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# Highlights

Highlights of GAO-07-164, a report to congressional requesters

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# DEFENSE INFRASTRUCTURE

## Continuing Challenges in Managing DOD Lodging Programs as Army Moves to Privatize Its Program

### Why GAO Did This Study


The Department of Defense (DOD) transient lodging programs were established to provide quality temporary facilities for authorized personnel, and reduce travel costs through lower rates than commercial hotels. DOD has approximately 82,000 temporary duty (TDY) and permanent-change-of-station (PCS) rooms worldwide, and reported that it cost about $860 million in appropriated and nonappropriated funds to operate them in fiscal year 2005. While the Army plans to privatize its lodging in the United States, there are concerns as to whether these plans are cost-effective, and how they relate to DOD-wide lodging efforts.

GAO was asked to address (1) how each military service and DOD manages, funds, and assesses the performance of its lodging programs to meet short- and long-term needs, and (2) the effect that lodging privatization would have on the costs to the Army and the ability to maintain and recapitalize facilities. GAO is also providing information on DOD's actions to implement prior recommendations regarding the lodging program. GAO obtained data from the Office of the Secretary of Defense, the military services and visited nine military installations.


### What GAO Recommends


GAO is making recommendations to improve DOD's oversight of the lodging program. In commenting on a draft of this report, DOD agreed with the recommendations.


www.gao.gov/cgi-bin/getrpt?GAO-07-164.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-5581 or holmanb@gao.gov.

### What GAO Found


Each military service takes its own approach to manage and fund its lodging programs, but current DOD lodging guidance does not establish performance measures to assess program effectiveness. The Army and Air Force each manage their TDY and PCS lodging under a single organization, while the Navy and Marine Corps have separate organizations managing TDY and PCS facilities. The Marine Corps manages PCS lodging separately because it operates as a profit-generating morale, welfare, and recreation program. The services' lodging programs are provided varying levels of appropriated and nonappropriated fund support, which correlates with the room rates charged. For example, since the Air Force allocates more appropriated funds for program expenses, it charges less than does the Navy PCS program, which is sustained with the revenues generated from room rates. Determining total program costs across the services is difficult because some of the data reported are estimated or hard to collect. Though DOD has a lodging strategic plan, it has not been updated since 1999. DOD has not established lodging performance measures, and the services vary in their efforts to determine program effectiveness. Performance measures could help in assessing future program plans.

The Army believes privatization will provide for faster improvement and long-term sustainment of lodging facilities and avoid costs. GAO recognizes these benefits, but its analysis shows privatization could increase costs through increased room rates and create operating challenges that have implications beyond the Army, such as uneven lodging occupancy and room rates where joint basing is planned. Under privatization, the Army projects that a developer will renovate existing or construct new lodging facilities in 7 years, and provide for their adequate sustainment over the 50-year project life. In contrast, the Army projects it would take over 20 years and cost about $1.1 billion to upgrade all lodging facilities under current plans, which do not provide for adequate long-term sustainment. GAO found that lodging privatization could increase costs to the government by about $75 million per year through increased room rates if all lodging facilities in the U.S. are privatized, with those costs borne by the operations and maintenance and military personnel appropriation accounts. The Army currently estimates it will also incur at least $17.3 million in onetime costs related to severance pay and discontinued service retirement annuities for lodging employees let go because of privatization. Privatization also may affect occupancy levels and exacerbate rate disparities among bases and between official and unofficial travelers, as well as lead to inconsistencies in room rates among services at future joint bases. Complying with relevant reporting requirements contained in housing privatization legislation will allow congressional oversight of the Army's privatization of lodging.

On October 6, 2006, DOD provided the military services with revised lodging guidance, but this guidance lacks performance standards and measures, and does not address which office within the Office of the Secretary of Defense is responsible for lodging policy and oversight of privatized lodging facilities.