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[DOD Cost Savings in The Logistics Area]

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Statement of
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before the
National Security and Veterans Task Force
House Committee on the Budget

HSI 00109

Mr. Chairman, I am pleased to appear before the National Security and Veterans Task Force to discuss in more detail the opportunities the Department of Defense has to realize great savings by taking certain actions in the logistics area. As you know, the Comptroller General wrote to Secretary of Defense Weinberger on January 21, 1981, and detailed some 15 cost-saving areas. I would like to take just one of those

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areas this morning and present in more detail the actions needed. I hope that my testimony will underscore the importance of needed DOD actions to consolidate base support services. Following this brief statement, I will be glad to respond to any questions you have on consolidations or other DOD logistics actions outlined in the Comptroller General's January 21, 1981 letter.

What Are Base Support Services?

Military installations usually independently support themselves with services similar to those the local governments, utility companies, and the service industry segment of the civilian economy provide. Consolidating these military activities is perhaps the simplest way to save money. It is based on the principle of requiring activities within a convenient radius of each other to get together and let one agency handle the support services for all--in areas such as repair, maintenance, security, vehicle operation, base supplies, purchasing, accounting, data processing--over 100 in all.

At present, providing base support services costs billions. For fiscal year 1979, the cost was about \$12 billion. About 63 percent of this amount is represented by personnel costs.

DOD Has Three Programs Aimed at Reducing Base Support Costs

Recognizing the potential for reducing base support costs, DOD has established the following programs

--The Defense Retail Interservicing Support

program, known as DRIS, which is a DOD-wide

program to promote interservice consolidations among the military services;

--The military services' intraservice programs to consolidate support services within each service; and

--Commercial and Industrial-Type Activities, known as CITA, which is a program to contract for support services from private industry under OMB circular A-76.

The greatest potential is from the DRIS program. While there has been some limited successes in the DRIS and other programs there are still several obstacles to achieving large savings.

Some Base Support Service Reductions Have Been Achieved

The DRIS program, through more than 5,000 interservice agreements over the last 6 years, has saved more than \$48 million. The other programs--services' intraservicing and CITA--are in progress but results have not been quantified. Over the years, there have been other demonstrated consolidations at the installation level showing significant savings. For example

--After the 1977 consolidation of Air Force and Army civilian personnel offices in Okinawa, Air Force officials reported an 18-percent personnel reduction.

--An Air Force cost study predicted personnel reductions of about 18 percent by establishing the San Antonio Contracting Center to provide procurement support for four Air Force installations in San Antonio.

--Consolidation of the Air Force Security Service military personnel office with the Kelly Air Force Base personnel office resulted in about a 30-percent personnel reduction.

GAO has also performed a number of studies dating back to 1972 which demonstrated that potential savings through consolidations are available. While DOD has taken some positive actions on our reports (see Attachment A for detail) the consolidation potential has not been realized.

Why Hasn't DOD Consolidated Support Functions?

With some demonstrated consolidation successes and the large potential, why hasn't DOD consolidated base support services more? We believe there are several reasons:

- (1) the parochial interests at all levels--Services, Commands, installations,
- (2) the lack of high-level DOD commitment, and
- (3) the lack of coordination between the three programs--DRIS, CITA and Intraservice.

Defense managers, primarily at the base level, do not want someone else to control their support. They are afraid that work priorities would be established by another command,

resources would not be equitably allocated and in-house capabilities may be eliminated, leaving no backup support. While this concern is understandable it is very parochial, expensive and it doesn't consider Government wide needs. Furthermore most of these concerns can be adequately addressed as we pointed out in our recent report.

Why Has The DRIS Program
Been Less Than Effective?

We believe the answer to the question is lack of DOD emphasis.

In 1972 DOD Directive 4000.19 called for "aggressive" use of interservice support at all management and operating levels and directed the Assistant Secretary of Defense (Installations and Logistics) to:

- Monitor and guide the effectiveness and economies of DOD operations by fostering extensive and systematic use of the interservice support concept.
- Resolve interservice support arrangements which cannot be resolved at the military departments, Joint Chiefs of Staff, or Defense agency level.
- Evaluate performance of the DRIS program which was established the same year.

The purpose of the DRIS program is:

"To provide local Commanders with a means of improving their operations by achieving the greatest overall effectiveness and economy in retail operations by acquiring support services from other Military Services/Defense Agencies through the media of Interservice Support Agreements." (Underscoring supplied.)

The Director of the Defense Logistics Agency was designated as the program administrator and focal point

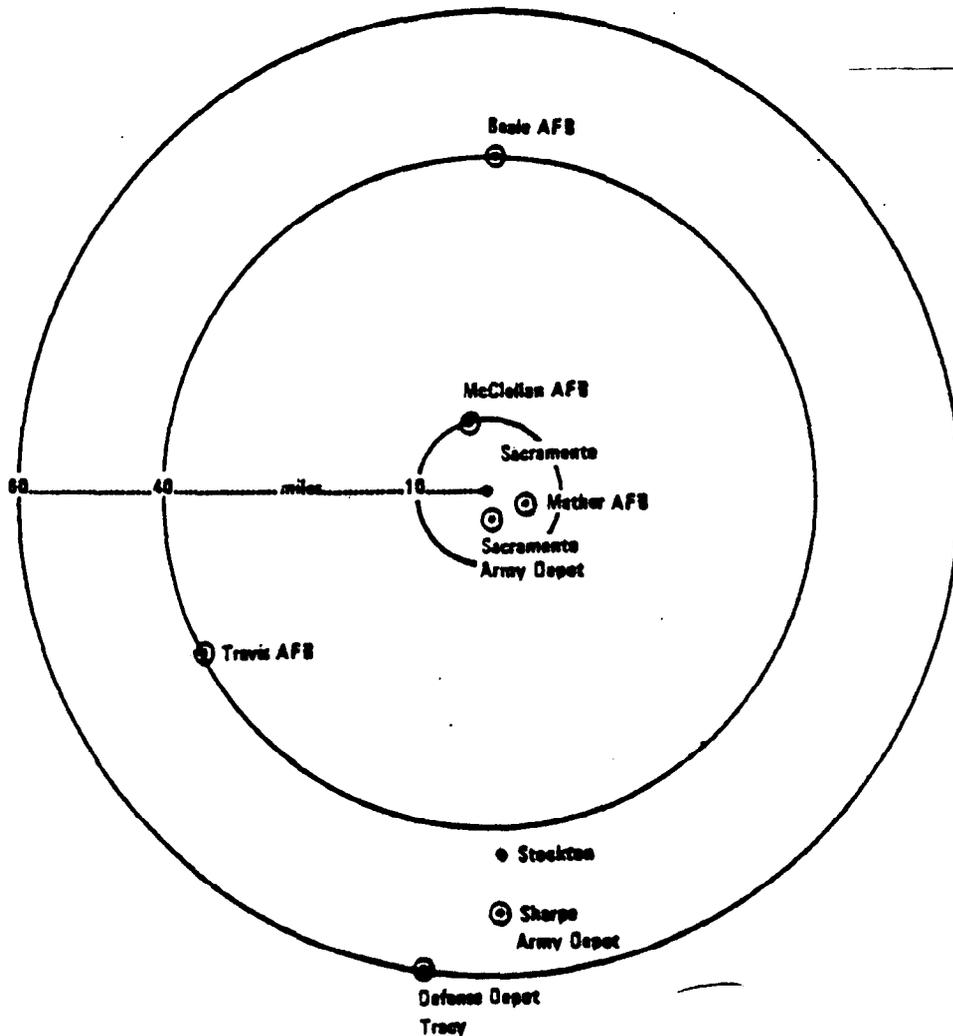
for aggressively meeting the program's objectives. Additionally, the Director was to (1) develop specific intermediate and long-range plans, (2) conduct studies to determine or develop opportunities for effective interservice support, and (3) furnish analyses of support operations to the DOD components. The Director instructed the DOD components, major commands, and other activities to aggressively promote and use interservice support, to ensure program implementation, to assign program coordinators, and to attempt to resolve disagreements and refusals to provide support.

While the above Charter is quite specific, namely to provide these services at greatest overall effectiveness and economy, this simply has not been achieved. The major reasons for the limited successes are:

1. Lack of DOD commitment to the program.
2. DRIS is a voluntary program.
3. Low level of involvement at the local level.
4. Lack of goal setting.
5. Lack of visibility of successes and mandates to implement these at the other locations.
6. Projects selected for consideration normally are not the candidates that offer the highest payoff. They tend to be the ones that are least controversial.
7. Failure to coordinate the three competing programs, DRIS, CITA and intraservice.

Case Studies Demonstrate Consolidation Potential

In our most recent report on consolidating base support services (Consolidating Military Base Support Services Could Save Billions, LCD-80-92, September 5, 1980) we used a case study to demonstrate the potential savings. (See Attachment B for detail.)



In the Sacramento area, one of DOD's 52 geographic areas, we found that seven military installations within a 60-mile radius all had similar support functions. Their total population is about 47,000 of which just under 10,000 are base

support personnel. Each installation has a similar complement of support functions, even those located the closest to each other. For example, Mather Air Force Base, McClellan Air Force Base, and Sacramento Army Depot are located within a 10-mile radius and they account for 1,085, 2,527 and 528 support service personnel or just over 50 percent of the total in the 60 mile area.

One of the largest potential areas for consolidation is the civil engineering function where each installation has its own civil engineering capability. Civil engineering as it is called in the Air Force provides the same services as "Public Works" in the Navy and "Facilities Engineers" in the Army.

A typical Air Force civil engineering activity includes a chief and deputy chief engineer, administrative staff; financial management, industrial engineering, family housing management, and engineering and environmental planning sections; fire protection; and operations. Operations usually include such activities as resources and requirements, pavements and grounds, structures, mechanical, electrical, electric power production, and sanitation. Even with the large array of services provided, most major work is contracted out.

Each of the major sections in a civil engineering activity will have some management and administrative overhead. It is this overhead that lends itself to consolidation and personnel savings. Where duplicate services are provided and personnel and facilities are not fully used, savings through

consolidation are also available through economies of scale, and smoothing of workloads.

Based on past studies where consolidations have reduced personnel 10 to 30 percent, there is a potential 1,000 to 3,000 personnel reduction in just the Sacramento area. Nationwide, even if only 5 percent were saved, the annual reduction could amount to \$370 million.

Another example we tried to develop was the Norfolk area. In January 1980 there was no data available on which to do an analysis and DOD was then starting to obtain data by sending questionnaires to the approximately 110 commands located on 11 installations in the Norfolk area. In preparing for these hearings today we found that a year later there is only limited, raw data available on the amount of base support services in the Norfolk area. (See Attachment C for detail) Any actions to consolidate are a long way off.

What is Needed to Realize The Benefits of Consolidation?

The DRIS program is DOD's most comprehensive method for reducing base support costs. By consolidating duplicate support services, which the Joint Interservice Resource Study Groups identify, DOD believes it can achieve significant savings. Although DOD has clearly identified the actions necessary at all levels to reduce base support costs and has incorporated some basic management tools in its DRIS program, it has not authorized any level to enforce the program's objectives. DOD officials have cited inability to force cost reduction programs upon the military services, even though they recognize that military personnel

at all levels are reluctant to accept such programs. Their reluctance, based on objections which are sometimes valid from a local viewpoint and sometimes parochial, therefore has been permitted to frustrate attempts at consolidations.

We believe that, if DOD wants a more workable program, it must clearly state that parochial interests will not be allowed to frustrate proposed consolidations. A stronger DOD commitment to the cost reduction program is needed to convince the military services that the program is worthwhile and to motivate them to act. Numerous studies by DOD, the military services, and us have demonstrated that consolidations can improve efficiency without degrading effectiveness, and such studies should receive renewed emphasis.

Also, the military services' programs to consolidate support services on an intraservice basis could be improved. The savings from such programs are seldom identifiable at the senior management levels because objectives have not been set and the results of support agreements have not been documented. A more systematic means of assessing the potential for intraservice consolidations and following up on their savings is needed.

The contracting out program is a valuable tool for determining whether the Government or the private sector is the more economical source of base support. Potential savings have been lost, however, because the most efficient in-house method of providing base support has not always been established. This situation has resulted from another basic flaw in the cost reduction programs--a lack of coordination.

Overall, there is no DOD focus on reducing costs because the three major programs are managed separately and without a coordinated, systematic attack on unnecessary base support. To effectively reduce the cost of base support services, DOD should have visibility over the full range of opportunities.

The DRIS program, in our opinion, ~~is a logical organiza-~~ tional framework to provide such visibility and to coordinate cost reduction efforts on DOD's behalf. Such coordination can ensure that the best option--whether it is interservicing, intraservicing, or contracting out--is chosen in each case.

In closing, consolidated base support functions has proven potential and can save hundreds of millions of dollars annually. The foundation for a successful program is in place but DOD has experienced only moderate success. What is needed now is strong direction and commitment at the Office of the Secretary of Defense level to get the program moving. We understand that Secretary Weinberger is taking a personal interest in achieving the goals of the DRIS program.

We feel that especially now that other Defense programs are expanding the time is ripe to reduce base support personnel and absorb them, whenever possible, into the expanding Defense programs.

Mr. Chairman, I will be happy to respond to any questions you may have at this time.

Listing of GAO Prior
Reports and Significant
Actions Taken

GAO Reports

"Little Progress By The Department of Defense In Acting On Opportunities For Significant Savings By Consolidating Real Property Maintenance Organizations," B-164217, 12 Dec. 1972.

"Potential For Greater Consolidation Of The Maintenance Workload In The Maintenance Services," B-178736, 6 July, 1973.

"Millions Could Be Saved Annually And Productivity Increased If Military Support Functions In The Pacific Were Consolidated,": LCD-75-217, 26 Aug. 1975.

"Aircraft Depot Maintenance: A Single Manager is Needed to Stop Waste," LCD-78-406, July 12, 1978.

"Progress And Problems In Consolidating Military Support Functions In The Pacific," LCD-78-223, 12 April 1979.

"Consolidating Military Base Support Services Could Save Billions," LCD-80-92, Sept. 5, 1980.

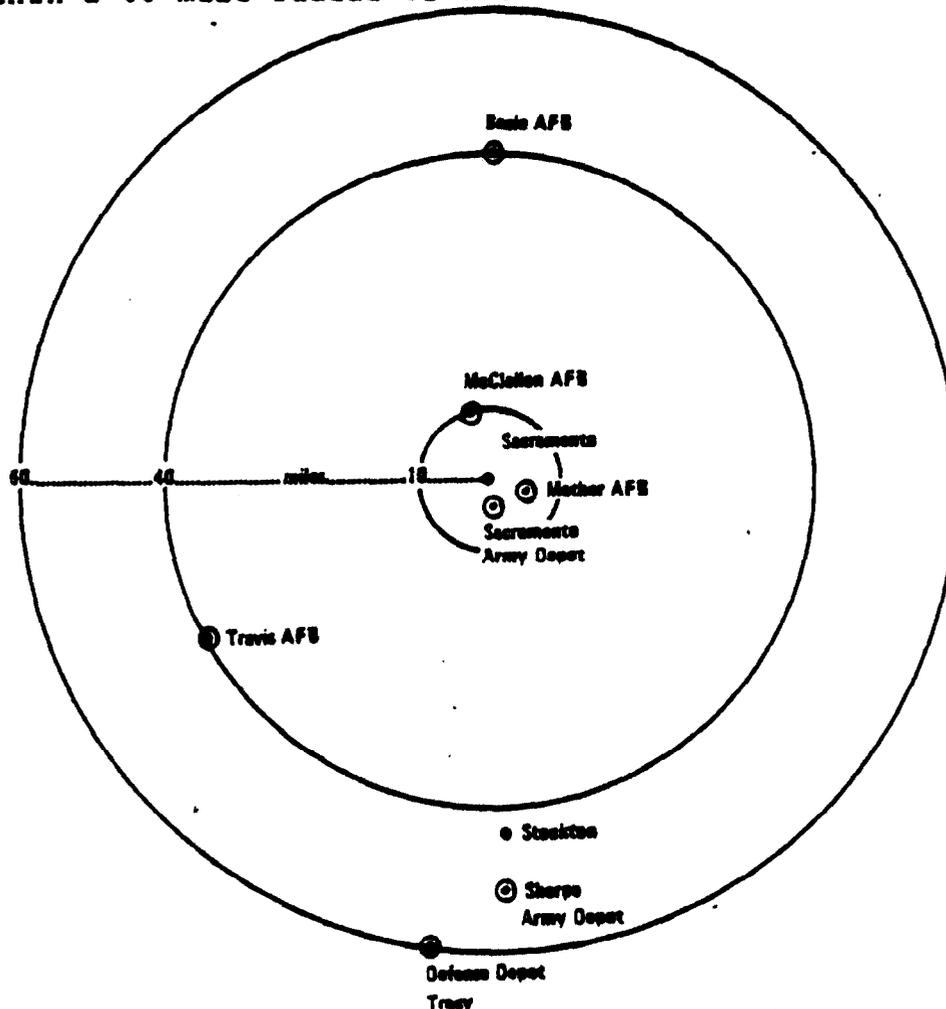
Actions Taken

<u>Year</u>	<u>Function</u>	<u>Annual projected savings</u>	<u>Military service action</u>
1972	Duplicate laundry and dry-cleaning facilities at Army and Air Force bases in Japan	\$ 750,000	Consolidated
1972	Duplicate Army, Navy, and Air Force general hospitals in a 30-mile area in Japan	2,000,000	Army hospital size reduced
1975	Duplicate Army and Navy general cargo ports in Japan	1,000,000	Under study

<u>Year</u>	<u>Function</u>	<u>Annual projected savings</u>	<u>Military service action</u>
1975 and 1979	Duplicate Army and Air Force administrative aircraft support in Japan	\$ 630,000	Consolidation refused
	Duplicate housing and household furniture management for each service in Okinawa	1,400,000	Consolidated
	Duplicate real property maintenance for each service in Hawaii and Okinawa	1,600,000	Some consolidation
	Duplicate Army and Air Force industrial gas production plants in Okinawa	200,000	Consolidated
	Duplicate equipment calibration activities for each service in Hawaii and Okinawa	780,000	Under study
	Duplicate procurement offices for each service Japan, Hawaii, and Okinawa	2,000,000	Some consolidation
	Duplicate civilian personnel offices for each service in Japan, Hawaii, and Okinawa	1,900,000	Some consolidation

A CASE STUDY OF CONSOLIDATION POTENTIAL
IN THE SACRAMENTO AREA

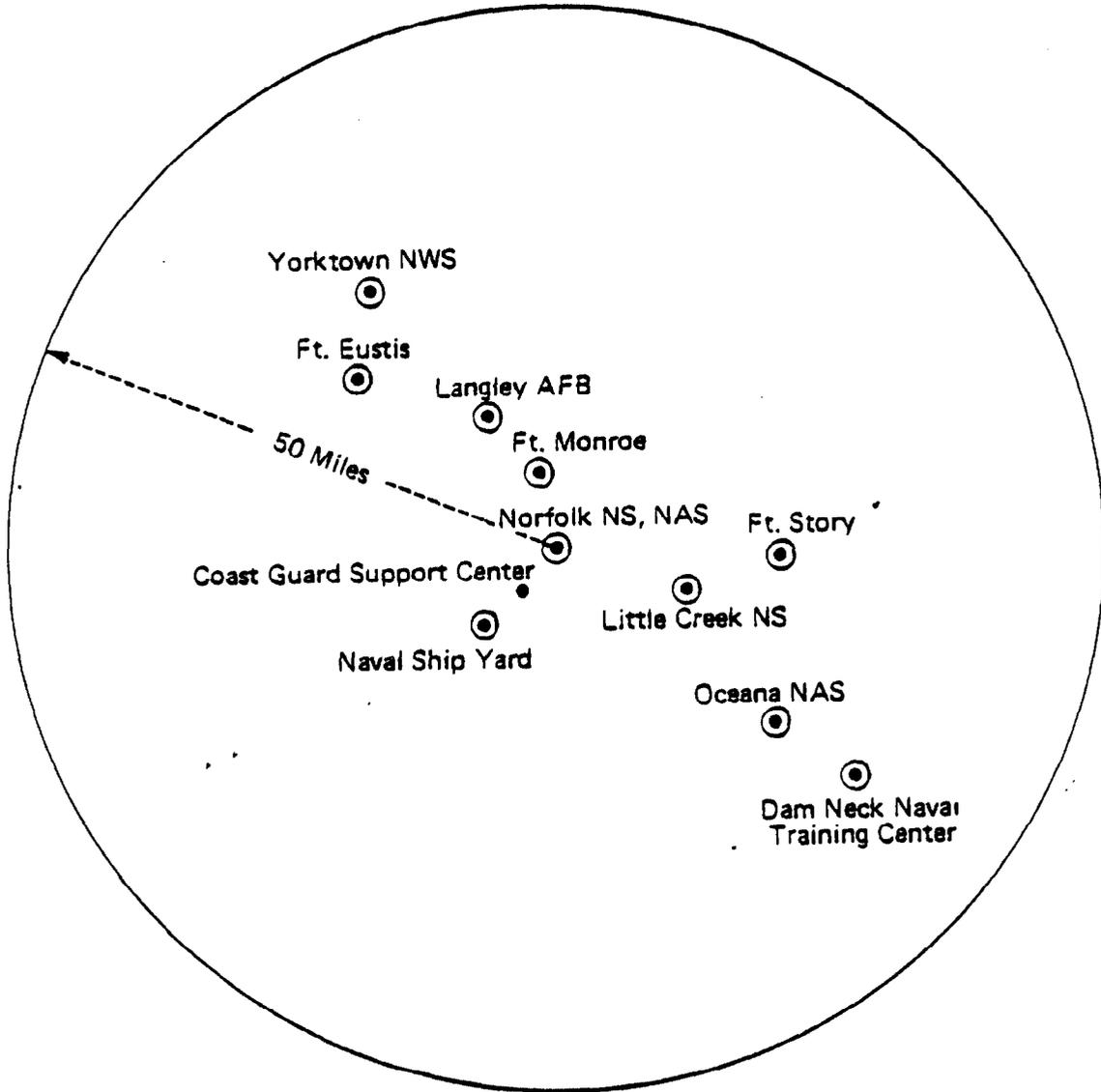
As illustrated below, seven military installations are within a 60-mile radius of Sacramento.



These installations range in strength from 1,430 to 16,750 personnel, and they generally have a full array of base support services. As discussed earlier, installations and commands, as well as the military services, tend to account for base operating support differently. Also, at many installations, base support and mission support activities, such as supply, are integrated, thereby making analysis difficult. The following schedule depicts the total population, number of personnel involved in base operating support, and the personnel allocated to eight major types of support activities.

	Beale Air Force Base	Travis Air Force Base	Mather Air Force Base	McClellan Air Force Base	Sacramento Army Depot	Sharpe Army Depot	Defense Depot Tracy	Total
Total population	4,750	12,500	6,850	17,000	2,700	1,450	1,675	46,925
Total base support	1,690	2,170	1,450	2,950	560	400	460	9,680
Major Support Activities:								
Civil engineering	514	561	458	835	79	100	82	2,629
Base contracting	36	45	35	94	37	15	19	281
Personnel	85	167	95	194	34	26	23	624
Vehicles operations and maintenance	120	188	102	119	76	61	65	731
Comptroller	82	131	81	259	98	65	47	763
Data automation	24	30	25	449	111	36	50	725
Base supply	310	468	231	457	51	36	38	1,591
Security	<u>189</u>	<u>262</u>	<u>58</u>	<u>120</u>	<u>42</u>	<u>38</u>	<u>38</u>	<u>747</u>
Total	<u>1,360</u>	<u>1,852</u>	<u>1,085</u>	<u>2,527</u>	<u>528</u>	<u>377</u>	<u>362</u>	<u>8,091</u>

**MAJOR MILITARY INSTALLATIONS WITHIN
A 50-MILE RADIUS OF NORFOLK**



COMMANDS REPORTING IN-HOUSE BASE OPERATING
SUPPORT FUNCTIONS IN THE NORFOLK AREA 1/

Attachment C

	<u>Ft. Monroe 2/</u>	<u>Ft. Story 2/</u>	<u>Ft. Eustis 2/</u>	<u>Langley AFB 2/</u>	<u>Naval Station</u>	<u>Naval Air Station</u>	<u>Little Creek</u>	<u>Naval Weapons Station</u>	<u>Naval Ship Yard</u>	<u>Dan Neck</u>	<u>Oceana Naval Air Station</u>	<u>Other 3/</u>	<u>Total</u>
Number of separate commands/ detachments on base	1	2	1	1	46	13	9	6	8	6	6	11	110
<u>Selected Support Functions: 4/</u>													
Computer & data processing	-	-	1	1	12	3	3	1	3	1	1	3	29
Finance & accounting	-	-	1	1	17	4	3	3	5	2	2	3	41
Civilian personnel services	1	-	1	1	10	1	2	2	5	1	2	3	29
Custodial	-	-	-	1	10	3	3	1	3	3	2	3	29
Purchasing & contracting	1	-	1	1	20	2	3	2	4	1	1	3	39
Storage & warehousing	1	-	1	1	13	2	3	2	2	1	1	3	30
Calibration of precision instruments	-	-	1	1	4	-	2	1	1	-	1	-	13
Real property maintenance	1	-	1	1	6	2	1	1	1	1	1	3	19
Military personnel services	1	-	1	1	9	3	4	2	1	1	1	3	27
Training	1	-	1	1	22	7	6	5	6	2	4	3	58
Expendable & general supplies	1	-	1	1	12	4	2	3	1	1	1	4	31
Printing & reproduction	1	-	1	1	13	3	5	2	2	-	1	5	34
Housing and office appliances, equipment, & furniture	1	-	1	1	9	1	3	2	1	2	1	2	24
Photographic equipment & components	1	-	1	1	7	2	1	2	1	-	-	2	18
Audio visual services	1	-	1	1	17	4	4	2	3	2	2	4	41
Education	1	-	1	1	10	4	5	5	2	1	2	3	35

Footnotes:

1/ Analysis is based on raw data reported to Joint Interservice Resources Study Group. The Group has not yet validated data or determined magnitudes.

2/ Army and Air Force reported data by installation, whereas Navy reported by separate command.

3/ Located on small sub-installation or location not determinable based on data provided.

4/ Questionnaire included 101 total functions.