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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D C. 20548

FOR RELEASE ON DELIVERY  
EXPECTED AT 10:00 A.M.  
TUESDAY, JUNE 22, 1982

STATEMENT OF  
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BEFORE THE  
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY  
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

~~02-2471~~ / 118737

Mr. Chairman, I am pleased to appear before the Subcommittee on Legislation and National Security to discuss the Department of Defense's opportunities to achieve significant savings through the consolidation of base operating support services. Consolidation of base operating support services is an area which we have examined in a number of our reports and one which we believe can reduce defense expenditures. Our work as well as that of the Defense Audit Service has shown that the Department of Defense has not aggressively pursued this area. I would like to discuss what we see as the impediments to achieving these consolidations and the specific actions that are needed to realize the potential savings. While DOD has recently announced its intention to initiate some actions, I believe my testimony underscores the importance of still further action.

What are base support services and what do they cost?

Military installations usually support themselves independently with various services similar to those provided by local governments, utility companies, and the service industry segment of the civilian economy. These services are provided so that operational units and tenants can pursue mission objectives free from unrelated responsibilities. There are over 100 categories of support services which include such things as: civilian personnel functions, finance and accounting operations, custodial services, police services, fire protection, real property maintenance, and repair of commercial or military motor vehicles.

We estimate that funds requested to pay for world-wide base operating support in the fiscal year 1983 Defense budget totals about \$18 billion. Funding requests for base operating support services are contained primarily in operations and maintenance, military personnel, and family housing accounts. Historically about 60 percent of total base operating support costs are represented by civilian and military personnel costs.

DOD programs aimed at  
reducing base support  
costs

Recognizing the potential for reducing base support costs, DOD has established the following programs:

- the Defense Retail Interservicing Support program, known as DRIS, which is a DOD-wide program to promote interservice consolidations,
- the military services' intraservice programs to consolidate support services within each service; and
- Commercial and Industrial-Type Activities, known as CITA, which is a program to contract for support services which can be provided more economically from private industry under OMB circular A-76 guidance.

We believe the DRIS program, which was established in 1972, has great potential for generating savings. It requires activities within a convenient radius to get together and designate one activity to manage some of the support services for the others. For example, closely located activities could find that consolidating the administration of their custodial services would result in

savings because indirect personnel requirements are reduced, supplies are purchased more economically, and equipment is utilized more efficiently. Other types of savings which usually occur from consolidation are related to economies of scale and work smoothing.

Significant savings potential exists

The DRIS program data bank shows that more than 6,000 inter-service agreements have been entered into over the last 8 years resulting in savings of more than \$45 million. The intraservicing and CITA programs are in progress but results have not been fully quantified. Some examples of consolidation savings are:

- After the 1977 consolidation of Air Force and Army civilian personnel offices in Okinawa, Air Force officials reported an 18 percent reduction.
- An Air Force cost study predicted personnel reductions of about 18 percent by establishing the San Antonio Contracting Center to provide procurement support for four Air Force installations in San Antonio.
- Consolidation of the Air Force Security Service military personnel office with the Kelly Air Force Base personnel office resulted in about a 30 percent personnel reduction.

GAO has performed a number of studies since 1972 and while DOD has taken some positive actions on our reports (see Attachment A for detail) the consolidation potential has not been fully realized. Several recent consolidation proposals illustrate DOD's lack of decisive and timely action.

An April 1981 DRIS study conducted by a private contractor showed that consolidation of family housing management and maintenance in Oahu, Hawaii could save an estimated \$682,000 per year, or 18 percent of total \$3.8 million personnel costs. However, the services, primarily the Air Force, have resisted consolidation. The Air Force's primary concern appears to be that through consolidation it might receive lower quality housing. When we completed our work this issue still had not been resolved.

Another DRIS study which was generated by 1973 and 1979 GAO reports showed that consolidation of administrative aircraft on two bases in Japan could save over one million dollars. This consolidation has been studied on and off since 1974 and is now being re-studied due to objections raised by the services involved.

In July 1980 a DRIS study group in the Panama Canal area proposed consolidation of fuel storage management and facilities in Panama at an annual savings of about \$300,000. This met great resistance from the Air Force, and it was not until April 1982 after direction from the Office of Deputy Assistant Secretary of Defense (Facilities, Environment, and Economic Adjustment) that a memorandum of agreement was reached. However, the agreement still does not call for consolidated management of fuels; rather it provides for better coordination to reduce the number of annual fuel deliveries.

In addition to these examples our work has also shown that DOD has not aggressively pursued consolidation in geographic areas with a large number of military installations.

In our most recent report on consolidating base support services issued on September 5, 1980, (LCD-80-92), we used a case study to demonstrate this point. (See attachment B). Current data shows that in the Sacramento area the seven military installations within a 60-mile radius have a total population of about 49,000, of which just under 10,000 are base support personnel

Each installation has a similar complement of support functions, even those located closest to each other. For example, Mather Air Force Base, McClellan Air Force Base, and Sacramento Army Depot are located within a 10-mile radius, and they account for 1,750, 3,016, and 365 support service personnel or just over 50 percent of the total in the 60 mile area.

Since 1980 thirteen DRIS studies have been conducted in the Sacramento area and five studies are currently underway. However, none of the completed studies has resulted in new consolidations of base support services. The individual responsible for the DRIS program stated that it received a low priority because it was only one of his several duties.

Another example we tried to develop for our September 1980 report was in the Norfolk area. There was no overall data available on the various activities in the area but DOD stated it was starting to obtain the necessary data. About a year later, in March 1981, we found that little progress had been made in this effort and that there was only limited, raw data available. (See attachment C). Our recent work shows that no progress has been made

during the last year and no actions are planned. The individual responsible for the DRIS program in the Norfolk area stated that CITA studies were being given priority and that no DRIS studies had been conducted because of insufficient resources. There are approximately 110 commands or activities located on 11 installations in the Norfolk area with a total personnel strength of 49,000. About 11,000 personnel are assigned to major base operating support activities.

Why hasn't DOD consolidated support functions?

We believe the DRIS program has great potential for achieving consolidations. With some demonstrated consolidation successes and the large savings potential, why hasn't DOD therefore consolidated more base support services? Let me discuss in more detail the objectives of the DRIS program and the reasons why this program has not been effective.

In 1972 DOD Directive 4000 19 called for "aggressive" use of interservice support at all management and operating levels and directed the Assistant Secretary of Defense (Installations and Logistics) to

- monitor and guide the effectiveness and economy of DOD operations by fostering extensive and systematic use of the interservice support concept,
- resolve interservice support arrangements which cannot be resolved at the military departments, Joint Chiefs of Staff, or Defense agency level, and

--evaluate performance of the DRIS program.

In addition, the directive stated that the purpose of the program is

"To provide local Commanders with a means of improving their operations by achieving the greatest overall effectiveness and economy in retail operations by acquiring support services from other Military Services/ Defense Agencies through the media of Interservice Support Agreements." (Underscoring supplied.)

The Director of the Defense Logistics Agency was designated as the program administrator and focal point for meeting the program's objectives. Additionally, the Director was to (1) develop specific intermediate and long-range plans, (2) conduct studies to identify or develop opportunities for effective interservice support, and (3) furnish analyses of support operations to the DOD components. The Director instructed the DOD components, major commands, and other activities to aggressively promote and use interservice support, to ensure program implementation, to assign program coordinators, and to attempt to resolve disagreements.

While the above Charter is quite specific, namely to provide these services at greatest overall effectiveness and economy, this simply has not been achieved. The major reasons for the limited successes are:

1. Lack of DOD commitment to the program.
2. DRIS is a voluntary program and parochial interests exist at all levels--services, commands, installations.
3. Low level of involvement at the local level.
4. Lack of meaningful goals.



5. Lack of visibility of successes and mandates to implement these at the other locations.
6. Projects selected for consideration normally are not the candidates that offer the highest payoff. They tend to be the ones that are least controversial.
7. Failure to effectively coordinate the three competing programs, DRIS, CITA, and intraservice.

For example, defense managers, primarily at the base level, do not want someone else to control their support. They are afraid that work priorities would be established by another command, resources would not be equitably allocated, and in-house capabilities may be eliminated, leaving no backup support. While this concern is understandable it is narrow in outlook, expensive, and doesn't consider Government-wide needs.

A March 1982 Defense Audit Service report (Report On The Audit Of The Defense Retail Interservice Support Program, No. 82-079) agreed with our conclusion that the DRIS program has been ineffective and cited reasons similar to those above for the program's failure.

In preparation for these hearings we have attempted to quickly assess the recent actions taken by Defense to improve the management of base support services consolidation efforts. Our followup work shows that within the last year DOD has: (1) established a modest annual savings goal for DRIS and intraservice consolidations of \$10 million each for the Army, Navy, and Air Force for fiscal

years 1983-1987, (2) established a directorate for base operating support within the Office of the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics to coordinate DRIS, CITA, and intraservice programs, (3) established a joint OSD-Service task force to improve management of the DRIS program, (4) developed a program to reward those military services meeting base consolidation goals, (5) issued high level policy statements supporting the goals and objectives of the DRIS program, and (6) established milestones for making timely decisions on proposed consolidations. Efforts are also currently underway to develop other incentives for reducing base support costs.

These actions do not go far enough to overcome the problems we have identified. If DOD is to realize the benefits of consolidation, it must

--Establish meaningful cost savings goals. The current annual goal of \$30 million represents only slightly more than one-tenth of one percent of the annual base operating support budget. With base operating support costs rising significantly, we do not see the current goal as a serious effort by DOD managers to control base operating support costs and effectively manage resources in this area. We believe a goal of one to five percent of base support personnel costs would be quite reasonable. This would equate to between \$108 and \$540 million annually. In addition to this higher goal, DOD also needs to reduce the base operating support budgets of those military services which do not achieve

their goal. As it stands now there is no motivation for the services to aggressively pursue consolidation.

--No longer allow the military services' parochial interests to frustrate consolidations. The lack of voluntary action by the services has shown that it will be necessary for OSD to direct that consolidations be made. OSD has just established procedures for the timely settlement of consolidation disputes. It remains to be seen whether these procedures will be effective.

--Take the initiative to direct defense-wide consolidations of certain support services once they have been proven cost effective in several geographic locations. It is a waste of resources to continue to study consolidation feasibility at one location after another once it has been shown that savings can be achieved.

--Place the authority and the resources necessary to effectively coordinate the DRIS, CITA and intraservicing programs so the maximum benefit is received from each program. There still is not a systematic attack on reducing base support costs. CITA studies continue to be conducted without adequately considering the potential for interservicing or intraservicing. Consequently, potential savings have been lost because the most efficient in-house method of providing base support has not been established.

While all of the above specific actions are necessary to achieve more efficient and economical base support services, I

would also suggest that DOD consider creating a management structure which centralizes responsibility for base support services. This management structure would provide an effective means of coordinating competing programs, obtaining visibility over total base support resources, deciding consolidation disputes, and establishing overall requirements for base support services and the most effective means of obtaining them.

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In closing, consolidating base support functions can save hundreds of millions of dollars annually. The foundation for a successful program has been in place since 1972 but DOD has experienced only moderate success. This has happened because DOD has not provided strong direction and commitment to the program. The services have recognized this situation and have successfully resisted most consolidation proposals, and will continue to do so unless stronger actions are taken.

We feel that especially now that other Defense programs are expanding, the time is ripe to reduce base support personnel and absorb them, whenever possible, into the expanding Defense programs.

Mr. Chairman, I will be happy to respond to any questions you may have at this time.

Listing of GAO Prior  
Reports and Significant  
Actions Taken

GAO Reports

"Little Progress By The Department of Defense In Acting On Opportunities For Significant Savings By Consolidating Real Property Maintenance Organizations," B-164217, 12 Dec. 1972.

"Potential For Greater Consolidation Of The Maintenance Workload In The Maintenance Services," B-178736, 6 July, 1973.

"Millions Could Be Saved Annually And Productivity Increased If Military Support Functions In The Pacific Were Consolidated,": LCD-75-217, 26 Aug. 1975.

"Aircraft Depot Maintenance: A Single Manager is Needed to Stop Waste," LCD-78-406, July 12, 1978.

"Progress And Problems In Consolidating Military Support Functions In The Pacific," LCD-78-223, 12 April 1979.

"Consolidating Military Base Support Services Could Save Billions," LCD-80-92, Sept. 5, 1980.

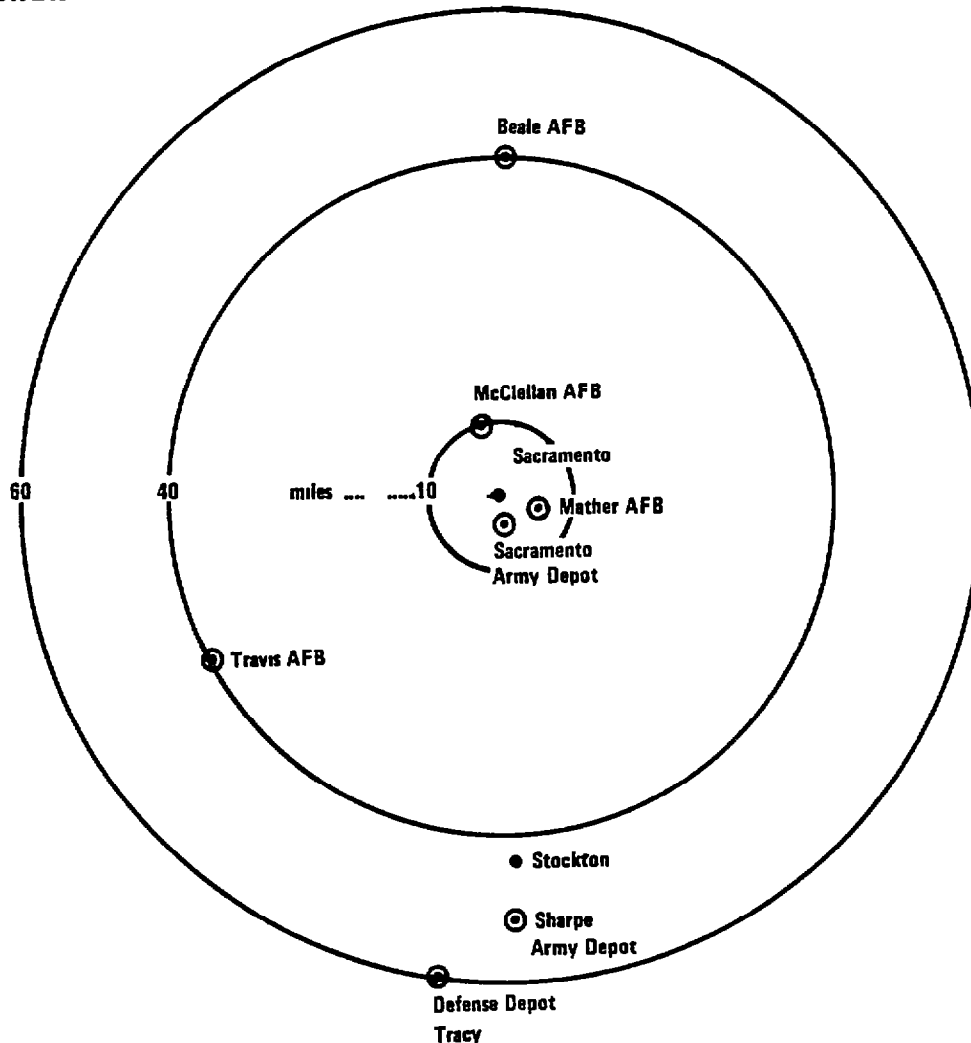
Actions Taken

<u>Year</u>	<u>Function</u>	Annual projected <u>savings</u>	Military service <u>action</u>
1972	Duplicate laundry and dry-cleaning facilities at Army and Air Force bases in Japan	\$ 750,000	Consolidated
1972	Duplicate Army, Navy, and Air Force general hospitals in a 30-mile area in Japan	2,000,000	Army hospital size reduced
1975	Duplicate Army and Navy general cargo ports in Japan	1,000,000	Under study

<u>Year</u>	<u>Function</u>	<u>Annual projected savings</u>	<u>Military service action</u>
1975 and 1979	Duplicate Army and Air Force administrative aircraft support in Japan	\$ 630,000	Consolidation refused
	Duplicate housing and household furniture management for each service in Okinawa	1,400,000	Consolidated
	Duplicate real property maintenance for each service in Hawaii and Okinawa	1,600,000	Some consolidation
	Duplicate Army and Air Force industrial gas production plants in Okinawa	200,000	Consolidated
	Duplicate equipment calibration activities for each service in Hawaii and Okinawa	780,000	Under study
	Duplicate procurement offices for each service Japan, Hawaii, and Okinawa	2,000,000	Some consolidation
	Duplicate civilian personnel offices for each service in Japan, Hawaii, and Okinawa	1,900,000	Some consolidation

A CASE STUDY OF CONSOLIDATION POTENTIAL  
IN THE SACRAMENTO AREA

As illustrated below, seven military installations are within a 60-mile radius of Sacramento.



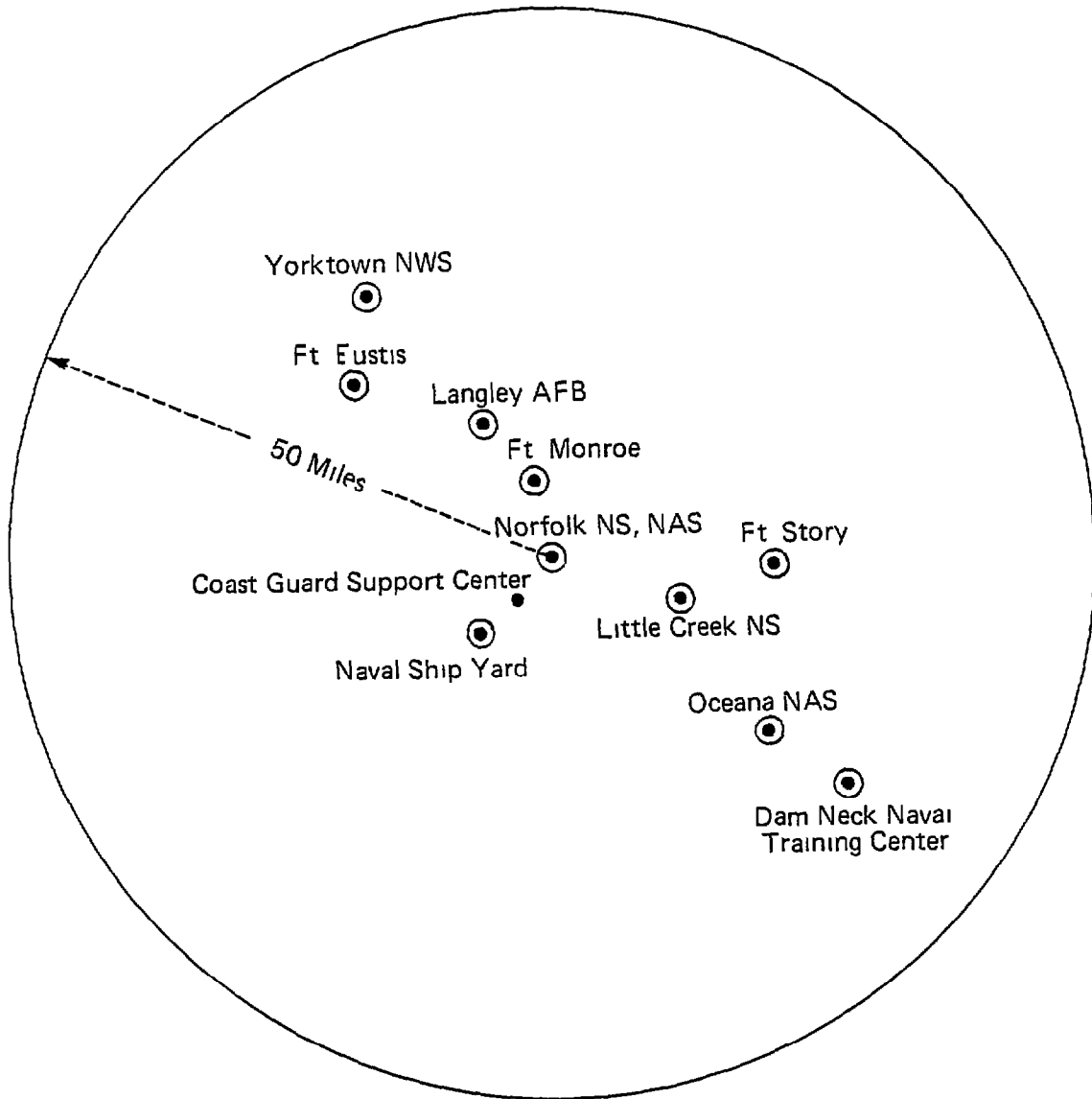
These installations range in strength from 1,430 to 16,750 personnel, and they generally have a full array of base support services. As discussed earlier, installations and commands, as well as the military services, tend to account for base operating support differently. Also, at many installations, base support and mission support activities, such as supply, are integrated, thereby making analysis difficult. The following schedule depicts the total population, number of personnel involved in base operating support, and the personnel allocated to eight major types of support activities.

	<u>Beale Air Force Base</u>	<u>Travis Air Force Base</u>	<u>Mather Air Force Base</u>	<u>McClellan Air Force Base</u>	<u>Sacramento Army Depot</u>	<u>Sharpe Army Depot</u>	<u>Defense Depot Tracy</u>	<u>Total</u>
Total population	7,009	10,795	7,449	17,500	3,150	1,404	1,565	48,872
Total base support	1,637	2,269	1,750	3,016	365	456	470	9,963
Major Support Activities:								
Civil engineering	476	606	442	787	0 <u>a/</u>	103	90	2,504
Base contracting	23	47	32	116	105	21	20	364
Personnel	100	176	125	241	64	38	26	770
Vehicles operations and maintenance	101	180	126	91	0 <u>a/</u>	74	60	632
Comptroller	76	136	89	315	105	72	44	837
Data automation	27	37	26	489	35	40	55	709
Base supply	312	481	487	581	0 <u>a/</u>	46	43	1,950
Security	<u>192</u>	<u>288</u>	<u>113</u>	<u>147</u>	<u>0 a/</u>	<u>39</u>	<u>38</u>	<u>817</u>
Total	<u>1,307</u>	<u>1,951</u>	<u>1,440</u>	<u>2,767</u>	<u>309</u>	<u>433</u>	<u>376</u>	<u>8,583</u>

a/ These activities have been contracted out under the CITA program



MAJOR MILITARY INSTALLATIONS WITHIN  
A 50-MILE RADIUS OF NORFOLK



COMMANDS REPORTING IN-HOUSE BASL OPERATING  
SUPPORT FUNCTIONS IN THE NORFOLK ARPA 1/

	<u>Ft. Monroe 2/</u>	<u>Ft. Story 2/</u>	<u> Ft. Luster 2/</u>	<u>Langley AFB 2/</u>	<u>Naval Station</u>	<u>Naval Air Station</u>	<u>Little Creek</u>	<u>Naval Weapons Station</u>	<u>Naval Ship Yard</u>	<u>Dam Neck</u>	<u>Occana Naval Air Station</u>	<u>Other 3/</u>	<u>Total</u>
Number of separate commands/ detachments on base	1	2	1	1	46	13	9	6	8	6	6	11	110
<u>Selected Support Function 4/</u>													
Computer & data processing	-	-	1	1	12	3	3	1	3	1	1	3	29
Finance & accounting	-	-	1	1	17	4	3	3	5	2	2	3	41
Civilian personnel services	1	-	1	1	10	1	2	2	5	1	2	3	29
Custodial	-	-	-	1	10	3	3	1	3	3	2	3	29
Purchasing & contracting	1	-	1	1	20	2	3	2	4	1	1	3	39
Storage & warehousing	1	-	1	1	13	2	3	2	2	1	1	3	30
Calibration of precision instruments	-	-	1	1	4	-	2	3	1	-	1	-	13
Real property maintenance	1	-	1	1	6	2	1	1	1	1	1	3	19
Military personnel services	1	-	1	1	9	3	4	2	1	1	1	3	27
Training	1	-	1	1	22	7	6	5	6	2	4	3	58
Expansible & general supplies	1	-	1	1	12	4	2	3	1	1	1	4	31
Printing & reproduction	1	-	1	1	13	3	5	2	2	-	1	5	31
Housing and office appliances, equipment, & furniture	1	-	1	1	9	1	3	2	1	2	1	2	24
Photographic equipment & components	1	-	1	1	7	2	1	2	1	-	-	2	18
Audio visual services	1	-	1	1	17	4	4	2	3	2	2	4	41
Education	1	-	1	1	10	4	5	5	2	1	2	3	35

Footnotes

- 1/ Analysis is based on raw data reported to Joint Interservice Resources Study Group. The Group has not yet validated data or determined magnitudes.
- 2/ Army and Air Force reported data by installation, whereas Navy reported by separate command.
- 3/ Located on small sub-installation or location not determinable based on data provided.
- 4/ Questionnaire included 101 total functions.