



Highlights of [GAO-08-315](#), a report to congressional committees

## Why GAO Did This Study

The 2005 Base Closure and Realignment Commission estimated that two supply-related recommendations now being implemented by the Defense Logistics Agency (DLA) would save the Department of Defense (DOD) about \$4.8 billion over 20 years—about 13 percent of the 2005 base realignment and closure (BRAC) round's estimated long-term savings. These recommendations focus on business process reengineering by reconfiguring DLA's wholesale supply, storage, and distribution network and transferring procurement responsibility for depot-level repairables from the military services to DLA. This report is one in a series of reports on BRAC conducted under the Comptroller General's authority. It examines (1) the extent to which DLA's cost and savings estimates to implement these recommendations differ from those of the BRAC Commission and (2) DLA's progress and challenges in implementing the recommendations. GAO analyzed estimated cost and savings data and visited several of the military services' depots in its review.

## What GAO Recommends

GAO recommends that DOD take actions to improve accountability and accuracy of BRAC costs and savings and promote successful implementation of these BRAC recommendations. DOD concurred with two recommendations, but disagreed with a third to exclude from DLA's business plans all expected savings that are not the direct result of BRAC actions.

To view the full product, including the scope and methodology, click on [GAO-08-315](#). For more information, contact Brian J. Lepore at (202) 512-4523 or [leporeb@gao.gov](mailto:leporeb@gao.gov).

# MILITARY BASE REALIGNMENTS AND CLOSURES

## Higher Costs and Lower Savings Projected for Implementing Two Key Supply-Related BRAC Recommendations

### What GAO Found

Since the BRAC Commission issued its cost and savings estimates in 2005, DOD will spend more, save less, and take longer than expected to recoup up-front costs to implement two recommendations intended to improve DOD's logistics systems. Over the 2006–2011 BRAC time frame to implement these recommendations, GAO's analysis of DLA's data indicates that estimated net savings will be reduced by more than \$1.8 billion compared to the BRAC Commission's estimate, with a net cost of about \$222 million to DOD, because of increased estimated costs, decreased savings, and DLA's inclusion in the business plans of almost \$243 million in expected savings that GAO believes should not be counted as BRAC savings. The \$243 million in savings were to be achieved from inventory reduction initiatives that were not directly the result of BRAC actions and would have occurred regardless of BRAC. GAO's analysis further shows that the projected net annual recurring savings after 2011 have been reduced from nearly \$360 million to almost \$167 million, and that the savings over 20 years are expected to be \$1.4 billion rather than \$4.8 billion as estimated by the Commission. While some variances are to be expected, the magnitude of these variances is large and resulted from several factors, such as the use of inaccurate or outdated data, misinterpretation of terms, and changes in operational requirements that occurred during the decision-making process for formulating the recommendations. Because expected savings for the longer term are still large but subject to considerable variability, until net savings are tracked over time, decision makers will lack complete information to assess the financial performance of these recommendations. Although DLA has partially completed methodologies to accomplish this, they have yet to be implemented.

While DLA has focused primarily on planning to date, it has identified several challenges as implementation proceeds that, if not properly addressed, may adversely impact the services' depot-level operations and impair readiness. One challenge raised by the services involves DLA's ability to continue the timely provision of supplies to industrial customers as it assumes management of supply operations. If repair parts are not available when needed, the services are concerned that mission readiness would be degraded. Another challenge concerns the identification of differences among the services' information technology systems and development and funding of solutions to bridge DLA's system with the services' systems. Resolving human capital issues is an additional challenge. Further, maintaining continuity of funding to match planned implementation milestones is a challenge that, if not addressed, could further delay implementation of planned BRAC actions. DLA has taken several actions to address these challenges, such as working closely with the services to resolve issues, but it is too soon to determine how effective these actions will be. Because of potential disruptions to the services' industrial operations, collaboration and monitoring of the execution of BRAC actions as implementation proceeds are essential to mitigate potential adverse effects to the services and readiness.