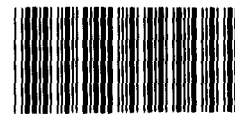


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Testimony



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Observations on the Analyses
Supporting Proposed Closures
and Realignment

Statement of
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Before the
Defense Base Closure
and Realignment Commission



Mr. Chairman and Members of the Commission:

We are pleased to be here today to discuss our report entitled Military Bases: Observations on the Analyses Supporting Proposed Closures and Realignments (GAO/NSIAD-91-224, May 15, 1991). The Defense Base Closure and Realignment Act of 1990 (P.L. 101-510) established a new process for DOD base closure and realignment actions within the United States. Our report responds to the act's requirement that GAO provide to the Congress and the Defense Base Closure and Realignment Commission an analysis of the Secretary of Defense's April 12, 1991, recommendations of bases for closure and realignment and the selection process used.

GAO agrees that a reduced military force structure requires that military installations be closed and realigned. The Department of Defense (DOD) process, when properly implemented, allows for a reduction in the U.S. military base structure by emphasizing the military value of the installations. On the basis of this criterion, DOD nominated 43 bases for closure and 28 for realignment. This represents a significant start in the process to propose bases for closure and realignment every other year for the next 6 years.

The extent to which we could track and assess the process followed by the services was highly dependent on (1) the documentation made available to us, (2) the extent to which the materials used in the

process had been checked and verified, (3) the access we had to the process and the officials who participated in the process, and (4) the time available. For example, the Army and the Air Force made extensive materials on their decision process available to us and used their internal audit agencies in implementing their processes. We were also able to discuss the process as it was being conducted and after it was finished with numerous officials involved at all levels of the Army and Air Force decision-making chain, which facilitated our evaluation.

In contrast, we were unable to analyze the Navy's process for recommending bases for closure or realignment because the Navy did not adequately document its decision-making process or the results of its deliberations, nor did it have an internal control process.

The eight DOD selection criteria against which the April 12, 1991, list of military installations proposed for closure and realignment was to be measured included four related to the military value of the installations and four other criteria. The other criteria addressed the number of years needed to recover the costs of closure and realignment; the economic impact on communities; the ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel; and the environmental impact. DOD guidance provided to the services directed that they give priority to the four criteria that addressed the military value of installations.

In addition to the eight criteria, DOD directed that the services use the Cost of Base Realignment Action (COBRA) model to estimate the costs and savings associated with their base closure and realignment recommendations. We found, however, that DOD did not actively oversee the process by which the military services chose their proposals for closing and realigning bases and that policy guidance published by DOD was applied inconsistently among the services. Although recognizing that differences exist in the composition and functions of each service's bases, we are concerned that DOD's guidance allowed estimating processes and cost factors used by the services to vary. Therefore, we analyzed the sensitivity of years to recover closing costs (the projected payback period) for each closure or realignment to 50 percent and 100 percent increases in one-time costs. The analysis showed that the payback period for many of the recommendations did not substantially increase. There are several recommended closure and realignment actions, however, where the payback period is sensitive to one-time costs.

THE ARMY'S PROCESS AND RECOMMENDATIONS

The Army has proposed closure and realignment actions that will affect 18 installations. We found that the Army's methodology and techniques for selecting the installations provided a reasonable approach for identifying fighting and maneuver and training bases.

The Army considered the future years' Force Structure Plan and DOD's guidelines and final criteria in selecting these bases. For support functions, such as training bases and industrial activities, that do not readily lend themselves to direct correlation with force structure reductions, the Army placed increased reliance on factors such as cost and savings estimates.

The Army established the Total Army Basing Study group in 1990 to develop a total Army basing strategy and then tasked it to recommend potential closures and realignments. The Army used a two-phased approach that was designed to treat all bases equally to evaluate potential bases for closure or realignment. In phase I, it categorized all its installations by major mission categories and evaluated their military value in quantitative terms. The Army Audit Agency was involved in the process to review and verify data collected for the quantitative analysis. In phase II, the Army used the Force Structure Plan, the phase I results, and the major commands' future plans. It also considered (1) the economic payback for possible alternatives and (2) the socioeconomic and environmental impacts on the communities involved in the final proposed closures.

Because the Army's process was well documented, which enabled us to evaluate the process, and the Army Audit Agency provided a check in the process, we believe that the resulting recommendations were well supported.

THE AIR FORCE'S PROCESS AND RECOMMENDATIONS

The Air Force has proposed closure and realignment actions that will affect 15 bases. We found that the Air Force's process for evaluating installations was a generally reasonable approach for identifying potential closure or realignment candidates.

The Air Force process was designed to treat all bases equally, and the selections were based on DOD's criteria and the Force Structure Plan. The process emphasized the first four DOD selection criteria, which address military value. Also, the judgments of the Secretary of the Air Force and individual members of the Air Force Base Closure Executive Group, which was supported by a working group, were a part of the process.

The Air Force initially identified all Air Force-owned property within the United States and then excluded 35 active component bases from the process after doing a (1) capacity analysis and (2) mission-essential analysis. The 51 remaining active component bases were then rated on the basis of approximately 80 subelements for DOD's eight criteria.

Additionally, the Air Force excluded its support installations because, based on its analysis, these installations had no significant force structure reductions to justify a closure and

closing these installations would not produce any significant savings. The Air Force also considered reserve component bases for potential closure or realignment using a slightly different process which also relied on cost and savings estimates.

As a result of these assessments, the Secretary of the Air Force then recommended closing 14 bases and realigning 1 base. Our analysis focused on the data supporting the closure or realignment decisions. Generally, we found that the rationale was adequately supported by documentation.

THE NAVY'S PROCESS AND RECOMMENDATIONS

The Navy has proposed closure and realignment actions that will affect 12 bases and 26 Research, Development, Test, and Evaluation facilities. Due to inadequate documentation of the process used by the Navy, we were unable to independently evaluate the relative military value of the bases considered. Further, the Navy did not establish required internal controls to ensure the accuracy of the data it used.

According to the Navy, it established a Base Structure Committee to conduct its closure and realignment process. The Committee decided that the input it received from its working group was biased in favor of keeping bases open. Thus, the Committee based its recommendations on information provided during extensive

meetings with and briefings by various Navy and Marine Corps headquarters officials and representatives from field organizations.

Because the Committee did not document the rationale for its decisions, we could not comment on the Committee's closure and realignment recommendations. As an alternative, we looked at the information available to support the Navy's capacity analysis for ship berthing at naval stations in comparison to the Force Structure Plan. This was selected because naval stations are a major category of the Navy's facilities. Also, we have conducted prior work and have ongoing work related to homeporting needs.

Our analysis of the capacity data showed the Navy will have 22.7 thousand feet of excess ship berthing capacity remaining at naval shore facilities if only the four recommended naval stations are closed. Our analysis also showed that the Navy's calculation of excess ship berthing as presented to the Base Structure Committee for its decision on the naval stations' needs reflected 8.2 thousand feet. In light of the amount of excess capacity the Navy has to berth ships, we believe additional closures could be considered.

COBRA MODEL USED IN COST SAVINGS ESTIMATES

The revised COBRA model addresses a full range of factors for estimating the costs, savings, and payback period related to closure and realignment actions. Because of the limited time available to us and the limited program documentation, we were not able to verify the accuracy of the COBRA model. We confirmed that the formulas for computing construction costs and annual salary and overhead savings were correct. However, we found several limitations in the revised model and inconsistencies in the way the services used the model to estimate potential costs and savings associated with their recommended closures and realignments. We also found that the cost estimating process ignored the cost of Medicare to the federal government. However, overall, we believe that the recommendations made for base closures and realignments offer an opportunity for substantial savings.

DOD DID NOT ENSURE COST COMPARABILITY

Without DOD oversight of the COBRA cost estimating process, each service approached common problems in different ways. Although DOD called for submission of cost estimates expressed in fiscal year 1991 dollars, two services used budget data for other than fiscal year 1991 dollars as their baselines for estimating costs and savings. Service costs and savings estimates, as well as payback calculations, did not consistently rely on fiscal year 1991

input data. These errors could reduce estimated annual savings and lengthen the payback period for several closures.

In our analysis of the 1988 closure and realignment recommendations,¹ we found misestimates of costs and savings that significantly affected the payback periods. Therefore, during our current review, we conducted a sensitivity analysis using the COBRA model. Our analysis showed the projected payback period for each particular closure or realignment if one-time costs increased. For many of the closure and realignment recommendations, the required payback years do not substantially increase, even with large increases in projected one-time closure costs. There are several other recommended closure and realignment actions, however, where the payback period can be easily influenced by increased one-time costs.

RECOMMENDATIONS

As a result of our work, we are making two recommendations to the Secretary of Defense and two to the Chairman of the Commission. We are recommending that the Secretary of Defense

-- require the Secretary of the Navy to submit to the Defense Base Closure and Realignment Commission specific details about how

¹Military Bases: An Analysis of the Commission's Realignment and Closure Recommendations (GAO/NSIAD-90-42, Nov. 29, 1989).

its Base Structure Committee compared bases to develop closure and realignment recommendations and

-- ensure the use of consistent procedures and practices among the services in future base closure and realignment reviews.

We are also recommending that the Chairman, Defense Base Closure and Realignment Commission,

-- consider, in evaluating the Navy requirement for bases, the impact of excess space for ship berths on base requirements and

-- consider for all the services the effects of incorrect cost and savings estimates on all proposed base closures and realignments, using the results of GAO's sensitivity analysis.

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Mr. Chairman, this concludes my prepared statement. We will be happy to respond to any questions.