

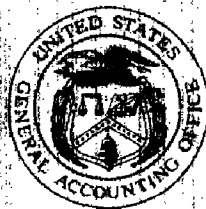
GAO

Briefing Report to Congressional
Requesters

February 1994

NAVY LABORATORIES

Response to Questions
on the Norfolk
Detachment
Disestablishment





National Security and
International Affairs Division

B-256071

February 22, 1994

The Honorable John Warner
The Honorable Charles S. Robb
United States Senate

The Honorable Norman Sisisky
House of Representatives

In response to your September 15, 1993, letter, and subsequent discussions with your office, we are providing responses to questions raised concerning the disestablishment of the Naval Undersea Warfare Center, Newport Division, Norfolk, Virginia detachment.

BACKGROUND

The Secretary of Defense's March 15, 1993, submission to the Defense Base Closure and Realignment Commission recommended "disestablish the Norfolk Detachment of the Naval Undersea Warfare Center [NUWC], Newport, Rhode Island, and relocate its functions, personnel, equipment and support to the Naval Undersea Warfare Center, Newport, Rhode Island." The Commission adopted this recommendation in its final report, July 1, 1993, and it was subsequently approved by the President and the Congress.

RESULTS

On February 6, 1994, we briefed your staff on the results of our work. This report documents the information presented in that briefing (see app. I).

SCOPE AND METHODOLOGY

We collected and analyzed data from the Department of Defense (DOD), the Navy, and the General Services Administration, and reviewed a study published by Coopers and Lybrand on the costs to relocate the detachment. We also held discussions with representatives from various offices, including the Commander, Naval Undersea Warfare Center (NUWC); NUWC Newport Division; NUWC Norfolk detachment; the Naval Facilities Engineering Command, Atlantic Division; the General Services Administration; the

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Base Structure Evaluation Committee; the Base Structure Analysis Team; the Naval Sea Systems Command; the Commander, Naval Base Norfolk; the Commander, Submarine Forces, Atlantic Fleet; and the U.S. Atlantic Command. Our analysis of cost issues was based on our review of Navy documents, discussions with agency officials, and prior experience with DOD's Cost of Base Realignment Actions (COBRA) model.

We conducted our review from November 1993 to January 1994 in accordance with generally accepted government auditing standards.

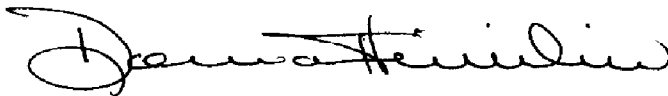
AGENCY COMMENTS

On February 2, 1994, the Naval Undersea Warfare Center reviewed a draft of this briefing report and concurred with our responses to the questions.

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We are sending copies of this briefing report to the Secretary of the Navy; the Commander, Naval Undersea Warfare Center; and appropriate congressional committees. Copies will also be made available to other interested parties upon request.

The major contributors to this report are listed in appendix II. If you or your staff have any questions about this report, please call me on (202) 512-8412.



Donna M. Heivilin
Director, Defense Management
and NASA Issues

QUESTIONS AND ANSWERS ABOUT THE NAVAL
UNDERSEA WARFARE CENTER, NORFOLK DETACHMENT

QUESTION 1 What was the original Navy recommendation with respect to the Naval Undersea Warfare Center, Norfolk Detachment?

RESPONSE

On July 1, 1993, the Defense Base Closure and Realignment Commission approved the Department of Defense's recommendation . . . "disestablish the Norfolk Detachment of the Naval Undersea Warfare Center [NUWC], Newport, Rhode Island, and relocate its functions, personnel, equipment and support to the Naval Undersea Warfare Center, Newport, Rhode Island." Although not specifically stated in the recommendation, the Navy's detailed justification and the data presented to the commission reflected plans to leave nine personnel in Norfolk to operate the Ships Electronic Systems Evaluation Facility (SESEF) located at Fort Story, Virginia, because their mission involves electronic tests and checks on ships entering and leaving the Norfolk harbor.

Following is background information on NUWC and why the Norfolk detachment was established.

The establishment of the Norfolk detachment started with the Navy's initial Research, Development, Test and Evaluation (RDT&E) consolidation plan that was formulated between August 1990 and April 1991. The plan called for reorganizing all Navy RDT&E activities under either (1) one of four Warfare Centers reporting to a systems command or (2) the corporate laboratory reporting to the Chief of Naval Research. The goals of the Navy's consolidation efforts were to (1) streamline (downsize) and restructure RDT&E, engineering, and fleet support activities; (2) achieve management efficiencies and cost savings and eliminate duplication of effort between activities; and (3) preserve core RDT&E technical capabilities during personnel and budget reductions.

The initial plan was approved by the Secretary of the Navy in April 1991. Closure and realignment proposals related to the plan were included in the Department of Defense's recommendations to the 1991 Defense Base Closure and Realignment Commission (BRAC). The Commission's final report recommended realigning the Naval Sea Combat Systems Engineering Station (SEABAT) in Norfolk, Virginia, as the Secretary of Defense recommended. Specifically, SEABAT was to be realigned under two warfare centers--Undersea Warfare, headquartered in Newport, Rhode Island, and Surface Warfare, headquartered in Arlington, Virginia. That part of SEABAT

realigned under the NUWC Newport Division was designated the NUWC Norfolk detachment; it involved transfers in-place. That is, no functions or positions were to be relocated.

The Navy began implementing its consolidation plan on January 2, 1992. Although some changes were made by the warfare centers to the realignment recommendation, these modifications involved only the division of functions and associated positions and did not affect the location of the Norfolk detachment.

NUWC's mission is to operate the Navy's full spectrum research, development, test and evaluation, engineering, and fleet support for submarines, autonomous underwater systems, and offensive and defensive weapons systems associated with undersea warfare. NUWC consists of two divisions--Newport Division, in Newport, Rhode Island, and Keyport Division, Keyport, Washington. The Newport Division, headquartered in Newport, Rhode Island, has two detachments--New London, Connecticut, and Norfolk, Virginia. The Newport Division's mission is to support NUWC's mission. The mission of Newport Division, Norfolk detachment is to support the division's mission by providing acquisition and in-service engineering support for assigned offensive and defensive weapon systems associated with undersea warfare.

As of September 30, 1992, NUWC had 7,635 authorized civilian positions--4,334 in its Newport Division and 3,301 in its Keyport Division. Newport Division's headquarters, in Newport, Rhode Island, had 2,266 positions; the New London, Connecticut detachment had 1,411 positions; and the Norfolk, Virginia detachment had 657 positions.

QUESTION 2 Based on the original recommendation, what is GAO's estimate of the number of tons of equipment that would have to have been moved to Newport and associated shipping costs? Were Navy or C&L [Coopers and Lybrand] estimates more accurate?

RESPONSE

We reviewed available data regarding the move and assessed the reasonableness of the tonnage estimates and believe about 2,000 tons of equipment will need to be moved. Based on our review we believe that the Navy's original estimate was understated by about 700 tons. However, it was more accurate than C&L's, which was overstated by about 9,000 tons.

The original Navy estimate, submitted to the Base Structure and Analysis Team (BSAT) on February 14, 1993, included 407 tons for moving equipment plus an estimated \$764,000 for the one-time costs of moving test bay equipment. The tonnage data was used as input to the Cost of Base Realignment Actions (COBRA) model, which is used by the military services to estimate costs and savings associated with a proposed base closure or realignment. The COBRA model contains a factor that converts tons of material to be moved to dollar costs. Applying the COBRA moving factor of \$850 per ton to the \$764,000 estimate equates to about 900 tons, for a total estimate of about 1,300 tons to be moved. The C&L estimate was over 11,000 tons.

Subsequent to these estimates, the decision was made to move the NUWC Norfolk Detachment into the new building in Suffolk, Virginia. The actual cost of this move was over \$1.356 million; applying the COBRA factor of \$850 per ton equates the cost to about 1,600 tons. The Newport Division used an adjustment of the actual costs to move into the Suffolk building as the basis for developing its 1993 BRAC execution budget estimate, dated July 27, 1993. Tonnage figures were not available to estimate the cost of the move into the Suffolk building. Dollars and number of trucks associated with the move into the Suffolk building along with estimates for preparation and loading costs were used for developing budget estimates. As a result, estimated moving costs rose from \$1.356 million to \$1.770 million, which equates to approximately 2,000 tons, using the \$850 per ton COBRA cost factor.

In June 1993 an audit was conducted by a team of Newport and Norfolk personnel to (1) identify material under cognizance of the detachment and (2) develop an estimate of the weight of material that would need to be shipped to Newport. The study also

identified the specific items stored in Norfolk that would not be needed in Newport. It concluded that the Navy needed to move approximately 2,000 tons of equipment (1,447 tons of laboratory equipment and 690 tons of office equipment) to Newport. Although we did not do a detailed review of the audit, the approach used appears appropriate.

QUESTION 3 Based on the original recommendation, what is GAO's estimate of changing travel patterns to and from Newport, as well as other primary travel destinations, and associated costs? Were Navy or C&L estimates more accurate?

RESPONSE

Available data used to develop the original and subsequent budget travel estimates indicates that the Navy's original estimate of \$316,000 in savings was understated by about \$100,000. The C&L estimate overstated net travel costs by about \$5.5 million.

On February 14, 1993, the Navy estimated that travel costs from Newport to Norfolk (to Norfolk-based ships) would rise about \$352,000. Navy estimates showed that travel between Norfolk and Newport would be reduced and save about \$668,000. The resulting net travel savings were thus estimated at about \$316,000. The C&L study estimated increased travel costs of over \$6.9 million and travel savings of \$668,000--a net increase of over \$6.0 million in travel costs. Neither the Navy's original estimate nor C&L's estimate included leaving personnel in Norfolk, other than the nine positions included in the original scenario.

One of the major differences between the Navy's original travel estimate and C&L's was that C&L included \$3.7 million to \$4.4 million in increased travel costs for the Atlantic fleet's Norfolk units as a result of the NUWC Norfolk Detachment's relocation to Newport. We discussed travel requirements with material maintenance representatives from the Commander, Submarine Forces Atlantic, who said that travel to Newport by fleet submarine force personnel was currently minimal. While no specific estimate has been prepared, officials stated that three or four trips a year at a cost of less than \$10,000 was reasonable. They also stated that even after the relocation of NUWC Detachment Norfolk to Newport, fleet travel to Newport would continue to be minimal, because trips by fleet personnel for training and other maintenance support are not required. According to fleet officials, training can be done on base at the training center, and most maintenance can continue to be done in Norfolk through other alternatives, such as contractor support.

The Navy's original travel estimate, which was computed by Norfolk Detachment personnel, was based on 1 month's travel and extrapolated for 12 months. Subsequent to the original estimate and in preparation for the NUWC's 1993 BRAC budget, travel requirements were estimated using official travel records

representing 1 calendar year. The resulting estimate showed an increase in travel costs from Newport to Norfolk to \$1,014,000 and a decrease in estimated travel cost from Norfolk to Newport of \$1,429,000, for a net of \$415,000 in travel savings.

NUWC's 1993 BRAC budget, dated July 27, 1993, includes leaving 27 personnel in Norfolk in addition to the 9 at Fort Story. As a result of leaving these additional personnel in Norfolk, the Navy's net savings estimate for travel increased from \$415,000 to \$800,000.

QUESTION 4 Based on the original recommendation, what is GAO's assessment of the Newport division's ability to accommodate the Norfolk Detachment or to obtain leased space if necessary? Was there a specific plan to accommodate the Norfolk Detachment in either existing facilities, or current military construction projects, or leased facilities? What were the costs of rehabilitating such facilities in order to make them suitable for housing the Norfolk Detachment? Were Navy or C&L estimates more accurate?

RESPONSE

The original 1993 recommendation anticipated that the Norfolk detachment would move to Newport by the end of fiscal year 1994. To accommodate Norfolk personnel within 1 year, the Newport division had planned to use (1) existing Navy-owned laboratory facilities, (2) existing Navy-owned office space and nearby leased commercial office space, and (3) leased commercial warehouse space. Although these plans were never put into action, the leasing dimension of this plan would have given the Navy sufficient space to accommodate the NUWC Norfolk Detachment in Newport. We found no evidence of a plan in any Navy scenario to accommodate Norfolk personnel in either of the two BRAC-91 New London projects.

The Navy's estimates for accommodating the Norfolk detachment personnel were more accurate. C&L provided an estimate for the Navy to lease laboratory space, although the original recommendation did not call for leased laboratory space. In addition, C&L provided lease rates for office and warehouse space that were greater than the Navy's original estimates. According to a Newport official, C&L's office and warehouse lease rates were based on average Rhode Island rates, rather than actual local Newport rates.

Current Navy plans are to move Norfolk personnel to Newport over a 3-year period between fiscal years 1994 and 1996. As a result of this phased implementation plan and the significant downsizing occurring in Newport, the NUWC Newport Division will be able to accommodate all Norfolk detachment personnel, laboratories, and warehouse space with existing Navy-owned facilities located at Newport, Rhode Island. Over the 3-year period, the Newport Division plans to accommodate the NUWC Norfolk Detachment by refurbishing four existing facilities (buildings 112, 1171, 1258, and 1259) at a cost of \$2,080,000.

QUESTION 5 Based on the original recommendation, were there other aspects of the move where GAO finds significantly understated or questionable cost estimates?

RESPONSE

Besides the differences we found in moving, travel, and lease estimates, we did not identify other aspects of the move that were significantly understated or questionable. Our review concentrated on the moving, travel, and lease costs and how they were reflected in the COBRA model and the NUWC 1993 BRAC budget. The COBRA model, which was used in all of the Navy's and other service's scenarios, is designed to estimate the costs and savings associated with a proposed base closure or realignment action. The model is designed to provide a consistent method of evaluating costs and savings associated with closure and realignment options, not to produce budget-quality estimates. The budget figures reflect actual implementation plans and more precisely reflect what costs and savings will be achieved. The current budget figures show larger yearly savings than those compiled by the COBRA model (see question 12).

As you requested, table I.1 compares selected components of costs/savings estimates as presented in Exhibit E of Coopers & Lybrand's May 6, 1993, report entitled Independent Verification of the Cost of Base Realignment Actions (COBRA) for Naval Undersea Warfare Center Detachment, Norfolk (shown in the shaded area) with NUWC's July 1993 BRAC budget submission and GAO's estimate. It should be noted that there are errors in the data as presented by C&L, such as incorrect subtotals for nonrecurring costs. We present the data as shown in the C&L report.

Table I.1: Comparison of Selected Costs/Savings Related to the movement of NUWC Detachment, Norfolk to Newport, Rhode Island (dollars in thousands)

COST COMPONENT	BRAC-93	NORFOLK	COOPERS & LYBRAND		NUWC 1993	GAO
	SUBMITTAL	DETACHMENT	ESTIMATE		BUDGET	ESTIMATE
		ESTIMATE	LOW	HIGH	7/27/93	
DISPOSITION OF EQUIPMENT						
Shipping/Tonnage	\$0	\$710	\$10,110	\$10,110		a
ONE-TIME UNIQUE MOVING COST						
Test Bay/Special Office Move	754	2,709	2,256	2,322	\$1,770 ^a	1,770 ^a
OTHER ONE-TIME UNIQUE COSTS						
Test Bay Refurbishment	600	1,000	600	1,000	2,080 ^b	2,080 ^b
MS&R EDM Equipment	0	6,074	6,074	6,074	0	0 ^c
Unique Building Modifications	0	4,718	3,721	4,744	b	0 ^b
Fiber Optic Network	0	1,605	1,467	1,467	0	0 ^d
Lease Termination	1,038	5,512	2,046	3,069	3,000	0 ^e
SUBTOTAL NON-RECURRING	\$1,364	\$4,419	\$12,966	\$13,432	\$6,850	\$3,850
MISSION COSTS						
Norfolk Travel	\$352	\$2,298	\$2,104	\$2,298	\$400	\$1,014 ^f
Additional Newport Visits	0	8,886	3,703	4,443	0	0 ^f
Washington Travel	0	1,251	1,036	1,036	0	0 ^g
Local Travel Increase	0	743	119	119	0	0 ^g
Local Link In Newport	0	14	1	1	0	h
MISSION SAVINGS						
New England Travel Savings	(668)	(195)	(668)	(668)	(1,200)	(1,429) ^f
T-1 Link Savings	(96)	(58)	(96)	(57)	(57)	h
Security Force - Norfolk	j	(332)	1	1	j	h
MISCELLANEOUS RECURRING COSTS						
Government Manhour Increase	0	10,552	6,338	8,406	0	0 ^k
Security In Newport	j	584	1	1	j	0
Contractor Rate Differential	0	9,579	2,247	4,494	0	0 ^l
Laboratory Space Lease	0	269	1,262	2,661	0	0 ^b
Warehouse Space Lease	441	792	792	792	0	0 ^b
Office Space Lease	623	1,222	1,001	1,001	0	0 ^b
Government Facility Cost	0	283	1	1	0	h
MISCELLANEOUS RECURRING SAVINGS						
Lease Termination (Net of NSWC Rent)	(4,500)	(4,312)	(4,352)	(4,352)	(4,500)	(4,500) ^m
SUBTOTAL RECURRING	(\$3,848)	\$31,548	\$13,486	\$20,173	(\$5,357)	(\$4,915)

Sources: Navy, Coopers & Lybrand, and GAO.

Table notes are on the following page.

Table I.1 explanatory notes:

These figures are shown as they appeared in Exhibit E of Coopers & Lybrand's May 6, 1993, report entitled Independent Verification of the Cost of Base Realignment Actions (COBRA) for Naval Undersea Warfare Center Detachment, Norfolk. As noted above, this exhibit contained errors.

^aSee question #2.

^bSee question #4.

^cMS&R EDM equipment will remain in Norfolk.

^dNot evaluated by GAO. However, there is an existing fiber optic network in Newport.

^eSee question #6.

^fSee question #3.

^gIncluded in Norfolk travel above--see question #3.

^hNot evaluated by GAO. These were relatively lower cost items that would not have affected the decision.

ⁱNot evaluated by C&L.

^jEstimate dropped.

^kAlthough we did not perform a detailed evaluation of this cost factor, salaries for detachment personnel will be the same in Newport as in Norfolk, and overall overhead for NUWC is reduced, which should reduce rather than increase costs.

^lContractor rate differential is a function of contractor location. Contractor location and the extent of support has not been resolved.

QUESTION 6 What is GAO's assessment of the likelihood of leasing the new Suffolk facility and associated costs or savings? Were Navy or C&L estimates more accurate?

RESPONSE

Recent events indicate that the Suffolk facility is likely to be leased by another DOD activity. If this takes place as anticipated, no lease costs will be incurred by NUWC after the detachment vacates the building. Navy and C&L original estimates both made inaccurate assumptions that resulted in inappropriate estimates. The C&L estimate appeared more conservative because it included substantial costs in anticipation of the building not being leased.

On November 24, 1993, the U.S. Atlantic Command initiated an effort to obtain sufficient space to house its new Joint Training and Simulation Complex in support of an expanded training mission. The Command has indicated that the Suffolk facility being vacated by NUWC is its first choice. Representatives of the command have visited NUWC's facility in Suffolk and are in the process of negotiating the transfer of 130,000 to 200,000 net square feet of the NUWC facility to the Command's control. The transfer would take place in phases as NUWC vacates the building. If this transfer takes place as currently anticipated, there will be no lease costs incurred for the Suffolk facility by NUWC after transfer of the detachment to Newport.

The original Navy analysis assumed that a new tenant would be moved into the facility when NUWC vacated, and that NUWC would be liable only for costs incurred during a 120-day GSA lease termination notification period. However, this assumption was not accurate. The building was leased by GSA on March 10, 1992, for 20 years, based on a firm 15-year lease commitment from the Navy. Because of GSA's classification of the building as "unique agency space" the normal 120-day notification to GSA for lease termination does not apply, and the Navy is fully liable for the first 15 years of the lease. GSA will assume liability for the final 5 years of the 20-year lease. When NUWC vacates the facility, the actual cost of the Suffolk facility lease will continue as an expense of the Navy until the lease is assumed by a non-Navy tenant.

In making its estimate, C&L assumed that it would take 18 to 27 months to find a new tenant when the NUWC detachment vacated, and that NUWC would be liable for lease costs of \$3.328 million per year prorated by the number of months required to find a new

tenant. While the C&L estimate more accurately reflects the lease terms, recent events would indicate the 18- to 27-month vacancy period was somewhat high.

QUESTION 7 Did the Navy intend to backfill the Suffolk facility with "spillover" from the proposed NESEC [Naval Electronic Systems Engineering Centers] consolidation at St. Julian's Creek in Portsmouth? If so, were the military construction costs associated with the NESEC consolidation reduced?

RESPONSE

The Secretary of Defense's recommendation regarding the Naval Electronic Systems Engineering Centers (NESEC), was that they be closed or disestablished and consolidated into an East Coast Center at Portsmouth, Virginia. In its February 21, 1993, deliberations of this consolidation, the Navy Base Structure Evaluation Committee directed that the military construction costs at Portsmouth related to this proposed consolidation be deleted "since the building being vacated by NUWC-Newport, Norfolk Detachment can be rehabbed." Thus, it was clearly the Navy's plan to backfill the Suffolk facility.

The original COBRA, dated February 26, 1993, which was sent to the Commission in late March 1993 included a new military construction requirement for this consolidation of approximately \$80 million, and did not reflect any reductions in new military construction costs. We were told by BSAT officials that because of time constraints not all of the COBRAs initially sent to the Commission had been updated with the most recent information. In this particular case the final COBRA was dated June 19, 1993, and reflected a reduction in new military construction of 258,000 square feet and \$46 million. The final Navy COBRA was sent to the Commission on June 22, 1993, which was prior to the Commission's final deliberations on June 27, 1993.

This recommendation was revised by the Base Closure and Realignment Commission. Instead of consolidating the Centers in Portsmouth they directed that the consolidation take place in Charleston, South Carolina.

QUESTION 8 What was the subsequent Navy recommendation with respect to moving the Norfolk detachment to Newport? Why was the original recommendation changed?

RESPONSE

The February 14, 1993, scenario data call¹ which contained the supporting data for the Secretary of Defense's original recommendation, included leaving nine Ships Electronic Systems Evaluation Facility personnel in Norfolk.

The NUWC Budget Workshop group concluded in May 1993 that a total of 36 positions would be required to provide direct fleet support in Norfolk. Maintaining a contingent of 36 positions in Norfolk would provide a higher savings to the government, primarily by reducing recurring travel costs from Newport to Norfolk.

After further evaluation of specific functions being performed at Norfolk, NUWC believed it would be more cost effective to leave additional people in Norfolk. On September 30, 1993, NUWC, in formulation of its transition plan, concluded that a total of 70 positions would be required to remain in Norfolk. (See question 10 for additional descriptions of the positions and related functions.) According to NUWC Division officials, this number was based on the joint Norfolk/Newport team's evaluation of each program.

¹A term used to describe BSAT requests for various types of certified information. This information is used by the Navy in its process of selecting military bases/facilities for proposed closure or realignment.

QUESTION 9 Are there legal issues or requirements associated with changing a recommendation made to the BRAC commission, or in implementing a recommendation that differs from the original recommendation as specified in the SECDEF's [Secretary of Defense] list or as stated in the BRAC report to the President?

RESPONSE

Legal issues are associated with changing a recommendation made to the BRAC. The BRAC is statutorily authorized, under specified circumstances, to make changes to any recommendation of the Secretary of Defense, and may add installations for closure and realignment that are not on the Secretary's list. Strictly speaking, only BRAC recommendations, not SECDEF proposals, are implemented. Implementation is required to begin within 2 years, and to be completed no later than 6 years after the date the President submits his report to the Congress. Implementation of closures or realignments that differ from BRAC recommendations is contrary to the BRAC legislation, which generally is the exclusive authority for carrying out closures and recommendations until December 31, 1995. The BRAC legislation clearly considers the BRAC recommendations to be controlling unless modified by the President or disapproved by the Congress.

In the case of the NUWC Norfolk Detachment recommendation, there are legal questions concerning whether the Navy must move the entire detachment to Newport or whether it can leave some personnel in Norfolk. Although a final Navy position has not been reached, in a draft memorandum dated September 27, 1993, the Deputy General Counsel, Naval Sea Systems Command, discussed the following transfers of NUWC Detachment Norfolk functions and/or personnel to other than NUWC, Newport:

- the transfer of approximately 20 personnel and certain functions to the Naval Surface Warfare Center, Dam Neck;
- the transfer of approximately 65 to 85 personnel to Naval Command, Control and Ocean Surveillance Center;
- the transfer of various functions, but no personnel, to NUWC Keyport; and

-- the transfer of approximately 36 personnel to a new Class 2² Norfolk Detachment.

After giving consideration to the directions of both the 1991 and 1993 BRACs, the draft memorandum tentatively concludes that the transfers involved in the first three transfers are legally permissible, but that the last one is not. The draft memorandum generally concludes that only NUWC mission functions must be transferred to Newport. With the exception of the third transfer--the Keyport transfer--we agree with the Navy's positions.

The draft memorandum regards the Keyport transfer as a management decision only; it is not within the purview of the BRAC because it does not involve any personnel. However, since the functions to be transferred clearly are NUWC functions that are captured by the broadly worded BRAC recommendation, we believe that maintenance of the BRAC process requires, at this point, that the Navy-initiated BRAC recommendation be implemented in full.

Regarding the fourth transfer listed above--a new Class 2 detachment--the draft memorandum concludes that this transfer cannot be made since, among other matters, it "involves core activities of NUWC Norfolk" and, therefore, falls within the BRAC's recommendation. We agree with this position, and note that NUWC does not currently advocate establishment of a Class 2 Detachment in Norfolk, and expects that results of "purification" (discussed in question 10), program reductions, and force structure reductions will eliminate all NUWC personnel remaining in Norfolk by 1999.

² A term used within NAVSEA to identify a major detachment that will have 11 to 50 full-time, permanently assigned personnel and is expected to exist more than 48 months.

QUESTION 10 Were Navy conclusions about the number of people necessary to remain in Norfolk to provide "service to the fleet" accurate? What is GAO's estimate of fleet service personnel requirements?

RESPONSE

According to information available to date, the Navy's original estimate was understated by at least 61 positions. However, we were unable to precisely estimate fleet service personnel requirements because of Navy inconsistencies in defining service to the fleet and who should provide it.

As of September 30, 1993, Newport Division had identified the need to retain approximately 70 positions in Norfolk. According to our discussions with program sponsors/managers and the NUWC Newport Division official responsible for developing the consolidation plan, additional adjustments may be beneficial. Such adjustments appear reasonable and consistent with the intent of the 1991 restructuring effort to achieve management efficiency, eliminate duplication of effort, and provide purification of missions.

Since the 1993 recommendation, NUWC Newport Division has conducted more in-depth analyses of the work at the Norfolk detachment and discussed the transfers with program sponsors/managers and other warfare centers. They found that more of the work is unique than was originally thought and serves many different organizations. As a result, the NUWC Newport Division is considering the need to retain additional functions and positions in Norfolk, as well as transferring work to other activities.

Some of the work at the Norfolk detachment is not currently being performed at any other Newport Division location (Newport, Rhode Island, or New London, Connecticut). In some cases, the work requires an on-site presence; in other cases, the work may be more appropriately realigned under another warfare center or activity. For example, the electronics module screening and repair function currently performed at the Norfolk detachment directly supports fleet electronics repair work.

Program managers we spoke with expressed some concern about the impact the relocation to Newport might have on their programs. These include the loss of capabilities and disruption to programs. Some also questioned whether some work should be relocated to another warfare center or activity.

Some managers said that the skills and experience needed to support particular programs will be difficult to replace and will involve extensive on-the-job training. In addition, the programs moved could be disrupted or delayed and result in delays in on-ship support. Also, programs not connected to ongoing work at Newport might not get done because of the lack of in-house experience.

Other concerns raised were the possibilities of increased costs, additional funds to transfer programs, additional training costs, and the timing of particular transfers.

Similar concerns were expressed by program managers affected by the Navy's 1991 consolidation plan. NUWC Newport Division officials told us that its detailed transition plan will address ways to minimize the risk and impact to programs and personnel.

QUESTION 11 How did the change in the recommendation affect:
(a) the number of tons of equipment to be moved and associated shipping costs, (b) travel costs, (c) Newport's ability to accommodate Norfolk detachment with existing facilities, current military construction projects, or leased space, and (d) other significant costs that GAO may have identified? Is there a plan specifying how Newport division plans to accommodate Norfolk detachment in existing facilities, current military construction projects, or leased space? If so, what does GAO estimate those costs to be?

RESPONSE

Specific information regarding tons of equipment to be moved, changes in travel costs, and Newport's ability and plans to accommodate the NUWC Norfolk detachment are addressed in responses to questions 2, 3, and 4. The change in the recommendation was made to provide a more cost effective solution and had the effect of both reducing mission travel costs and providing continued timely service to the fleet. We believe that while a small amount of additional equipment will remain in Norfolk as a result of the change, it should not significantly alter the number of tons of equipment to be moved. Since the number of personnel moving to Newport is decreasing, accommodating those coming will be even less of a problem.

QUESTION 12 What does GAO estimate that implementing the move will cost? Will there be overall savings or overall costs to the government from going ahead with the consolidation?

RESPONSE

We found no reason to expect the cost of the move to substantially exceed the Navy's most recent budget estimates. Using revised costs and savings based on the budget estimates, the Navy's updated COBRA analysis shows annual savings of \$11 million with a return on investment in 1 year.

Since the 1993 recommendation, the NUWC Newport Division has been actively examining the work done by the Norfolk detachment, along with discussing potential transfers with program sponsors/managers and other warfare centers. As a result of these efforts, some equipment has been moved to other organizations, and future changes are anticipated. For example, the program manager for the Shipboard Non-tactical Automatic Data Processing Program (SNAP) equipment has moved the equipment to another warfare center. NUWC expects by May 1, 1994, to have an updated transition plan that will provide details regarding the disestablishment and relocation of the Norfolk Detachment.

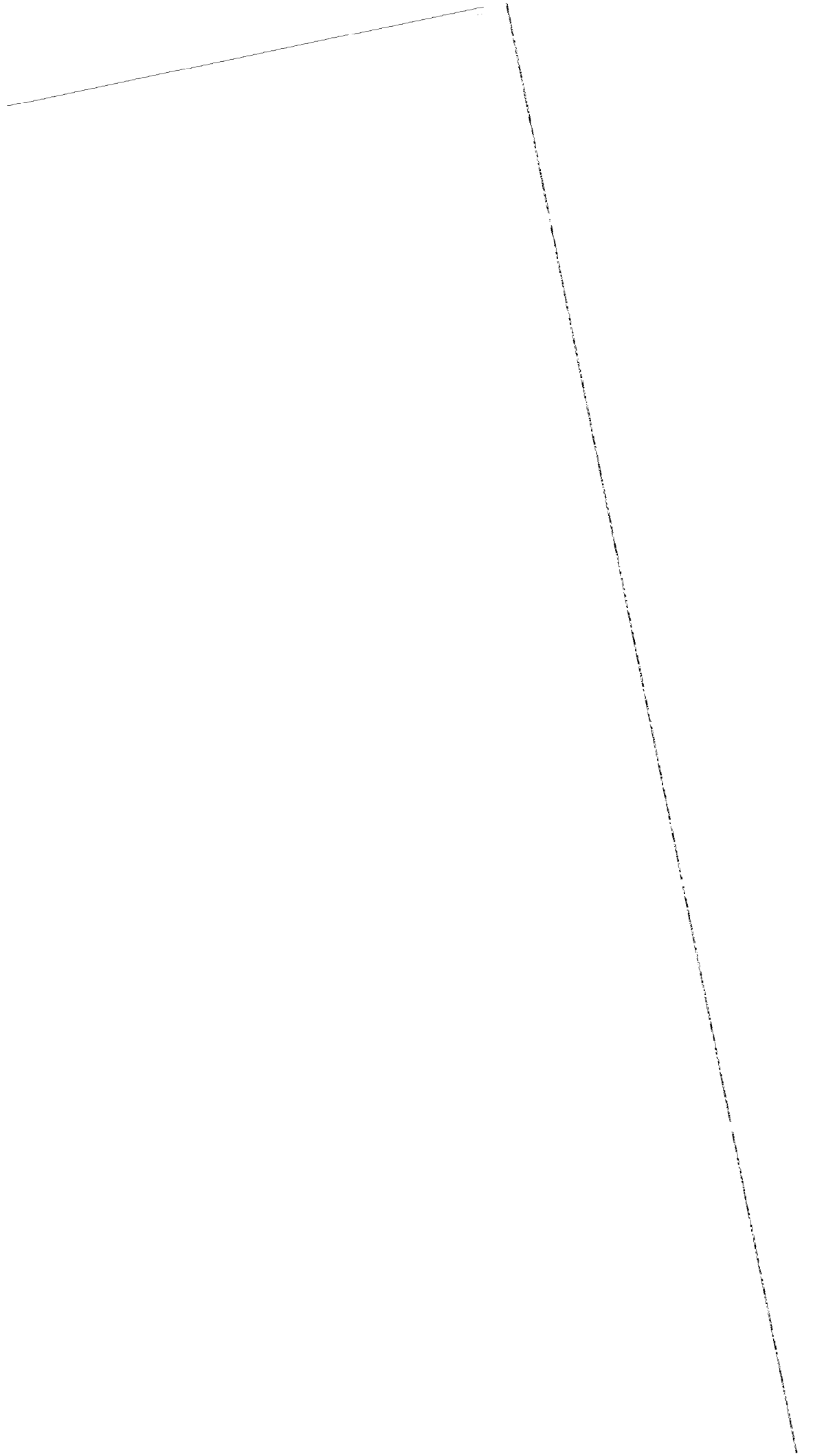
NUWC's 1993 BRAC budget submission reflects the Navy's most recent estimate of implementation costs. The Navy's COBRA data runs show annual savings of almost \$11 million with a return on investment in 1 year, using the assumptions included in the Navy's budget submission. To determine whether possible fluctuations would not materially alter these results, we ran several COBRA realignment summaries using some hypothetical "worst-case scenario" costs. We arbitrarily adjusted the COBRA cost estimates for those areas where there were the greatest questions about what actual costs will be--moving, travel, building leasing costs--to determine the effect of cost increases. Specifically, we doubled the budgeted moving costs from \$1.7 million to \$3.4 million; increased recurring travel costs from \$800,000 to \$3.35 million (about a 313 percent increase); and increased recurring costs for the building lease from zero to \$3.3 million per year. Using these "worst-case" cost figures, the COBRA analysis shows a return on investment in 7 years and annual savings beginning in 1997 of \$3.029 million.

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