

April 1996

MILITARY BASES

Opportunities for Savings in Installation Support Costs Are Being Missed



**National Security and
International Affairs Division**

B-271217

April 23, 1996

The Honorable Duncan Hunter
The Honorable James Saxton
House of Representatives

Your March 14, 1995, letter requested that we explore whether support costs for military bases located in close proximity to one another can be reduced. This report addresses (1) the potential for cost savings through increased reliance of one service on another for base support services or functions, (2) the Department of Defense's (DOD) past and current efforts to promote interservicing,¹ and (3) impediments to interservicing identified by DOD and service officials.

Background

Even after several years of defense downsizing, DOD operates hundreds of major military bases and many smaller facilities in the United States. These bases can range in size from less than 10 acres to several hundred thousand acres. There are bases, such as Fort Bragg and Pope Air Force Base located in North Carolina, adjacent to each other; and there are bases, while not adjacent, that are located within a relatively short distance from each other. Base supporting services vary and can include property maintenance, logistics, transportation and equipment maintenance, personnel and professional support, and services to individuals, such as food, housing, recreation, or education. Appendix I provides a more detailed list of common base support functions.

Our analysis of the services' operations and maintenance (O&M) budgets indicate that a significant portion of these budgets are spent on maintaining facilities and delivering services to installations.² DOD has long been concerned about and has sought ways to reduce the cost of military base support, and DOD believes that greater economies and savings could be achieved by consolidating and eliminating duplicate support services for military bases located close to one another, or where similar functions are performed at multiple locations. Over the years, DOD's concerns have

¹While interservicing refers to reliance of one service on another for support, intraservicing refers to greater reliance on consolidated support within a service. This report used the term interservicing type arrangements to refer collectively to inter and intraservicing.

²Based on funding associated with base operating program elements identified in the Defense Finance and Accounting Service's Financial Management Manual and numbers provided by the services' Office of Financial Management, we calculated that about 30 and 32 percent of the Air Force's and the Army's fiscal year 1995 O&M budgets were devoted to base support activities; the percentage is smaller in the Navy (17 percent), representing support for shore-based facilities versus ships. Total O&M budgets for the three services for fiscal year 1995 were \$16 billion.

led to some large consolidation efforts, such as in the areas of logistics and commissary services, as well as more recent consolidations involving printing and finance.

DOD has also supported efforts to foster greater cooperation and interservicing among the services on regional and local levels. However, two of the most notable interservicing type efforts initiated in the 1970s and 1980s were not successful, for reasons that appeared to have more to do with how they were implemented than with the merits of the concept. They involved consolidating real property management and contracting activities at Air Force and Army bases in the San Antonio, Texas, area and consolidating management of housing for each of the services in Oahu, Hawaii. (See app. II for additional information regarding these two consolidation efforts and circumstances contributing to their lack of success.) Meanwhile, on an installation and regional basis, the services have continued varying efforts, on a more limited basis, to develop interservice support agreements where possible.

Downsizing and reduced defense budgets in recent years are now causing the services to take a renewed interest in trying to achieve greater economies, efficiencies, and cost savings in base operations. This includes efforts to more vigorously examine the potential for greater inter and intraservicing involving base support, as well as partnership arrangements between military bases and local governments and communities.³ At the same time, DOD is advocating greater reliance on outsourcing (contracting out) base support functions.⁴

Results in Brief

DOD has long recognized the potential for savings in base support costs through interservicing, but the extent of both potential and actual savings are not easily calculated. Moreover, the services have not taken sufficient advantage of potential opportunities to achieve significant savings in base operating support costs through greater reliance on interservicing type arrangements. However, the services recently have been considering a

³These efforts are framed around the services continuing to control their respective bases. They do not include the concept of a single service being responsible for overall base support for collocated bases involving two or more services—a matter of interest to the requesters.

⁴We found the terms contracting out, outsourcing, and privatization often used interchangeably. However, the administration's Reinventing Government Initiative, also known as the National Performance Review differentiates between outsourcing and privatization. It describes outsourcing as reflecting a decision by government to remain fully responsible for the provision of all services and management decisions even though the private sector will perform the service. It says that privatization implies the government is currently providing the service, but no longer sees the need to be in direct control of its provision, operations, or maintenance.

broad array of initiatives, including interservicing, to achieve greater savings and economies in support costs. The Office of the Secretary of Defense's (OSD) recent program initiative on contracting out base support operations could have the most potential for changing the services' approach to obtaining base operations support. At the same time, the potential exists for contracting out to be pursued without first maximizing efficiencies through increased interservicing. Consolidations through interservicing agreements reached in advance of contracting out could enhance the potential for greater efficiencies and cost savings through contracting out.

Despite the recognized potential for savings from interservicing, differing service traditions and cultures, and concern over losing direct control of support assets, often cause commanders to resist interservicing. Other factors, such as differences in service standards and resource constraints, also affect commanders' willingness to embrace interservicing. While such impediments have affected interservicing of base support functions on a limited scale, comments by DOD and service officials suggest they could be even greater impediments to interservicing on a larger scale, such as having one base commander responsible for providing all base support to collocated bases of two or more services.

Potential Savings Through Interservicing Are Possible but Not Well Documented

Numerous studies completed by DOD and the services have supported the potential to save money in personnel, facilities, and operating costs by consolidating various base support functions through interservicing. However, the amount of these savings are not clear because some consolidations on which some projected savings were based were either not implemented, not implemented as planned, or terminated. These include the San Antonio Real Property Maintenance Agency and Contracting Center and the Oahu, Hawaii, housing programs. Both programs, operational for several years, were disestablished after encountering various problems and concerns on the part of affected military commanders about their effectiveness.

DOD and the services have found it manpower intensive and often difficult to track savings from interservicing agreements and difficult to differentiate savings from cost avoidances; consequently, DOD does not devote significant efforts to tracking savings from projects that are implemented. However, DOD officials provided us with some ad hoc examples of multimillion dollar savings spread over varying periods of years involving such support functions as contracting, printing, training,

recycling, teleconferencing, personnel services, and others. For example, service officials in Charleston, South Carolina, reported a 1-year cost avoidance of over \$1 million in travel and per diem costs through shared use of video teleconferencing capabilities. In another example, service officials in Colorado Springs, Colorado, reported that a consolidated regional natural gas contract resulted in cost savings of \$9.5 million over a 3-year period.

In addition, potential savings today are clouded because the services are increasingly looking for ways to consolidate and streamline operations because of budget reductions. Service officials stated that they were reluctant to identify further savings as part of new studies, fearing additional reductions would be taken on top of the cuts that have already been made.

Efforts to Facilitate Interservicing Have Often Produced Limited Results

In 1972, DOD established the Defense Regional Interservice Support program as its principal program to help identify and eliminate duplicative base support services for activities in close proximity to each other. The regulation governing the program, DOD Instruction 4000.19, required DOD activities to first consider using other DOD and federal activity capabilities unless a commercial source or developing an in-house capability constituted a better value. DOD reinforced its emphasis on interservicing and support consolidations in 1978 by establishing Joint Interservice Resource Study Groups (JIRSG). These regional groups were expected to evaluate the feasibility of savings through support service consolidations in geographic areas where there were several relatively large military installations within a 50-mile radius.

DOD and service officials told us that between 1978 and 1992, JIRSGs conducted a variety of studies that identified potential savings and efficiencies through interservicing. However, we were told that many of these studies were ignored because no one, including local base commanders, really wanted to implement them.⁵ In April 1992, DOD revised the JIRSG program so that its focus shifted from conducting regional studies to providing interservice support. The JIRSG program ceased being mandatory and was no longer required to review defined support service categories as before. As a result of these changes, JIRSGs are now tasked with facilitating communications among DOD and other federal activities, sharing innovative ideas, and seeking opportunities for improving mission

⁵We were unable to gauge the range of potential savings expected from these studies since they were not retained on a centralized basis.

quality, efficiency, and effectiveness through the use of support agreements and other cooperative efforts.⁶ Although participation in the JIRSG program remains voluntary, OSD officials continue to emphasize the program through such means as conducting national workshops for JIRSG representatives and disseminating JIRSG newsletters, including information on successful agreements and partnerships.

As of November 1995, there were 55 JIRSG regions throughout the United States, Europe, the Pacific, and Panama. We contacted JIRSG officials from 21 of these regions and found that about 29 percent of these regions had been inactive for the past several years, and many program offices did not have personnel in key positions. We were told that the existence, effectiveness, and success of a JIRSG program was often dependent on the interest of both the local commander and the JIRSG program manager, if there was one. Further, we were told that command interest in the programs ebbed and flowed with changes in commanders and their differing perspectives on the desirability of the program.

Despite fluctuations in program emphasis, we found a range of interservicing agreements in place at the seven bases we visited. They included agreements pertaining to such support areas as morale, welfare, and recreation activities; laundry services; and utilities. Most could be characterized as limited arrangements, pertaining to portions of functions, such as a consolidated contract, rather than large-scale reliance of one military base on another for support, such as for overall contract administration. While many agreements were in place, OSD and service officials stated that many interservicing opportunities remain. We saw this at various collocated bases we visited. For example, both Fort Lewis and McChord Air Force Base maintain separate airfield operations facilities, and airfield operations was an area cited by Fort Lewis personnel as having the potential for one facility to serve both bases. Likewise, both Fort Bragg and Pope Air Force Base maintained separate contract administration, supply and engineering, and other support areas, that an Army official suggested had the potential for one service to provide to both bases. Appendix III provides a more detailed list of base support functions being performed at bases we visited where base personnel cited at least portions of those functions having the potential for consolidation and interservicing.

⁶Thus, after April 1992, JIRSG became an acronym for Joint Interservice Regional Support Group.

Recent Initiatives to Reduce Base Support Costs

Defense downsizing and resource constraints in recent years have reinforced the need to look for greater efficiencies and savings in base support operations. A major initiative now being spearheaded by OSD involves examining the potential for contracting out base support services. Also, underway under service auspices, and initiated prior to OSD's current emphasis on contracting out, are a variety of initiatives ranging from a greater emphasis on interservicing to broad regionalization of selected support functions, to privatization of some functions, and contracting out. These service initiatives go beyond traditional interservicing with other DOD and federal agencies, including forming partnerships with local governments and communities. The relationship of these efforts to OSD's current contracting out initiative raises questions as to whether DOD's strategy and approaches to reducing costs in these areas are likely to achieve the maximum possible savings.

OSD

Although DOD has historically placed some emphasis on contracting out, that emphasis today is greater than ever before due to the administration's Reinventing Government Initiative, otherwise known as the National Performance Review, and to recommendations of two recent DOD study groups—the May 1995 Roles and Missions study, and the October 1995 Defense Science Board study on Quality of Life. Further, a provision in the fiscal year 1996 Defense authorization legislation encourages DOD to look to the private sector to meet its support needs. The 1993 report of the National Performance Review noted that every federal agency needs support services. The report advocated greater consideration of options in obtaining those services and said that no agency should provide support services in-house unless those services could compete with those of other agencies and private companies. That report has resulted in a greater emphasis being given to contracting out and privatizing support services.

The 1995 report of the Chairman of the Joint Chiefs of Staff dealing with Roles and Missions recommended that essentially all commercial activities in DOD be outsourced and that all new needs be channeled to the private sector from the beginning. That recommendation followed the study group's review of the full spectrum of central support activities, including installations and facilities. Activities that were not dependent on specialized, defense-unique equipment such as base security, facilities maintenance, and installation management services, were designated as prime candidates for early outsourcing. According to the roles and missions report, most of these nonspecialized or defense-unique services have little direct association with combat forces and can be moved to

private-sector markets where competition ensures adequate cost control. The Roles and Missions' report also stated that the many routine, nonmilitary infrastructure functions associated with managing a military base were better left to the private sector to manage.

The 1995 Defense Science Board Task Force on the Quality of Life was tasked with examining quality of life issues as they apply to all military personnel, their families and civilian employees, and recommending improvements that could be quickly implemented. The task force addressed housing, personnel tempo, and community and family services. In the area of housing, the task force recommended that DOD achieve an effective housing delivery system over a 3-year period by (1) using private venture capital initiatives to construct new and revitalize existing housing; (2) reviewing and revising housing policies, laws, standards, criteria and regulations and find ways to improve ineffective and inefficient funding practices; and (3) creating a nonprofit government corporation that could act as an umbrella organization with the actual maintenance and operations being executed through local private industry contracts. DOD is currently examining how it can implement these recommendations and is working with the services to identify obstacles to their implementation.

Section 357 of the National Defense Authorization Act for Fiscal Year 1996 (P.L. 104-106) encourages reliance on private-sector sources for commercial products or services. It requires that not later than April 15, 1996, ". . . the Secretary shall transmit to the congressional defense committees a report on opportunities for increased use of private-sector sources to provide commercial products and services to the Department."

In August 1995, DOD established a working group to determine which military and civilian positions associated with base support operations should be studied by each service for possible outsourcing. The services are studying the potential to outsource work related to 60,000 full-time equivalent positions, most involving DOD civilian personnel. The services exempted another 323,000 positions from outsourcing consideration at this time because they were considered as directly supporting the services' warfighting missions. However, one working group official told us that probably half of these exempt positions could be studied for outsourcing. This official, however, acknowledged that with the 60,000 positions selected for initial study, the military services have more than enough work to review at the present time. According to this official, no completion date for this effort has been determined.

The individual service initiatives that are outside the current OSD outsourcing initiative are described below.

Army

Among the military services, the Army appears to have been the most aggressive in pursuing interservicing, partnering, and other efforts to reduce base operating costs. In fiscal year 1994, the Army created a departmental level installation management office to provide central oversight of installation support operations. The Army's installation management office serves as a focal point for the many initiatives occurring within the Army, as well as, write policy and integrate doctrine pertaining to the planning, programming, execution, and operation of Army installations. The installation management office is encouraging Army commands to undertake a broad range of initiatives that work toward operating more efficiently. For example, one initiative suggests that installations should become less self-sufficient by encouraging more regionalizing, consolidating, and contracting out of base support services and facilities.

The Army's major commands that operate bases in the United States have the lead in examining options for achieving greater efficiencies in base operations. For example, Forces Command (FORSCOM) has been examining a number of initiatives in the base operations area. One of these initiatives is known as Installation XXI. Under this initiative, FORSCOM has tasked its three garrison commanders at I, III, and XVIII Airborne Corps, and the U.S. Army Reserve Command (USARC) with exploring options for more efficient base operations in the future. The commander of I Corps was tasked with reviewing the possibility of multiservice base operations; the commander of III Corps was tasked with exploring development of "centers of excellence" for various base functions so that one base would become expert in and assume responsibility for certain functions such as contract management for multiple bases; the commander of the XVIIIth Airborne Corps was tasked with examining community partnerships; and the commander of USARC was tasked with examining options for reserve component support apart from reliance on active duty bases.

FORSCOM's goal is to test and evaluate these various initiatives and implement them beginning October 1, 1996. However, some initiatives are being tested and implemented at the same time throughout FORSCOM. For example, an initiative to test the effect of consolidating warehouses at one location was found to be successful, and is now being expanded. Another effort being implemented involves having a regional contract

administration office for contracts over \$500,000. In this and other similar situations, we found service officials reluctant to identify specific cost savings from these projects. They indicated that many of these efforts were necessitated by previous budget reductions, and they were concerned that if savings were identified their budgets would be further reduced. We recognize this as a real concern to the extent budget reductions have been made in anticipation of future savings that are not achieved—a concern that was recently publicly acknowledged by the Secretary of Defense regarding some previous Defense Management Review studies within DOD. However, our work indicates that DOD has not been effective in tracking savings for initiatives such as the Defense Management Reviews.⁷ Consequently, case-by-case analyses would be needed to determine the validity of these concerns.

In addition, FORSCOM's commander has been especially interested in the interservicing concept, particularly between its I Corps installation at Fort Lewis, Washington, and the nearby McChord Air Force Base. To facilitate this effort, the Commanding General of FORSCOM wrote a letter to his counterpart at the Air Force Air Mobility Command (AMC) on August 16, 1995, to get his support to allow the commanders at Fort Lewis and McChord Air Force Base to study the feasibility of consolidating base support functions that were currently being performed by both installations. He asked for AMC's support so that both commanders could proceed beyond their informal discussions of identifying potential areas, and overcome the historic barriers to consolidation or partnering. The AMC commander responded on August 25, 1995, agreeing that feasibility and cost-effectiveness of joint efforts might prove worthwhile, and therefore gave the McChord wing commander his permission to study joint actions. However, he also made the following statement:

“Air Force philosophy has always been that our Commanders must have the tools both to accomplish their mission and take care of their people. Every time in the past that we have deviated from this principle, especially in our rush to find efficiencies in base support operations, the results have been less than satisfactory. That said, if cost savings or service improvements can be realized without infringing on these two basic Command responsibilities, then these opportunities should be explored.”

As of February 1996, FORSCOM officials told us that Fort Lewis and McChord officials had not reached a consensus on support issues and that discussions had been discontinued at the installation level.

⁷See Defense Management Review (GAO/NSIAD-94-17R, Oct. 7, 1993).

In another case, we were told by Army officials that further discussions beyond identifying potential base support operations at Fort Dix, McGuire Air Force Base, and Lakehurst Naval Air Station had not occurred. An Air Force official at Pope Air Force Base told us that they are examining cooperative support efforts with Fort Bragg in the areas of recycling, medical training, and parachute rigging. FORSCOM officials told us that interservicing will be further explored more broadly under another Army-wide initiative that is being developed by FORSCOM.

Navy

The Navy, with support from the Chief of Naval Operations, is also emphasizing the need to reduce support costs. In our review of Navy activities, we found that the Navy is currently emphasizing regionalization and consolidation of support functions involving its own facilities more than interservicing.⁸ Officials stated this is because their installations, for the most part, are not closely located to other service installations. However, Navy officials told us that in places where Navy activities are closely located to other service installations, they will cooperate with the other services where it makes sense.

The Navy's regionalization efforts are being conducted by its headquarters level shore installation management office, with the support of the Chief of Naval Operations. The Navy, like the Army, created this office in fiscal year 1994 to oversee the operations of its installations. This office is conducting two pilot studies to reduce Navy-wide infrastructure by regionalizing base support functions under a one commander concept in place of the multiple commanders now in place. These two pilot studies are being conducted in Jacksonville, Florida, and San Diego, California. The Jacksonville study began in September 1995, and the results are expected to be reported out to the Chief of Naval Operations sometime in April 1996. The San Diego study began in February 1996, and preliminary results are expected by mid-May 1996.

The Navy estimates that \$30 million a year could be saved through regionalization of support functions of Navy bases in the Jacksonville area. Preliminary study results from Jacksonville suggest the potential for partial to full regionalization involving security, fire prevention, fuel services, procurement, supply and data processing, resource management, education, personnel services, environmental management, and

⁸The Navy's current efforts complement previously successful regionalization efforts within the Navy such as their Public Works Centers, which perform real property maintenance and repair, utility management, transportation management, service contracting, and some environmental services on a regional basis in fleet concentration areas.

meteorology functions. Navy officials told us that because the Jacksonville effort is the first to be completed, its results and lessons learned will benefit their San Diego effort, and additional efforts that the Navy plans to pursue, including Pearl Harbor, Hawaii; Puget Sound, Washington; and Norfolk, Virginia.

Air Force

As previously mentioned, we found, during our visits to selected bases, that interservicing arrangements did exist between the Air Force and the other services. At the same time, we found less emphasis within the Air Force at the headquarters and major command level than in the other services in terms of emphasizing regionalization or interservicing of base support functions. However, we did identify some recent efforts at the Air Force headquarters level that could strengthen program emphasis in the future. For example, in December 1995, all Air Force major commands were asked to gather information regarding the level of savings that had been achieved through interservicing over the past 2 years; this information is expected to be accumulated by April 1996. A headquarters official expressed hope that such information could be used as a catalyst to expand interservicing efforts. Also, the Air Force has a computerized support agreement system that previously was used to create interservice agreements, but which has recently been upgraded to provide more of a management information capability. This system is being made available to the other military services.

Views on Impediments to Base Support Consolidations and Interservicing

While interservicing of some common base support functions has occurred, our discussions with DOD and service officials at all levels pointed to a variety of problems and impediments that they believed historically have limited base support consolidation and interservicing efforts and can serve as impediments to such efforts today. These views cover a wide range of issues each requiring individual analyses to confirm the extent of their validity. Such an analysis was beyond the scope of this review. However, where we have prior work relating to an issue, it is presented along with the views of DOD and service officials. Many service officials questioned the effectiveness of large-scale DOD consolidation efforts in recent years in such areas as finance and accounting and printing. Many personnel voiced concern that these functions, after consolidation, appeared to be less responsive, less timely, and perhaps more costly than when each of the services were separately responsible

for these functions.⁹ These views, regardless of their validity, affect consideration of related initiatives. Also, many personnel were familiar with the failed San Antonio real property maintenance and contracting programs and the consolidated housing program in Hawaii and saw these as additional reasons for caution and skepticism.

Another broad concern that frequently surfaced in our discussions involving base support functions was resistance to change and commanders' concerns about losing direct control over their support assets, and their inability to influence servicing priorities that they deem important to supporting their military missions. We were told that if commanders perceive a problem, they want to have direct control over the activity rather than have to go through another service or activity. Having one service provide large-scale base support to another service also raised concern about the receiving base losing its identity and appearing to be subsumed by the base providing support. We believe this suggests the need for stronger OSD leadership to overcome such concerns where they related to parochial interests, rather than valid mission concerns.

Differences in traditions, cultures, practices, and standards among the services also were often cited as inhibiting greater emphasis on interservicing arrangements. For example, various Air Force personnel pointed out that their base support personnel are organizationally aligned with an installation's combat forces and are considered mission deployable. On the other hand, Army base support personnel are typically not organizationally aligned with their combat forces and are not expected to deploy with them. Also, the Air Force, in contrast with the Army, depends more on military than civilian personnel in meeting its base support requirements. Another example involves differences in the services' accounting systems, including lack of standards in unit costing that can make it difficult to reach agreement on costing of services. While these do represent real differences between the services, we do not believe that they are insurmountable barriers to increased cooperation and interservicing.

Base housing was often cited as an area having the potential for interservicing. However, within the services, we found widely held views

⁹Other GAO work examining finance and accounting and printing consolidations while identifying some implementation problems found that over time DOD expects to achieve significant infrastructure reductions and savings from these efforts. See DOD Infrastructure: DOD's Planned Finance and Accounting Structure Is Not Well Justified (GAO/NSIAD-95-127, Sept. 18, 1995); Government Printing: Comparison of DOD and GPO Prices for Printing and Duplicating Work (GAO/NSIAD-95-65, Feb. 1, 1995); and Government Printing: Legal and Regulatory Framework Is Outdated for New Technological Environment (GAO/NSIAD-94-157, Apr. 15, 1994).

about differences in quality of on-base housing provided to service personnel among the services, with the Air Force being known for providing a higher standard of housing than the other services. More generally, the perception often existed that the Air Force had a higher quality of life standard and was willing or able to devote more resources to maintaining that standard than the other services. These differences were seen as having significant implications for interservicing arrangements and were factors in the failed Hawaii housing consolidation effort. While there are numerous examples of one service's housing being used by the other, there are other examples of one service sometimes not wanting to use another service's housing because of its condition. Further, for one service to be fully dependent on another service for housing in a given area could raise the specter of one service having to devote more money to housing maintenance than it otherwise would or another service perceiving itself having to settle for a lesser standard of housing than it would otherwise expect. Some service officials suggested that overcoming these impediments may require OSD operational control and funding. As already indicated, DOD is currently examining alternatives for providing military housing.

Resource constraints in today's downsizing environment were also cited as making commanders reluctant to pursue interservicing arrangements, particularly where they would be assuming additional responsibilities to provide services to another activity or service. Growing budget constraints were seen as complicating improvements in the backlog of real property maintenance in the base operations area and also adversely affecting the potential for interservicing. Many service officials believed that deep reductions in their funding and authorized personnel, reductions that they perceive as being greater than reductions in their workload requirements, have already constrained their ability to do existing work. Reducing funding and personnel make it even more difficult to assume additional work, knowing that additional personnel resources likely would not be forthcoming. Some service officials believe that there is a need for financial incentives allowing commanders to retain some portion of savings achieved to apply to other areas where they have unmet requirements as an inducement to pursue greater interservicing.

A number of service officials said that the relatively short tours of duty of base commanders limits institutional knowledge and often results in their focusing on short-term projects and not major changes in base operations involving long-term planning and implementation. We were also told that differences in philosophy from one commander to another can sometimes

lead to a reversal of previously initiated interservicing efforts. Some service officials suggested that these impediments could be overcome either through greater reliance on civilian management of base operations and/or basing a portion of an installation commander's proficiency assessment on his or her efforts to foster greater efficiencies in base operations. Our general management review work has shown that continuity of management is a key factor to ensuring the ultimate success of major initiatives in other federal agencies.

Finally, interservicing agreements reached in advance of outsourcing could enhance the potential for greater efficiencies and cost savings; however, a proposed change in Office of Management and Budget's (OMB) guidance for contracting out could reduce the potential for interservicing. At the same time, some service officials stated that with outsourcing and privatization appearing to be such high priority within DOD, the current efforts to economize base operations through inter and intraservicing efforts may receive less emphasis. At the time we completed our review, OMB was considering a change to its Circular A-76 policy guidance supplement on contracting out. That change would require that agencies not ". . . retain, create or expand capacity for the purpose of providing new or expanded levels of interservice support services, unless justified by the cost comparison requirements of this Supplement." Some DOD officials were concerned that the change could serve as a significant disincentive to base commanders and smaller activities being willing or having the capability to conduct the private sector cost studies that would be required as a prerequisite to interservicing type arrangements. Such cost comparisons previously were not required as a prerequisite to interservicing.

Recommendations

Given the potential for significant savings in base support costs through interservicing type arrangements, we recommend that the Secretary of Defense (1) identify options and take steps to minimize the impediments to interservicing and (2) emphasize interservicing as part of contracting out deliberations to maximize potential savings and efficiencies.

Agency Comments and Our Evaluation


DOD concurred with our report and its recommendations. In written comments to our draft report, DOD stated that they had prevailed with a request to OMB to remove from the draft Circular A-76 supplement a requirement to conduct A-76 cost comparisons prior to initiating interservice support agreements. DOD also said that it was implementing a

policy directive to encourage first looking to interservice support for needed base operations, unless a better value is available from commercial sources. DOD also indicated that it would take other steps to minimize impediments to interservicing.

DOD also expressed concern that our report did not adequately recognize Air Force and Defense Logistics Agency efforts to achieve major savings through interservice support. It cited a couple of initiatives recently undertaken by the Air Force and a variety of interservicing agreements administered by the Defense Logistics Agency. Although our review focused primarily on the Army, the Navy, and the Air Force, we recognize that Defense Logistics Agency activities are active participants in interservicing. We recognize the efforts cited on behalf of the Air Force as having been recently undertaken. Those recent actions notwithstanding, we believe our report adequately captures the extent of Air Force activities regarding interservicing relative to the other services. Our scope and methodology are discussed in appendix IV. See appendix V for the complete text of DOD's comments.

Unless you announce its contents earlier, we plan no further distribution of this report until 15 days after its issue date. At that time, we will send copies to the Chairmen, Senate Committee on Armed Services, Subcommittee on Defense, the Senate Committee on Appropriations, the House Committee on National Security, and Subcommittee on National Security, House Committee on Appropriations; the Director, Office of Management and Budget; and the Secretaries of Defense, the Air Force, the Army, and the Navy.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report were Barry W. Holman, Assistant Director; Kevin B. Perkins, Evaluator-in-Charge; and Robert R. Poetta, Evaluator.



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Contents

Letter		1
Appendix I Common Base Support Functions		18
Appendix II		19
Examples of	The San Antonio Real Property Maintenance Agency and the San Antonio Contracting Center	19
Unsuccessful	The Oahu, Hawaii, Consolidated Family Housing Office	20
Interservice Consolidations		
Appendix III		22
Base Support Functions Having the Potential for Interservicing		
Appendix IV		23
Scope and Methodology		
Appendix V		24
Comments From the Department of Defense		
Table	Table 3.1: Base Support Functions Having the Potential for Interservicing	22

Abbreviations

AMC	Air Mobility Command
DOD	Department of Defense
FORSCOM	Forces Command
JIRSG	Joint Interservice Resource Study Group/Joint Interservice Regional Support Group
O&M	operations and maintenance
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
SACC	San Antonio Contracting Center
SARPMA	San Antonio Real Property Maintenance Agency
USARC	U.S. Army Reserve Command

Common Base Support Functions

Administrative services	Mail service
Audio and visual information services	Mail postage service
Automated data processing and automated services	Mail transportation overseas
Chapel & chaplain services	Military personnel support
Civilian personnel services	Mobilization support
Clubs	Morale, welfare, and recreation activities
Command support	Mortuary services
Common use facility construction, operations, maintenance, and repair	Museums
Communication services	Occupational and industrial health services
Community relations	Police services
Community services	Printing services
Custodial services	Public affairs
Disaster preparedness	Purchasing and contracting services
Duplication services	Refuse collection & disposal
Education services	Resource management
Environmental cleanup	Safety
Environmental compliance	Security services
Equipment maintenance, repair, and calibration	Shuttle services
Explosive ordnance support	Social actions
Facility construction and major repair	Storage and warehousing
Facility maintenance and minor repair	Supply services
Finance and accounting	Technical and legal libraries
Fire protection	Training services
Food services	Transportation services
Health services	Utilities
Housing and lodging services	Vehicle support
Laundry and dry cleaning	Weather services
Legal services	

Examples of Unsuccessful Interservice Consolidations

Two of the most notable interservicing type efforts initiated in the 1970s and 1980s proved unsuccessful. They involved consolidated management of real property maintenance and contracting activities in the San Antonio, Texas, area, and consolidated family housing for military personnel in Oahu, Hawaii.

The San Antonio Real Property Maintenance Agency and the San Antonio Contracting Center

In the mid-to-late 1970s, Air Force and Army installation real property maintenance and contracting services in the San Antonio, Texas, area, were consolidated, creating the San Antonio Real Property Maintenance Agency (SARPMMA) and the San Antonio Contracting Center (SACC). Both efforts, to be managed by the Air Force, were expected to save \$2.2 million annually in personnel, supplies, and equipment, or \$24 million over the 11-year life of the program. The Department of Defense (DOD) agreed to disestablish both efforts in 1989 at the Air Force's request.¹ By fall 1989, both efforts had ceased operating and their functions were returned to the control of individual base commanders.

In a 1989 report² we stated that DOD approved the request to dissolve the consolidation based on studies performed by it and the Air Force that cited installation commanders' concern over lack of command and control of their engineering support functions. In its justification, the Air Force cited a September 1986 DOD directive giving installation commanders broad authority to decide how to accomplish their engineering functions and made them accountable for those resources, and stated that mandating SARPMMA was at variance with this authority. One Air Force study questioned SARPMMA's customer responsiveness and productivity, yet concluded that it provided services at about the same level as before the consolidation. However, it also noted that customers resented the loss of direct control of the civil engineering work resulting in a negative perception of SARPMMA's performance. In retrospect, various service officials have suggested that this had been a situation in which DOD had pushed the services toward a consolidation that the services had not really bought into.

A December 1990 Defense Management Report Decision concluded that comparisons of SARPMMA savings was not possible due to the dramatic differences in program funding, environmental issues, hiring freezes, and

¹Due to its significantly larger budget and number of employees, SARPMMA was the main focus of the disestablishment efforts. SACC was dissolved because its main customer was SARPMMA.

²Base Support Services: Disestablishment of Two Consolidated Organizations in San Antonio (GAO/NSIAD-89-97, Mar. 8, 1989).

other factors that impacted DOD during the period the consolidation existed. Also, the original concepts of organization, supply, personnel, procurement support, automated data processing, and the client base SARPMA was to serve never materialized. The report went on to say that, considering the range of fundamental management problems and mistakes, such as severe understaffing, an inadequate computer system, and not promptly reimbursing vendors that caused these vendors to refuse to deal with SARPMA, to blame its failure on consolidation alone was unwarranted.

The Oahu, Hawaii, Consolidated Family Housing Office

In July 1982, DOD directed the four services to consolidate family housing operations and maintenance on Oahu, Hawaii, by October 1, 1983, under U.S. Army, Pacific. DOD based the decision on a feasibility study performed by a contractor that concluded that a consolidation would reduce personnel costs by about \$737,000 annually. However, on September 30, 1994, after operating for about 11 years, the Oahu Consolidated Family Housing Office closed and control of this function was returned to each individual service. We were unable to determine the extent of savings realized from this consolidation.

According to DOD officials and the Army Audit Agency, the consolidated family housing program failed because of funding uncertainties and shortfalls, as well as the services' prejudice toward retaining control over their own housing, a reluctance on the part of the services from the beginning to fully participate, and various problems associated with the Army's management of the program. Reluctance to participate was illustrated by the fact that the other services continued to maintain their own housing organizations to some extent while the Army was officially responsible for managing the program and paying the bills.

The quality of housing on Oahu at the time of the consolidation was also a factor that affected future operations. Various officials pointed to significant differences in the condition of the housing from each of the services with the Navy housing being in the worst condition and requiring the highest maintenance priority. Also, several officials cited differences in the quality of housing standards as a factor impeding the efforts of the consolidated office because customers expected services provided to meet their own unique criterion. Further, given that the most senior military officials on Oahu outranked the most senior Army officer raised some question about the degree of real control that could be exerted by the

Appendix II
Examples of Unsuccessful Interservice
Consolidations

Army in managing the program. A 1992 Army Audit Agency report³ was critical of DOD for not providing the Army any guidance on how to implement a consolidated operation that it concluded led to some of the problems encountered throughout the life of the effort. Subsequently, the Army manager of the consolidated housing office at the time the program was terminated told us that a \$33-million funding reduction in fiscal year 1994 (from \$176 million to \$143 million), and no funding for military construction were the primary reasons for dissolving the office. The manager said that these shortfalls prevented his office from making any housing repairs during that time. He also said that although the other services were aware of the funding problems, they were unable to help because budgetary controls precluded any transferring of funds to the Army.

³Family Housing Maintenance, Oahu, Hawaii (Report WR 92-7, 24 July 1992).

Base Support Functions Having the Potential for Interservicing

Military personnel at the collocated military bases we visited cited a range of base support functions being performed at their collocated bases—ones where at least one of the services had identified at least portions of those functions as having the potential for consolidation and interservicing.

Table 3.1: Base Support Functions Having the Potential for Interservicing

Accident investigation	Magistrate court
Airfield operations	Management and maintenance of family housing
Biological assessments	Nonaircraft supply parts storage
Bulk fuel storage	Official travel arrangements
Chaplain services	Passports
Child care services	Public works management
Civilian personnel services	Publishing and printing services
Communication systems maintenance	Recycling
Contracting services	Roads and grounds maintenance
Craft shops	Safety
Dining facilities	Small arms maintenance
Education centers	Support services, facility maintenance, and construction contracting
Employment office/equal employment opportunity services	Tactical vehicle maintenance
Environmental programs	Telephone services
Family advocacy services	Training services
Fire protection services	Transportation management office
Housing services	Utility repairs
Identification cards	Vehicle transportation and maintenance
Legal assistance and claims	Water and sewage plant operations
Library services	

Scope and Methodology

To obtain a historical perspective on interservicing, we held discussions with cognizant Office of the Secretary of Defense (OSD), Army, Navy, Air Force, and Defense Logistics Agency officials and obtained and reviewed available reports completed by various audit and DOD agencies dealing with prior consolidation efforts. Likewise, we held discussions with OSD and service officials regarding the status of existing interservice efforts and to determine impediments to such efforts. A discussion was also held with an Office of Management and Budget (OMB) official regarding OMB Circular A-76 in relation to interservicing. We made a limited telephone inquiry to a judgment sample of Joint Interservice Regional Support Group (JIRSG) regions to gauge the level of ongoing activity regarding interservice support agreements and efforts to foster additional interservicing.

We also had discussions with installation officials at seven installations that were located in close proximity to one another to determine the existing level of interservicing type arrangements, the potential for additional ones, and any impediments to such efforts. Locations visited included: Fort Dix, McGuire Air Force Base, and Lakehurst Naval Air Station in New Jersey; Fort Bragg and Pope Air Force Base in North Carolina; and Fort Lewis and McChord Air Force Base in Washington. Additional discussions were held with Army officials at Headquarters Forces Command, Atlanta, Georgia, and Training and Doctrine Command, Fort Monroe, Virginia. We also contacted officials of the Navy's Commander in Chief, Atlantic and Pacific Fleets, and the Naval Air and Sea Systems Commands; and the Air Force's Air Combat and Air Mobility Commands to discuss efforts underway to foster inter and intraservicing of base support operations. Additionally, we observed a meeting of the Navy's Fleet Support and Quality Management Board that discussed various base support issues, and also attended a national JIRSG training workshop.

We conducted our review between July 1995 and February 1996 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense



ECONOMIC SECURITY

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
3300 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3300

126 MAR 1996

Mr. David R. Warren
Director, Defense Management Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Warren:

This is the Department of Defense response to the General Accounting Office draft report on base operating support, "Opportunities for Savings in Installation Support Costs Are Being Missed" (GAO code 709160), dated March 1, 1996.

The DoD concurs with both recommendations (enclosed) in the draft report; although, we request consideration of the following comments in preparation of the final report. The report does not adequately recognize Air Force and Defense Agency efforts to achieve major savings through interservice support. For example, recent Air Force efforts include a review of all their base operating support requirements in the Denver area, and a study of Air Force and NASA intragovernmental support requirements. The Government is also benefiting tremendously from more than 1800 support agreements promoted and administered by the Defense Logistics Agency (DLA). DLA has developed an innovative billing system for interservice support agreements that is being made available to other DoD Services and Agencies. Using this system, which provides increased visibility of support costs, one DLA customer was able to reduce its support costs by almost \$2 million (50%).

The Department appreciates the opportunity to review this report in draft form.

Sincerely,

Robert E. Bayer
Deputy Assistant Secretary of Defense
Installations

Enclosure:
Recommendations



GAO DRAFT REPORT - DATED MARCH 1, 1996
(GAO CODE 709160) OSD CASE 1100

“MILITARY BASES: OPPORTUNITIES FOR SAVINGS IN
INSTALLATION SUPPORT COSTS ARE BEING MISSED”

RECOMMENDATIONS

- Recommendation 1: The GAO recommended that the Secretary of Defense explore option to minimize the impediments to interservicing. (page 19/GAO Draft Report)

DoD Response to the Draft Report: The Department will:

1. Identify the impediments to more reliance on interservice support of base operations.
2. Define possible options for minimizing the identified impediments.
3. Select best options for minimizing impediments.
4. Implement actions to minimize impediments.

- Recommendation 2: The GAO recommended that the Secretary of Defense ensure that emphasis on considering interservicing as part of contracting out deliberations to maximize potential savings and efficiencies. (page 19/GAO Draft Report)

DoD Response to the Draft Report: The Department has:

1. Prevailed with a request to the Office of Management and Budget to remove from the draft A-76 Circular Supplement a requirement to conduct A-76 cost comparisons prior to initiating interservice support agreements.
2. Implemented a policy, in DoD Instruction 4000.19, of first looking to interservice support for needed base operations, unless a better value is available from commercial sources.

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