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National Security and  
International Affairs Division

B-277832

October 9, 1997

The Honorable Robert Menendez  
House of Representatives

Subject: Military Sealift Command: Relocation of Atlantic Area Command to Norfolk, Virginia, Area

Dear Mr. Menendez:

In response to your request and a similar request from former Congresswoman Susan Molinari, we reviewed the Navy's estimated costs of relocating the Military Sealift Command's (MSC) Atlantic area command from the Army's Military Ocean Terminal at Bayonne, New Jersey, to Camp Pendleton, an Army National Guard base in the Norfolk, Virginia area. We also reviewed the extent to which MSC analyzed alternate relocation sites in the Bayonne area and estimated the cost differences between relocating in the Bayonne and Norfolk areas.

BACKGROUND

As a major component of the U.S. Transportation Command, MSC, headquartered in Washington D.C., is responsible for strategic shipping and support of Navy combatant ships and various special mission ships. At the beginning of 1995, MSC's East Coast organizations included the Atlantic area command, a tenant at the Military Ocean Terminal in Bayonne, and the Middle Atlantic subarea command at the Norfolk Navy Base in Virginia. In March 1995, the Secretary of Defense recommended to the 1995 Base Closure and Realignment Commission that the ocean terminal be closed, except for the facility housing the Atlantic area command.

The Base Closure and Realignment Commission agreed with the Secretary of Defense and recommended that the ocean terminal be closed. However, as requested by the Secretary, the Commission stipulated in its recommendation that the Atlantic area command be allowed to move to a location of the Navy's choice. As part of a reengineering effort involving multiple locations, MSC decided to relocate the Atlantic area command to the Norfolk area because the

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Command's largest customer on the East Coast, the Navy's Atlantic Fleet, is based in Norfolk. As part of the relocation, MSC planned to disestablish the Middle Atlantic subarea command and have its functions assumed by the Atlantic area command, thereby reducing civilian personnel authorizations. MSC officials stated they elected to lease facilities at the Camp Pendleton Army National Guard Base because that option had the least cost and would allow the Atlantic area command to relocate to the Norfolk area by December 1997.

### RESULTS IN BRIEF

Military Sealift Command officials estimate that the overall one-time cost to relocate the Atlantic area command from Bayonne to the Norfolk area would be about \$9.2 million. This estimate includes various personnel, military construction, and transportation costs. Our analysis, as well as independent reviews conducted by the Army's Base Realignment and Closure Office and the Naval Audit Service, show that the estimate is a reasonable approximation of the costs that are likely to be incurred for the move.

Officials at the Military Sealift Command told us they considered, but rejected, Bayonne area sites for a variety of reasons and chose to move to the Norfolk area primarily for operational reasons. Because the Command did not document its consideration of the alternate sites, we could not specifically identify the precise cost differentials between the Norfolk and Bayonne area sites. Nonetheless, our analysis indicated that the higher moving costs associated with relocating to the Norfolk area are likely to be offset over time by lower annual operating costs at Camp Pendleton. These lower costs are largely due to the consolidation of two Command activities and the associated reduction in personnel in the Norfolk area.

### ONE-TIME COSTS OF RELOCATING TO THE NORFOLK AREA

As of August 1997, the Navy's cost estimate to move its Atlantic area command from Bayonne to the Norfolk area was about \$9.2 million. This estimate included about \$5 million for various civilian personnel costs, including relocation allowances and severance pay for separated employees; about \$1.5 million to renovate eight buildings at Camp Pendleton; and \$2.7 million for other costs, including transportation and reinstallation of equipment.

### Civilian Personnel

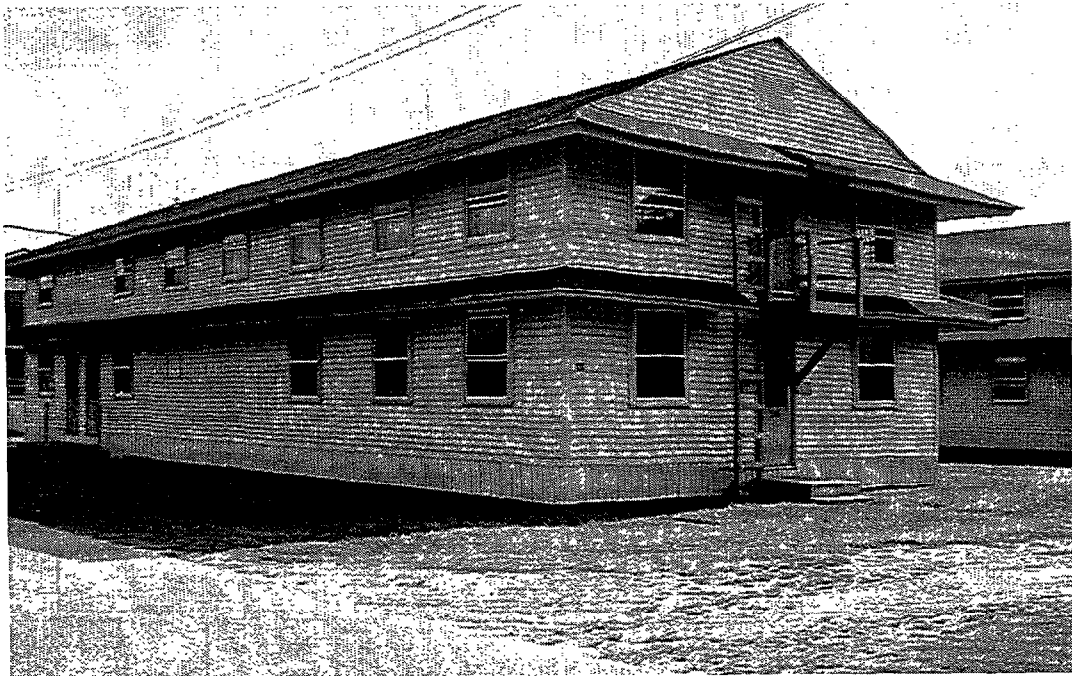
Civilian personnel costs account for more than one-half of MSC's \$9.2 million cost estimate for relocating to the Norfolk area. These personnel costs, estimated at about \$5 million, basically fall into three categories: moving costs for employees relocating with the Command, moving costs for employees who find other government employment through the federal government's priority placement program, and severance costs for employees not electing to relocate. In computing the relocation estimate, MSC officials assumed that 25 percent of the employees that were offered jobs at Camp Pendleton would accept the offers and relocate at an average cost of about \$35,000. For those employees not relocating, MSC officials assumed that one-third would find jobs at other federal agencies and would relocate at a cost of about \$28,800 per move. Remaining employees would receive severance pay estimated at \$25,000 per person.

The personnel cost estimates are consistent with Navy historical experience and are viewed as valid expenditure estimates by the Army's Base Realignment and Closure Office. An official in the Navy's Base Closure Implementation Office stated that the cost factors used to develop the estimates are periodically revised to reflect actual cost experience from recent closures.

### Military Construction

The military construction cost estimate of almost \$1.5 million is to renovate eight two-story wooden administration buildings located at Camp Pendleton. Figure 1 shows one of the buildings at the relocation site. A Naval Audit Service report on the Camp Pendleton project concluded that the military construction estimate was realistic and that the facilities would meet the Atlantic area command's space requirements. We reviewed this analysis and had no basis to question the report's findings.

Figure 1: One of the Eight Buildings to Be Renovated at Camp Pendleton



Source: MSC.

Transportation and Installation  
of Equipment

The \$2.7 million estimate for the cost of packing, transporting, and reinstalling equipment was developed by Atlantic area command officials. According to MSC officials, the estimate is based on an inventory of property, conducted as part of the 1995 Department of Defense (DOD) base structure review, and estimates obtained from local moving companies. Officials from the Army Base Realignment and Closure Office believe these relocation expenditures are reasonable.

MSC CURSORY REVIEW OF ALTERNATE  
BAYONNE AREA RELOCATION SITES

MSC officials told us that they considered several Bayonne area sites for relocating the Atlantic area command. These sites included the Stapleton Homeport and Fort Wadsworth sites on Staten Island, New York, and Fort Monmouth and Earle Naval Weapons Station sites in northern New Jersey. However, MSC officials could not provide any documentation, other than a briefing chart, of their consideration of these alternative sites. The officials

advised us that their site analyses consisted primarily of informal visits to the sites under consideration and telephone discussions with appropriate officials. However, their review was cursory and did not include detailed site evaluations.

MSC officials told us they rejected the New York sites because both were closed under previous base closure rounds. The Fort Monmouth site was rejected because the officials estimated it would cost about \$3.5 million more to move there than to move to Camp Pendleton. The officials rejected Earle Naval Weapons Station because they believed the site would need new military construction and would not be ready to meet MSC time frames. We requested additional details on cost estimates for the alternate sites, but the officials said that they had no other data to support these general cost approximations. MSC officials told us that they selected the Norfolk area site because (1) the Atlantic area command could operate more efficiently if it were located closer to MSC's principal East Coast customer—the Atlantic Fleet—and (2) MSC could consolidate operations in Norfolk and thus reduce personnel costs.

#### COMPARISON OF BAYONNE AND NORFOLK AREAS

Even though the Navy could not provide any documentation of its consideration of alternative locations in the Bayonne area, we attempted to compare known cost estimates of the move to the Norfolk area with some general assumptions about the costs of relocating in the Bayonne area. All available information suggests that the Navy's relocation estimates and associated assumptions appear to be reasonable.

The relocation of personnel from Bayonne makes up the largest portion of the costs associated with the move to Norfolk. MSC officials agree that moving to any site in the Bayonne area would virtually eliminate these costs. Some of the Navy's options for facilities in the Bayonne area apparently had limited investment costs. For example, in October 1996, commercial space on Staten Island was offered to MSC for lease, and no military construction expense would be required. Although equipment transportation costs would still be incurred for a move to a Bayonne area site, they would be only slightly less than those associated with a move to Camp Pendleton. According to MSC officials, most of the moving cost is incurred in packing, unpacking, and reinstalling equipment, including automated data processing systems. This cost would be incurred with a move to any site. Thus, the one-time cost associated with transporting equipment and supplies to another location in the Bayonne area could have been \$2.7 million or less. Under this scenario, the Norfolk relocation could be expected to incur \$6.5 million more in up-front costs than relocation in the Bayonne area.

For purposes of our analysis, we assumed that the Norfolk and Bayonne locations would have involved an ongoing facility lease cost and that lease costs

would not be any greater in Bayonne than in Norfolk.<sup>1</sup> We made the latter assumption because, if lease costs were greater in the Bayonne area, they would actually enhance the comparative savings potential of the Norfolk area location.

MSC officials told us that moving the Bayonne operation to Norfolk is part of a broader MSC reengineering effort that began in 1995 to consolidate operations and reduce personnel. MSC officials stated that this consolidation will allow them to eliminate 235 military and civilian positions, 50 of which were due to the disestablishment of the Middle Atlantic subarea command. The elimination of the subarea command and the associated personnel savings were possible because of the relocation of the Bayonne operation to the Norfolk area. Further, the move will allow MSC to retain its physical presence in the immediate vicinity of the Navy's Atlantic Fleet. MSC officials estimate that the elimination of these 50 positions will produce an annual recurring savings of about \$2 million. The relocation to Norfolk will also result in an additional savings because of a federal civilian locality pay differential that is 4 percent lower in Norfolk than in Bayonne. Officials from the Army Base Realignment and Closure Office advised us that MSC's estimated savings are reasonable to assume as valid annual recurring savings.

Our review of MSC budget submissions supports the claimed reduction in personnel authorizations of 41 civilian positions in the Atlantic area command. Although MSC military authorizations have been reduced, MSC officials could not specifically identify the reductions as part of the Atlantic area command. However, savings based on the reduction of 41 civilian positions total \$1.6 million annually, which could offset the initial cost of the move to Norfolk in about 6 years.

#### AGENCY COMMENTS

In commenting on a draft of this report, DOD agreed with our conclusion that MSC's estimate to relocate the Atlantic area command was a reasonable approximation of the likely costs. Also, DOD agreed that the higher costs to move to the Norfolk area versus the Bayonne area would likely be offset by lower annual operating costs. DOD's comments are in enclosure 1.

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<sup>1</sup>The annual lease cost for Camp Pendleton had not been negotiated at the time we completed our field work, but similar administrative space at Camp Pendleton is being leased to the Navy for an initial cost of \$4.28 per square foot. On the basis of this figure, the annual lease cost for the Atlantic area command at Camp Pendleton would be about \$0.2 million.

SCOPE AND METHODOLOGY

We reviewed documents and met with officials from the Department of the Army and MSC Headquarters in Washington, D.C. We also visited MSC's Atlantic area command in Bayonne, New Jersey; the Middle Atlantic subarea command in Norfolk, Virginia; and Camp Pendleton in Virginia Beach, Virginia.

In reviewing cost estimates, we examined the appropriateness of key assumptions used by MSC to develop the estimates by comparing MSC's estimation techniques and standard cost factors with those used in other base closure relocations. We questioned Army officials regarding the reasonableness of MSC estimates because the Army is ultimately responsible for funding the relocation. We also reviewed documents on Army and Base Closure and Realignment Commission work relating to the 1995 decision to close the Bayonne Military Ocean Terminal, fiscal year 1998 Army base closure budget submissions, and a Naval Audit Service report regarding the relocation. We relied on the audit report's analyses and conclusions but did not independently verify its supporting data.

In reviewing alternate site relocations, we discussed with MSC officials the extent of their consideration of potential sites in the Bayonne area. Because of the lack of supporting MSC documentation, we contacted selected site officials to obtain their views on the availability of space and facilities to accommodate MSC requirements and the associated costs. We considered these costs, along with estimated personnel costs, in estimating the one-time MSC cost to relocate in the Bayonne area.

We conducted our review between May and August 1997 in accordance with generally accepted government audit standards.

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We are providing copies of this letter to the Chairmen and Ranking Minority Members of the Senate Committee on Armed Services and the House Committee on National Security; the Director, Office of Management and Budget; the Secretaries of Defense, the Army, and the Navy; and the Office of the 13th District of New York, represented formerly by Congresswoman Molinari. We will also make copies available to others on request.

B-277832

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this letter. Major contributors to this letter are Barry Holman, James Reifsnnyder, Raymond Cooksey, and Joseph Faley.

Sincerely yours,

A handwritten signature in cursive script that reads "David R. Warren". The signature is written in black ink and has a long, horizontal flourish extending to the right.

David R. Warren  
Director, Defense Management Issues

Enclosure



ACQUISITION AND  
TECHNOLOGY

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON DC 20301-3000

October 2, 1997

Mr. David R. Warren  
Director, Defense Management Issues  
National Security and International Affairs Division  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report: "MILITARY BASES: Military Sealift Command Bayonne Relocation to Norfolk, Virginia Area," dated August 27, 1997, (GAO Code 709263/OSD case 1450).

We agree with the draft report's conclusion that the Military Sealift Command's estimate to relocate the Atlantic area command to the Norfolk area is a reasonable approximation of the costs that are likely to be incurred. We also agree that the higher moving costs associated with relocating to the Norfolk area are likely to be offset by lower annual operating costs.

The Department appreciates the opportunity to comment on the draft report.

A handwritten signature in black ink, appearing to read "John B. Goodman".

John B. Goodman  
Deputy Under Secretary  
(Industrial Affairs & Installations)

(709263)



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