areas.



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

IN

27 JUL 1972

INSTALLATIONS AND LOGISTICS

Mr. R. G. Rothwell
Associate Director
Logistics & Communications Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Rothwell:

Your letter of April 26, 1972 to the Secretary of Defense transmitted copies of a draft report to the Congress on your follow-up review on actions taken to consolidate real property maintenance organizations (OSD Case Number 3449).

The report recommended that the Secretary of Defense (1) have the maintenance organizations consolidated where studies have indicated the economic benefits of consolidation, and (2) have independent studies made as to the feasibility of consolidating maintenance organizations in geographical areas where in depth studies have not been made. GAO also recommended that the Secretary of the Navy require all Naval activities that are within a reasonable distance of a Public Works Center to utilize it.

The program on "Consolidation of Real Property Maintenance Activities (RPMA) at Military Installations" has been in effect since August 31, 1968, and guidance for this program has been periodically updated. Current DoD objectives and policies as contained in a recent revision to DoD Directive 4165.2, dated March 14, 1972, are as follows: "RPMA functions at military installations in a given geographic area will be consolidated where such action is cost effective and can be taken without mission impairment. Normally, consolidation studies will consider maximum use of Interservice Support Agreements (ISSAs), joint service contracts, and other cross-servicing techniques whenever such practices make the most effective use of resources and do not adversely affect mission accomplishment. For smaller installations, the performance of the complete RPMA function should be accomplished, where feasible, by means of ISSAs or even organizational consolidation provided

APPENDIX I

mission accomplishment or control over operating funds is not seriously impaired. Use of ISSAs will be as prescribed in DoD Directive 4000.19 of March 27, 1972."

There are some limitations involved in complete RPMA organizational consolidation. Because of the different missions normally assigned to installations within any given geographical area, real property maintenance support must respond to different priorities and command requirements assigned to each. Size and distance are additional complicating factors. Thus an attempt to consolidate real property maintenance activities in a given area under a single manager usually results in complex command/organizational relationships. This situation is compounded when the logistics and record systems of more than one service are involved, which was apparent in the initial analysis concerning the Hawaii and Norfolk areas.

In addition, consolidation of activities by the use of an ISSA leaves each commander with a facilities engineering staff which can carry out the staff engineer functions even though all or part of the operational real property maintenance activities may have been transferred by ISSA to another Service. This is significant because we believe that in almost all situations it will be necessary for the commander concerned to retain the facilities engineering staff functions even though the day-to-day operations are performed by others. Thus in the general case, ISSAs have provided the most effective vehicle for consolidating RPMA. Their use has resulted in substantial savings through the avoidance of unnecessary duplication of RPMA functions and through increased use of consolidated contracts. However where the above limitations can be overcome, organizational consolidation remains the ultimate goal. A current example of this effort is at Wheeler Air Force Base, Hawaii, where organizational consolidation is being sought through agreement between the Army and Air Force on an ISSA which would transfer total responsibility for RPMA to the Army.

Your recommendation that organizational studies be conducted through independent parties has been given previous consideration. While this approach does have certain merits, we do not consider that it is the most practical method. An understanding of local missions, workloads, systems and procedures and all other elements which go into a functioning organization would have to be provided to any independent party. This in itself is a considerable task. Our experience has shown that while individual biases may exist at the beginning of such studies, these soon are submerged and those personnel locally assigned do provide objective, analytical reports. In addition, personnel at higher

echelons of commands carefully review the reports and question and eliminate any remaining bias. Accordingly, we feel the present concept of utilizing local committees is sound and effective in that various practices of the Military Services can be integrated into the individual studies. It also provides for maximum use of the existing chain of command in their review and implementation. However, recognizing past shortcomings, steps have been taken to upgrade the principal committee membership to executive level participation. This action together with the very recent publication of totally updated guidelines will ensure more effective and uniform program studies.

With regard to your final recommendation, the Navy is taking action to improve the utilization of Public Works Centers through studies and directives in several locations where Public Works Centers now exist. This action will be continued and emphasized in all of these locations. On Oahu, the Public Works Department of Naval Air Station Barbers Point is being consolidated into the Public Works Center at Pearl Harbor. Additional organizational consolidations in Lead Shops or Public Works Centers, as appropriate, are under active review within the Navy.

The draft report on page 17 cites Navy minimum criterion for establishing a Public Works Center. Navy experience at Great Lakes, Illinois and Newport, Rhode Island indicates that the criterion should be raised. Because there is a minimum overhead required to operate any Public Works Center, the minimum size is now considered to be twice that listed in the report. Criteria now being utilized as a minimum are 1,000 Public Works personnel, \$10,000,000 Public Works funds and \$200,000,000 current plant value. Conversely, the Navy considers there is, undoubtedly, a maximum size organization that can render efficient and responsive Public Works support. This maximum size has not been quantified through experience; however, it is considered that physically consolidating the organization of all Public Works effort in the Norfolk, Virginia area, for example, would increase Public Works Center, Norfolk to unmanageable proportions. Care must therefore be exercised in further organizational consolidations, both interservice and intraservice, in large military complex areas, such as Norfolk and Oahu.

The DoD Real Property Maintenance Management Conference in November 1971 conducted a broad review of the DoD RPMA program and addressed certain identified problem areas in this key logistic

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function. One panel reviewed and evaluated the present and future program for consolidation of RPMA. It was concluded that the present consolidation program was valid; however, 11 recommendations were presented for further improvement of this program. Nine of these recommendations have been implemented and the remaining two to be implemented shortly.

A meeting was held on May 11, 1972 with Mr. J. DeLeeuw, Assistant Director, GAO, and Brigadier General W. T. Meredith, USAF, Assistant for Facilities Management, OASD(I&L), relative to the basic recommendations contained in the draft report and the objectives and accomplishments of the consolidation program. At this meeting, it was agreed that because of your continuing interest in this program and your RPMA maintenance and utilities reviews, now being conducted, it would be to our mutual benefit to meet again in August 1972. This meeting will be devoted to an informal semi-annual review and discussion of actions taken on recommendations of the recent DoD Real Property Maintenance Management Conference and the overall DoD RPMA Program.

We appreciate the opportunity to review and comment on the draft report. The recommendations and observations contained therein will be helpful in the continuation of efforts toward a more economical and effective DoD RPMA Program.

Sincerely,



BARRY J. SHILLITO
Assistant Secretary of Defense
(Installations and Logistics)

GEOGRAPHICAL AREAS SURVEYED BY LOCAL
INTERDEPARTMENTAL REAL PROPERTY
MAINTENANCE COMMITTEES

<u>Geographical area</u>	<u>Date of survey report</u>
Alabama:	
Montgomery	May 1969
California:	
Los Angeles	Apr. 1969
Oxnard	Apr. 1969
San Diego	July 1969
San Francisco	July 1969
Colorado:	
Colorado Springs	May 1969
Denver	July 1969
District of Columbia	July 1969
Florida:	
Jacksonville	July 1969
Orlando	July 1969
Georgia:	
Atlanta	June 1969
Hawaii:	
Oahu	May 1969
Illinois:	
Chicago	July 1969
Louisiana:	
New Orleans	July 1969
Massachusetts:	
Boston	July 1969

APPENDIX II

<u>Geographical area</u>	<u>Date of survey report</u>
Missouri: Kansas City	May 1969
New Jersey: Fort Dix	July 1969
New Mexico: Albuquerque	July 1969
New York: New York City	July 1969
Ohio: Dayton	June 1969
Pennsylvania: Harrisburg Philadelphia	July 1969 June 1969
Texas: San Antonio	July 1969
Virginia: Norfolk	May 1969
Washington: Fort Lewis	July 1969

PRINCIPAL OFFICIALS
RESPONSIBLE FOR THE ADMINISTRATION
OF ACTIVITIES DISCUSSED IN
THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):		
Barry J. Shillito	Feb. 1969	Present
Thomas D. Morris	Sept. 1967	Jan. 1969
<u>DEPARTMENT OF THE ARMY</u>		
SECRETARY OF THE ARMY:		
Robert F. Froehlke	July 1971	Present
Stanley R. Resor	July 1965	June 1971
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
Dudley C. Mecum	Oct. 1971	Present
J. Ronald Fox	June 1969	Oct. 1971
Vincent P. Huggard (acting)	Mar. 1969	June 1969
Dr. Robert A. Brooks	Oct. 1965	Feb. 1969
<u>DEPARTMENT OF THE NAVY</u>		
SECRETARY OF THE NAVY:		
John W. Warner	May 1972	Present
John H. Chafee	Jan. 1969	May 1972
Paul R. Ignatius	Aug. 1967	Jan. 1969

APPENDIX III

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE NAVY (continued)

ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND LOGISTICS):

Charles L. Ill	July 1971	Present
Frank Sanders	Feb. 1969	June 1971
Barry J. Shillito	Apr. 1968	Jan. 1969

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. Robert C. Seamans, Jr.	Jan. 1969	Present
Dr. Harold Brown	Oct. 1965	Jan. 1969

ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS AND LOGISTICS):

Phillip N. Wittaker	May 1969	Present
Robert H. Charles	Nov. 1963	May 1969



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

IN
INSTALLATIONS AND LOGISTICS

3 FEB 1973

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Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D. C. 20548

Dear Mr. Staats:

The Secretary of Defense has requested that I furnish appropriate comment on your December 12, 1972 Final Report to the Congress (B-164217) on the little progress by the Department of Defense in acting on opportunities for significant savings by consolidating real property maintenance organizations (OSD Case Number 3449).

The report recommended that the Secretary of Defense have the maintenance organizations consolidated where studies have indicated that consolidation would be economical. It was further recommended that the Secretary of the Navy require, where feasible, that all Naval activities within a reasonable distance of a Public Works Center use the Center fully.

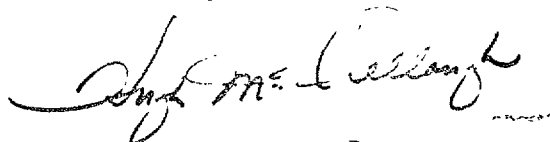
Our current DoD policy is to institute economies and efficiencies through the consolidation of real property maintenance activities (RPMA) at nearby installations to eliminate unnecessary duplication and contribute to military preparedness. Since FY 1969, thirty-three consolidation areas have been designated, world-wide, to be surveyed by Joint Services Task Groups; the review and approval of recommended consolidation actions are coordinated through command and departmental channels. To further maximize consolidation efforts, Joint Utilities Review Boards were established world-wide to solve mutual utilities procurement problems, ensure more effective utilities contract negotiation, and to improve conservation programs. Joint efforts of the Services to attack selected RPMA function problems mutually are proving fruitful and are receiving strong support from all echelons. Capital investments inventory has been reduced without impairment of support to mission requirements; specialized equipment

has been pooled reducing inventories and operating costs. Consolidation committees have maximized the use of interservice support agreements as a major means of effecting consolidation of RPMA functions. The combined efforts of the local consolidation committees and the Joint Utilities Review Boards have resulted in cost savings of over \$30 million.

Our position concerning the findings and recommendations of the draft report is contained in our July 27, 1972 letter to GAO (Appendix I of the final report) and is still considered valid. The follow-up meeting referred to in this letter was held on September 19, 1972 with Mr. J. DeLeeuw and other members of your staff. This meeting was devoted to an in-depth review of the DoD Facilities Management Program with the objective of presenting a clearer insight to the magnitude and complexity of the real property maintenance program and its relationship to consolidation of RPMA functions. It is acknowledged that there are continuing opportunities to improve consolidation of RPMA world-wide; substantial progress has been made and is in progress to consolidate RPMA with the aim of reducing operational costs and effecting greater economies. Surveillance over the consolidation program as prescribed in DoD Directive 4165.2 "DoD Real Property Maintenance Activities Program," dated March 14, 1972, will continue throughout the Department of Defense.

Strong emphasis on consolidation of RPMA will continue to remain a major and foremost objective in our facilities management program. We will not be satisfied until every opportunity for improving our performance in this vital support area is explored and adjustments made to insure maximum efficiency and economy.

Sincerely,



HUGH McCULLOUGH
Acting Assistant Secretary of Defense
(Installations and Logistics)

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

Copies are provided without charge to Members of Congress, congressional committee staff members, Government officials, members of the press, college libraries, faculty members and students. The price to the general public is \$1.00 a copy. Orders should be accompanied by cash or check.