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Mr. Stanton
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REPORT TO THE CONGRESS

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Opportunities To Consolidate Support Functions In The Pacific To Reduce Military Costs

B-160683

Department of Defense

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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MAY 11, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-160683

C1 To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the opportunities to consolidate support functions in the Pacific to reduce military costs.

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; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

A handwritten signature in black ink, appearing to read "James R. Staets".

Comptroller General
of the United States

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<u>ABBREVIATIONS</u>	
CINCPAC	Commander in Chief, Pacific
DOD	Department of Defense
GAO	General Accounting Office

D I G E S T

WHY THE REVIEW WAS MADE

It is Department of Defense policy to reduce costs by having one military service perform support functions for the rest. The General Accounting Office (GAO) examined the interservice support program in the Pacific Command to appraise its effectiveness in eliminating duplication.

The review also was undertaken to explore certain conclusions of the Blue Ribbon Defense Panel in its report on Department of Defense operations. The Panel felt that there could be improved effectiveness, efficiency, and economy through increased sharing of logistics functions.

FINDINGS AND CONCLUSIONS

There have been numerous interservice support accomplishments within the Pacific Command. For example, during the first half of fiscal year 1971, the value of support--e.g., medical, laundry, maintenance, and procurement services--provided by interservice agreements was \$150 million. However, more could be done. For example:

- The Army and Air Force both had laundry and dry cleaning facilities within 22 miles of each other in the Kanto Plains, Japan, area. Closing the older Air Force facility and transferring the work load to the Army would save \$750,000 a year. The Air Force facility was closed in December 1971, subsequent to the GAO review. (See p. 8.)
- The Army, Navy, and Air Force each maintain a general hospital in the Tokyo, Japan, area. All are within 30 miles of each other. Each hospital maintains a capability in the same medical specialties. If the Army hospital in Tokyo were converted to a dispensary, savings of about \$2 million a year could be realized. The size of the Army hospital was reduced during the GAO review, and the Department of Defense promised to consider converting it to a dispensary as soon as the situation in Southeast Asia permits it. (See p. 10.)

The Pacific Command should take a more active role in the management of interservice support. Although the Command has initiated a number of interservice support arrangements which resulted in significant savings, the primary method of seeking out such arrangements is the Defense Supply Agency's logistic support program. This program, administered at subordinate command level, has not been completely effective because:

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still maintains that the Commander's authority needs to be clarified, particularly with regard to the appeal procedures. Appeals should be permitted only where significant adverse impact on mission capability could be involved.

MATTERS FOR CONSIDERATION BY THE CONGRESS

In view of recent and anticipated tight budgets, this report shows the Congress how the military services can reduce costs through more inter-service support arrangements in overseas areas.

CHAPTER 1

INTRODUCTION AND SCOPE

The General Accounting Office has reviewed interservice support in the Pacific. We wanted to ascertain how the U.S. Pacific Command--a unified command--was administering its program for prevention or elimination of unnecessary duplication of facilities and functions. Our specific objectives were:

- To ascertain the policies and procedures of the Department of Defense (DOD) and the Pacific Command for interservice support.
- To determine if these policies and procedures had been effective.
- To develop recommendations for improving interservice support.

This review also was undertaken, in part, to explore further a recommendation made by the Blue Ribbon Defense Panel in its July 1, 1970, report to the President on its study of DOD operations. The Panel was composed of leading citizens in industry and other fields. One of its objectives was to study the management of material resources. The Panel concluded that:

"There is significant potential for improved effectiveness, efficiency, and economy which can be realized through increased integration of all logistics functions."

The Panel recommended that responsibility for providing logistical services be consolidated and assigned to a unified logistics command.

The Secretaries of the military services have the basic responsibilities for logistic support of the individual services. The Secretary of Defense has certain responsibilities for joint logistics; however, he may not modify a major combatant function, power, or duty assigned to one of the

military departments without advising the Congress. This restriction does not apply to supply or service activities.

Application of joint logistics within DOD is accomplished by several means.

-- Interservice support arrangements at operating levels.

-- Separate operating Defense agencies which support all services, such as the Defense Supply Agency and Defense Communications Agency.

-- Single manager assignments for certain commodities and services, such as the Military Airlift Command and the Military Sealift Command.

Our review was concentrated on operating-level support functions, such as medical, laundry, maintenance, and procurement services. Interservice support normally is provided by an activity of one service on the basis of a written agreement with an activity of another service.

The basic guidance for interservice support is in DOD Directive 4000.19 dated August 5, 1967, entitled "Basic Policies and Principles for Interservice and Interdepartmental Support." The general policy is that DOD components should request and should be provided with interservice support when capabilities are available or can be made available and such support is to the overall advantage of DOD.

The authority and responsibility of unified commands are set forth in the Unified Command Plan and in Joint Chiefs of Staff Publication 2, entitled "Unified Action Armed Forces." They are almost identical in outlining the logistical responsibilities and authority of unified commands.

The Commander in Chief, Pacific (CINCPAC), is the Commander of a unified command responsible for operations in the Pacific. Thus CINCPAC is responsible for ensuring effectiveness and economy of operation and preventing or eliminating unnecessary duplication of facilities and functions among the services. In meeting this responsibility CINCPAC has instituted a number of interservice support arrangements.

For example, during the first half of fiscal year 1971, the value of support provided by interservice support agreements was \$150 million. The principal method of seeking interservice support arrangements is the Defense Supply Agency's Defense Retail Interservice Logistic Support Program.

Under this program area coordination groups and subgroups were established in the Pacific Command to identify and develop opportunities for interservice logistics support. These groups were staffed by service representatives of all DOD activities in specified geographical areas. Generally the representatives were personnel assigned primary duties in a logistics area. Their function as members of a group or subgroup was an additional duty.

During this review we examined DOD regulations, policies, and procedures related to the management of interservice logistics. We also considered various DOD studies and reports on this subject. Our fieldwork was performed from March through July 1971 at (1) Headquarters, Commander in Chief, Pacific, (2) the Pacific headquarters of the component commands, and (3) subordinate commands in Japan, Korea, and Okinawa.

CHAPTER 2

INTERSERVICE SUPPORT CAN BE INCREASED

Many opportunities to reduce costs by consolidating common services through interservice support arrangements have been missed. Although a number of these arrangements are used, many additional opportunities have escaped because, under the present program, all potential cases are not identified, all cases which are identified are not explored fully, and interservice support arrangements are not required if one of the parties has some objection.

POTENTIAL INTERSERVICE SUPPORT OPPORTUNITIES NOT REALIZED

Japan

Duplicate Army and Air Force laundry facilities

The Army and Air Force have laundry and dry-cleaning facilities in the Kanto Plains area within 22 miles of each other. As much as \$750,000 annually could be saved if the older Air Force facility were closed and if the work load were transferred to the Army's modern facility.

The Army's plant, which employed 62 people, was operating at less than one-third capacity; the Air Force's plant, which employed 176 people, also was operating at less than full capacity. The fiscal year 1971 operating costs for these plants were \$295,000 and \$875,000, respectively. The Army's production was about 65 percent of that of the Air Force, and operating costs were only 34 percent.

In April 1971 an Air Force employee suggested that the Army plant handle the Air Force work load. The Army, in a July 1971 study, concluded that its plant could absorb the Air Force work load and could save as much as \$750,000 annually. During our review the Air Force was gathering cost information for transporting its laundry to and from the Army facility.

We were advised that in November 1971 the Air Force accomplished an Interservice Supply Support Agreement with the Army which transferred the laundry and dry-cleaning work load

to the Army facility. The Air Force closed its own plant in December 1971.

We believe that it is significant, however, that this potential interservice support arrangement was investigated because an individual employee suggested it. The Pacific Command had not developed adequate procedures to identify routinely such opportunities as part of an overall management program. This is discussed further on page 18.

Overlapping medical services

The changing requirements for medical facilities in the Pacific are under continuous review by the Surgeons General of the Army, Navy, and Air Force and by the Joint Chiefs of Staff.

We believe, however, that the Army could save a substantial sum if it converted its hospital at Camp Zama to a dispensary. This hospital, which was at the 1,000-bed level in 1969, was reduced to a 500-bed capacity in 1970.

Since the Army, Navy, and Air Force each maintain a general hospital in the Tokyo area, all of which are within 30 miles of each other, we examined the possibility of converting one hospital--the Army hospital at Camp Zama--to a dispensary rather than having a full range of medical services at all three. For the 6-month period ending May 31, 1971, the average occupancy rate for the Army hospital was 339 beds, or 68 percent of capacity. Only 46 beds or 9 percent were occupied by local patients, and the remaining beds were used for patients evacuated from Southeast Asia. During the period of our review, DOD stopped evacuating patients from Southeast Asia to Japan. We suggested to responsible officials that the Army hospital in Tokyo be converted to a dispensary and that local patients requiring hospitalization be directed to the Navy or Air Force hospitals in the area.

According to Army officials there would be a complete demoralization of Army personnel if the hospital were closed because personnel coming into an area with a large Army population expect an Army hospital nearby. Further, although the Air Force and Navy hospitals are close in terms of miles,

the 1-1/2 to 2 hours required to travel from Camp Zama to these hospitals would place an undue burden on Army personnel, particularly in emergencies.

We agree that Army personnel should have at their disposal medical facilities which are reasonably close by. A well-equipped dispensary, in our opinion, offering limited services--especially obstetrics--and a small number of beds would (1) meet adequately the needs of the personnel served by the Army hospital, (2) reduce hospital costs, and (3) release the specialty services offered by the Army hospital for assignment elsewhere.

We did not attempt to establish precisely the savings which would result if only a dispensary existed at Camp Zama. The operating costs in fiscal year 1971 for a Navy dispensary in Sasebo, Japan, which serves about the same population as the Army hospital at Camp Zama, however, were \$126,000, excluding military pay. The fiscal year 1971 operating costs for the Army hospital were \$2.2 million, excluding military pay.

During our review the Camp Zama hospital reduced the number of its beds from 500 to 100 while continuing to offer a full range of medical specialties. This action will reduce operating costs, though not to the extent possible by converting to a dispensary-type operation.

In commenting on our findings, DOD stated that the Army would reconsider conversion of the Zama hospital to dispensary status when Southeast Asia base medical support and contingency expansion missions were reduced to levels making such a conversion militarily and economically feasible.

Office machine maintenance performed
by Army and Air Force exceeds
contractor's costs

The Navy was contracting for its office machine maintenance, and the Army and Air Force had an in-house capability. There appeared to be significant cost differences in the two methods.

The Army and Air Force performed schedule preventive maintenance in addition to repair on an "as required" basis. All maintenance for Navy equipment was performed by two Japanese contractors on an as-required basis. The costs were fixed on the basis of the contractors' estimates to perform various repairs. One contract was for support of Navy units in the Yokosuka-Yokahama area in Japan whereas the other contract was for support of Navy activities in the Atsugi-Kamiseya area in Japan.

The following schedule compares the cost differences.

<u>Office machine</u>	<u>Service</u>	Average cost for each machine (note a)
Typewriter, manual	Army	\$39.62
	Air Force	12.08
	Navy ^b	7.70
	Navy ^b	5.70
Typewriter, electric	Army	70.87
	Air Force	17.82
	Navy ^b	9.20
	Navy ^b	7.50
Adding machine	Army	36.20
	Air Force	14.42
	Navy ^b	8.70
	Navy ^b	6.24
Calculator	Army	40.01
	Air Force	14.26
	Navy ^b	10.80
	Navy ^b	8.20

^aExcludes cost of repair parts.

^bCosts for the two Japanese contractors are computed separately.

Although we did not evaluate all the factors accounting for the cost variances, the use of contractors appears to be most economical. For example, in fiscal year 1971, Army and Air Force office machines could have been maintained for about \$52,000 less, if the lower of the two contractors' prices were applied.

Korea

Savings available in depot-level maintenance operations

The Army was performing its own depot-level maintenance of tactical vehicles and engineering equipment, and the Air Force was meeting its maintenance needs for similar equipment through Korean contractors or through Air Force sources in the United States and the Philippines.

Primarily because of a suggestion by a GAO official and the initiative of an Air Force Chief Master Sergeant, arrangements were made for the Army to perform depot-level maintenance on the Air Force's tactical vehicles. As a result annual savings will range from \$60,000 to \$100,000. Further, if the Army performed the depot-level maintenance on the Air Force engineering equipment, as much as \$10,000 an item could be saved.

Duplicate procurement offices

The Army's procurement office in Seoul, Korea, which employs 123 people, purchased common-type services and supplies for DOD activities in Korea. The Air Force's procurement activity at Osan Air Base (about 35 miles from Seoul), which employs 36 people, purchased similar services and supplies. By consolidating the Air Force office with the Army office, we estimate that 19 positions, costing \$100,000 annually, could be eliminated.

A consolidated procurement office also would offer the economies associated with bulk, rather than with small-lot purchasing. For example, the Army procurement office contracted for recapping about 20,000 tires. Concurrently, the Air Force procurement office contracted with the same

firm for recapping tires at prices about 40 to 60 percent higher than those of the Army. This variance resulted because the Army contracted for fixed quantities, whereas the Air Force used an open-end purchase agreement having no minimum quantities specified. Centralized procurement by the Army would have saved about \$3,400 for 1 year.

If the Pacific Command had a more aggressive interservice support program, we believe that potential areas in Korea, as discussed above, would be readily identified and would thereby save the U.S. Government substantial sums annually. The type of program required is discussed on page 18.

Okinawa

Unsuccessful effort to consolidate 33 common logistics functions

In July 1970 the Army identified 33 instances of possible consolidation opportunities on Okinawa which had estimated savings of \$40 million.

After some analysis 11 logistic functions were isolated as offering the best potential. The responsible commands were requested to submit position statements on proposals to consolidate these functions. The commands, however, did not perform in-depth studies and therefore could not demonstrate any benefits of the proposed interservice support actions. For example, a proposal to consolidate facilities' engineering functions only mentioned that the consolidation offered significant savings potential but failed to present any cost figures to demonstrate the savings.

In-depth reviews were not performed because the individuals directed to perform the reviews did so as an additional duty, and, as a result they were unable to devote sufficient time to these reviews and still perform their assigned duties. Since in-depth reviews were not performed, responsible officials were unable to determine the feasibility of the proposed interservice support arrangements and consequently little was accomplished. (See p. 19.)

Unused family housing assets

The Army, Navy, and Air Force were responsible for \$18.7 million in family housing furniture and equipment. These assets were used for both Government-owned quarters and private rentals totaling about 5,244 and 3,882 units, respectively. The assets are issued to service personnel and authorized civilian employees in lieu of shipping their personally owned items to Okinawa, thereby saving transportation costs. The Marines obtained their support from the Army and Navy.

The Air Force restricts its military and civilian personnel to a weight allowance for each family of 2,000 pounds or 25 percent of the Joint Travel Regulation Authorization, whichever is higher. The Army applies the same restriction to military personnel but not to civilians. Both the Air Force and Army issue Government furniture to those personnel whose weight allowances have been restricted.

The Navy and Marine Corps authorize both military and civilian personnel to ship household goods within the full allowances authorized by the Joint Travel Regulations. In addition, the Navy maintains assets which are available to those personnel who did not use their full weight allowances.

We noticed that family housing assets of about \$2.3 million were available but were not being utilized. If the Navy and Marines imposed the restrictions used by the Air Force and Army and used Government furniture, there could be substantial savings. For example, we estimated that 620 of the 970 Navy and Marine Corps personnel on Okinawa had exceeded the 2,000-pound weight limitation imposed on other services' personnel. The average overage was about 3,000 pounds.

It costs about \$2,730 for a round-trip commercial shipment of 3,000 pounds of household goods between the continental United States and Okinawa. On this basis it cost the Navy and Marine Corps about \$1.7 million to ship extra household goods that would not have been needed for the 620 personnel if idle household goods on Okinawa were used.

We recognize that storage and other costs would have to be offset against this figure, but a potential for significant savings appears to exist. The military services agreed that more detailed investigation was needed.

Various locations

Navy could repair Army boats
at a substantial savings

The Army was contracting with private firms in Taiwan and Singapore for marine maintenance when the Navy could have performed the maintenance at its Ship Repair Facility, Subic Bay, Philippines. If this maintenance were done at the Navy repair facility, marine maintenance costs for fiscal year 1972 could be reduced by about \$2 million.

The Navy's maintenance work load for fiscal year 1972 is projected at 6.1 million direct labor-hours. We estimated the Army's program for the same period to be about 1.4 million labor-hours and the average cost to be about \$2.35 an hour.

Navy officials believed that the Army's contracted work load could be absorbed at Subic Bay without additional administrative and clerical staff. The increased work load would reduce the Navy's costs from \$2.01 to \$1.81 an hour.

On the basis of projected work loads, this reduction of 20 cents an hour would save the Navy about \$1.2 million and the Army about \$800,000. Other benefits also would be realized, such as improved operational efficiency, the avoidance of contractor delays, and a reduced flow of dollars to foreign countries.

In a report to the Secretary of Defense in May 1971, we recommended that the Army's marine maintenance be performed at Subic Bay. DOD directed the Army and Navy to study the feasibility of our recommendation. The Army and Navy have completed the study; however, DOD has stated that the scope of the study was not broad enough to permit a decision. The Army and Navy have been asked to reassess their analyses and recommendation.

Meanwhile the savings which could accrue to the services are not being realized because the Pacific Command did not identify this opportunity for savings and because, once identified, the command did not fully explore the possibility.

Difference in contractors' charges
for repair of Navy and Air Force
F-4 aircraft

The Navy and the Air Force contracted with different companies at different prices for repair of F-4 aircraft. The prices of the Air Force contractor were lower, and it appears that the Navy could have saved as much as \$228,000 in fiscal year 1971 if its maintenance had been performed by the same contractor.

Air Force F-4 aircraft are at Kadena Air Base in Okinawa and at Osan and Kunsan Air Bases in South Korea. The Air Force has an in-house capability to handle nearly all of its engine overhaul for the F-4 aircraft. For other programmed maintenance, such as electronics and hydraulics, however, the aircraft are flown to a contractor on Taiwan. During fiscal year 1971 the contractor charged the Air Force \$2.90 for each man-hour.

Many of the Navy's F-4 aircraft are at Iwakuni Marine Corps Air Station in Japan. The major overhaul work for these is performed by a Japanese contractor in Atsugi, Japan, about 450 miles from Iwakuni. During fiscal year 1971 this contractor charged the Navy \$3.35 for each man-hour.

On the basis of the 39-cent difference (\$3.35 minus \$2.90, offset by a Taiwanese 6-cent tax, equals 39 cents) in the hourly rate charged by the two contractors, the Navy's 1971 work load of 684,000 hours, if performed by the Taiwanese contractor, would have cost the United States about \$267,000 less than the amount paid the Japanese contractor.

This potential saving would be reduced by the added cost of flying the Navy aircraft to Taiwan rather than Atsugi, Japan. We were informed that the average cost to fly an F-4 is about \$300 an hour. We estimated, by using this figure, that it would cost an additional \$920 to fly a Navy aircraft to and from Taiwan.

On the basis of the 42 Navy aircraft overhauled during 1971, the potential savings was about \$228,000, which was arrived at by deducting the added flying cost of \$39,000 (42 at \$920 equals \$38,640) from the reduced labor cost of \$267,000.

In commenting on this point, DOD stated that, at the time F-4 overhaul contracts for 1971 were negotiated, the contractor on Taiwan did not have the capacity to take on any aircraft repair other than that being accomplished for the Air Force. Currently, however, the Navy and Air Force are in the process of developing an interservice support agreement for the rework and repair of aircraft in Southeast Asia.

During the review we visited the Air Force contractor's plant on Taiwan and ascertained that he could absorb the Navy work load. The contractor informed us that he would probably have to reduce his personnel if additional work was not received.

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Each of the foregoing cases offered promising potential for reducing costs through interservice support arrangements. Such arrangements were not used either because the opportunities were not identified routinely by management or, if they were identified, because they were not studied in sufficient depth.

MORE AGGRESSIVE IDENTIFICATION
EFFORT REQUIRED

We believe that a principal area of program improvement would be the development of procedures for the identification of potential interservice support opportunities by geographic area.

Many logistic functions within DOD are susceptible to interservicing. Therefore a list of these functions should be developed. For each function there should be a process to identify and evaluate the interservice support potential. The following steps, in our opinion, illustrate a possible approach for identifying and analyzing interservice support opportunities in a given geographic area.

1. Inventory the existing logistic activities, including supply depots and service facilities.
2. Analyze the capabilities and work loads.
3. Investigate areas of low utilization.
4. Identify duplication of functions and equipment and consider pooling equipment and/or maintenance support.
5. Identify functions performed in-house by some commands and contracted by others and ascertain the least costly method.
6. Monitor contracts by each command and determine whether consolidation would lower per-unit procurement and administrative costs and/or prevent undesirable competition among the commands.

An accurate and comprehensive reporting system to measure performance also is needed. Although the Defense Retail Interservice Logistic Support Program provides the foundation for such a system, it should be revised to provide for reporting all potential interservice support opportunities by geographic area, function, and actions taken. Such a system would alert management of program

weaknesses and would serve as a means of policing the programs and measuring performance.

MORE THOROUGH STUDY OF
OPPORTUNITIES NEEDED

To achieve economies through interservice support arrangements, a thorough analysis of all potential actions must be performed. Without in-depth reviews it is virtually impossible to demonstrate the benefits of the proposed interservice support actions. Responsible officials therefore are not provided with information necessary to make sound decisions.

In the past the individuals responsible for studying potential interservice support opportunities had primary duty assignments in the logistics area, and membership in the study group was an additional duty. We were told that study groups met infrequently, because it was difficult to schedule meetings at times convenient to the majority of the membership. As a result the reviews were inadequate in that they did not demonstrate or document fully the costs or benefits involved in proposed interservice actions.

To correct this situation we believe the Unified Command should ensure that sufficient personnel are available at the subordinate commands to identify potential areas for interservice support arrangements. These individuals also should perform the in-depth reviews required to demonstrate the feasibility of the proposed interservice support actions. Thus responsible individuals would have sufficient information to intelligently approve or disapprove a proposed interservice support action.

NEED TO CLARIFY AUTHORITY OF
PACIFIC COMMAND

Optimum interservice support within the Pacific Command is inhibited because, in practice, the Command does not have clear-cut authority to direct interservice support arrangements.

Joint Chiefs of Staff Publication 2 appears to provide the unified commands with clear-cut logistic authority in the section that states:

"*** The commander of a unified or specified command is authorized to exercise directive authority within his command in the field of logistics in order to insure effectiveness and economy ***."

The same publication states, however, that:

"Under conditions short of war, the scope of the logistic and administrative responsibilities exercised *** will be consistent with the peacetime limitations imposed by legislation, departmental policy or regulation, budgetary considerations, local conditions ***."

Since the peacetime limitations mentioned in the above statement have not been defined, the actual authority of the commands is uncertain.

In our opinion this uncertainty weakens the effectiveness of the program. For example, the Pacific Command was unsuccessful in a recent attempt to direct the Air Force to take over an Army hospital in Thailand and, in another case, to direct the relocation of a military school on Okinawa to Guam.

In each case one of the services objected to the Command's directive, and, apparently uncertain as to its authority, the Command forwarded the matter to the Joint Chiefs of Staff to be resolved rather than attempting to compel the services to take the action desired.

The authority of the Pacific Command, in our opinion, should be clarified so it can direct authoritatively the actions required to achieve a more effective and economical logistic system. As the program presently operates, officials throughout the Command are reluctant to take strong positions because, if one of the services objects, the chances of implementation are remote.

RECOMMENDATIONS

The Pacific Command needs to provide effective program management to optimize interservice support. We therefore suggested that the Secretary of Defense:

- Establish a full-time staff in the Pacific Command which will be responsible for administering an interservice support program.
- Develop procedures to ensure that the Unified Command has knowledge of, and gives adequate consideration to, all potential interservice support opportunities.
- Clarify or revise Joint Chiefs of Staff directives to provide clear-cut authority for a unified command to direct interservice arrangements in those instances where an evident economical advantage exists and the military missions of the services will not be compromised.

In our opinion appropriate actions along these lines would obviate, for the present, the need to establish a unified logistics command as envisioned by the Blue Ribbon Defense Panel. (See p. 5.)

AGENCY COMMENTS AND OUR EVALUATION

DOD commented on our findings and recommendations in a letter dated January 21, 1972. (See app. I.) DOD stated that several actions were under way which would enhance interservice support. DOD directives and manuals are being revised and updated to improve resource transfers between services, to require interservice coordination at designated command levels, and to require the senior DOD military commander in a geographical area to conduct continuing analyses for support opportunities. DOD stated also that the impact of these actions should increase the extent of support arrangements and should be responsive to our first two recommendations.

In response to our third suggestion that the authority of the unified commander be clarified, DOD replied that such

commanders already had the necessary authority to direct interservice activities in their commands. The reply stated also that the current appeal procedures to a higher authority--available to the services when they do not agree with the commander's directives--were considered adequate and appropriate. They permit a comprehensive review from a worldwide perspective that is not always available to the unified commander.

It seems unlikely to us that a worldwide perspective would be required to resolve the type of interservice opportunities mentioned in this report. In our view the unified commanders should clearly have the prerogative to make such consolidations. Furthermore we are concerned that the presence of the appeal procedure, in practice, results in a less aggressive approach to the whole program by officials responsible for identifying and evaluating interservice opportunities.

Therefore we still believe that the authority of the unified commander needs to be clarified, particularly with respect to the circumstances under which appeals can be made by individual services to consolidations proposed by the unified command. In our opinion such appeals would be appropriate only in those instances where significant adverse impact on mission capability would be involved.



**ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301**

21 January 1972

SP
INSTALLATIONS AND LOGISTICS

Mr. C. M. Bailey
Director, Defense Division
General Accounting Office
Washington, D.C. 20548

BEST DOCUMENT ATTACHED

Dear Mr. Bailey:

The Secretary of Defense has requested that I reply to your Draft Report (Code 82812) on the Opportunity to Increase Common Support Arrangements in the Pacific Command, dated November 23, 1971 (OSD Case #3377).

In November 1971 the Air Force accomplished an Interservice Supply Support Agreement (ISSA) with the Army, action on which had been initiated the previous June, which transferred the laundry and dry cleaning workload being processed in the Air Force plant at Tachikawa Air Base to the Army facility at Camp Zama, Japan. This transfer was completed on December 31, 1971 and the Air Force facility was closed on that date.

The changing requirements for medical facilities in the Pacific are under continuous review by the Surgeons General of the Army, Navy and Air Force, and by the Joint Chiefs of Staff. The Army hospital at Camp Zama, which was at the 1,000-bed level in 1969, was reduced to a 500-bed capacity in 1970 and is now a 100-bed facility. It is deemed prudent to maintain the 100-bed size for the present and the immediate future, thus providing readily available facilities for a contingency expansion. Army will reconsider conversion of the Zama facility to dispensary status when Southeast Asia base medical support and contingency expansion missions have been reduced to levels making such conversion militarily and economically feasible.

In our October 14, 1971 response to your Letter Report of May 4, 1971 on review, findings and recommendations relative to U.S. Army ship marine maintenance programs in Southeast Asia (OSD Case #3282), we indicated that we anticipated completing study of your recommendations by December 31, 1971. Although the Army and Navy have studied the feasibility and implications of interservice maintenance support for Army ships and watercraft in the Southeast Asia area, we consider the scope of the study too narrow for a basis for decision in this critical area. Accordingly, we have requested the Army and Navy to reassess their analysis and recommendations, and the results of this reassessment together with our recommendations will be furnished you when available.

APPENDIX I

At the time the 1971 F-4 overhaul contracts were negotiated, Air America in Taiwan did not have the capacity to take on any aircraft repair other than that being accomplished for the Air Force. Consequently, the Navy F-4 overhaul contract was negotiated with the Japan Aircraft Corporation. In the interest of using interservice support where practicable, the Navy and Air Force are in the process of developing an ISSA for the rework and repair of aircraft in Southeast Asia. Concurrently, the Air Force is conducting a facility study of F-4 maintenance on Taiwan.

Several actions are underway which will enhance interservice support. Department of Defense (DoD) Directive 4000.19, "Basic Policies and Principles for Interservice and Interdepartmental Logistic Support," is being revised to improve resource transfers, require interservice coordinators at designated command levels, and require the senior DoD commander in a geographical area to conduct continuing analyses of support opportunities. Procedural instructions will be updated by the promulgation of a new Defense Retail Interservice Support Manual. A joint implementing regulation will also be published following revision of DoD Directive 4000.19. By memorandum dated January 15, 1971, the Deputy Secretary of Defense announced broad-range policy objectives to be sought for continued improvement and effectiveness of logistical support, while at the same time achieving maximum economy in common Service-type operations. Of the 21 policy objectives enumerated in that memorandum, eight have particular application to logistical operations within Unified Commands, and the Commanders-in-Chief of those commands have been so advised by this Office. The impact of these actions should increase the extent of support arrangements and accommodate your first two recommendations.

With regard to your third recommendation, the Commander of a Unified Command or Specified Command is authorized to exercise direct authority within his Command in the field of logistics in order to insure effectiveness and economy in operations and the prevention or elimination of unnecessary duplication of facilities and functions among the Service components of his Command. When such directives are not concurred in by the components involved, the appeal procedures, first to the appropriate Service and if not resolved, to the Joint Chiefs of Staff, are considered adequate and appropriate. These appeal procedures provide a very comprehensive review of the effect such directives might have on Service responsibilities worldwide, a visibility that a Unified Command and, at times, even a single Military Department might not have. The impact of new actions, strengthened directives, clarified procedural manuals and reemphasized interservicing aspect to our long-range logistic objectives, together with the existing Unified Command authority, should provide an appropriate expansion of interservice support.

The opportunity to comment on the draft report is appreciated.

Sincerely,



GLENN V. GIPSON
Acting Assistant Secretary of Defense
(Installations and Logistics).

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

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

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Melvin R. Laird	Jan.	1969	Present
Clark M. Clifford	Mar.	1968	Jan. 1969
Robert S. McNamara	Jan.	1961	Feb. 1968

DEPUTY SECRETARY OF DEFENSE:

Kenneth Rush	Feb.	1972	Present
Vacant	Jan.	1972	Feb. 1972
David Packard	Jan.	1969	Dec. 1971
Paul H. Nitze	July	1967	Jan. 1969

ASSISTANT SECRETARY OF DEFENSE
(INSTALLATIONS AND LOGISTICS):

Barry J. Shillito	Feb.	1969	Present
Thomas D. Morris	Sept.	1967	Jan. 1969

DEPARTMENT OF THE ARMY

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):

J. Ronald Fox	June	1969	Present
Vincent P. Huggard (acting)	Mar.	1969	June 1969
Dr. Robert A. Brooks	Oct.	1965	Feb. 1969

APPENDIX II

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

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

John W. Warner (acting)	Apr. 1972	Present
John H. Chafee	Jan. 1969	Apr. 1972
Paul R. Ignatius	Sept. 1967	Jan. 1969

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 LOGIS-
TICS):

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

COMMANDER IN CHIEF, PACIFIC

Admiral John S. McCain, Jr.	July 1968	Present
Admiral U.S.G. Sharp, Jr.	June 1964	July 1968

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