



United States
General Accounting Office
Washington, D.C. 20548

**National Security and
International Affairs Division**

B-275005

November 22, 1996

The Honorable Bill McCollum
House of Representatives

Dear Mr. McCollum:

In response to your June 18, 1996, request, we compared the overall cost of moving the Navy's Nuclear Power Propulsion Training Center (NNPTC) to Charleston, South Carolina, with the cost of retaining the Center in Orlando, Florida. On September 25, 1996, we briefed you on the results of our work; this letter summarizes that briefing.

BACKGROUND

In 1993 the Department of Defense (DOD) recommended to the 1993 Base Closure and Realignment Commission that the Navy's Training Center in Orlando, Florida, which housed the NNPTC, be closed. Most of the Center's basic and advanced training activities would then be relocated to the Navy's Great Lakes Training Center in Illinois. DOD recommended that the NNPTC be relocated to the submarine base at New London, Connecticut, and that the submarines at New London be relocated to Kings Bay, Georgia. The Commission approved the recommendation on the Navy Training Center but did not approve the submarine relocation. As a result, costly new construction was required for the NNPTC at New London.

During development of its 1995 base closure recommendations, the Navy looked for a less costly location for the NNPTC and ultimately recommended the Naval Weapons Station in Charleston, South Carolina. The 1995 Base Closure and Realignment Commission approved the relocation. To date, the NNPTC has not been relocated. Retaining NNPTC at the Navy Training Center in Orlando was not considered because it had been approved for closure in the previous Base Closure and Realignment round.

RESULTS IN BRIEF

Our analysis of Navy cost data shows that moving the NNPTC to Charleston will require more in up-front investment costs than remaining in Orlando. This cost will take about 20 years to recover through reduced annual operating expenses. Keeping the

NNPTC in Orlando would not require such a large up-front cost, but operating the Center would cost more per year in Orlando than in Charleston.

ESTIMATED COSTS OF
RELOCATION AND OPERATION

Our analysis of Navy cost data shows that moving the NNPTC to Charleston would require \$115.4 million more in up-front costs than keeping the Center in Orlando. It also shows that the annual operating cost at Charleston would be about \$8.8 million less than at Orlando. Table 1 shows the estimated one-time and annual recurring costs of relocating the NNPTC to Charleston and the costs of keeping it in Orlando.

Table 1: Difference Between Estimated Costs of Relocating the NNPTC to Charleston and Leaving It in Orlando (Dollars in millions)

Cost category	Charleston	Orlando	Difference ^a
One-time			
Construction and/or renovation	\$125.6	\$25.7	\$99.9
Contract cancellation		10.0	(10.0)
Relocation ^b	25.5		25.5
Total	\$151.1	\$35.7	\$115.4
Annual recurring			
Support	\$15.7	\$20.3	(\$4.6)
Housing	4.0	6.3	(2.3)
PCS ^c to follow on training		1.9	(1.9)
Total	\$19.7	\$28.5	(\$8.8)

^a This column shows the difference between the costs in Charleston and Orlando (numbers in brackets are savings).

^b Costs of relocating personnel and equipment and separating civilian personnel.

^c Permanent change of station.

We based the cost estimates in table 1 on Navy data. These estimates came largely from current budget data or data developed during the 1995 base closure and realignment process. The budget data has not yet been finalized and is subject to change. The data developed during the 1995 base closure and realignment process was certified by the Navy as complete and accurate when it was submitted. We believe that this data is the best available for estimating the relative cost differences between the two locations. Following is a brief explanation of each of the cost categories in table 1.

One-Time Costs

The major one-time cost of relocating the NNPTC to Charleston is for the construction of classrooms, bachelor enlisted quarters (BEQ), a galley, and an addition to the existing medical/dental clinic. A contract for construction of all these facilities except for the clinic was signed on August 13, 1996. We took the one-time costs from contract data and the Chief, Naval Education and Training (CNET), fiscal year 1998 budget submission to Navy headquarters. Relocation costs are those generally associated with any base closure. We took the relocation cost estimate from the fiscal year 1998 CNET budget submission.

The one-time costs for Orlando reflect actions that may have to be taken if the NNPTC remains in Orlando, that is, construction and renovation of existing BEQs to meet current DOD enlisted housing standards and cancellation of the Charleston construction contract. The estimated cost to construct and renovate Orlando BEQs came from Navy data developed during the 1995 base closure and realignment process. However, when the Navy will actually budget the \$25.7 million to construct and renovate the Orlando BEQs is uncertain. We included the Charleston construction contract cancellation cost in one-time costs because the construction contract was awarded on August 13, 1996. Navy officials from the Southern Division, Naval Facilities Engineering Command, estimated that if the Navy cancelled the contract by December 31, 1996, the termination cost would be about \$10 million.

Annual Recurring Costs

The estimated \$15.7 million annual Charleston support cost is taken from the fiscal year 1998 CNET budget submission. The budget submission contains an estimate of the cost to support the training center once it relocates to Charleston. According to Navy officials, the budget review process is not complete, and the estimates are therefore subject to change. The estimate does not include housing costs for training center staff and married students. According to Charleston officials, on-base family housing will be available for all those that

need it. Charleston officials estimated the cost of operating this housing to be \$4 million annually.

We took the estimated Orlando annual support cost of \$20.3 million from data the Navy developed at the request of the 1995 Base Closure and Realignment Commission. This estimate also does not include housing costs for training center staff and married students. According to Navy officials, no on-base housing would be available at Orlando, so housing would have to be obtained on the local economy. Navy data developed during the 1995 base closure and realignment process showed that the annual basic allowance for quarters and variable housing allowance cost at Orlando would be \$6.3 million. Additionally, about half the students graduating from the Orlando training center would attend follow-on training at Charleston and incur permanent change of station costs. Again using Navy data, we estimated this cost to be \$1.9 million.

PAYBACK PERIOD

Payback is the time in years before money spent on an action is recovered. Given the \$115.4 million difference in the one-time cost of moving to Charleston versus the cost of remaining in Orlando, and the annual operating cost reduction of \$8.8 million, it would take about 20 years to payback the difference in one-time costs. The Navy maintained that it would have to upgrade the BEQ at Orlando if they were to remain at that location. Therefore, we included this cost in our payback period estimate. You expressed concern about whether these renovations would actually occur and requested that we provide a separate payback calculation that deletes the renovation cost. That payback period would be about 27 years. To determine the payback period, we assumed that all one-time costs would be incurred in the first year and savings would begin to accrue in the second year. We also discounted costs to take into account the future value of money. We used a discount rate of 3.8 percent.

SCOPE AND METHODOLOGY

We based our review on documents obtained during meetings with officials from the Department of the Navy; NNPTC, Orlando; and the Naval Weapon Station, Charleston. We also reviewed documents on Navy and Base Closure and Realignment Commission work regarding the decisions in both 1993 and 1995 to relocate the Naval Training Center and NNPTC. We did not verify the Navy's data. We also visited the Naval Training Center in Orlando, Florida; the Navy's Center for Education and Training in Pensacola, Florida; and the Navy Weapons Station in Charleston, South Carolina.

We conducted our review between July and September 1996 in accordance with generally accepted government auditing standards.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, DOD agreed that moving the Navy's Nuclear Power Propulsion School [NNPTC] to Charleston will require up front costs and result in lower annual operating costs. DOD noted that the cost analysis prepared by the Navy for the 1995 Base Closure and Realignment Commission identified the costs for redirecting a move from New London to Charleston whereas our analysis focused on a direct cost comparison between Orlando and Charleston. DOD stated that without a mechanism to change the Commission's recommendation, the Department must implement it as directed. DOD also noted that both of our analyses showed that it is more cost effective to operate the NNPTC in Charleston. Our analysis showed Charleston had a lower annual operating cost but that it would take 20 years for this lower cost to payback the one-time up-front cost of moving to Charleston. DOD's comments are in enclosure I.

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We are providing copies of this letter to the Chairmen and Ranking Minority Members of the Senate Committee on Armed Services and the House Committee on National Security; the Director, Office of Management and Budget; and the Secretaries of Defense and the Navy. We will also make copies available to others on request.

Please contact me at (202) 512-8412 if you or your staff have any questions about this letter. Major contributors to this letter were John Klotz, Assistant Director; Raymond C. Cooksey, Senior Evaluator; and Stephen DeSart, Senior Evaluator.

Sincerely yours,



David R. Warren
Director, Defense Management Issues

Enclosure



ACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000



20 NOV 1996

Mr. David R. Warren
Director, Defense Management Issues
National Security and International Affairs Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Warren:

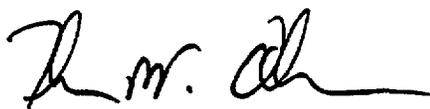
This is in response to your draft report: "MILITARY BASES: Information Relating To The Movement Of A Navy Training Center", Dated October 15, 1996, (GAO Code 709223/OSD case 1241).

The Department agrees that implementing the Commission's recommendation to redirect the transfer of the Navy's Nuclear Power Propulsion School (NPPS) from the Naval Submarine Base New London to Naval Weapons Station Charleston requires up front costs and will result in lower annual operating costs. The Department also agrees that the different methodologies used by the GAO and the Defense Base Closure and Realignment Commission to calculate implementation costs and savings result in different estimates of how long it may take to recover these costs.

The Navy prepared a separate Cost of Base Realignment Actions (COBRA) analysis for the BRAC 95 Commission to identify the costs for a redirect of the NPPS from New London to Charleston. This analysis included BRAC 93 funds cost avoidances due to the BRAC 95 recommendation to redirect the NPPS to Charleston instead of New London. The GAO analysis focused on the direct comparison of costs between Orlando and Charleston and did not include the cost avoidances identified by the Navy.

Regardless of the methodologies used or the differences in calculated costs and savings, both the GAO and the Department agree that it is more cost effective to operate the Nuclear Power Propulsion School in Charleston. Furthermore, without a mechanism to change the recommendation the Department must implement it as the Commission directed.

Thank you for the opportunity to provide the Department's comments on the draft report.


for Robert E. Bayer
Principal Assistant Deputy Under Secretary
(Industrial Affairs & Installations)



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