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

LOGISTICS AND COMMUNICATIONS
DIVISION

B-168700



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NOVEMBER 29, 1979

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1- The Honorable John Glenn, United States Senate
The Honorable Ronald M. Mottl, House of Representatives
The Honorable Mary Rose Oakar, House of Representatives
The Honorable Louis Stokes, House of Representatives
The Honorable Charles A. Vanik, House of Representatives

Subject: [Realignment of the Cleveland Defense Contract
Administration Service Region] (LCD-80-24)

1 You requested that we review the Defense Logistics Agency's decision to merge the Defense Contract Administration Service's Cleveland regional office into the Chicago regional office. Recent events have eliminated Chicago as a potential location, and as Admiral E. M. Kocher, Assistant Director, Defense Logistics Agency, advised you in his October 16, 1979, letter, the Agency has now decided to locate the consolidated office in Cleveland. 398 1384

2 The merger of these two offices is part of an overall Department of Defense plan. By reducing the number of Defense Contract Administration Service's regions from nine to five, Defense will reduce overhead and administrative costs and attain a more efficient support structure. The Agency projected that this consolidation could save about \$40 million over 5 years, about \$18 million attributable to the Cleveland-Chicago consolidation. The Agency also projected that if the consolidated office was located in Chicago, about \$1 million more could be saved. 5

3 On October 11, 1979, our review team provided a briefing on the progress of our work. Our preliminary analysis showed that Chicago was economically more advantageous than Cleveland. However, the estimates and projections contained so many judgments and assumptions that a decision could not be based unequivocally on economic factors. We also pointed out at the briefing that the Air Force was studying the feasibility of relocating its O'Hare activities to provide land for the expansion of Chicago's O'Hare International Airport. We indicated that such a relocation could be pivotal to the

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Agency's final site selection, since the building currently housing the Chicago regional office is on land that would be turned over for airport expansion.

As you know, on October 15, 1979, President Carter announced that the Air Force land would be turned over to the city of Chicago. This announcement led the Agency to reverse its initial decision and locate the consolidated region in Cleveland. With this outcome, we have discontinued our review and plan no further reporting on this matter.

A handwritten signature in black ink, appearing to read "R. W. Gutmann". The signature is written in a cursive style with a horizontal line through the middle.

R. W. Gutmann
Director