

CHAPTER 2

ISSUES FOR FURTHER CONSIDERATION

Several issues which surfaced during the Commission's review and analysis process were particularly noteworthy. While the Commission is specifically charged with transmitting its recommendations for military base closures and realignments to the President, the Commission believes it can offer valuable insight and guidance regarding the base closure process based upon its intimate involvement and first-hand experience. The Commission believes it would be remiss if it were to forego the opportunity to share its concerns.

Interservicing

The Department of Defense has been attempting for approximately 20 years without significant success to interservice depot maintenance workload. In his testimony before the Commission in March, 1993, the Secretary of Defense stated DoD did not have adequate time to address the interservicing issue or to compile the necessary data to submit recommendations to the 1993 Commission. However, the Secretary indicated he would welcome any Commission actions which would result in increased interservicing of DoD commodities.

Committed to streamlining depot maintenance workload to achieve maximum efficiencies, the Commission determined the following five commodities should be reviewed for interservicing potential: wheeled vehicles, rotary-wing aircraft, tactical missiles, and ground communications; the fifth, fixed-wing aircraft, was ultimately deferred from further analysis due to a lack of reliable or comparable cost and capacity data. The results of the Commission's review are presented in Chapter One of this Report.

The Commission's recommendations to consolidate depot maintenance workload through interservicing represent only an initial attempt at achieving cost savings. The efficiencies to be realized from interservicing dictate DoD conduct an exhaustive review and present its recommendations/actions during the 1995 round

of the base closure process. The Commission strongly supports a joint organization responsible for assigning workloads to the DoD's maintenance depots. Joint oversight could mandate cost effective interservicing actions circumventing Services' parochial interests. DoD must create strong incentives for the Services to pursue interservicing. Additionally, any future consideration of interservicing must include a comprehensive review of private-sector capability.

Depot Capacity

Although the Commission took actions to make recommendations regarding the reduction of unnecessary depot activities and capabilities, the Commission fully recognizes there clearly remains excess capacity within the DoD depot system. Interservicing, as addressed in a separate issue within this chapter, and consolidation can go a long way in reducing excess depot capacity while realizing certain synergies and cost-effectiveness relating economies of scale generally attendant to consolidation. Historically, each Service has preferred to remain in control of its own depot systems; however, the shrinking defense budget and attendant downsizing of the Department simply will not allow this scheme to continue. Therefore, the Commission recommends the Secretary of Defense consider during his bottom-up review of the Department, a single defense depot system with a joint responsibility. All DoD maintenance depots should come under the direct command and control of a single joint Services organization. The organization should have the authority to assign workloads between depots or private sector as appropriate and implement uniform procedures for measuring and evaluating depot performance. Accordingly, the Commission further recommends the Secretary impose a moratorium on further depot expansion relative to the purchase of new properties and the construction of new facilities until such time as the bottom-up review can determine the overall capacity requirements within the DoD depot system.

Private Sector Capability

The Secretary of Defense, in his recommendations to the 1993 Commission, did not address the issue of domestic private-sector capability to “rightsized” the overall DoD depot infrastructure. However, the issue of private-sector capability was a recurring theme during the Commission’s deliberations. The Commission felt the domestic private sector could provide a potentially cost-effective option to DoD’s in-house capability for repairing and maintaining its equipment, which should be exploited for potential economies. A shift to the private sector for maintenance services may also have a positive impact on maintaining the nation’s industrial base. By downsizing DoD’s in-house maintenance capability to the minimum necessary, operational requirements may be met in the most cost-effective manner through a different mix of public and private industrial support. Therefore, the Commission strongly recommends the Secretary of Defense address the private-sector capability, within the context of an integrated national industrial philosophy, in his recommendations for the 1995 round of base closures. In so doing, the Secretary must recognize he will meet an understandable bias of the various service depots against private sector contracting because of their own need to maintain volume as their workload shrinks.

Implementation of the Commission’s Recommendations

The Office of Economic Adjustment (OEA) in the Department of Defense assists local communities’ economic transition following military base closures and realignments. Despite statistics showing local communities often thrive after base closures with OEA assistance, environmental study and cleanup requirements have resulted in a slowdown in the disposal process, causing local communities to report severe delays in land reuse. A delay in beginning the reuse process leads to deteriorating facilities, loss of community benefits, waning fiscal and human resources, and may be the largest single impediment to affected communities successfully transitioning their local economies.

During the 1993 investigative hearings, the Commission heard testimony from affected

communities and several reuse groups regarding recommendations on improving the property-disposal process. The groups offered a comprehensive array of integrated recommendations to expedite the disposal and conversion process. These included strengthening and coordinating the federal role through a single DoD “reuse czar” to oversee the property-disposal implementation authority and responsibility vested in the Military Departments. Additionally, these groups recommended DoD foster a truly community-oriented disposal attitude with “community-friendly” policies relative to creative real estate marketing techniques, credit sales, interim civilian use through leases, and parcelization of uncontaminated lands. These proposals can ensure an early transfer to and use by affected communities. The Commission endorses such recommendations and, in particular, believes an accountable Assistant Secretary of Defense-level “reuse czar” with control of departmental reuse funds would entice communities to initiate reuse planning and implementation.

Another related issue involves the Air Force Base Disposal Agency and the coordination between the Agency, the OEA, and the local communities. The Air Force Base Disposal Agency was established in 1991 to serve as the Air Force’s federal real-property-disposal agent. They provide integrated management for Air Force bases scheduled for closure and serve as a liaison between reuse planners and local communities prior to a closure. After the base-closure process, the Agency works with state and local reuse commissions to develop viable reuse plans that minimize the economic impact of base closures. However, the Agency’s work is independent of the OEA. In fact, the former Director of the Agency, Colonel David M. Cannan, in testimony before the Commission, urged that a “‘formal liaison’ between the Agency, the OEA, and the local community planners begin immediately upon approval of a base closure.”

The Commission encourages DoD and Congressional oversight committees to solicit comments from impacted communities on regulatory changes to facilitate base disposal. Congressional committees with statutory jurisdiction should hold hearings and streamline the disposal process, through legislation if necessary.

The Commission also believes Colonel Cannan's recommendations should be implemented to help reduce costs and improve service to affected communities. The Army and Navy should also look to replicate the Air Force system to facilitate and expedite base disposal to fully assist community recovery efforts. The work of the Service's disposal agencies should be functionally supervised by the DoD "reuse czar" so as to assure process coordination.

Leases

The Commission's review of Department of Defense leases shows a significant amount of operation and maintenance funds spent annually for leased office space. With the downsizing of the Military Services, excess capacity in administrative space is being created on military bases, often in close proximity to the leased space. For example, the Army currently leases office space in San Antonio, TX, while excess capacity exists in government-owned administrative space at San Antonio's Fort Sam Houston. The Commission suggests DoD direct the Services to include a separate category for leased facilities during the 1995 process to ensure a bottom-up review of all leased space.

The Commission believes DoD should review its current leases to determine whether or not excess government-owned administrative space could be used instead of leased office space. A review of leased facilities must cross service boundaries to ensure leases are minimized and use of space on military installations is maximized. The Commission endorses efforts like the Army's public-private development plans for the Fort Belvoir Engineer Proving Ground (EPG). This initiative, authorized by Congress in 1989, permits the Army to trade development rights on the EPG in return for sufficient administrative space also on the EPG at no capital construction cost to the government.

The Commission further recommends the Department of Defense, in its bottom-up review of this area, examine all options surrounding the ownership-versus-lease issue as it relates to DoD facilities. Conventional wisdom appears to suggest ownership of facilities by the Department of Defense is more economical and beneficial to military readiness than leasing due to

potentially significant savings in operations and maintenance funds. However, ownership does not come without attendant costs, and there may be instances where leased space is a better option, especially for short-term requirements. Modern business practice recognizes there should be a capital usage charge for facilities that are "owned" to avoid a bias against leasing, which often provides greater future flexibility.

Finally, during its review and analysis the Commission discovered what appeared to be DoD's leasing of space from GSA at premium rates above the going commercial rates for like areas. The Commission thinks there may be fertile ground to pursue potential anomalies in lease rates as indicated in the foregoing, along with anomalies in the overall accounting systems of lease-versus-own space comparisons that could help avoid using flawed data.

Defense Finance and Accounting Service (DFAS)

The 1991 Defense Base Closure and Realignment Commission recommended DoD submit a consolidation plan of the Defense Finance and Accounting Service (DFAS) to the 1993 Commission. DFAS developed a plan for locating a consolidated work force based on a site selection process known as the "Opportunity for Economic Growth" (OEG). The OEG solicited proposals from communities which addressed specific mandatory and preferred requirements in the following major categories: cost to the Department of Defense, site and office characteristics, and community characteristics. In December, 1992, DoD announced that it had chosen the top 20 contenders in the competition to select new locations for further consolidated finance-and-accounting centers. The selected communities were among 112 sites from 33 states which submitted 216 proposals. The final winners of the competition were to be announced in the Secretary of Defense's base closure and realignment recommendations submitted to the Commission on or before March 15, 1993.

The DFAS consolidation was not forwarded to the Commission as part of the Secretary's 1993 recommendations because the Secretary of

Defense did not believe the OEG was sound public policy. On March 30, 1993, the Commission formally requested DoD provide the OEG study, the process used to determine the winners, and the results of the competition by April 9, 1993. The Secretary responded to the Commission's request in a June 7, 1993, letter, but by that time, the Commission was statutorily precluded from considering the DFAS consolidation plan. (The Commission is required to publish in the Federal Register proposed additions to the Secretary's list 30 days before it submits its Report to the President.) In his June 7, 1993, letter, the Secretary of Defense stated his reasons for rejecting the original DFAS site-selection process. The Secretary further stated he had directed a new site-selection process and if this new process required recommending installation closures or realignments, the Department would submit them to the Defense Base Closure and Realignment Commission during the 1995 round of base closures. While the 1993 Commission *accepts* the Secretary's new direction, we recommend he take into consideration the significant investment of time and resources the top 20 contenders have already made to this DFAS proposal.

Medical Treatment Facilities

The 1991 Commission recommended DoD confer with Congress regarding health-care policies and report in time for the 1993 Base Closure and Realignment Commission to consider the issue of hospital closures. Section 722 of the DoD National Defense Authorization Act for Fiscal Year 1993 requires DoD to report on alternative means of continuing to provide accessible health care with respect to each closure and realignment. It was not readily apparent DoD met this requirement in its recommendations to the 1993 Defense Base Closure and Realignment Commission.

During an April 5, 1993, Commission hearing, the Deputy Assistant Secretary of Defense for Health Affairs stated military hospitals were operating at only one-half of normal in-patient loads, and there was sufficient capacity to meet any readiness requirement as defined in the Defense Planning Guidance. If this excess capacity of in-patient loads truly exists, DoD

has the opportunity and the responsibility to improve health care operations and cost effectiveness by aggressively taking necessary actions to restructure them into a truly joint-service medical team and system. The Assistant Secretary of Defense for Health Affairs should continue to increase emphasis and focus efforts to improve health care operations and cost effectiveness by:

- (1) Examining the consolidation of resources, specified geographic areas and regions across military departments.
- (2) Closing medical treatment facilities operating at less than cost-effective levels, given the patient load and the cost of medical care in the catchment area.
- (3) Moving assets across Military Departments and into other Service facilities as necessary to increase the capability and usage of existing facilities and operating beds.
- (4) Creating health care programs that operate on a competitive cost basis to support all beneficiaries.
- (5) Upgrading substandard facilities that are still required.

The Commission again urges DoD to review its policy of closing military hospitals when bases with active-duty populations served by those hospitals are closed. DoD has the obligation to ensure medical benefits are provided to all eligible beneficiaries, and it should do so at the lowest cost to taxpayers.

During the 1993 base closure and realignment process, it was discovered that considerable funding had been identified for extensive renovation and improvement of an existing medical center. This may be inappropriate at a time when excess operating beds are available in the military health-care system. The Assistant Secretary of Defense for Health Affairs needs to take a strong, active role in identifying possible military medical facility consolidations and/or closures prior to any capital expenditures.

Innovative concepts should also be considered in other areas, such as formalized agreements with Veterans Administration hospitals (which will be increasingly under-utilized) or private-sector hospitals. An example of this concept is

a “hospital without walls,” where military doctors practice at Veterans Administration and/or private sector hospitals, and do not require a military medical facility.

In meeting its obligation to provide health care services to both active duty and retiree populations, DoD should pursue the lowest-cost option to the taxpayer (i.e., not necessarily the least-cost-option to DoD). This may include the closure and consolidation of facilities on active Service installations. The Commission understands DoD policy is to maintain hospitals and clinics to support active-duty populations. The Commission feels it is incumbent upon the Department of Defense to plan in concert with the appropriate government agencies, including the Veterans Administration, as well as private-sector health-care providers, to ensure availability of necessary health care for veterans and their dependents, keeping in mind the Administration’s expected new medical program.

Cumulative Economic Impact

The Department of Defense measured community economic impact by reviewing the direct and indirect effect on employment at closing, realigning, and receiving locations. In addition, DoD also calculated the cumulative economic impact if more than one base was affected within a given area. Additionally, effects of commission decisions from 1988 and 1991 base closures were factored into this cumulative economic analysis. The economic area was defined by DoD as the area where most installation employees lived and where most of the economic (or employment) impacts would occur. The economic area was either the county where the installation was located, a Metropolitan Statistical Area (MSA).

The cumulative economic impact estimates led to the establishment by DoD of threshold criteria to justify removing a base from the proposed closure list. For example, the Secretary of Defense reversed an Air Force recommendation to close McClellan Air Force Base, CA because the economic impact, for this and other actions, was five percent or greater, and the employment population of the impacted community was 500,000 or more.

Although DoD provided reasons for creating this standard, the Commission believed, and the General Accounting Office (GAO) concurred in its April 15 report, that this standard was arbitrary and discriminatory. The Commission was unable to validate why these exact figures of five percent and 500,000 were chosen as discriminators. Additionally, economic impact was just one of the eight criteria. The first four military-value criteria were required to be given priority consideration. To remove a base as a closure or realignment candidate based solely on cumulative economic impact in isolation of the military value criteria could be inconsistent with DoD’s and the Commission’s mandate.

Therefore, in future base-closure recommendations, the Commission recommends the Secretary of Defense make clear that cumulative economic impact alone is insufficient cause for removing a base with inadequate military value from consideration for closure or realignment. Economic impact should be given weight only when analyzing candidate bases with comparable, sufficient military value. The Commission recommends, in assessing cumulative impact, clarifying and standardizing geographic areas of measurement.

U.S. Army Corps of Engineers

In 1991, the Defense Base Closure and Realignment Commission recommended the realignment of the U.S. Army Corps of Engineers, eliminating a number of division and district management headquarters. The Commission’s 1991 Report recommended the realignment to begin in July, 1992 and to conform to the *1991 Corps of Engineers Reorganization Study*, unless Congress passed an alternative plan before that date.

However, Congress believed the Commission had not given appropriate consideration to the Corps’ realignment proposal. Therefore, in the fall of 1991, Congress retroactively removed the Corps from the Commission’s jurisdiction. Although the Corps of Engineers announced in November, 1992, the approval of the Secretary of the Army’s reorganization plan for its headquarters and field structures, the Secretary of Defense placed the reorganization on hold.

The Commission is concerned sufficient emphasis is not being placed on the Corps of Engineers reorganization as a result of Congressional pressure and resistance. Both the 1991 and 1992 reorganization proposals were estimated to result in significant savings to the Department of Defense; however, these reorganizations and savings have not been realized.

The Commission encourages the Secretary of Defense to act promptly to approve a reorganization plan so significant savings can be realized and unnecessary facilities can be closed.

Classified Programs

Several bases recommended for closure or realignment by the Secretary of Defense in both 1991 and 1993 conducted classified missions or activities. While the merits of such programs were not issues for the Commission's consideration, the Commission had to be made aware of the existence of such activities in order to fully assess closure and realignment implications.

Therefore, the Commission believes the Department of Defense should maintain an audit trail of the discussions conducted during its recommendation process regarding classified missions. While it may not be necessary to provide to the Commission the minutes of these discussions, the Commission must be assured appropriate agencies participated in the decision-making process, e.g., service intelligence agencies and the Office of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence. Furthermore, if a DoD agency provides classified support to a non-DoD organization, it is imperative DoD coordinate with that agency prior to making its final recommendation. The responsible Service and the Office of the Secretary of Defense should enhance oversight in this area.

Measures of Merit

During its review and analysis of depot issues, the Commission discovered the measures of merit tended toward facility *results* which perhaps were not always the best measures for such activities. Results can be a snapshot measurement of a constantly moving target affected by any number of factors. The Commission suggests the

measure of facility *capacity* would be a better representation of overall excess capacity within the DoD depot system.

Additionally, the Commission noted during its analysis the Department measured productivity, generally speaking, in man-day rates, which some argue is an improper measure due to regional variations in man-day costs. The Commission suggests perhaps the cost of performance, and reliable measurements thereof, is a leveling, more reflective measure of merit for productivity. Therefore, the Commission suggests DoD pursue this or a like approach for reasonableness and appropriateness during future base-closure exercises.

The Commission noted several instances during the Services' data-call process where information that was passed from installation-level to Service and Secretariat-level seemed to become less reliable. It is easy to see how unwitting human errors of omission, commission, and display differences can occur as information is passed through channels. To avoid this during future rounds, the Commission suggests base commanders and field respondents providing raw data and information to higher headquarters be allowed to review the overall input in its final format before it is sent by the respective Service to the Commission.

Community Preference Consideration

In the base closure and realignment process, it is a rare occasion when a local community actively petitions the Department of Defense to consider a military installation for closure or realignment. For this reason, Section 2924 of Public Law 101-510 directs the Secretary of Defense to "...take such steps as are necessary to assure that special consideration and emphasis is given to any official statement from a unit of general local government adjacent to or within a military installation requesting the closure or realignment of such installation."

The clear intent of Congress is for the Secretary of Defense to provide added emphasis to any request by a local government for the closure or realignment of a Department of Defense installation. However, the decision to close or

realign a military installation must be based on the force-structure plan and the final criteria established by the Department of Defense. Due to the nature of the military and its national mission, the force-structure plan and military operational missions may not allow the Department of Defense to accommodate a local government's request for closure or realignment.

The Borough of Marcus Hook, PA, petitioned both the 1991 and 1993 Defense Base Closure and Realignment Commissions to close the Marcus Hook U.S. Army Reserve Center because the Army and local community have been unable to reach any agreement, and the community would like to obtain the property for development.

Because of this example, the Commission is concerned the Secretary of Defense may not be placing sufficient emphasis on a local government's request for closure or realignment of an installation. Therefore, the Commission recommends the Secretary of Defense place special emphasis on all local government requests for closure or realignment of installations.

With regard to the Borough of Marcus Hook request, the Commission urges the Department of Army to negotiate in good faith with the Department of Navy and the Borough the possible transfer of the Marcus Hook activities to the Philadelphia Naval Shipyard to accommodate this below-threshold request.

Environmental Cleanup Cost

DoD's guidance to the Services provides direction on the use of environmental costs in the BRAC process. This guidance states that the Services are not to consider environmental restoration (cleanup) costs in the cost of closure, since DoD is obligated to clean up bases regardless of whether they close or remain open. While it is true that all bases will be cleaned up, it doesn't follow that the restoration costs at a given base will remain the same if that base closes. Subsequent to the 1991 Commission, there have been new laws passed, intended to facilitate reuse of closing bases that impose unique environmental requirements on closing bases. These laws require the acceleration of investigatory work, and documentation on the presence of uncontaminated land at closing

bases. As a result of these requirements, restoration costs can be incurred at closing bases that are not incurred at active bases. Additionally, it is possible that a given base's cleanup may need to be more extensive if that base closes, given possible changes in land uses. This can result in significant increased cleanup costs at closing bases. Because of the potential for increased environmental restoration costs at closing bases, it is requested the Secretary of Defense consider incremental environmental restoration costs at closing bases in his recommendations to the 1995 Commission.

Unexploded Ordnance at Fort Monroe, Virginia

The Commission has concerns with the Army's approach in considering unexploded ordnance at Fort Monroe, Virginia, and by implication at all Army facilities. Unexploded ordnance at Fort Monroe was raised as an impediment to closure of this facility due to potentially high cleanup costs when the base is turned over to the State of Virginia. An implication was made that the base is safe for military personnel and their families but would not be safe if civilians took over ownership of the base. In the Commission's opinion, there is an uncertainty over Fort Monroe due to an inadequate assessment of the extent and threat of unexploded ordnance. The Commission recommends the Army comprehensively investigate the extent of unexploded ordnance and ensure public health and the environment are protected from current and potential future exposure to unexploded ordnance at Fort Monroe and other Army facilities containing unexploded ordnance. The Commission requests the Secretary of Defense provide information on the status of this request to the 1995 Commission.

Rightsizing DoD - Service Initiatives

Although the legislative history of base closure seems replete with statutes limiting just what the Department of Defense can do without Congressional approval, the Services do have some latitude to independently downsize by closing down relatively small installations. Since the first base-closure process of 1988, the

Services have, upon their own initiatives, taken a number of these smaller actions that do not break the threshold of the Defense Base Closure and Realignment Act.

At present the Army has underway 22 separate initiatives to close, realign, or transfer facilities which when implemented will result in per-annum savings of approximately \$67 million. Since 1988 the Navy has disposed of 14 domestic and 29 overseas activities and installations with a very conservative estimate of over \$70 million. Just since the 1991 base-closure round, the Air Force has begun, and in some cases completed, the inactivation and consolidation of 12 major commands into 8. Additionally, 12 air divisions and 5 communications divisions were inactivated, and 25 wings were eliminated.

The Commission applauds these independent efforts and charges the Secretary of Defense to continue to encourage the Services in their ongoing efforts in this area.