

June 2007

MILITARY BASE CLOSURES

Projected Savings
from Fleet Readiness
Centers Likely
Overstated and
Actions Needed to
Track Actual Savings
and Overcome Certain
Challenges





Highlights of [GAO-07-304](#), a report to congressional committees

MILITARY BASE CLOSURES

Projected Savings from Fleet Readiness Centers Likely Overstated and Actions Needed to Track Actual Savings and Overcome Certain Challenges

Why GAO Did This Study

The 2005 Base Realignment and Closure (BRAC) recommendation to establish fleet readiness centers was expected to yield more savings than any other of the 2005 BRAC recommendations. To achieve these savings the Navy plans to integrate civilian depot personnel to complete some repairs at intermediate maintenance departments to reduce aviation maintenance costs. This report, prepared under the Comptroller General authority to conduct evaluations on his own initiative, is one in a series of reports related to the 2005 BRAC recommendations. GAO's objectives were to (1) analyze the reasons for changes in costs and savings estimates since the recommendation was approved, and (2) identify challenges in implementing this BRAC recommendation. GAO analyzed Navy and BRAC Commission costs and savings estimates and interviewed officials at the Naval Air Systems Command and at three fleet readiness centers.

What GAO Recommends

GAO is making recommendations for the Navy to adjust its business plan to include only savings directly related to implementing this BRAC recommendation and to monitor actual savings realized as the recommendation is implemented.

In commenting on a draft of this report, DOD concurred with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-304.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Brian Lepore at (202) 512-4523 or leporeb@gao.gov.

What GAO Found

The Navy has increased onetime costs, decreased onetime savings and increased annual recurring savings expected from the fleet readiness centers recommendation, but GAO believes the savings are likely overstated. In preparing a detailed business plan for implementing the recommendation, the Navy increased onetime costs by \$31 million or 96 percent because of costs associated with relocating employees and inflation. The Navy also decreased expected onetime savings from reduced inventory levels by \$594 million or 92 percent because Navy officials believed earlier estimates were too optimistic. GAO's analysis of inventory levels for a sample of aviation items indicates that the majority of the revised savings estimate will not occur during the 6-year BRAC implementation period and the amount of such savings are uncertain at this time. GAO believes the annual recurring savings are overstated by about \$53 million or 15 percent because the Navy's estimate includes \$28 million in savings from eliminating military personnel, which may be assigned elsewhere rather than taken out of the force structure, and \$25 million in onetime savings that was erroneously reported as recurring savings. While projected savings would remain substantial, they are still subject to some uncertainties and further efforts will be required to assess actual savings as this recommendation is implemented.

Change in Projected Cost and Savings Estimates (in millions)

Category	BRAC Commission ^a	Navy Business Plan ^b	Difference	
			Amount	Percent
Onetime costs	\$34	\$65	\$31	96
Onetime savings	648	54	(594)	(92)
Annual recurring savings	250	311	61	25

Source: DOD.

^aIn fiscal year 2005 constant dollars.

^bIn then-year current dollars.

The Navy faces challenges in ensuring projected savings are realized and faces some workforce challenges in implementing the recommendation. Since the Navy has already included projected BRAC savings in its budget for fiscal years 2007 through 2011, it will be important for the Navy to monitor the extent to which these savings are actually achieved to prevent adverse affects on naval aviation readiness or the need for additional funding. The Navy also faces workforce challenges, such as identifying and moving about 150 depot artisans with the right skills to various intermediate maintenance departments and integrating a primarily civilian depot workforce with the military intermediate department workforce. This mixing of diverse cultures could pose some challenges in implementation but should help develop a better trained and more productive workforce. The Navy will need sustained leadership to successfully establish the fleet readiness centers.

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United States Government Accountability Office
Washington, DC 20548

June 29, 2007

Congressional Committees

On May 13, 2005, the Department of Defense (DOD) made public its recommendations to realign and close bases. DOD projected these actions would yield nearly \$50 billion in net savings over a 20-year period. The Base Realignment and Closure (BRAC) Commission¹ evaluated DOD's recommendations and recommended reducing the estimated 20-year net savings by about \$12 billion over a 20-year period. The BRAC Commission recommendations were accepted by the President and the Congress, and became effective on November 9, 2005. The recommendation to establish six fleet readiness centers reengineers naval air maintenance, which blends some civilian depot employees with military personnel to complete repairs at intermediate maintenance departments. The intent behind this action was to avoid some redundant maintenance procedures and supply overhead charges and reduce aviation maintenance costs. DOD initially estimated this recommendation would yield about \$4.7 billion in net savings over 20 years including onetime savings² of about \$648 million.

In July 2005,³ we reported some uncertainty regarding the magnitude of the expected savings from the recommendation to establish fleet readiness centers because the estimates were based on assumptions that had undergone limited testing, and were also dependent on transformation of the Navy supply system. In addition, after performing its own analysis, the BRAC Commission believed the Navy overestimated the savings that may be achieved from business process reengineering efforts. The BRAC Commission approved the recommendation to establish fleet readiness centers with an estimated 20-year net savings of \$3.7 billion. Of the large number of 2005 BRAC recommendations, this recommendation is

¹The BRAC legislation (Pub. L. No. 101-510, Title XXIX, as amended by Pub. L. No. 107-107, Title XXX) provided for an independent Commission to review the Secretary of Defense's realignment and closure recommendations, and present its findings and conclusions on the Secretary's recommendations, along with its own recommendations to the President.

²Onetime savings are estimated savings to be realized during the 2006–2011 implementation period. Onetime savings are nonrecurring savings that stop at the end of implementation in 2011.

³GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, GAO-05-785 (Washington, D.C.: July 1, 2005).

projected to produce the most dollar savings, based on DOD's total BRAC savings projections.

Once the recommendation became effective, the Navy became responsible for executing the recommendation to establish fleet readiness centers. The Office of the Secretary of Defense required the Navy to submit a detailed business plan for implementing the recommendation, to update estimated costs and savings, and to provide a schedule for implementing the recommendation. The fleet readiness center plan was approved by the Office of the Secretary of Defense on August 1, 2006.

This report is one in a series of reports that detail the progress DOD has made in implementing the base closures and realignments included in the 2005 BRAC round. We performed our work on the basis of the authority of the Comptroller General to initiate reviews⁴ and are reporting the results to you in order to facilitate your oversight of DOD's infrastructure and BRAC initiative. In this report, we address the Navy's efforts to implement the BRAC recommendation to establish fleet readiness centers. Our specific objectives were to (1) analyze the reasons for changes to the costs and savings estimates since the recommendation to establish fleet readiness centers was amended and approved as part of the 2005 BRAC round; and (2) identify the challenges the Navy faces in successfully implementing this BRAC recommendation.

To accomplish these objectives, we performed our work at the Naval Air Systems Command headquarters, Patuxent River, Maryland; the aviation intermediate maintenance departments at North Island, San Diego, California; Mayport, Florida; and Whidbey Island, Oak Harbor, Washington; and the naval aviation depots at North Island, San Diego, California, and Jacksonville, Florida. We analyzed the changes to the costs and savings estimates between the BRAC Commission's amended and approved recommendation and the Navy's approved business plan and interviewed key Navy officials to identify the reasons for changes and the challenges they face in implementing the recommendation. To assess the reliability of data used to generate costs and savings estimates, we reviewed Navy regulations and instructions for reporting aviation maintenance data and interviewed officials at the Navy Air Systems Command, Naval Aviation Depots, and Commander, Naval Air Forces, about the data and assumptions underlying the estimates. Based on these

⁴31 U.S.C. § 717.

discussions and observations and review of the Navy's calculations, we believe the DOD data are sufficiently reliable for the purposes of this report. We conducted our work between February and December 2006 in accordance with generally accepted government auditing standards. Further details on the scope and methodology are described in appendix I.

Results in Brief

In comparison to the BRAC Commission estimates, the Navy has increased onetime costs, decreased one-time savings, and increased annual recurring savings expected from the fleet readiness centers recommendation.⁵ While the Navy has started to implement the recommendation and achieve savings, we believe the amount of onetime savings are uncertain at this time and projected net annual recurring savings are overstated. The savings consist primarily of onetime savings from projected decreases in the inventory of aircraft component and replacement parts, and annual recurring savings⁶ from reduced depot labor and overhead charges and personnel reductions. In preparing its business plan, the Navy reduced expected one-time savings from lower inventory levels by 92 percent (from \$648 million to \$54 million) because Navy officials believed their initial estimates were too optimistic. Even though the Navy reduced its estimated onetime savings, our analysis of inventory levels for a sample of aviation items concluded that the majority of the revised savings estimate will not occur during the 6-year BRAC implementation period, and the amount of such savings over time are uncertain. While the Navy projects annual recurring savings of about \$311 million, we believe they are likely overstated by \$53 million. The Navy's estimate includes \$28 million in savings from eliminating military personnel, which may be assigned elsewhere rather than taken out of the force structure, and \$25 million in onetime savings that were erroneously reported as recurring savings. While projected savings remain substantial, they are still subject to some uncertainties and additional efforts will be required to assess actual savings over time as this recommendation is implemented.

⁵DOD did not accept the final BRAC Commission estimate because it was based on actual versus authorized positions.

⁶Annual recurring savings are expected to occur annually after the costs of implementing a BRAC action have been offset by the savings.

The Navy faces challenges in ensuring projected savings from implementing its fleet readiness center recommendation are realized even as it also faces some workforce challenges in implementing the recommendation. Since the Navy has already included projected BRAC savings in its budget plans for fiscal years 2007 through 2011, the Navy will need to monitor the extent to which these savings are achieved. Therefore, if savings are not realized, the Navy may have to take funds from other Navy programs or request additional funds to offset unrealized savings or be unable to repair aviation components in a timely manner which could affect readiness. The Navy has developed an interim method for tracking aviation maintenance repair costs and calculating the BRAC savings from establishing fleet readiness centers, but follow through will be important to validate savings over time. In addition, the Navy faces workforce challenges, such as potentially moving over 150 depot artisans with the right skills to various intermediate maintenance departments and integrating a primarily civilian depot workforce with the military intermediate department workforce. This mixing of diverse cultures could pose some challenges in implementation but could result in a better-trained and more-productive workforce. The Navy faces other challenges, such as the need for sustained leadership and communication to successfully establish the fleet readiness centers. Furthermore, the Navy needs to ensure that depot maintenance performed at intermediate departments is accurately recorded and reported to satisfy congressional reporting requirements. The Navy has recognized many of these challenges and outlined steps to be taken to address them.

We are making recommendations to the Secretary of Defense to direct the Secretary of the Navy to update the business plan to include only savings that are directly related to implementing the BRAC recommendation and monitor and update savings as implementation progresses. In commenting on a draft of this report, DOD concurred with our recommendations. DOD noted that it considers military personnel reductions attributable to a BRAC recommendation as real savings. It noted that while the department may not reduce end strength, these reductions allow the department to reapply these military personnel to support new capabilities. We believe the department counting of savings from eliminating military personnel positions, without corresponding reductions in end strength, creates a false sense of savings available for other purposes because they do not represent dollar savings that can be readily reallocated outside the military personnel accounts. We do agree that assigning these positions to other areas may enhance capabilities. DOD's written comments are reprinted in appendix III. DOD also provided technical comments, which we have incorporated into this report as appropriate.

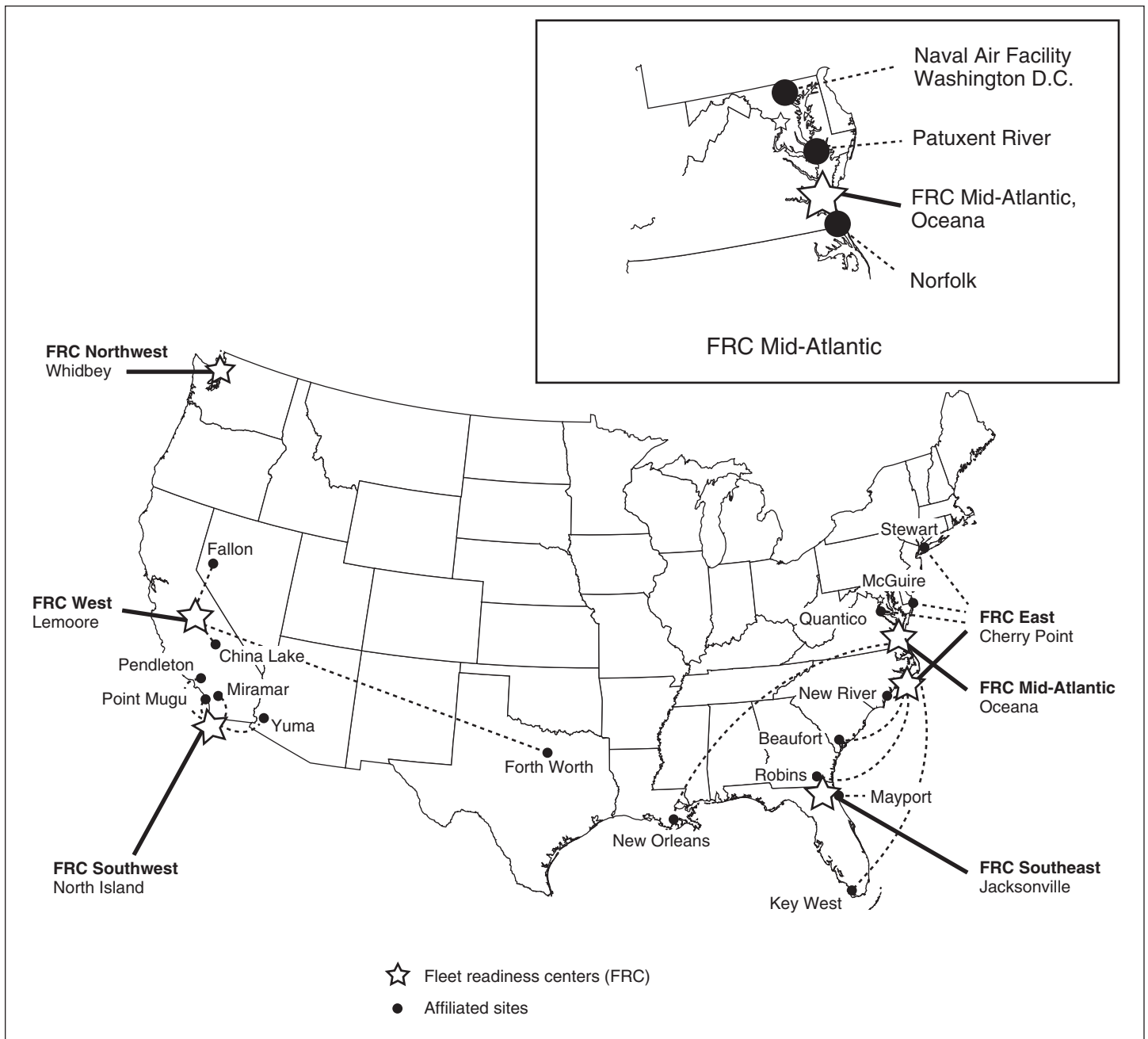
Background

The Navy has three levels of naval aviation maintenance—organizational, intermediate, and depot—to support naval aviation.⁷ Organizational maintenance is performed by sailors on the flight line and generally items are repaired on the aircraft, whether at sea or at a naval station. The intermediate maintenance activity is generally performed by sailors at the Navy's aviation intermediate maintenance departments, which focus on item repairs in close proximity to the flight line but off-aircraft. Depot maintenance activities, generally performed by civilian aviation depot artisans, provide a comprehensive combination of major repair, overhaul, and modifications to weapons systems and components, assemblies, and subassemblies in off-flight-line maintenance. The current aviation maintenance process generally flows as follows: when the organizational maintenance crews cannot fix a broken aircraft component or item, it is sent to the intermediate department; if the intermediate maintenance department cannot repair an item, it declares that the item is beyond its capability of maintenance. The broken item is then turned over to the supply system in exchange for a replacement part; and the broken item is shipped to the depot for further repairs or overhaul.

The recommendation to establish fleet readiness centers affects the intermediate department and depot maintenance levels, but not the organizational level. It involves moving about 150 artisans from the depots to the intermediate departments to perform aviation repairs. In addition, six fleet readiness centers will be established to transform naval aviation maintenance at the intermediate departments and depots as seen in figure 1.

⁷The Navy and Marine Corps currently operate 20 aviation intermediate maintenance departments including the Presidential Helicopter support at Quantico, 11 Marine aviation logistics squadrons, and three Naval Aviation Depot maintenance activities in the United States.

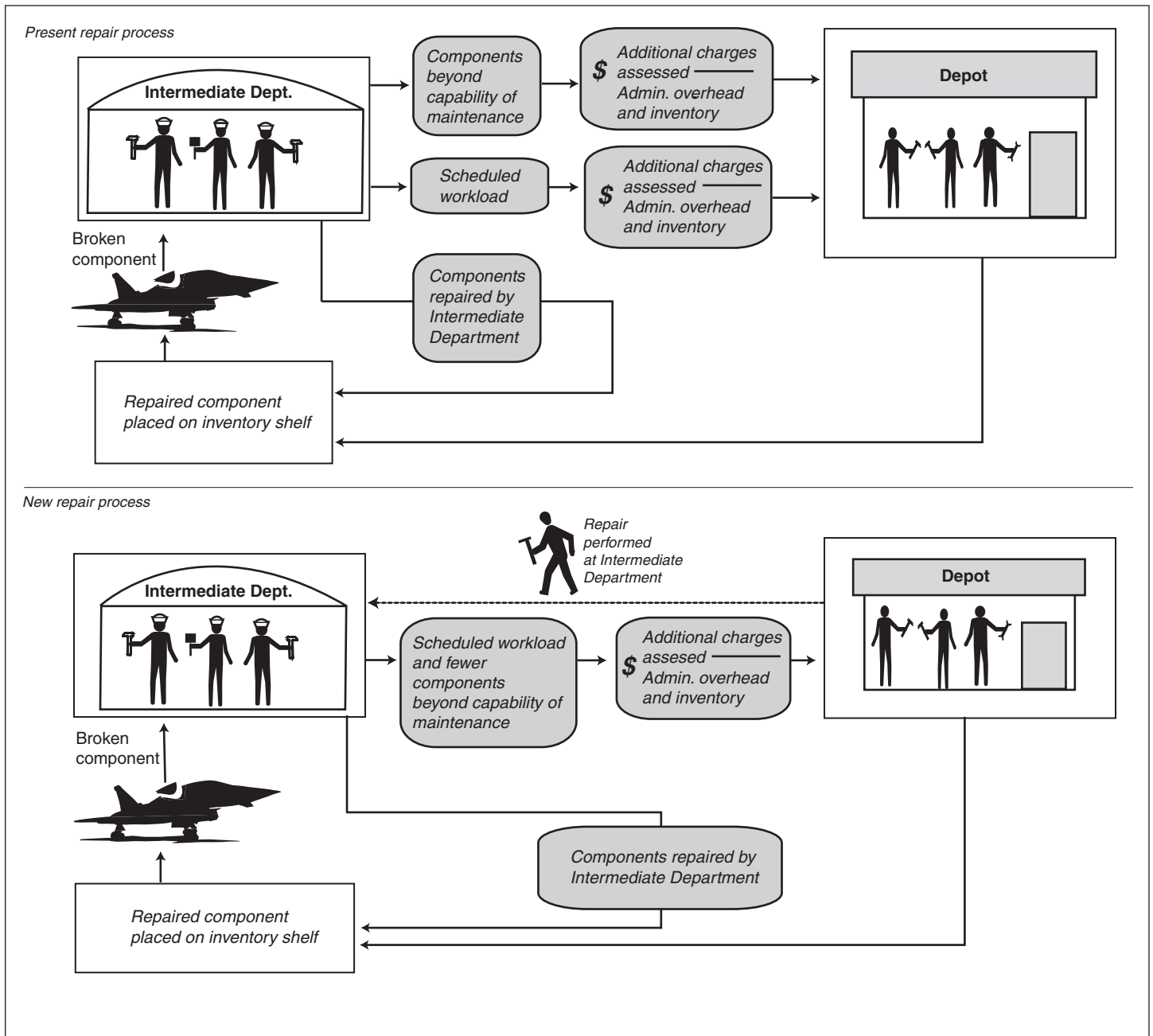
Figure 1: Planned Fleet Readiness Centers (FRC) and Affiliated Sites



Source: GAO analysis of U.S. Navy data.

According to this BRAC recommendation, relocating depot artisans to intermediate departments is expected to reduce the number of items that are declared to be beyond the capability of maintenance at the intermediate departments and therefore, will not require some items to be sent to the depot for repair. As a result, repeated and duplicated maintenance procedures are projected to be avoided and turnaround times projected to be reduced. More specifically, prior to implementing this recommendation, when an item is being repaired by military personnel at the intermediate department, they perform diagnostics, disassemble the item, and attempt to repair it. When they determine it cannot be repaired and declare that it is beyond their capability of maintenance, the item is reassembled, repackaged, and shipped to the depot for repair. Upon arrival at the depot, the artisans must perform similar diagnostics, and repeat the processes of disassembly and repair that have already been performed at the intermediate department. According to Navy officials, after fleet readiness centers are established, the depot artisans positioned at the intermediate departments are expected to be able to complete more repairs there, which will reduce or eliminate some packaging, shipping, and administrative costs as seen in figure 2.

Figure 2: Aviation Components Repair Cycle



Source: GAO analysis.

At the time DOD originally submitted its recommendations to the BRAC Commission, it estimated this recommendation would yield \$341 million in annual recurring savings, or \$4.7 billion net savings over 20 years. The preponderance of the annual recurring savings was expected to come from fewer items being sent to the depots for repair, thus reducing per item maintenance costs. DOD also expected to achieve significant onetime savings by reducing existing inventory levels of aircraft component parts. In July 2005, we reported that while there is potential for significant savings, there is some uncertainty over the full magnitude of savings.⁸ Our report noted that the Navy used assumptions that had undergone limited testing, and the full savings realization depends upon the transformation of the Navy's supply system to achieve organizational efficiencies. Moreover, we pointed out that realizing the full extent of the savings would depend on actual implementation of the recommended actions.

The BRAC Commission also believed DOD's overall estimated savings were overstated because savings were derived from overhead efficiencies that had not been validated. The commission projected annual recurring savings of about \$248 million a year or \$3.7 billion⁹ net present value savings over a 20-year period—about \$1 billion less than the DOD's estimate. Also, the commission reduced the estimated savings because it eliminated the proposed realignment of workload from the Naval Support Activity in Crane, Indiana, to Whidbey Island, Washington, since the Navy planned to phase out the aircraft associated with the proposed workload transfer in 10 to 15 years regardless of BRAC. In addition, the commission found errors in DOD's estimation of construction costs and the savings projections based on eliminated personnel.

The President and the Congress accepted the BRAC Commission recommendations, which became effective on November 9, 2005. Once the recommendations became effective, the Office of the Secretary of Defense designated one of the military services or defense agencies as the business manager responsible for implementing each recommendation. The Navy is responsible for establishing the six fleet readiness centers. The Office of the Secretary of Defense also required the Navy to submit a detailed business plan to update estimated costs and savings and identify a schedule for implementing the recommendation. The Navy's detailed

⁸GAO-05-785.

⁹The \$3.7 billion is the 20-year net present value of the projected savings in fiscal year 2005 constant dollars.

business plan was approved to implement the recommendation to establish fleet readiness centers on August 1, 2006. However, the Office of the Secretary of Defense has requested that the Navy resubmit its plan to accurately reflect the savings realized based on the Navy’s current implementation of this BRAC recommendation. The Navy’s plan was still in-process as of March 15, 2007.

In addition, the Navy must comply with Title 10, Section 2466 of the United States Code (U.S.C.), which provides that not more than 50 percent of the funds made available in a fiscal year to the Navy for depot maintenance and repair workload may be used to pay for work performed by private contractors. The statute also requires the Secretary of Defense to submit a report to Congress (known as the “50/50” report) by April 1 annually, on public-private depot maintenance funding distributions. The 50/50 report notes the percentage of depot maintenance funding between the public and private sectors during the preceding fiscal year, the projected distribution for the current fiscal year, and the ensuing fiscal year.

Estimated Savings Likely Overstated

In comparing the Navy’s business plan with the BRAC Commission estimates of costs and savings, the Navy’s business plans shows an increase in one-time costs, a decrease in one-time savings, and an increase in annual recurring savings as seen in table 1 below.

Table 1: Comparison of Projected Costs and Savings Estimates

Dollars in millions					
Category	BRAC Commission approved ^a	Navy business plan ^b	Difference		
			Amount	Percent	
Onetime costs	\$34	\$65	\$31	96	
Onetime savings	648	54	(594)	(92)	
Annual recurring savings	250	311	61	25	

Source: DOD data.

Notes: DOD did not accept the final BRAC Commission estimate because it was based on actual versus authorized positions.

^aIn constant fiscal year 2005 dollars.

^bIn then year or current dollars.

While the Navy has started to implement the recommendation and achieve savings, we believe the latest savings estimates are still overstated and uncertain. The majority of the savings consist of onetime savings from

projected decreases in the inventory of aircraft components and replacement parts, and annual recurring savings from reduced depot labor and overhead charges and reductions in military personnel. While savings from lower inventory levels may be possible, our analysis of a judgmental sample of items targeted for inventory reduction concluded that the majority of these savings would not occur during the 6-year implementation period of this BRAC recommendation.¹⁰ Further, we believe the Navy's estimated annual recurring savings remain overstated because they included savings from eliminating military personnel that are not expected to result in a reduction to its overall service force structure and included onetime savings erroneously reported as recurring savings.

Onetime Costs Increased

The Navy's business plan shows onetime costs increased by 96 percent (from \$34 million to \$65 million) as compared to the BRAC Commission's estimates, which was primarily due to increased costs associated with relocating depot employees to the intermediate level, other miscellaneous program management actions, and inflation.¹¹ For example, Navy officials stated that they need to add more equipment or specialized workbenches to support depot artisans relocated to the intermediate departments. The program management costs are primarily for information technology upgrades. For example, Navy officials stated the need for an interim logistics tracking and accounting mechanism, using its current Naval Aviation Logistics Command/Management Information System to track depot maintenance repairs at the intermediate departments. While onetime costs have nearly doubled, they have limited effect on the long-term recurring savings expected from establishing fleet readiness centers once those savings offset implementation costs.

Onetime Savings Have Been Reduced, but Uncertainty Exists about When They Will be Achieved

While the Navy has reduced the projected onetime savings from lower levels of inventory, our analysis of a sample of aviation inventory items targeted for reduction concludes that the majority of these savings would not occur during the 6-year implementation period, and the amount of such savings over time is uncertain. In preparing the business plan, the Navy reduced its onetime savings by 92 percent (from \$648 million to \$54 million) mostly by lowering the estimated savings from reducing

¹⁰The Department of Defense has 6 years (2006–2011) to implement the BRAC 2005 recommendations.

¹¹Of the approximate \$31 million difference, about \$4 million is inflation.

inventory of aircraft components and replacement parts. According to Navy officials, the initial inventory savings estimate was overly optimistic. In addition, the lower estimate was based on the BRAC Commission's determination that the Navy's projected savings were overstated because the commission found errors in the Navy's savings estimates. Additionally, our July 2005 report stated that the magnitude of the expected savings for the fleet readiness centers is in part dependent upon transformation of the Navy's supply system, such as eliminating unneeded management structures and duplicate layers of inventory in the supply system.¹²

DOD's original submission to the BRAC Commission assumed that the dollar value of the inventory of aircraft components and replacement parts could be reduced by 15 percent. According to Navy officials, the 15 percent savings factor was based on the professional judgment of the Industrial Joint Cross Service Group members. They expected savings because fewer items would need to be kept in the shore-based aviation consolidated inventory because items would be getting repaired more quickly and returned to the inventory faster.¹³ However, the Navy officials stated that they did not have time during the BRAC process to discuss the estimated inventory and supply savings with officials from the Navy Supply Command to validate the estimate. Navy officials stated that they estimated the onetime savings from inventory reductions (\$648 million) by multiplying the 15 percent factor times the total dollar value of the inventory and supply of aircraft components and replacement parts in fiscal year 2003.¹⁴

In developing the business plan, the Navy reduced the inventory and supply savings factor from 15 percent to less than 4 percent based on discussions with Naval Supply Command officials and a better understanding of how other BRAC recommendations affected DOD's and Navy's supply system. Specifically, two other recommendations involved significant savings projections from reengineering DOD's inventory and supply system and the reconfiguration of supply, storage, and distribution

¹²[GAO-05-785](#).

¹³The shore-based aviation consolidated allowance list inventory is a consolidated list of components, repair parts, and consumable items and depot- and field-level repairable items required to support planned operational and maintenance missions at designated naval and Marine Corps air stations.

¹⁴In fiscal year 2003, the inventory and supply of aircraft components and replacement parts had a value of about \$4.3 billion.

management. After considering how these other BRAC recommendations could affect the Navy’s projected inventory and supply savings estimates, Navy officials concluded there would be a greater potential overlap of savings with the fleet readiness center BRAC recommendation. However, the Navy could not provide us documentation to support the lower inventory savings estimate.

While savings from lower inventory may be possible, our analysis of a judgmental sample of 99 items targeted for inventory reduction concludes that the majority of these savings will not occur during the 6-year implementation period of this BRAC recommendation as the Navy originally projected. Our analysis shows that for 83 percent of the items sampled, the Navy will take more than the implementation period to achieve lower inventory levels because the majority of replacement items on-hand is sufficient to provide many years worth of supply, and the rate of replacement for that inventory will not be a factor contributing to savings, as seen in table 2.

Table 2: Time Frames for Reducing Aviation Component Inventory Requirements to Yield Savings

Fiscal year	Number of items	Percent
2006–2011	17	17
2012–2020	22	27
Beyond 2021	60	56
Total	99	100

Source: GAO analysis.

Since the Navy has not yet identified all of the inventory items that could be affected by the fleet readiness centers recommendation, we could not estimate the effect of delayed inventory savings reductions on the Navy’s estimated onetime savings or the total amount of savings likely to be realized.

Annual Recurring Savings Likely Remain Overstated

The Navy increased the annual recurring savings estimate by 25 percent (from about \$250 million to \$311 million) primarily by increasing projected savings from military personnel eliminations and inflation. These increases were offset to some degree by decreases in projected savings from maintaining facilities. However, we believe the Navy’s revised annual recurring savings estimates are still overstated by approximately \$53 million because they include \$28 million in savings from eliminating

military personnel, which may be assigned elsewhere rather than taken out of the force structure, and \$25 million that should have been reported as onetime, and not recurring, savings. In addition, we estimate that projected annual recurring savings increased by approximately \$42 million due to inflation.¹⁵

The BRAC Commission projected annual recurring savings of about \$10 million from eliminating about 120 military positions, while the Navy business plan includes about \$28 million in annual recurring savings from eliminating about 290 military positions as originally planned. Regardless of the number of military personnel affected by the recommendations, as we reported in July 2005, the projected net annual recurring savings associated with eliminating jobs currently held by military personnel could create a false sense of savings available for other purposes because they do not represent dollar savings that can be readily reallocated outside the military personnel accounts. Rather than reduce end strength, these positions are expected to be reassigned to other areas, which may enhance capabilities but also limit dollar savings available for other uses.¹⁶

The Navy incorrectly reported onetime savings as annual recurring savings in its business plan. Navy officials stated that \$25 million onetime savings were incorrectly categorized as annual recurring savings in its business plan. These onetime savings included reductions in aviation depot level repair charges, decreased spare parts inventory, and reduced materials to repair aviation components. As a result of the fleet readiness center implementation to date, Navy has begun to reduce its current spare parts inventory, which translates into less physical space needed to store the inventory and fewer sailors needed to manage it. However, GAO believes that the Navy's business plan should correctly report the \$25 million as onetime savings and not annual recurring savings.

Increases in the Navy's annual recurring savings estimates were offset to some degree by decreases in projected savings expected from reduced facility costs. According to the Navy officials, the projected reductions in personnel should result in reducing floor space for numerous work shops, but they will not free up enough space to allow the Navy to vacate any buildings at this time. Since no buildings will be vacated, the Navy reduced

¹⁵DOD assumed the cumulative inflation over the 2006- 2011 time period was 15.37 percent. It ranged from 2.1 percent to 2.6 percent per year.

¹⁶[GAO-05-785](#).

the annual recurring savings expected from facilities maintenance by about \$3 million. Navy officials indicated that as fleet readiness center implementation progresses, there may be opportunities to combine similar work shops at some sites, which may result in entire buildings being vacated, and produce savings in the funding for facilities maintenance. If this occurs, a Navy official noted the business plan would be updated to reflect these savings.

In addition, Navy's implementation efforts are beginning to show savings. The Navy reported savings of \$19 million from October 2006 to April 2007 at the 6 fleet readiness centers. These savings are from repairing selected aviation items at the fleet readiness centers instead of sending them to the depots for repair.

Challenges to Realizing Savings from Establishing Fleet Readiness Centers

The Navy faces challenges in ensuring that projected savings are realized from implementing the fleet readiness center recommendation in addition to some workforce challenges in implementing the recommendation. Since the Navy has already included projected BRAC savings in its budget for fiscal years 2007 through 2011, the Navy will need to monitor the extent to which these savings are achieved. If savings are not realized, the Navy may need to get funds from another Navy program or request additional funds to offset unrealized savings or be unable to repair aviation components in a timely manner, which could impact readiness. Accordingly, the Navy has developed an interim method for tracking aviation maintenance repair costs and calculating the BRAC savings from establishing fleet readiness centers, which addresses our prior recommendation to DOD to update and track savings. In addition, the Navy acknowledges that other challenges remain, such as identifying and moving necessary depot artisans with the right skills to various intermediate maintenance departments and integrating a primarily civilian depot workforce with the military intermediate department workforce. Navy officials recognize that this mixing of workforces could create some cultural tension in the workforce, but this blending may facilitate the development of a better-trained and more-productive workforce. The Navy has recognized many of these challenges and outlined steps to be taken to address them. Our prior work has shown that strong and sustained executive leadership is needed if reform efforts are to succeed.¹⁷ Furthermore, our prior work has raised

¹⁷GAO, *DOD's High-Risk Areas: Successful Business Transformation Requires Sound Strategic Planning and Sustained Leadership*, [GAO-05-520T](#) (Washington, D.C.: Apr. 13, 2005).

questions about the reasonableness and consistency of depot maintenance workload data submitted to the Congress.¹⁸ Therefore, the Navy will need to ensure that depot maintenance work performed at intermediate departments is accurately reported to satisfy congressional reporting requirements.

Planned Short-Term Monitoring Will Need to Be Extended

The Navy has developed an interim method for tracking aviation maintenance repair costs and calculating the BRAC savings from establishing fleet readiness centers, but it will be important to ensure this effort continues over time to validate savings. Navy officials noted that if the expected savings are not realized, this decrease in savings could adversely affect the Navy's ability to perform its mission within budgeted funds. Furthermore, inadequate implementation could affect readiness, and the Navy may need to request additional funds to offset unrealized savings. Our previous work has raised concerns with prior DOD efforts to reduce related operating budgets in advance of actual savings being realized.¹⁹

The Navy reduced its aviation maintenance budget for fiscal years 2007 through 2011 by the estimated BRAC savings it projects will result from establishing fleet readiness centers. Navy officials recognized its challenges in achieving these estimated savings as well as the importance of monitoring and tracking the actual and realized BRAC savings. The Navy has developed an interim method for calculating the BRAC savings realized at the newly established fleet readiness centers during the implementation time frame. This interim method utilizes information from two separate logistic systems, one at the depots and the other at the intermediate departments, to allow Navy officials to evaluate each fleet readiness center's performance in meeting its BRAC savings targets. However, this short-term solution for tracking BRAC savings is not designed to go beyond 2011 or address long-standing business and financial system challenges.

¹⁸GAO, *Depot Maintenance: Management Attention Required to Further Improve Workload Allocation Data*, [GAO-02-95](#) (Washington, D.C.: Nov. 9, 2001) and GAO, *Depot Maintenance: DOD's 50-50 Reporting Should Be Streamlined*, [GAO-03-1023](#) (Washington, D.C.: Sept. 15, 2003).

¹⁹[GAO-05-785](#).

Workforce Challenges

Identifying Maintenance Items and Critical Skills

To achieve desired savings, the Navy has begun identifying which items currently repaired at the depots could be repaired at the former intermediate departments (now fleet readiness centers/sites). The Navy originally calculated about 38,000 items that were beyond the capability of maintenance of the intermediate departments, which could be repaired by potentially moving about 150 depot artisans to the intermediate departments. As of November 2006, the Navy has identified about 1,800 items that can be repaired at intermediate departments. Twenty-five depot artisans have already begun to repair 127 of these items at the intermediate departments. The number of items ultimately selected will dictate the number of personnel needed and savings to be realized. Our prior work on strategic workforce planning highlighted the need for organizations to identify the right number of staff with the right skills and competencies in the right locations to fulfill their missions and goals.²⁰ Based on the items identified for repair, the Navy will determine the skill sets required for depot artisans to perform repairs at the intermediate departments. Consequently, the Navy will request depot artisan volunteers to relocate to the intermediate departments. If artisans do not volunteer to relocate to the intermediate departments or if artisans with the necessary skill sets have retired or stopped working through normal attrition, the Navy plans to hire or contract for the necessary skill sets. Navy officials stated that intermediate departments are located in heavily industrialized areas that may enable them to hire people with the necessary skill sets.

Introducing Civilian Depot Artisans at Intermediate Departments

As the Navy establishes the fleet readiness centers, the Navy will relocate some civilian depot artisans to work alongside military personnel at the intermediate maintenance departments, which has the potential to create cultural challenges within the workforce. Navy officials recognized that this mixing of civilian and military workforces with their differences in working environments could create some cultural tension, but this blending may facilitate the development of a better-trained and more-productive workforce. The Navy's civilian depot artisans work under a collective bargaining agreement which specifies employee work hours, maximum allowable excess work hours, and the number and duration of an artisan's guaranteed breaks. At the intermediate maintenance departments, the military personnel are required to work according to

²⁰GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

mission needs, which may exceed normal work hours and disallow breaks, if necessary. Navy officials stated that they do not foresee any labor problems when the Navy establishes fleet readiness centers. Our prior work recognizes that certain organizational and environmental differences cause stresses that may affect an agency's ability to attain its strategic goals. Certain key human capital practices can be employed to overcome such differences, such as developing policies and procedures to allow for the flexible use of the workforce to ensure consistency, equity, transparency, and address employee concerns.²¹

While this mixing of diverse cultures could pose some challenges in implementation, it could also help in developing a better-trained and more-productive workforce if properly managed. As implementation of this BRAC recommendation begins, the Navy will temporarily assign civilian artisans to predominately military intermediate maintenance departments to perform repairs. As fleet readiness centers are established, the temporary assignments will become permanent. As the artisans and military personnel become accustomed to working side-by-side, the Navy may combine similar shops that have existed separately at depots and intermediate maintenance departments to assure efficient use of personnel, equipment, and facilities. This effort to determine if shops can be combined will begin over the next several years. According to Navy officials, when depot artisans begin to work with military personnel, the artisans will provide on-the-job training as a means to increase the military personnel ability to perform aviation repairs and improve aviation maintenance efficiency. However, Navy officials stated that some workforce members are concerned about the long-term effect of these changes. For example, it is unclear whether shops that are comprised of military and civilian workforce members will be managed by military or civilian leadership. In addition, these combined shops may have an effect on the career paths of aviation maintenance officers and civilian managers.

Navy's Communication
Strategy to Promote Goals of
Fleet Readiness Centers

Communicating the mission and goals of the fleet readiness centers is critical to implementing this BRAC recommendation. To address this challenge, the Navy has focused on developing a communication plan to mitigate the risk of inaccurate or inconsistent information and address workforce fears. The communication plan goal is to maximize stakeholder ownership and involvement with the implementation of the fleet readiness

²¹[GAO-04-39](#).

centers to minimize uncertainty and anxiety inherent with organizational change. In our prior report,²² we stated that strategic workforce planning is most effective when an agency's goals, approach, and results are communicated early, clearly, and often. Navy officials said that early communication is critical to mitigate rumors and speculation about potential workforce changes at the intermediate departments and depot maintenance facilities. Accordingly, the Navy has developed a detailed communication plan to describe the challenges associated with implementing this BRAC recommendation. This plan details the approach that will be used to establish fleet readiness centers, the goals they are expected to achieve, and the results that are desired from introducing depot artisans into the intermediate workforce. The Navy expects to evaluate the success of the communication plan using several methods including monthly key stakeholder feedback reports; postbriefing and post-town hall audience surveys; circulation or number of memos and number of people who actually saw the message; and other surveys to determine changes in awareness (knowledge), attitudes (opinions) or respondent's reports of past or anticipated/intended actions (behaviors).

As part of the Navy's communications strategy, the Commander, Aviation Depots, Naval Air Systems Command has traveled in excess of 200 days during the past year in order to communicate the fleet readiness center concept to the entire aviation maintenance workforce. He stated he will meet or exceed that travel schedule during the implementation phase to ensure that all workforce members have heard his message. During a portion of his travel time, he plans to conduct "town hall" meetings with the aviation maintenance workforce members at fleet readiness center locations and affiliated sites. Following these meetings, the commander will send teams to each newly established fleet readiness center to introduce the concepts and the expected changes in establishing the centers to the workforce. These teams will also provide information with regard to procedural changes that will be necessary to assure that costs and savings are properly tracked at each fleet readiness center and affiliated site. According to Navy officials, as the implementation proceeds, efforts will be undertaken to apply lessons learned as fleet readiness centers are established.

²²GAO-04-39.

Providing Sustained Leadership

Generally, commanding officers in the Navy change commands every 2 years, which can make sustained leadership in a reorganization effort challenging, and there is no guarantee that leadership will remain in place throughout the implementation of this BRAC recommendation. Our prior work on strategic workforce planning states that sustained leadership and succession planning is necessary to achieve workforce reorganizations and agency goals.²³ Navy officials stated that they expect to achieve the largest change in naval aviation maintenance since 1959 in only 3 to 5 years and the Commander, Aviation Depots, Naval Air Systems Command, expects his assignment to continue until fleet readiness center implementation is complete. The Navy has 26 Naval Aviation Maintenance duty captains, which comprise a cadre of officers available for selecting successive commanding officers to oversee the implementation of the recommendation to establish and manage fleet readiness centers. In addition to top-level leadership, the Navy plans to utilize the Navy's chief petty officers, the Marine Corps' senior noncommissioned officers, and seasoned civilian maintainers as key enablers of the implementation process. Navy officials feel that these individuals can reinforce the communications of senior Navy leadership and clarify the intent of establishing fleet readiness centers to sailors, marines, and the civilian workforce.

Reporting Depot Maintenance Funding between the Public and Private Sectors

Navy officials noted another challenge may exist after fleet readiness centers are established that involves accurately recording and reporting depot maintenance performed at intermediate departments. Under 10 U.S.C. § 2466, the military departments and defense agencies can use no more than 50 percent of annual depot maintenance funding for work performed by private-sector contractors. In fiscal year 2006, the Navy reported that 52 percent of naval aviation depot work was performed by civilian depot artisans and 48 percent was performed by private contractors. As depot artisans begin to work in intermediate maintenance departments, adequate systems and management commitment for verifying the amount of public-sector depot maintenance is necessary to comply with 50/50 requirements. We previously reported that the Navy did not maintain documentation to support the amounts in its 50/50 report and no formal training on procedural requirements or Navy guidance to develop and report the 50/50 data was provided to the personnel responsible for compiling the data. Our report noted that persistent deficiencies limit the accuracy and usefulness of DOD's funding allocation

²³ [GAO-04-39](#).

data reported to the Congress, and further, that it is difficult to project out-year data due to factors such as changing depot maintenance requirements and the ongoing consolidation of maintenance facilities. When the fleet readiness centers are implemented, depot artisans will be stationed at the intermediate departments and must document the depot maintenance performed, which is used for entry into the depot accounting system and the Naval Aviation Logistics Command/Management Information System. The Navy has drafted a handbook that provides procedures and quality assurance for the required details of documentation by the artisans. For example, all maintenance documentation goes through layers of quality assurance such as validation specifications within the Naval Aviation Logistics Command/Management Information System, production controls that approve each component before moving it back into the supply system, database administrator screening, and a final reality check by the fleet readiness center command subject matter experts.

Conclusions

Although projected savings from establishing fleet readiness center remain significant, it appears likely that the majority of onetime savings from reduced inventory levels may not occur as expected during the BRAC implementation period, and projected long-term savings are likely overstated. To accurately account for and report BRAC savings, the Navy business plan to establish fleet readiness centers should include onetime savings that will be achieved during the implementation period and long-term savings that are directly attributed to implementing the recommendation. While the Navy has recognized the need to assess progress against goals and track savings, our prior work has shown that sustained leadership and follow-through will be important to ensure the recommendation is successfully implemented.

Recommendations for Executive Action

To improve the reporting of savings projected from BRAC 2005 recommendations, we recommend that the Secretary of Defense direct the Secretary of the Navy to

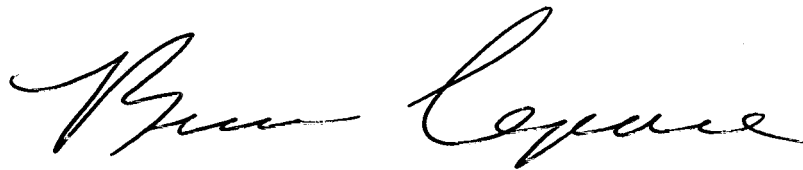
- update the business plan for the fleet readiness centers (1) to reflect only savings that are directly related to implementing the recommendation, and (2) update projected onetime savings when data are available; and
- monitor implementation of the recommendation to determine the extent that savings already taken from the Navy budget are actually achieved.

We are sending copies of this report to interested congressional committees; the Secretaries of Defense and the Navy; and the Director, Office of Management and Budget. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD concurred with our recommendations. DOD noted that it considers military personnel reductions attributable to a BRAC recommendation as real savings. It noted that while the department may not reduce end strength, these reductions allow the department to reapply these military personnel to support new capabilities. We believe the department counting of savings from eliminating military personnel positions, without corresponding reductions in end strength, creates a false sense of savings available for other purposes because they do not represent dollar savings that can be readily reallocated outside the military personnel accounts. We do agree that assigning these positions to other areas may enhance capabilities. DOD's written comments are reprinted in appendix III. DOD also provided technical comments, which we have incorporated into this report as appropriate.

If you or your staff have any questions about this report, please contact me on (202) 512-4523 or leporeb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Additional contacts and staff acknowledgments are provided in appendix IV.



Brian J. Lepore, Director
Defense Capabilities and Management

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The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel K. Inouye
Chairman
The Honorable Ted Stevens
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Tim Johnson
Chairman
The Honorable Kay Bailey Hutchison
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Veterans' Affairs, and Related Agencies
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Appendix I: Scope and Methodology

We performed our work at the Office of the Secretary of Defense, the office the Commander, Naval Air Forces, Naval Air Systems Command, Patuxent River, Maryland; the Naval Aviation Depots in Coronado, California, and Jacksonville, Florida, as well as the Aviation Intermediate Maintenance Departments located at Oak Harbor, Washington; Coronado, California; and Mayport, Florida.

To determine the extent to which estimated costs and savings have changed, we compared the Navy's business plan approved in August 2006 to the recommendation approved by the Base Realignment and Closure (BRAC) Commission. We focused on the major factors that affected projected onetime costs, onetime savings, and annual recurring savings. We determined the reasonableness of these estimates by reviewing and analyzing source data and the methodology used to generate savings estimates and interviewing Navy officials who prepared these estimates. We discussed the reasons for variances in costs and savings estimates between the BRAC Commission and the approved business plan with Navy officials. To analyze projected onetime savings from reduced levels of aircraft component inventory, we took a judgmental sample of 99 items targeted for inventory reduction. We calculated the years of supply for each item using its required inventory level, inventory on-hand, excess on-hand inventory, condition, and recurring and nonrecurring demands. Our analysis was reviewed by Navy Supply System officials. We analyzed the business plan to identify the major elements that contributed to projected annual recurring savings. Our analysis indicated that the business plan included savings from an initiative to reduce aviation maintenance costs referred to as AirSpeed. We interviewed Navy officials to determine the relationship of AirSpeed to the BRAC recommendation. To assess the reliability of the data used to generate estimates of costs and savings and the validity of underlying assumptions used to generate cost and savings estimates, we reviewed Navy regulations and instructions for reporting aviation maintenance data and interviewed officials at Navy Air Systems Command, Navy Aviation depots, Navy Aviation Intermediate Maintenance Departments, and Naval Supply Systems Command knowledgeable about the data and the assumptions underlying estimated costs and savings. Based on this, we believe that the assumptions underlying estimated costs and savings are generally valid, and that the data used were sufficiently reliable for the purposes of this report.

To determine the challenges to successfully implement the fleet readiness centers, we analyzed pertinent documents and reports and interviewed officials responsible for developing the original proposal and the business plan. We also interviewed Navy officials at the Aircraft Intermediate

Maintenance Departments at Whidbey Island, Washington; North Island, California; and Mayport, Florida; and at Naval Aviation Depots at North Island, California, and Jacksonville, Florida. In addition, we also reviewed statutes related to continuing congressional oversight of annual depot maintenance funding, related reports, and court cases involving depot personnel.

We conducted our work from February 2006 to March 2007 in accordance with generally accepted government auditing standards.

Appendix II: Fleet Readiness Centers Recommendation

165. FLEET READINESS CENTERS (IND 19)

- a. Realign Naval Air Station Oceana, VA, by disestablishing the Aircraft Intermediate Maintenance Department Oceana, the Naval Air Depot Cherry Point Detachment, and the Naval Air Depot Jacksonville Detachment; establishing Fleet Readiness Center Mid Atlantic, Naval Air Station Oceana, VA; and transferring all intermediate maintenance workload and capacity to Fleet Readiness Center Mid Atlantic, Naval Air Station Oceana, VA.
- b. Realign Naval Air Station Patuxent River, MD, by disestablishing the Aircraft Intermediate Maintenance Department at Naval Air Warfare Center Aircraft Division; establishing Fleet Readiness Center Mid Atlantic Site Patuxent River, Naval Air Station Patuxent River, MD; and transferring all intermediate maintenance workload and capacity to Fleet Readiness Center Mid Atlantic Site Patuxent River, Naval Air Station Patuxent River, MD.
- c. Realign Naval Air Station Norfolk, VA, by disestablishing the Aircraft Intermediate Maintenance Department Norfolk VA, the Naval Air Depot Jacksonville Detachment, and Naval Air Warfare Center Aircraft Division Lakehurst Detachment; establishing Fleet Readiness Center Mid Atlantic Site Norfolk, Naval Air Station Norfolk, VA; and transferring all intermediate and depot maintenance workload and capacity to Fleet Readiness Center Mid Atlantic Site Norfolk, Naval Air Station Norfolk, VA.
- d. Realign Naval Air Station Joint Reserve Base New Orleans, LA, by disestablishing the Aircraft Intermediate Maintenance Department, establishing Fleet Readiness Center Mid Atlantic Site New Orleans, Naval Air Station Joint Reserve Base New Orleans, LA; and transfer all intermediate maintenance workload and capacity to Fleet Readiness Center Mid Atlantic Site New Orleans, Naval Air Station Joint Reserve Base New Orleans, LA.
- e. Realign Marine Corps Air Station Cherry Point, NC, as follows: disestablish Naval Air Depot Cherry Point; establish Fleet Readiness Center East, Marine Corps Air Station Cherry Point, NC; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 39 K DLHs) [direct labor hours], Aircraft Hydraulic Components (approximately 69 K DLHs), Aircraft Landing Gear Components (approximately 8 K DLHs), Aircraft Other Components (approximately 23 K DLHs), and Aircraft Structural Components (approximately 126 K DLHs) to Fleet Readiness Center Mid Atlantic, Naval

Air Station Oceana, VA; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 11 K DLHs), Aircraft Hydraulic Components (approximately 19 K DLHs), Aircraft Landing Gear Components (approximately 2 K DLHs), Aircraft Structural Components (approximately 35 K DLHs), and Aircraft Other Components (approximately 6 K DLHs) to Fleet Readiness Center Mid Atlantic Site Norfolk, Naval Air Station Norfolk, VA; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 6 K DLHs), Aircraft Hydraulic Components (approximately 10 K DLHs), Aircraft Landing Gear Components (approximately 1 K DLHs), Aircraft Other Components (approximately 3 K DLHs), and Aircraft Structural Components (approximately 18 K DLHs) to Fleet Readiness Center Mid Atlantic Site Patuxent River, Naval Air Station Patuxent River, MD; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 2 K DLHs), Aircraft Hydraulic Components (approximately 3 K DLHs), Aircraft Landing Gear Components (approximately 0.4K DLHs), Aircraft Other Components (approximately 1 K DLHs), and Aircraft Structural Components (approximately 6 K DLHs) to FRC Mid Atlantic Site New Orleans, Naval Air Station JRB New Orleans, LA.; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 9 K DLHs), Aircraft Hydraulic Components (approximately 16 K DLHs), Aircraft Landing Gear Components (approximately 2 K DLHs), Aircraft Other Components (approximately 6 K DLHs) and Aircraft Structural Components (approximately 30 K DLHs) to the Fleet Readiness Center East Site Beaufort, hereby established at Marine Corps Air Station Beaufort, SC; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 11 K DLHs), Aircraft Hydraulic Components (approximately 20 K DLHs), Aircraft Landing Gear Components (approximately 2 K DLHs), Aircraft Other Components (approximately 6 K DLHs), Aircraft Structural Components (approximately 36 K DLHs), Aircraft Rotary (approximately 1 K DLHs), Aircraft VSTOL (approximately 2 K DLHs), Aircraft Cargo/Tanker (approximately 0.02K DLHs), Aircraft Other (approximately 18 K DLHs), Aircraft Structural Components (approximately 0.001K DLHs), Calibration (approximately 0.15 K DLHs) and "Other" Commodity (approximately 0.3 K DLHs) to Fleet Readiness Center East Site New River, hereby established at Marine Corps Air Station New River, Camp Lejeune, NC; and transfer all remaining depot maintenance workload and capacity to Fleet Readiness Center East, Marine Corps Air Station Cherry Point, NC.

- f. Realign Marine Corps Air Station Beaufort, SC, by disestablishing Naval Air Depot Jacksonville Detachment Beaufort and transferring all depot maintenance workload and capacity to Fleet Readiness Center East Site Beaufort, Marine Corps Air Station Beaufort, SC.
- g. Realign Naval Air Station Jacksonville, FL, as follows: disestablish Naval Air Depot Jacksonville, Naval Air Depot Jacksonville Detachment Jacksonville, and Aircraft Intermediate Maintenance Department Jacksonville; establish Fleet Readiness Center Southeast, Naval Air Station, Jacksonville, FL; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 8 K DLHs), Aircraft Hydraulic Components (approximately 6 K DLHs), Aircraft Landing Gear Components (approximately 3 K DLHs), Aircraft Other Components (approximately 27 K DLHs), and Aircraft Structural Components (approximately 9 K DLHs) to Fleet Readiness Center Southeast Site Mayport, hereby established at Naval Air Station, Mayport, FL; transfer all remaining intermediate and depot maintenance workload and capacity to Fleet Readiness Center Southeast, Naval Air Station Jacksonville, FL.
- h. Realign Naval Air Station Mayport, FL, by disestablishing Aircraft Intermediate Maintenance Department, Naval Air Depot Jacksonville Detachment Mayport, and Naval Air Warfare Center Aircraft Division Lakehurst Voyage Repair Team Detachment Mayport and transferring all intermediate maintenance workload and capacity to Fleet Readiness Center Southeast Site Mayport, Naval Air Station Mayport, FL.
- i. Realign Naval Air Station Lemoore, CA, by disestablishing Aircraft Intermediate Maintenance Department Lemoore and Naval Air Depot North Island Detachment; establishing Fleet Readiness Center West, Naval Air Station Lemoore, CA; and transferring all intermediate and depot maintenance workload and capacity to Fleet Readiness Center West, Naval Air Station Lemoore, CA.
- j. Realign Naval Air Station Fallon, NV, by disestablishing the Aircraft Intermediate Maintenance Department Fallon and the Naval Air Depot North Island Detachment Fallon; establishing Fleet Readiness Center West Site Fallon, Naval Air Station Fallon, NV; and transferring all intermediate and depot maintenance workload and capacity to Fleet Readiness Center West Site Fallon, Naval Air Station Fallon, NV.
- k. Realign Naval Air Warfare Center Weapons Division China Lake, CA, by disestablishing the Aircraft Intermediate Maintenance Department and

relocating its maintenance workload and capacity for Aircraft (approximately 3 K DLHs), Aircraft Components (approximately 45 K DLHs), Fabrication & Manufacturing (approximately 6 K DLHs) and Support Equipment (approximately 16 K DLHs) to Fleet Readiness Center West, Naval Air Station Lemoore, CA.

l. Realign Naval Air Station Joint Reserve Base Fort Worth, TX, by disestablishing the Aircraft Intermediate Maintenance Department, establishing Fleet Readiness Center West Site Fort Worth, Naval Air Station Fort Worth, TX, and transferring all intermediate maintenance workload and capacity to Fleet Readiness Center West Site Fort Worth, Naval Air Station Joint Reserve Base Fort Worth, TX.

m. Realign Naval Air Station Whidbey Island, WA, by disestablishing the Aircraft Intermediate Maintenance Department, establishing Fleet Readiness Center Northwest, Naval Air Station Whidbey Island, WA, and transferring all intermediate maintenance workload and capacity to Fleet Readiness Center Northwest, Naval Air Station Whidbey Island, WA.

n.¹ (Deleted)

o. Realign Naval Air Station North Island, Naval Base Coronado, CA, as follows: disestablish Naval Air Depot North Island, COMSEACONWINGPAC (AIMD), and NADEP North Island Detachment North Island; establish Fleet Readiness Center Southwest, Naval Air Station North Island, Naval Base Coronado, CA; relocate depot maintenance workload and capacity for aircraft Avionics/Electronics Components (approximately 6 K DLHs), Aircraft Hydraulic Components (approximately 2 K DLHs), Aircraft Landing Gear Components (approximately 3 K DLHs), aircraft Other Components (approximately 13 K DLHs), and Aircraft Structural Components (approximately 4 K DLHs) from Naval Air Depot North Island to Fleet Readiness Center Southwest Site Point Mugu, hereby established at Naval Air Station Point Mugu, Naval Base Ventura, CA; relocate depot maintenance workload and capacity for Aircraft avionics/Electronics Components (approximately 26 K DLHs), Aircraft Hydraulic Component (approximately 8 K DLHs), Aircraft Landing Gear Components (approximately 13 K DLHs), Aircraft Other Components

¹By Motion 165-3A, the Commission struck paragraph “n”, which read “Realign Naval Support Activity Crane, IN, by relocating the depot maintenance workload and capacity for ALQ-99 Electronic Warfare to Fleet Readiness Center Northwest, Naval Air Station Whidbey Island, WA.”

(approximately 55 K DLHs), Aircraft Structural Components (approximately 16 K DLHs) from Naval Air Depot North Island to Fleet Readiness Center Southwest Site Miramar, hereby established at Marine Corps Air Station Miramar, CA; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 8 K DLHs), Aircraft Hydraulic Components (approximately 2 K DLHs), Aircraft Landing Gear Components (approximately 4 K DLHs), Aircraft Other Components (approximately 17 K DLHs), and Aircraft Structural Components (approximately 5 K DLHs) from Naval Air Depot North Island to Fleet Readiness Center Southwest Site Pendleton, hereby established at Marine Corps Air Station Camp Pendleton, CA; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 6 K DLHs), Aircraft Hydraulic Components (approximately 2 K DLHs), Aircraft Landing Gear Components (approximately 3 K DLHs), Aircraft Other Components (approximately 12 K DLHs), Aircraft Structural Components (approximately 3 K DLHs) from Naval Air Depot North Island to Fleet Readiness Southwest Site Yuma, hereby established at Marine Corps Air Station Yuma, AZ; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 6 K DLHs), Aircraft Hydraulic Components (approximately 2 K DLHs), Aircraft Landing Gear Components (approximately 3 K DLHs), Aircraft Other Components (approximately 12 K DLHs), and Aircraft Structural Components (approximately 3 K DLHs) from Naval Air Depot North Island to Fleet Readiness Center West Site Fort Worth, Fort Worth TX; relocate depot maintenance workload and capacity for Aircraft Avionics/Electronics Components (approximately 25 K DLHs), Aircraft Hydraulic Components (approximately 8 K DLHs), Aircraft Landing Gear Components (approximately 13 K DLHs), Aircraft Other Components (approximately 53 K DLHs), and Aircraft Structural Components (approximately 15 K DLHs), from Naval Air Depot North Island to Fleet Readiness Center Northwest, Naval Air Station Whidbey Island, WA; and transfer all remaining intermediate and depot maintenance workload and capacity to Fleet Readiness Center Southwest, Naval Air Station North Island, Naval Base Coronado, CA.

p. Realign Naval Air Station Point Mugu, Naval Base Ventura, CA, by disestablishing the Aircraft Intermediate Maintenance Department and transferring all intermediate maintenance workload and capacity to Fleet Readiness Center Southwest Site Point Mugu, Naval Base Ventura, CA.

q. Realign Marine Corps Air Station Miramar, CA, by transferring depot maintenance workload and capacity for Aircraft Other (approximately 28 K DLHs) and Aircraft Fighter/Attack (approximately 39 K DLHs) and

intermediate maintenance workload and capacity for Aircraft Components, Aircraft Engines, Fabrication & Manufacturing and Support Equipment from Marine Aviation Logistics Squadron (MALS)-11 and 16 to Fleet Readiness Center Southwest Site Miramar, Marine Corps Air Station Miramar, CA.

r. Realign Marine Corps Air Station Camp Pendleton, CA, by transferring depot maintenance workload and capacity for Aircraft Other (approximately 22 K DLHs) and Aircraft Rotary (approximately 102 K DLHs) and intermediate maintenance workload and capacity for Aircraft Components, Aircraft Engines, Fabrication & Manufacturing and Support Equipment from MALS-39 to Fleet Readiness Center Southwest Site Camp Pendleton, Marine Corps Air Station Camp Pendleton, CA.

s. Realign Marine Corps Air Station Yuma, AZ, by transferring depot maintenance workload and capacity for Aircraft Fighter/Attack, Aircraft Other and Aircraft Rotary and intermediate maintenance workload and capacity for Aircraft Components, Aircraft Engines, Communication/Electronics Equipment, Ordnance Weapons & Missiles, Software and Support Equipment from MALS-13 to Fleet Readiness Center Southwest Site Yuma, Marine Corps Air Station Yuma, AZ.

Appendix III: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JUN 20 2007

Mr. Brian J. Lepore
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

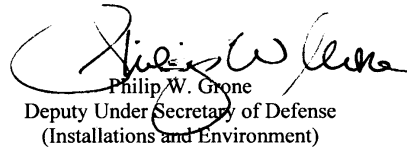
Dear Mr. Lepore,

This letter is the Department of Defense (DoD) response to the GAO draft report, GAO 07-304, "MILITARY BASE CLOSURES: Projected Savings from Fleet Readiness Centers Are Likely Overstated and Actions Needed to Track Actual Savings and Overcome Certain Challenges" dated May 16, 2007, (GAO Code 350804).

The Department concurs with both of the GAO's recommendations in the draft report and GAO's recognition that projected savings remain substantial, however, it is important to note that the issue regarding the treatment of military personnel savings represents a longstanding difference of opinion between DoD and GAO. The Department considers military personnel reductions attributable to a BRAC recommendation as savings that are just as real as savings generated through end-strength reductions. While the Department may not reduce overall end-strength, the reductions in military personnel for each recommendation at a specific location are real. As is the case of monetary savings, personnel reductions allow the Department to re-apply these military personnel to support new capabilities and to improve operational efficiencies.

The Department's comments regarding the draft report are outlined in the enclosure. The Department appreciates the work performed by the GAO and appreciates the opportunity to comment on the draft report.

Sincerely,


Philip W. Grone
Deputy Under Secretary of Defense
(Installations and Environment)

Enclosure: As stated



**GAO DRAFT REPORT - DATED MAY 16, 2007
GAO CODE 350804/GAO-07-304**

**"MILITARY BASE CLOSURES: Projected Savings from Fleet Readiness Centers Are
Likely Overstated and Actions Needed to Track Actual Savings and Overcome Certain
Challenges"**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Secretary of the Navy to update the business plan for the fleet readiness centers (1) to reflect only savings that are directly related to implementing the recommendation, and (2) to update projected one-time savings when data is available.

DOD RESPONSE: DoD concurs.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Secretary of the Navy to monitor implementation of the recommendation to determine the extent that savings already taken from the Navy budget are actually achieved.

DOD RESPONSE: DoD concurs.

Enclosure pg. 1

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contact

Brian J. Lepore, (202) 512-4523 or leporeb@gao.gov

Acknowledgments

In addition to the person named above, Michael Kennedy, Assistant Director; Avrum I. Ashery; Pat L Bohan; Grace A. Coleman; Julia C. Matta; Charles W. Perdue; Maria-Alaina I. Rambus; and John E. Trubey also made major contributions to this report.

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