



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

B-172707

MAR 4 1974

The Honorable
The Secretary of Defense



Dear Mr. Secretary:

The withdrawal of U.S. Forces from Southeast Asia resulted in decreased activity at many military installations, one of which was Sharpe Army Depot, Lathrop, California. Therefore, ^{2,21449} in June 1973 we began a review to determine whether transferring certain functions of Sharpe to other installations could save money. This review was to be the first phase of an overall study to evaluate the potential for consolidating military installations worldwide.

However, in August 1973 you asked the military services to submit to you by December 1973 a list of bases which they considered to be candidates for closure. In view of your announced action on base closures, we have decided to terminate our review at this time. We did develop during our limited study at Sharpe some information which might be helpful in considering the depot's future potential.

We found that Sharpe's workload, if maintained at current levels, could be absorbed by other DOD installations at substantial savings to the Government. On the other hand, Sharpe is serviced by all major transportation modes, has an excellent climate, and is strategically located for shipments of material from and to the Far East, including Southeast Asia. If maintenance facilities in Japan, Korea, Okinawa, and Taiwan are closed in 1974, as announced, these factors would make Sharpe a candidate for a consolidated maintenance center.

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SHARPE'S LEVEL OF ACTIVITY LOW

Sharpe's level of storage and maintenance activity is low. A large portion of its inventories is inactive, its storage facilities are underutilized, and its maintenance activities are small in comparison with those at other depots.

--Sharpe inventory records showed that it had about 87,000 tons of mission (wholesale) inventories for the Aviation Systems and Troop Support Commands and other agencies. However, about 54,000 tons were (1) physically stored elsewhere, (2) held for other services until attrited, or (3) in long-term storage with no foreseeable use. For example, over 10,000 tons of various amphibious vehicles were stored at Rio Vista, about 50 miles away. Activities at Rio Vista were of a maintenance nature, and its dependency on Sharpe was primarily administrative.

--Sharpe records indicated that it used about 800,000 of its 1.5 million square feet of warehouse space for storage. Only about 179,000 square feet was used to store active inventories to support customers in the Western United States, the Pacific, and the Far East. The remainder was for long-term storage or for the storage of equipment awaiting repair.

--The Army requires its depots to use at least 75 percent of net storage space available or face possible closure if space used is under 75 percent for more than 1 year. During 1972 Sharpe's use ranged from 60 to 68 percent. These statistics were improved to 76 percent by (1) shifting indoors some inventory items which had been in open storage and (2) reclassifying available warehouse space as standby rather than as part of gross space available.

--Although Sharpe repairs various types of helicopters, fixed-wing aircraft, and heavy equipment, it has primary repair responsibility for only the LOH-6

helicopter and the U-8 and U-21 fixed-wing aircraft. Workload for these primary items was about 5 percent of Sharpe's maintenance effort in fiscal year 1973.

Sharpe acts as a secondary, or backup, maintenance facility for repairing all other equipment such as mechanized earth-moving equipment and power generators. This effort is small in comparison with the Army primary maintenance depots. For example, in fiscal year 1974 Tooele Army Depot, Utah, and the Army Aeronautical Depot Maintenance Center, Corpus Christi, Texas, have scheduled workloads 4 to 10 times greater than that scheduled for Sharpe.

OTHER DEPOTS COULD ASSUME SHARPE'S WORKLOAD

A limited review at Army depots which might assume Sharpe's workload and discussions with cognizant Army officials showed:

- The Sacramento Army Depot, Sacramento, California, within 55 miles of Sharpe, has adequate inventory storage facilities and a mechanized distribution system capable of handling Sharpe's active mission inventories. If required, Sacramento could generate 382,000 square feet of warehouse space at minimal costs. Those items which are in long-term storage at Sharpe and which require little management attention could be left in place until attrited.
- The Army Aeronautical Depot Maintenance Center is a primary facility for helicopter repair. Under present operating conditions, the Aeronautical Center could accommodate Sharpe's helicopter workload--an increase of about 10 percent--with little additional overhead costs. Also, the Center has facilities to store inventories necessary to support the increased maintenance workload.
- Tooele Army Depot, a primary facility for repairing heavy mechanized equipment, could absorb Sharpe's workload for similar items with little increase in

overhead costs. Due to space limitations, the depot would need an additional maintenance hangar if current maintenance target dates were unchanged. The depot could absorb supporting inventories with existing facilities.

Transfer of Sharpe's activities to alternative locations would not, in our opinion, disrupt the current Army logistic patterns. The distribution activities which support the Western United States and the Pacific would be relocated 55 miles away. Sacramento Army Depot has access to transportation modes which are similar to Sharpe's and to the same embarkation ports. Transfer of maintenance activities to the Aeronautical Center and Tooele should not be disruptive as they have already been assigned the primary repair mission for most items Sharpe handles.

Assumption of Sharpe's maintenance workload need not be limited to Army depots. Other DOD maintenance installations perform similar work. For example, in July 1973 we reported to the Congress that eight DOD installations repaired heavy mechanized equipment and that significant savings could be achieved through consolidation. (B-178736, July 6, 1973). Four of these--Sharpe, Tooele (Army), Barstow (Marines), and Port Hueneme (Navy)--are in the Western United States.

SHARPE--AN EXCELLENT CANDIDATE FOR A
CONSOLIDATED MAINTENANCE CENTER

We presented our observations to Army Materiel Command representatives in August 1973. They indicated that our facts and preliminary conclusions were parallel to their own. Army officials, however, did not indicate what specific action they contemplated. They told us their plans were fluid because selected maintenance facilities in the Far East and Europe were to be closed in 1974 and the heavy equipment repair workload might be shifted to continental United States depots, such as Sharpe.

Sharpe is serviced by all major transportation modes and is strategically located to service material from and to Southeast Asia. These factors make Sharpe a prime candidate to

handle some of the maintenance workload that might be transferred as a result of overseas depot closures.

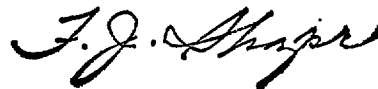
ECONOMIES POSSIBLE BY TRANSFERRING
A PART OF SHARPE'S WORKLOAD

The possibility of additional heavy equipment maintenance workload must be considered in planning Sharpe's future role. We believe, however, that, regardless of whether this mission is assigned to Sharpe, economies could be realized by transferring other parts of Sharpe's workload. For example, the storage of mission inventories and performance of related administrative functions can be moved to Sacramento regardless of any decision to increase the heavy equipment maintenance workload. On the basis of discussions with cognizant officials, we estimate that such a move could save the Army about \$14 million annually in personnel costs alone. Furthermore, additional savings in indirect maintenance labor costs could be realized by transferring the Aviation Systems Command repair workload to Corpus Christi. Any realignment savings would be partially offset by costs to implement these moves.

We do not intend to do additional work at Sharpe or to broaden our review at this time. However, we would appreciate receiving your comments on the matters discussed in this letter and on the future of Sharpe as currently envisioned by DOD. We will be pleased to discuss any questions in greater detail.

We are sending copies of this letter to the Director, Office of Management and Budget, and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,



Fred J. Shafer
Director