

December 1994

**AEROSPACE GUIDANCE
AND METROLOGY
CENTER**

**Cost Growth and Other
Factors Affect Closure
and Privatization**





United States
General Accounting Office
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National Security and
International Affairs Division

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The Honorable Earl Hutto
Chairman
The Honorable John R. Kasich
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
House of Representatives

At your request, we reviewed selected issues related to the implementation of maintenance depot closures and realignments resulting from prior Defense Base Closure and Realignment Commission (BRAC) decisions (see app. I for issues being reviewed). The Aerospace Guidance and Metrology Center (AGMC) at Newark Air Force Base (AFB), Ohio, is one of the activities being covered by this review.¹ Unlike other depot closures, the Newark AFB/AGMC implementation plan provides for continuing to perform the same missions at this facility after closure—largely as a privatized operation, although the Air Force would retain ownership of mission-related equipment valued at about \$326 million.

Recently, we briefed your office on (1) the cost and savings issue related to the Newark AFB/AGMC facility closure and privatization and (2) other closure and privatization issues. As you asked, we are providing this report on the areas discussed at that briefing and will report later on findings related to the closure of all maintenance depots.

Background

The sole purpose of Newark AFB is to house and support the large industrial complex comprising the AGMC. Supporting two Air Force missions—depot maintenance² and metrology and calibration—AGMC provides depot level maintenance of inertial guidance and navigation systems and components and displacement gyroscopes for the Minuteman and Peacekeeper intercontinental ballistic missiles and most of the Air

¹The following maintenance depots have been identified for closure: Lexington/Bluegrass Army Depot, Sacramento Army Depot, Tooele Army Depot, Pensacola Naval Aviation Depot, Alameda Naval Aviation Depot, Norfolk Naval Aviation Depot, Philadelphia Naval Shipyard, Mare Island Naval Shipyard, and Aerospace Guidance and Metrology Center.

²Depot maintenance requires extensive shop facilities, specialized equipment, and highly skilled technical and engineering personnel to perform major overhaul of parts; completely rebuilt parts, and end items; modify systems and equipment by applying new or improved components; manufacture parts unavailable from the private sector that are needed for performing depot maintenance activities; and provide technical assistance by field teams at operational units.

Force's aircraft.³ In fiscal year 1994, AGMC's depot maintenance workload consisted of about 900,000 hours; almost 10,500 items were produced to support repair requirements for 66 Air Force, Navy, and Army systems and components. This work was accomplished by about 500 maintenance and engineering personnel and 325 management and support personnel.

AGMC is different from the Air Force air logistics centers (ALC) in that it does not have weapon system and item management responsibility collocated at the same base.⁴ For Air Force systems repaired at AGMC, weapon system and item management functions are performed primarily at the Ogden or Oklahoma City ALCS.⁵ However, some of the engineering support normally provided by the system program management offices at ALCS is performed at AGMC for systems it repairs.

In its second Air Force mission, metrology and calibration, AGMC performs overall technical direction and management of the Air Force Metrology and Calibration Program and operates the Air Force Measurement Standards Laboratory. About 200 personnel are involved in the metrology and calibration mission—109 in generating technical orders, certification of calibration equipment, and management operations and 89 in the standards laboratory. As the single manager for the Air Force Metrology and Calibration Program, AGMC provides all metrology engineering services for the Air Force. The standards laboratory complex, consisting of 47 laboratories, serves as the primary laboratory for calibrating and certifying measurement standards used worldwide in all Air Force precision measurement equipment laboratories. In fiscal year 1994, the standards laboratory produced about 11,500 calibrated items.

The Department of Defense (DOD) considered AGMC's work conducive to conversion to the private sector and recommended closing Newark AFB/AGMC through privatization and/or transferring the workload to other depots. DOD justified the closure by (1) identifying at least 8.7 million hours of excess Air Force depot maintenance capacity, with the closure of AGMC

³Other AGMC workloads include control display units; periscopic sextants; cesium beam clocks; fuel savings advisory systems; fiber optic borescopes; and a variety of test, measurement, and diagnostic equipment.

⁴Neither the Army nor the Navy collocates its weapon system and item management functions at locations having depot maintenance activities. AGMC is substantially smaller than the other five Air Force depot activities in number of items supported, production hours, workforce size, and number and size of maintenance facility buildings.

⁵The other ALCS are Sacramento ALC, McClellan AFB, California; San Antonio ALC, Kelly AFB, Texas; and Warner Robins ALC, Robins AFB, Georgia.

expected to reduce this excess by 1.7 million hours,⁶ and (2) applying the eight base closure criteria to Air Force bases having depots and ranking Newark AFB low relative to the others (see app. II for base closure criteria). DOD assigned a low military value to Newark AFB primarily because it was a single mission base with no airfield.

DOD estimated that implementing its recommendation on Newark AFB/AGMC would cost \$31.3 million, result in an annual savings of \$3.8 million, and have an 8-year payback period for closure and relocation expenses. In our report on the base closure and realignment recommendations and selection process, we estimated that the Newark AFB/AGMC closure costs would be \$38.29 million, with a 13-year payback period.⁷ BRAC determined that the AGMC workload could either be contracted out or privatized-in-place at the same location, although the BRAC noted that industry interest in privatization-in-place was limited. The BRAC recommended closing Newark AFB/AGMC—noting that some workload will move to other depot maintenance activities, including the private sector. The President agreed with the overall BRAC recommendations dealing with maintenance depots, including the closure of AGMC. The Congress did not challenge the overall BRAC recommendations. The Air Force has begun the implementation of the closure and privatization of Newark AFB/AGMC.

Results in Brief

The justification of closing Newark AFB/AGMC is not clear. To date, the closure of Newark AFB/AGMC is the only depot closure where almost all of the work may be privatized-in-place. As such, we believe it merits careful consideration before implementation proceeds. There are a number of issues associated with this privatization that are barriers to its implementation. Also, some projected costs are rising, while others are yet to be determined. One-time closure costs have doubled in the past year and may still be underestimated. As a result, the payback period has increased to at least 17 years and as much as over 100 years—depending on the assumptions used. Moreover, projected costs of conducting post-privatization operations could exceed the cost of current Air Force operations and reduce or eliminate projected savings.

Other closure and privatization matters create uncertainty about the viability of the Air Force's planned action: (1) the disposition of equipment

⁶The 1.7 million hours come from historical figures for direct product actual hours for the depot maintenance industrial fund activity at AGMC. AGMC downsized in fiscal years 1991 and 1993 to a 1.0 million hour capacity based on changes in the force structure.

⁷Military Bases: Analysis of DOD's Recommendations and Selection Process for Closure and Realignment (GAO/NSIAD-93-173, Apr. 15, 1993).

manufacturers' proprietary data claims, which are a potential barrier to privatization and could significantly increase closure costs and/or post-closure operation costs; (2) the failure of the closure/privatization to reduce excess depot maintenance capacity by the 1.7 million hours previously estimated; (3) the incongruity of privatizing workload that the Air Force has defined as "core" capability that generally should be retained in the DOD depot system; (4) the practicability or cost-effectiveness of privatizing parts of the metrology and calibration mission while retaining the management function as a government activity; and (5) the delay in reaching agreement regarding the transfer of property and facilities to the local reuse commission.

Air Force Implementation of Newark AFB/AGMC Closure

Implementation of the Newark AFB/AGMC closure through privatization is still in the early phases, with many details yet to be worked out. In general, the Air Force has developed a three-pronged approach to implementing BRAC's decision. First, four systems, representing about 3 percent of AGMC's existing depot maintenance workload, will be transferred to other Air Force depots.⁸ Second, ownership of the Newark AFB/AGMC property and facilities will be transferred to a local reuse commission. The commission is to lease space to one prime guidance system repair contractor that will provide depot maintenance work, one prime metrology contractor that will perform calibrations and author calibration manuals, and the remaining organic metrology program management contingent. While privatization-in-place is the goal, based on a strategy option announced in the Commerce Business Daily, contractors may elect to move workload to other facilities. Hypothetically, this option could result in all workload moving to other contractor locations—should the winning contractor(s) demonstrate that moving workload to other locations would provide the best value to the government. Third, the metrology and calibration mission will be continued at AGMC, with some functions privatized and another continued as an Air Force activity reporting to AFMC Headquarters or one of the ALCS.

The Air Force originally planned to privatize all activities related to the metrology and calibration mission, but it later determined that the Air Force Metrology and Calibration Program's materiel group manager function could not be privatized because it is a function considered to be

⁸The Air Force determined that relocation was practicable and cost-effective for sextants, ARC-200 radios, clocks, and some test measurement and diagnostic equipment.

“inherently governmental.”⁹ In performing this function, AGMC civilian and military employees provide policy and direction for all precision measurement equipment laboratories Air Force wide, inspect these laboratories for compliance with required policies and procedures, and procure calibration standards¹⁰ used in calibration laboratories.

Current plans for the metrology and calibration program provide for (1) retaining about 130 government employees to provide the metrology and calibration management function—with the Air Force leasing space at AGMC from the local reuse commission and (2) contracting out the primary standards laboratory and technical order preparation, which will also remain at AGMC, with the contractor leasing space from the reuse commission.

The Air Force plans to retain ownership of mission-related maintenance and metrology and calibration equipment, which will be provided to the winning contractor(s) as government-furnished equipment. AGMC accountable records indicate the value of the depot maintenance equipment is \$297.5 million and the value of the metrology and calibration equipment \$28.5 million. Details such as the cost of the lease arrangement, allocation of utility and support costs between the Air Force and contractor(s), and the determination of whether the government or the contractor will be responsible for maintaining the equipment are not yet known.

To manage the AGMC privatization, the Air Force established a program management office at Hill AFB. This office is responsible for developing the statement of work, request for proposal, acquisition plan, source selection plan, and related documents. The award is scheduled for September 29, 1995. Several key milestones leading up to contract award have slipped, compressing the schedule for the remaining tasks in the pre-contract-award period. Air Force officials describe this schedule as optimistic. After contract award, the Air Force plans to initiate a phased process for transitioning individual maintenance workloads to the contractor. Air Force officials stated that this 12-month transition period reduces the risk of interrupting ongoing operations and allows the contractor(s) an opportunity to build up an infrastructure and trained workforce. However, according to the program management office, a

⁹Office of Management and Budget Policy Letter 92-1, Sept. 23, 1992, provides that an inherently governmental function is “. . . so intimately related to the public interest as to mandate performance by Government employees. These functions include those activities which require either the exercise of discretion in applying Government authority or the making of value judgements in making decisions for the Government.”

¹⁰The acquisition cost of this equipment is about \$10 million per year.

“turn-key” transition where the contractor becomes fully responsible for the AGMC workload at one point in time is the preferred strategy of the ALC system managers and may be adopted.

Analysis of Cost and Savings Raises Concerns

Our work has identified several concerns regarding the cost, savings, and payback period for the Air Force’s implementation of the AGMC BRAC decision. These include concerns that (1) the projected cost of closing AGMC has doubled and may increase further; (2) the \$3.8 million annual savings projected to result from AGMC’s closure is not likely to be realized because of potentially higher costs for contract administration, contractor profit, possible recurring proprietary data costs, and other factors that have not been considered in the cost computation; and (3) the payback period could be extended to over 100 years or never, depending upon the Air Force’s ability to contain one-time closure costs and recurring costs of performing the AGMC mission after privatization.

Recognizing that projected closure costs have increased, in August 1994, the Air Force base closure group validated a Newark AFB/AGMC closure budget of \$62.2 million.¹¹ This amount is \$30.9 million more than the original projection of \$31.3 million. Almost all of the increase is attributable to the estimated \$30.5 million transition cost to convert from Air Force to contractor operation. According to Air Force officials, the original cost estimate only included costs associated with transferring and separating personnel under the base closure process and for transferring a limited amount of workload to other Air Force depots. They noted that DOD has no prior experience with privatizing a large, complex depot maintenance facility. Additionally, since the development of the closure and privatization option for AGMC was done quickly, the time available to identify all the factors and costs associated with this option at the time of the 1993 BRAC was limited.

We recomputed the payback period using DOD’s 1993 Cost of Base Realignment Actions (COBRA) model.¹² We used the estimated nonrecurring costs validated by the Air Force in August 1994 (adjusted for inflation) and assumed that post-closure operations would result in \$3.8 million annual

¹¹The Air Force considered a range of closure costs from \$47 million to \$76 million before validating the \$62.2 million estimate.

¹²DOD uses the COBRA model to estimate the return on investment of its closure and realignment decisions. The cost model consists of a set of formulas or algorithms that use standard factors and base-specific data in its calculations. Each DOD component had its own set of standard cost factors derived from readily available information. Some factors are identical for each component because they are mandated by regulation or law or prescribed by policy.

savings as DOD originally projected in 1993. The model indicated that, with these costs and assumptions, the payback period would be over 100 years rather than 8 years as originally projected by DOD. However, DOD approved discount rate used in the COBRA model has been reduced from 7 percent in the 1993 BRAC process to 2.75 percent in 1995.¹³ Consequently, we adjusted the COBRA model to the revised discount factor—holding all other variables constant—and found the revised payback period to be 17 years. Achieving a 17-year payback is dependent on no further increase in one-time closure costs and achieving the \$3.8 million annual post-closure operational cost savings originally projected by DOD. Our work has determined that neither of these assumptions is likely because of significant cost uncertainties.

While the Air Force has recognized that an estimated \$62.2 million will be required as BRAC funded costs of closure, it also recognizes there will be additional one-time closure costs not funded by BRAC. For example, an estimated \$4.86 million will be needed to cover costs such as interim health benefits for personnel separating from government employment. Also, there will be environmental cleanup costs of some undetermined amount. Thus far, \$3.62 million has been identified for environmental cleanup.

As already indicated, we have also identified other potential closure costs that the Air Force has not included. One is the cost to acquire the right to provide data some equipment manufacturers consider proprietary to contractors expecting to bid on the AGMC maintenance workload. Proprietary rights involve the claim of ownership by equipment manufacturers of some unique information, such as technical data, drawings, and repair processes, to protect the manufacturer's market position by prohibiting disclosure outside the government. An Air Force official said cost estimates were submitted by four equipment manufacturers claiming proprietary rights, and these estimates were "absurdly high." While we cannot identify what these additional one-time costs will be, any unidentified costs push the payback period even further.

At the time AGMC was identified for closure and privatization, DOD estimated \$68.09 million annual cost for contractor operations and \$71.84 million in net annual savings in personnel and overhead

¹³COBRA algorithms incorporate a discount rate to calculate both the number of years required to obtain a return on investment and a 20-year net present value analysis. The source of identifying the appropriate discount rate is Office of Management and Budget Circular A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs." In the 1993 BRAC, a discount rate of 7 percent was used, under the assumption that COBRA analyses were "base-case" benefit-cost analyses as defined by the circular. DOD determined that the approved discount rate associated with "cost-effectiveness" analyses should be used for the 1995 BRAC.

costs—resulting in an estimated annual savings of \$3.8 million. Recurring costs after AGMC closure and privatization probably cannot be determined with any degree of assurance until after contract negotiation and award. However, some Air Force officials have estimated that rather than achieving savings, annual recurring costs could actually exceed current costs of operations. For example, an Air Force Materiel Command (AFMC) memorandum noted that prevailing labor rates and private sector charges for similar items¹⁴ suggest that it will be difficult to keep the annual contract value the same as the current annual civilian salary—a key assumption in achieving the originally projected \$3.8 million annual savings.

An AFMC analysis determined that, assuming these costs are comparable, additional costs for profit and contract administration could result in post-closure operation costs exceeding the current operation costs by at least \$1.8 million. Additional costs for proprietary data and taxes could increase the post-closure operation costs by \$3.8 million annually.

A November 1994 AFMC memorandum informed system managers of increased funding requirements for AGMC workloads to cover anticipated increases in costs of operation under privatization-in-place. A December 1994 meeting of the Acquisition Strategy Panel confirmed the projected increases. For example, the projected fiscal year 1997 costs after privatization-in-place were about 107 percent higher than projected costs under government operation. Additionally, the projected costs of contractor operations for the 5-year period between fiscal years 1996 and 2000 were estimated to be over \$456 million more than previously estimated costs of government operations over that period.

Other Closure and Privatization Issues

Other privatization issues relate to (1) proprietary data claims, (2) the effect of the closure on excess depot maintenance capacity, (3) the impact of privatizing core workload, (4) the segmentation of the metrology and calibration mission, and (5) the transfer of AGMC property and facilities to the local reuse commission.

Proprietary Data Claims

The proprietary rights to technical data is unresolved for some workloads to be contracted out and could greatly increase the costs of privatization. In this case, when contractors have a legitimate claim of ownership, the

¹⁴Analysis by the transition program management office determined that for 230 Air Force items currently repaired at AGMC that also have repair history in the private sector, the contractor costs were generally 1.5 to 3 times higher than the AGMC cost.

government cannot make this information available to other private sector firms that compete for the AGMC maintenance workload. The amount of depot maintenance workload at AGMC that involves proprietary data, the extent to which owners of proprietary rights are willing to sell these rights to the government, or the potential cost of this acquisition have not been determined. Air Force officials noted they are investigating possible methods for the prospective bidders to gain the necessary data rights as part of their proposal. However, proprietary data problems have already contributed to the delay of several key program milestones, including preparation of the statement of work and acquisition and source selection plans, and are a potential barrier to the AGMC privatization.

Effect on Excess Capacity

The privatization of AGMC will not reduce excess capacity by the 1.7 million hours previously estimated if privatization-in-place is completed as currently planned. Since many of the systems and components currently repaired at AGMC are not repaired elsewhere, the AGMC depot maintenance capability does not generally duplicate repair capability found elsewhere. Where duplicate capability exists, consolidating like repair workloads and eliminating redundancies would be expected to generate economies and efficiencies. Currently, it is planned that almost all the AGMC capability will be retained in place for use by private contractors. The Air Force will retain ownership of depot plant equipment and the standards laboratory equipment, which AGMC accountable records indicate are valued at about \$326 million. With this arrangement, it is difficult to understand how DOD projects the elimination of 1.7 million hours of excess capacity.

Privatization of Core Workload

All of AGMC's maintenance workload has been identified as core work to be retained in government facilities. Since 1993, when the Air Force recommended that AGMC be closed and privatized, each of the services identified depot maintenance capability for which it was considered essential that this capability be retained as organic DOD capability—referred to as core capability.¹⁵ According to Office of the Secretary of Defense guidance, core exists to minimize operational risks and to guarantee required readiness for critical weapon systems. The Air Force determined that 100 percent of the AGMC depot maintenance workload is core. AGMC is the only Air Force depot activity having all its

¹⁵Core is defined by DOD as the capability maintained within organic Defense depots to meet readiness and sustainability requirements of the weapon systems that support the Joint Chiefs of Staff contingency scenario. Core depot maintenance capabilities are intended to comprise only the minimum facilities, equipment and skilled personnel necessary to ensure a ready and controlled source of required technical competence.

repair workload defined as core—with other depots' core capability ranging from 59 percent at Sacramento ALC to 84 percent at Warner Robins ALC. An AFMC memorandum noted some inconsistency in planning to contract out workload defined as 100 percent core, while continuing to support the need for retaining core capability in DOD facilities. However, the memorandum noted that the inherent risk of contracting out can be minimized if the workload is retained at AGMC as a result of privatization-in-place. Air Force officials stated that retaining government ownership of the mission-related equipment at AGMC is essential to controlling the risk of privatizing this critical core workload.

Segmentation of the Metrology and Calibration Mission

The current plan to retain part of the metrology and calibration mission to be performed by Air Force personnel while privatizing the standards laboratory function may be neither practicable nor cost-effective. We found that the standards laboratory function is generally the training ground where Air Force civilian personnel develop the skills they need to perform the other metrology and calibration functions that will be continued at AGMC as a government operation. We discussed this issue with personnel from both the Army and the Navy who maintain similar organic capabilities to support service metrology and calibration management functions. They noted that from their perspective, contracting part of this work while maintaining most of it as a government activity would not be desirable. Navy officials noted that 100 percent of their metrology and calibration program management personnel were formerly employed in the primary standards laboratory. Army and Navy officials stated that the experience and training gained from their prior work in laboratories was essential to performance of program management responsibilities.

We questioned the viability of having the Air Force interservice its metrology and calibration activities to the Army and/or the Navy, which have similar activities. Army and Navy officials said they believe it would be possible to combine the Air Force metrology and calibration function with that of one or both of the other services. Air Force officials said they considered interservicing but determined that neither the Army nor the Navy facilities meet the tolerances required for calibrating some Air Force equipment or have the capacity to assume the Air Force workload. Army and Navy officials stated that an existing memorandum of agreement among the three military departments provides that if one of the primary standards laboratories loses its capability, the remaining laboratories would assist in meeting calibration requirements. These officials said they

believe that interservicing or joint operations should be further considered by the Air Force.

Transfer of Property and Facilities to Local Reuse Commission

The AGMC privatization-in-place approach is based on transferring ownership of the Newark AFB/AGMC property and facilities, which the Air Force estimates to be worth about \$331 million,¹⁶ to the local reuse commission. To make this approach work, the Air Force must transfer ownership of the property and facilities at no cost or less than fair market value. Whether this transfer will take place is unclear since (1) the fair market value has not been determined and (2) agreements as to the cost of the property or means of payment and as to whether the reuse commission is willing to assume responsibility for operating the property and facilities have not been reached. To effect property transfer at below estimated fair market value, the Secretary of the Air Force must explain the cost and approve the transfer. Air Force officials noted that, pending results of the environmental impact analysis, they expect to convey the property through an economic development conveyance with very favorable terms to the local reuse commission.

A local reuse commission official told us that until recently the commission believed the Newark AFB/AGMC property would be transferred to the commission at no cost. The official noted that it is questionable whether the commission will be interested in acquiring the property under other conditions.

Recommendation

DOD historically has encountered difficulties in trying to close military bases. This makes us reluctant—absent very compelling reasons—to recommend that DOD revisit prior BRAC decisions. However, we believe that the problems being faced in implementing this decision are of such an unusual nature to warrant revisiting the planned closure and privatization of AGMC. Therefore, we recommend that the Secretaries of the Air Force and Defense reevaluate, as a part of the ongoing BRAC 1995 process, both DOD's 1993 recommendation to close Newark AFB/AGMC and the Air Force's approach to implementing the closure decision through privatization-in-place.

¹⁶This amount does not include the value of the mission-related depot plant equipment and the standards laboratory equipment, which will be retained as government-owned equipment.

Scope and Methodology

Part of the work on this assignment resulted from our ongoing effort to review various depot maintenance issues, including an analysis of the status of DOD's efforts to implement depot closures resulting from prior BRAC decisions. We completed work for this report in December 1994. Our work was performed in accordance with generally accepted government auditing standards. We discussed a draft of this report with agency officials and have included their comments where appropriate. Our scope and methodology are discussed in greater detail in appendix I.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of Defense and the Air Force; and other interested parties. We will make copies available to others upon request.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report were Julia Denman, Assistant Director and Project Director, and Frank Lawson, Deputy Project Director.



Donna M. Heivilin
Director, Defense Management
and NASA Issues

Scope and Methodology

You asked us to review how the Department of Defense (DOD) is managing various issues related to the closure of depot maintenance activities, including (1) the allocation of workload that is currently being performed at these activities, either to DOD activities or to the commercial sector; (2) policies and procedures for the disposition of equipment at these activities; (3) policies and procedures to provide the existing workforce opportunities for employment; (4) the potential for conversion of these activities into commercial repair activities; and (5) an update of DOD's estimates for closure costs and savings as a result of implementing prior Defense Base Closure and Realignment Commission (BRAC) decisions for depot closures.

We discussed the Newark Air Force Base closure and privatization of the Aerospace Guidance and Metrology Center (AGMC) with Air Force officials responsible for implementing the BRAC decision at AGMC, Air Force Materiel Command (AFMC), and Air Force headquarters. We also (1) discussed estimated closure costs and savings with Air Force officials at various locations and (2) toured the AGMC facility, conducting interviews with center personnel and reviewing historical and evolving documentation. In addition, we contacted Defense Contract Management Command, Defense Contract Audit Agency, and AFMC contracting personnel for contract-related information and Army and Navy metrology officials responsible for the primary standards laboratories to obtain information on their capability to maintain the AGMC metrology workload and their views on privatizing part of the metrology functions while continuing to keep the management function as a government operation.

We analyzed laws, policies, and regulations governing core capability and Office of Management and Budget Circular A-76 and Policy Letter 92-1 for information on inherently governmental functions. To assess the impact of the increase in the estimated cost of closing Newark AFB/AGMC, we used the 1993 Cost of Base Realignment Actions model to calculate the closure and relocation cost payback period.

In conducting this review, we used the same reports and statistics the Air Force uses to monitor the cost of closure and estimate the recurring costs associated with AGMC privatization. We did not independently determine their reliability.

DOD Criteria for Selecting Bases for Closure or Realignment

Category	Criteria
Military value	The current and future mission requirements and the impact of operational readiness of DOD's total force.
	The availability and condition of land, facilities, and associated airspace at both the existing and potential receiving locations.
	The ability to accommodate contingency, mobilization, and future total force requirements at both the existing and potential receiving locations.
	The cost and manpower implications.
Return on investment	The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment.
Impacts	The economic impact on communities.
	The ability of both the existing and potential receiving communities' infrastructure to support forces, missions and personnel.
	The environmental impact.

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