

Abstracts of General Accounting Office (GAO) and Defense Science Board (DSB) Reports

NSIAD-00-23, December 20, 1999 (43 pages). Military Base Closures: Lack of Data Inhibits Cost-Effectiveness of Analysis of Privatization-in-Place Initiatives. [\[Text\]](#) [\[PDF\]](#)

GAO claims that DoD lacks an adequate historical baseline and therefore the means to compare current costs of operations with the costs of operating former government-run operations. Moreover, DoD needs to examine privatization-in-place initiatives in the context of the entire defense industrial infrastructure rather than in isolation as individualized operations. GAO questions whether shifting excess capacity to the private sector can be considered elimination of excess capacity. DoD disagrees with all recommendations made in the report.

NSIAD-98-48, December 8, 1997 (28 pages). Outsourcing DoD Logistics: Savings Achievable But Defense Science Board's Projections Are Overstated. [\[Text\]](#) [\[PDF\]](#)

The Pentagon believes that it can significantly reduce logistics costs through outsourcing, but a study by the Program Analysis and Evaluation Directorate within the Office of the Secretary of Defense found that the Defense Science Board's estimate of \$6 billion in annual savings is overstated by \$4 billion. This overstatement is due to errors in estimates, overly optimistic savings assumptions, and legal and cultural impediments. GAO agrees that the estimate is overstated. GAO's analysis also raises questions about the Board's projected savings, but GAO does not know how much or whether these questions would change the \$2 billion in savings that the Program Analysis and Evaluation Directorate concluded were achievable.

NSIAD-96-161, July 15, 1996 (23 pages). Defense Depot Maintenance: Commission on Roles and Mission's Privatization Assumptions Are Questionable. [\[Text\]](#) [\[PDF\]](#)

GAO questions the assumption made by the Commission on Roles and Missions that privatizing all Defense Department (DoD) depot maintenance activities would save 20 percent and not harm readiness or sustainability. The Commission's assumptions are based on conditions that do not now exist for many depot workloads. The extent to which DoD's long-term privatization plans and market forces will effectively create more favorable conditions for outsourcing is uncertain. The Commission assumed that a highly competitive and capable market exists or would develop for most depot workloads. However, most of the depot workloads contracted to the private sector are awarded non-competitively--mostly to the original equipment manufacturer. Moreover, several factors would likely limit private sector competition for many workloads now in the public depots. Without highly competitive and capable private sector markets, the cost and readiness risks of privatizing depot maintenance workloads may prove unacceptable. Furthermore, the Commission's privatization savings do not reflect the cost impact of excess capacity in the public depots. The Commission also assumed that public-private competitions would be used in the absence of private sector competition and would be limited to only a few cases. GAO found that public-private depot maintenance competitions have resulted in savings and benefits and can provide a cost-effective way to make depot workload allocation decisions for some workloads. The beneficial use of such competitions could have significantly more applicability than the Commission assumed.

T-NSIAD-96-146, April 16, 1996 (21 pages). Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix, by David R. Warren, Director, Defense Management Issues, before the Military Readiness Subcommittee, House Committee on National Security. [\[Text\]](#) [\[PDF\]](#)

The Pentagon's policy of shifting depot maintenance workloads to the private sector is unlikely to generate expected savings and could worsen excess capacity problems at underused repair facilities. Meanwhile, the Defense Department (DoD) could save \$182 million annually by closing rather than privatizing-in-place the Sacramento and San Antonio Air Logistics Centers. This testimony is a preliminary analysis of DoD's March 1996 report, mandated by Congress, on the military's comprehensive depot maintenance policy. GAO also addresses the allocation of the depot maintenance workload between the public and the private sectors, including ongoing privatization initiatives, such as privatization-in-place. GAO discusses (1) DoD's depot maintenance management model in the post-Cold War era, (2) the extent to which DoD's proposed depot maintenance policy is consistent with congressional direction and guidance, (3) the savings that DoD is anticipating from privatization of depot maintenance activities, and (4) the cost-effectiveness of privatization-in-place as an alternative to closing depots.

Report Of The Defense Science Board 1996 Summer Study On Achieving An Innovative Support Structure For 21st Century Military Superiority. Higher Performance At Lower Costs. Gansler, Jacques; England, Gordon. November 1996. [DSMC Library Call Number ADA320394](#)

Abstract: This is the final report of the 1996 Defense Science Board Summer Study Task Force on Achieving an Innovative Support Structure For 21st Century Military Superiority. This report identifies significant risks regarding the viability of DoD weapons system investment plans for the coming six years. The task force is greatly concerned that resources will not be available for needed investments in modernization, due to the high costs of support, and the associated infrastructure, at a time when budgets are, at best, not increasing. Historical trends show proportionately increasing support costs coupled with poor support responsiveness. This task force's vision is similar to that presented in the support and business sections of the FY95 DSB Summer Study, the report of the Commission on Roles and Missions, and the FY96 DSB Task Force on Privatization and Outsourcing. The vision calls for DoD personnel to prepare for and conduct combat and crisis management operations while relying on a robust, competitive private sector to provide commercial style support. This approach ensures that each community leverages its core competencies. The task force recommends two fundamental changes for the DoD: (1) dramatically restructure DoD support, utilizing modern information technology and management principles, and maximizing the use of the competitive private sector -- thus generating significantly more dollars for modernization and combat capability through shifting dollars generated by cost reductions in specific high cost areas of support, while providing higher quality, more responsive support services to the warfighter.

Also, see information paper summarizing key points referenced in [Washington Post article](#), dated Monday, January 27, 1997.

Report Of The Defense Science Board Task Force On Outsourcing And Privatization. August 28, 1996. [DSMC Library Call Number ADA316936](#)

Abstract: Outsourcing is expanding rapidly in the private sector, and a robust new industry has developed to provide a wide range outsourcing services to U. S. companies (revenues are estimated at \$100 billion per year). While cost savings are a factor in the growth of outsourcing, access to better technology and better qualified people is the primary reason. Moreover, many companies have turned to outsourcing to free up the time and energies of management to focus on the companies' core competencies. Public sector entities at the state and local level as well as at the Federal level have demonstrated the value of outsourcing in terms saving money (30% plus savings) and providing better, more responsive service. The task force believes that all DoD support functions should be contracted out to private vendors except those functions which are inherently governmental, are directly involved in warfighting, or for which no adequate private sector capability exists or can be expected to be established. Most defense agencies are prime outsourcing candidates. Specifically, the task force recommends that DoD consider outsourcing major portions of the Defense Commissary Agency (DECA), the Defense Information Systems Agency (DISA), and the Defense Finance And Accounting Agency (DFAS) as initial steps toward streamlining DoD's support infrastructure. Many support functions performed primarily by military personnel (e. g., individual training and support services in military hospitals) are also ripe for outsourcing.

Also, see news article summarizing key points in [Federal Computer Week](#), October 7, 1996.