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NAVY SHIPS: Status of Strategic Homeporting  
Program

Statement of  
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Before the  
Subcommittee on Seapower and Strategic and  
Critical Materials and  
Subcommittee on Military Installations and  
Facilities  
Committee on Armed Services  
House of Representatives



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Mr. Chairman, Madam Chairwoman, and Members of the Subcommittees:

I am pleased to be here today to discuss our recently initiated work regarding the current status of the Navy's strategic homeporting program and the potential impact of the Navy's changing force structure. Although we are just starting our detailed analysis, I would like to discuss our past findings which we believe are still valid today, and the status of funding and development of the new homeports.

Our current analysis is a follow-up to our 1986 report (Navy Ships: Information on the Benefits and Costs of Establishing New Homeports, NSIAD-86-146, June 3, 1986) which addressed the costs and benefits of establishing new homeports. In that report we stated that the Navy needed to more clearly demonstrate the strategic benefits of new homeports and that the total budgetary impact of the homeporting plan was not clear. Now that the Department of Defense (DOD) budget is slated for significant reductions during the 1990's and the number of ships in the fleet are projected to decline, we believe today's hearing on the continued need for new homeporting facilities is extremely timely.

#### RESULTS IN BRIEF

In summary, we believe that before the Navy proceeds with the strategic homeporting program, it must (1) reconsider the need for the program in light of changing world events and budget cutbacks,

and (2) analyze the total cost of the program, which will exceed \$1 billion, and consider alternatives.

The Navy justifies expansion of its homeports on the basis of 1982 analysis. We questioned this analysis in our 1986 report, and we believe it is even more important to revisit that analysis now because of the changing worldwide threat, declines in the size of the Navy, and budgetary pressures. The Navy is no longer planning a 600-ship fleet; the current fleet is less than 550 ships and further reductions are likely.

The new homeports will cost at least \$1 billion when all sources of funds and all costs are considered. While the Congress has capped appropriations for the program at \$799 million, funds available from the Base Closure Account and from state and local governments, will greatly increase the total investment in the program. In addition, there will be other costs for housing, quality of life needs and mission enhancements. Alternatives such as improving current homeports could be cheaper and just as effective.

I would now like to discuss these issues.

#### JUSTIFICATION FOR HOMEPORT EXPANSION SHOULD BE REVISITED

The first area that I will address is the strategic principles that the Navy used to develop the homeporting plan in 1982 and

which it says still apply today. In 1982, the Navy was concerned about how to accommodate more ships coming into the fleet as it built to 600 ships. What evolved was a plan adjusting the mix of ships in existing ports and establishing several new ports based on strategic principles related to (1) battlegroup integrity, (2) force dispersal, (3) industrial base utilization, (4) logistics suitability, and (5) geographical considerations. We reported in 1986 that the Navy did not do a definitive analysis of how the benefits envisioned in applying these strategic principles would be achieved and that the degree that the Navy would realize anticipated benefits was not clear.

At that time the Navy commented that the use of modeling techniques to quantify the benefits of strategic homeporting probably was not practical. We agreed, but what we believed was needed was much more straightforward. In assessing potential sites for the new homeports, the Navy analyzed how each site scored in terms of such factors as operational considerations, land, community support, and environmental issues. We believed the Navy should have also performed a similar analysis to assess the extent to which these principles could be realized at existing homeports in comparison to the new homeport sites. Today, before additional monies are spent on homeports, we believe an analysis of all homeports should be done because the projected fleet is different than what was planned in 1982 when the current homeports were justified.

The Navy's experience in 1973, when it consolidated homeports for reasons of economy, may provide some lessons. At that time, with the number of active ships being reduced from 917 to 523, the Navy had more homeports than needed for dispersal and operational requirements. Senior Navy officials testified before Congress that due to drastic reductions in the size of the fleet the related shore establishment had to be brought in line. This "historical" rationale may again be valid because of the reduced force structure.

#### Navy Has Not Yet Assessed the Impact of a Smaller Fleet on Its Infrastructure

Because of expected significant force reductions the Navy, in February 1990, initiated a review of possible infrastructure changes throughout the Navy. The report, due in August 1990, will define a "Navy shore establishment capable of supporting given force levels, force mix, and missions through the next decade". Navy officials told us that the new homeports are included in this study. We believe the expenditure of additional funds on new homeports should be curtailed until the Navy decides exactly what it needs.

One objective of the strategic homeporting program was to accommodate about 600 ships, including 15 carrier battlegroups and 4 battleship battlegroups. Today, the Navy has 546 ships,

including 14 carrier battlegroups and it plans to retain two of its four battleships. Further expansion of the fleet is not anticipated. In fact, some downsizing is possible. For example, there is much debate on the number of operational carriers the Navy needs. Two of the new homeports are slated to get carriers.

Although Navy officials have provided us with the type of ships to be assigned at the new homeports, the Navy has not announced where the ships designated for the new homeports are currently located and which ships will remain at existing ports. We are told this information is not available because it is under consideration as part of the infrastructure study. The possibility that existing ports could continue to accommodate the ships under a reduced force structure should be evaluated before the new homeports are activated.

The Navy has provided us data that shows how many ships were in each homeport at the end of fiscal year 1989, how many would be in each homeport when the new homeports are opened, and what the projection was when the plans were for a 600-ship Navy. On the one hand, the data show that some existing homeports had more ships than planned under the new homeporting plans or under the 600-ship Navy plan. On the other hand, some homeports have fewer ships than they would have had under a 600-ship Navy even with the new homeports. Such data further supports the need for a new homeport-by-homeport analysis.

Navy Believes New Homeports Are Required Due to  
Physical Characteristics of the New Ships

While not a part of the original justifications, Navy officials tell us that the new homeports are needed because the new guided missile destroyers and cruisers are physically larger and have higher electrical demands than the older ships that they replace. For example, the Navy says a DDG-51 Arleigh Burke class destroyer needs 4,500 amps of electrical power versus 2,300 amps for a DDG-37 Coontz class destroyer that it replaces. The DDG-51 also has greater draft and beam.

While such additional requirements may be valid, the capabilities of existing ports to accommodate the newer ships still need to be analyzed. If they cannot currently accommodate the newer ships the feasibility of improving them should be determined.

TOTAL COSTS OF NAVY'S STRATEGIC HOMEPORTING  
PROGRAM STILL UNKNOWN

The second major area I will discuss is the homeporting program's costs. Overall, the Navy still has not determined the total cost of the strategic homeporting program. Public Law 99-591, title I of Military Construction, section 123 provided that for military construction for the strategic homeporting initiative, no more than \$799 million shall be appropriated or obligated through fiscal year

1991. The Navy is using these funds to achieve initial operating capability. However, additional sources of funds including some non-federal funds, which are not subject to this spending cap, bring the total costs of the new homeports to well over one billion dollars.

#### Initial Operating Capability Costs

Under the "capped" appropriations for the homeporting program, about \$625 million has been appropriated, and an additional \$25.7 million is included in the fiscal year 1991 budget request. As shown in Table 1 as of March 1990, about 78 percent of the money had been obligated and 61 percent of the obligations had been spent.



Table 1: Status of Initial Operating Capability (IOC) Costs  
(dollars in millions)

| <u>Homeport</u>                   | <u>November 1985<br/>IOC Estimate</u> | <u>Appropriations<br/>fiscal years<br/>1986 to 1990</u> | <u>Budget request<br/>fiscal year<br/>1991</u> | <u>Obligations<br/>as of<br/>March 1990</u> | <u>Expenditures<br/>as of<br/>March 1990</u> |
|-----------------------------------|---------------------------------------|---|--|---|--|
| Staten Island                     | \$188.0                               | \$188.8 <sup>a</sup>                                    | \$ 0   | \$149.6                                     | \$133.3                                      |
| Everett                           | 272.0                                 | 191.3   | 22.2   | 179.8                                       | 104.2  |
| Gulf Coast                        |                                       |   |  |   |  |
| Ingleside                         | 85.0                                  | 92.7  | 0  | 60.8  | 38.5   |
| Pascagoula                        | 57.0                                  | 47.5  | 0  | 25.8  | 3.1  |
| Mobile                            | 33.0                                  | 37.3  | 0  | 25.9  | 9.8  |
| Pensacola                         | 25.0                                  | 41.8  | 0  | 27.5  | 9.8  |
| Galveston                         | 34.0                                  | 15.0 <sup>b</sup>                                       | 0  | 13.3  | c  |
| Lake Charles                      | 20.0                                  | 10.3 <sup>b</sup>                                       | 0  | 5.3   | c  |
| West Coast                        |                                       |   |  |   |  |
| Hunters Point/<br>Treasure Island | 67.0                                  | 0 <sup>b</sup>  | 0  | 0   | 0  |
| Long Beach                        | 12.0                                  | 0   | 3.5  | 0   | 0  |
| Pearl Harbor                      | <u>6.0</u>                            | <u>0</u>  | <u>0</u>                                       | <u>0</u>                                    | <u>0</u>                                     |
| Total                             | <u>\$799.0</u>                        | <u>\$624.7</u>  | <u>\$25.7</u>                                  | <u>\$488.0</u>                              | <u>\$298.7</u>                               |

<sup>a</sup>In addition to appropriations of \$188.8 million, the Navy has reprogrammed \$4.5 million for construction of a Shore Intermediate Maintenance Activity facility.

<sup>b</sup>These homeports are no longer in the program. Of the appropriated amounts shown for Lake Charles and Galveston, \$17.1 million has been reprogrammed to fund initial Base Realignment and Closure planning requirements.

<sup>c</sup>Actual costs will not be determined until contract termination negotiations are completed. These costs are currently estimated to be between \$11 and \$12 million.

The Navy believes that since five of the new homeports--Staten Island, Pensacola, Mobile, Pascagoula, and Ingleside--have been funded 100 percent for initial operating capability and Everett has been funded 70 percent, it would be abandoning a substantial investment in military construction. Recently, it estimated that the costs of terminating the new strategic homeports would be \$261 million plus \$375 million in sunk costs. In addition they would

have to expend more funding to upgrade existing ports to accommodate new ships.

However, the Navy has not compared the additional costs of continuing development of the new homeports with the costs of accommodating the ships at the existing homeports. Furthermore, there may be alternative uses or other means of recouping some of the funds already spent.

#### Base Closure and State and Local Funds

In addition to funds to achieve initial operating capability, about \$174 million of Base Closure Account funds are being spent at the new homeports and about \$199 million has been contributed by state and local governments. Table 2 shows the total of initial operating capability, base closure, and state and local funds for each of the six new homeports (the Base Closure Commission and its impact on the homeports is discussed on page 15).

Table 2: Summary of IOC, Base Closure, and State and Local Contribution Funds  
(dollars in millions)

| <u>Homeport</u> | <u>IOC appropriations, requests, and reprogrammings</u> | <u>Base Closure Funds</u> | <u>State and Local Contributions</u> | <u>Total</u>   |
|-----------------|---|---------------------------|--------------------------------------|----------------|
| Staten Island   | \$193.3   | \$53.6                    | \$29.0                               | \$275.0        |
| Everett         | 213.5   | 90.0                      | 9.5                                  | 313.0          |
| Gulf Coast      |   |                           |                                      |                |
| Ingleside       | 92.7  | 30.0                      | 60.0                                 | 182.7          |
| Pascagoula      | 47.5  | 0                         | 50.0                                 | 97.5           |
| Mobile          | 37.3  | 0                         | 37.0                                 | 74.3           |
| Pensacola       | <u>41.8</u>   | <u>0</u>                  | <u>13.2</u>                          | <u>55.0</u>    |
| Total           | <u>\$626.1</u>  | <u>\$173.6</u>            | <u>\$198.7</u>                       | <u>\$998.4</u> |

Additional Costs Will Be Incurred

To Provide For Full Development

Available funding will provide for the homeports' initial operating capability, but not for additional facilities that we believe are necessary for the ultimate development of the ports. These facilities will have to compete for funding with other Navy construction projects beginning in fiscal year 1992. Examples of facilities not covered in initial operating capability costs include nonappropriated fund requirements, military family housing, and projects the Navy considers desirable for ultimate port development but not critical to initial operating capability.

Information available on the new homeports at Staten Island and Everett demonstrate the numerous costs associated with the homeporting plan.

Staten Island, New York

The Navy selected and designed Staten Island as the homeport for a battleship surface group, consisting of the U.S.S. Iowa, a battleship, one guided missile cruiser, and three destroyers. However, the Navy now plans on deactivating the U.S.S. Iowa in fiscal year 1991.

Berthing facilities at Staten Island are close to completion. For example, the pier and dredging are complete and the Shore Intermediate Maintenance Activity is to begin operating in June 1990. The first ship, the U.S.S. Normandy, a guided missile cruiser, is to arrive in August 1990. In our 1986 report we stated that the Navy's estimates for Staten Island did not include a (1) headquarters building, (2) construction battalion unit facility, and (3) public works facility. These projects, in our opinion, were essential to basic operations. However, the Navy terms these items "enhancements" and it considers them desirable at these ports but not critical to initial operating capability. These "enhancements" were estimated to cost about \$14 million.

The Staten Island initial operating capability program also excluded \$21.7 million for outdoor recreation facilities, a physical fitness center, and other morale and welfare projects. It seemed likely to us in 1986 and now that the Navy would give these items funding priority in future budgets as the absence of such

morale boosting items would tend to detract from efforts to improve morale and increase retention. We noted that the Secretary of the Navy's fiscal year 1986 report to the Congress on the military posture of the Navy and Marine Corps cited the restoration of morale as one of the elements that has contributed to Navy advancements over the last 5 years.

The Navy has spent \$133.3 million of the \$188.8 million appropriated for initial operating capability at Staten Island during fiscal years 1986 through 1990. An additional \$4.5 million was reprogrammed for the Shore Intermediate Maintenance Activity facility. In addition to the initial operating capability funds, local and state contributions amount to \$29 million, appropriations for 400 units of family housing total \$40.4 million and monies for nonappropriated fund activities total \$17.5. The Navy has requested \$19.6 million for an additional 150 units of family housing in the fiscal year 1991 budget. Also, the Navy has awarded contracts for another 1,200 housing units under a build-to-lease program but construction has not started yet.

#### Everett, Washington

Because of delays in litigation over environmental concerns Everett is the least developed of the new homeports. Shoreline, utilities, and site improvements are about the only construction contracts near completion. Dredging and construction for the carrier pier is

about 20 percent complete. The first ships, which will include the U.S.S. Nimitz, a nuclear aircraft carrier, are not scheduled to arrive until summer 1992.

The Navy has spent \$104.2 million of the \$191.3 million appropriated during fiscal years 1986 through 1990 for initial operating capability. It has requested another \$22.2 million for initial operating capability in the fiscal year 1991 budget. Thus, appropriated and requested initial operating capability funds total \$213.5 million. According to the Navy, an additional \$59 million will be needed to meet initial operating capability, making the total amount \$272.5 million. This is the same amount as the Navy estimate for Everett in 1985. In addition, local and state contributions amount to \$9.5 million.

In our 1986 report, we stated that the largest single project excluded from the \$272 million estimate was a central wharf, costing \$40 million, which would be needed to help berth the 13 ships that are to be homeported there. The Navy's own 1985 cost study also stated that all 13 ships could not be homeported without this wharf. We believed the exclusion of this wharf, along with other projects, from the initial operating capability estimate understated the cost of the new homeport.

The costs of a barge facility, training complex, radar collimation tower, telecommunication center, and medical/dental facility were

also excluded. These projects, which we believed were critical to basic operations, were included in the enhanced program at a cost of \$18.6 million. No community/personnel support cost was included in the Navy's initial operating capability estimate.

In 1986, because this homeport was planned to house 13 ships--the largest number of ships at a new homeport--the Navy planned to construct a \$13.7 million Shore Intermediate Maintenance Activity facility at Everett. However, the Navy's current plans are unclear. There is no Shore Intermediate Maintenance Activity facility shown in the initial operating capability for Everett; but, in March 1990 testimony before the Seapower Subcommittee, House Committee on Armed Services, the Navy Director for Ships Maintenance and Modernization stated that Shore Intermediate Maintenance Activity facilities would be built at Everett and four other new homeport locations.

#### Annual Operating Costs

Obviously, annual operating costs for homeports will exist wherever ships are located. However, a comparison of the total costs of the strategic homeporting plan should also include the operating costs of the new ports versus the incremental costs of keeping the ships at existing ports.

In 1984, the Navy did an analysis that showed establishing new homeports would increase operating costs by \$35 to \$50 million a year. However, with the declining force structure, the incremental costs at existing ports also may have declined, making the comparative costs of the new ports even greater. Thus, a new comparison of annual operating costs is needed for the decision-making process.

#### BASE REALIGNMENT AND CLOSURE COMMISSION'S RECOMMENDATIONS

##### IMPACT ON SOME HOMEPORTS

You also asked me to discuss the impact of the Base Relocation and Closure Commission's recommendations on homeport plans. The recommendations affected six new homeports included in the original strategic homeporting program. As a result of the recommendations construction of new homeports at Hunters Point, California; Galveston, Texas; and Lake Charles, Louisiana, was stopped or never started.

Ships designated for Hunters Point will be relocated to Pearl Harbor, Hawaii; San Diego, California; and Long Beach, California. Ships designated for homeporting at Galveston and Lake Charles will be relocated to the new homeport at Ingleside, Texas. All units and activities located at the Brooklyn Naval Station are to be relocated to Staten Island, and functions located at the Sand



Point Naval Station which serves fleet units at Everett, and the Navy exchange, are to be relocated to Everett.

Since implementation of the Commission's recommendations is not a part of the strategic homeporting program, funds appropriated from the Base Closure Fund Account are not part of the congressional cap of \$799 million. We found that base closure projects at the new homeports currently are estimated to cost \$173.6 million:

- \$53.6 million at Staten Island for bachelor enlisted quarters, a Navy Exchange, a fitness center, and other projects. Most of these projects support the administrative functions transferred to Staten Island from Brooklyn. Even if no ships are homeported at Staten Island, the administrative functions may remain there.
- \$30 million at Ingleside for a pier/wharf extension, intermediate maintenance/warehouse additions, utilities/site improvements, and a child care center.
- \$90 million at Everett for a logistics complex, fleet support headquarters building, port services addition, and other projects.

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In summary, we believe the basis on which the new homeports were justified in 1982 should be revisited in today's environment of tight defense budgets and changing threats. The costs of constructing and operating the new homeports will exceed \$1

billion, while the costs of not proceeding with the homeports has been estimated by the Navy at \$636 million. However, some of these sunk costs may be recoverable through alternate uses of the facilities built.

Before further monies are spent on the homeports, the total costs of the new homeports should be estimated and a comparison made to the costs of keeping the ships at existing ports and/or improving existing port facilities to handle newer ships. Also, any additional costs necessary to fund the Base Realignment and Closure Commission's recommendations must be taken into account as well as where these functions could best be located. In essence, what is needed for sound decision-making is a port-by-port analysis with alternatives costed out.

Mr. Chairman, Madam Chairwoman, that concludes my prepared remarks. I will be happy to respond to any questions.