



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
DEPUTY CHIEF OF STAFF, G-8
700 ARMY PENTAGON
WASHINGTON DC 20310-0700
HSA-JCSG-D-05-410

DAPR-ZB

17 June 2005

MEMORANDUM FOR OSD BRAC CLEARINGHOUSE

SUBJECT: OSD BRAC Clearinghouse Tasker 0282 – Subject: Common Support Functions & Civ Pers Offices

1. Reference: Clearinghouse E-mail, Ashley Buzzell, BRAC Commission R&A Staff, June 10, 2005 1:14PM, subject as above.

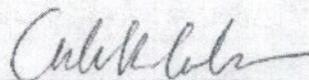
2. Issue/Question: Minutes of 12 April 2005 refer to White Paper on "Feasibility of Consolidating Common Support Functions." Please provide a copy of the White Paper. In minutes of 12 April 2005, "Military Value Update," Civilian Personnel Offices, "the Chair noted the top two locations in military value were not chosen as receiving locations and asked the analysts to list talking points with the rationale for the decisions." a) please provide complete list of talking points referred to in the minutes; b) Rock Island Arsenal is not closing. CPO is not in leased space. Rock Island was ranked #1 with military value of 0.843. Rock Island capacity analysis shows shortfall of 6%; Aberdeen shortfall is 10%. Please discuss in detail the rationale for relocating Rock Island CPO to Ft Riley and Aberdeen.

3. Response: A copy of the White Paper is attached. No specific talking points were generated in response to the tasking in the minutes of 12 April 2005 for these issues, however the following information is provided. The relocation of the Civilian Personnel Operations Center (CPOC) at Rock Island Arsenal, IL, was initially based upon the Army's BRAC process that identified Rock Island Arsenal for recommended closure. This recommended action was in place from 28 September 2004, with all supporting analysis built around it. All alternate Civilian Personnel scenario analyses conducted by HSA JCSG included the closure of Rock Island Arsenal. The closure of Rock Island Arsenal was shown on the Infrastructure Executive Committee (IEC) closure list as late as 18 April 2005. The Army decided not to close Rock Island Arsenal in the final stages of the BRAC process. That, along with other changes directed by the IEC for the Civilian Personnel recommendation, did not allow sufficient time to re-analyze the recommendation. Relocating the Rock Island personnel to two locations, Ft Riley and Aberdeen Proving Ground, enabled servicing offices to be located near their customer base, utilized existing excess Civilian Personnel space at Ft Riley without the need for additional military construction (MilCon), and balanced office staffing levels. The Army supports the recommendation as submitted. The recommendation improves overall military value. For additional information refer to the BRAC web site at http://www.defenselink.mil/brac/pdf/VoVII_HQsSupport-o.pdf, where data is available on excess capacity at Civilian Personnel Offices, in the Joint Cross Service Group Reports, Headquarters and Support Activities, Volume VII, page 205; and at http://www.defenselink.mil/brac/minutes/brac_iec.html (Attachments -ZIP1) IEC Minutes dated 18 April 2005, slide page 47, indicating Rock Island Arsenal pending closure.

DAPR-ZB
SUBJECT: OSD BRAC Clearinghouse Tasker 0282 – Subject: Common Support
Functions & Civ Pers Offices

4. Coordination: Mr. Michael Maguire, Army, 14 June 2005.

Enclosure



CARLA K. COULSON
COL, GS
Deputy Director, Headquarters and
Support Activities JCSG

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12. FT... (SCENARIO)

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THE FEASIBILITY OF CONSOLIDATING COMMON SUPPORT FUNCTIONS

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White Paper prepared by: Bartlett M. Rhoades
 Headquarters and Support Activities Joint Cross Service Group
 April 8, 2005

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THE FEASIBILITY OF CONSOLIDATING COMMON SUPPORT FUNCTIONS

OBJECTIVE: At the August 12, 2004 meeting of the Headquarters and Support Activities Joint Cross Service Group (HSA-JCSG), the members concluded that functional analysis of the identified 14 common support (CS) functions could not be successfully completed within the BRAC process and directed that work cease in this area. They further directed that a White Paper be prepared to address these functions and the merits of further pursuing consolidation initiatives - thus furthering the investment made to date in this area. This paper satisfies the directive.

A White Paper typically argues a specific position or solution to a problem. Rather than advocate a specific position, this paper will deal with "lessons learned" in the course of this lengthy exercise, the merits of further pursuing consolidation initiatives (in general, and with respect to specific functions), and the best approach to tackling such a task.

BACKGROUND: Secretary of Defense Donald Rumsfeld set the tone for our efforts to eliminate redundant processes when he declared in his, "Bureaucracy to Battlefield" speech that our purpose is not to please everybody. "If we are concerned about waste, we must be prepared to advocate changes – even unpopular ones.... Where is our professionalism/our self respect if we fail to correct obvious inefficiencies?"

To address these "obvious inefficiencies," in April of 2003, the Infrastructure Steering Group (ISG) gave the JCSGs, "the 'widest aperture' to reengineer business processes." Thus, BRAC 2005 took on the objective of tying together reengineering and transformation along with the traditional goal of closing down installations. By September of 2003, our HSA-JCSG had taken on the mission of analyzing functions in the DC area (defined as a 100 mile radius of the Pentagon) and reviewing functions performed by Major Headquarters Activities (MHAs) (based on DoD Directive 5100.73, "Major Department of Defense Headquarters Activities," May 13, 1999), with the objective of consolidating what made sense.

Using DoD Directive 5100.73 as the basis to determine what should be examined presented a serious challenge and, perhaps also, reflected a misunderstanding of what this directive was intended to accomplish. From an historical perspective, Congress mandated the promulgation of this directive to create a control mechanism to bring control over the inability of the DoD to reduce the size of its major headquarters commensurate with the reduction in its force structure. By identifying the functions performed by MHAs (and the associated personnel and organizations), Congress would be in a position to mandate personnel reductions (which they repeatedly did over the years).

The challenge presented was that since the 33 functions listed in this directive were found at major headquarters, they were geared towards policy and oversight (not common support functions) and early guidance made it clear that we would not be consolidating these headquarters. Thus, if the MHA functions were excluded from consideration, then the only remaining functions had to be operational/common support functions provided to MHAs. That being the case, we first translated these functions into operational functions and then excluded those functions: that were specifically excluded in the Capacity Analysis Report, those that had been specifically excluded per OSD guidance, those that were being covered by the other teams within our JCSG, functions that were integral to the operations of a MHA, functions that were being covered by other JCS Groups, and functions that are not common support functions to MHAs. This left us with the following CS functions:

- Acquisition and Contracting

- Administration
- Audiovisual Services
- Cost Analysis
- Environmental Services and Safety
- Executive Dining Facilities
- Facilities Management
- Financial Management Services
- Health and Wellness
- Inspections and Evaluation
- Operations Analysis
- Security
- Supply and Support Services
- Transportation

Before very long it was determined that, with a few exceptions, the functions examined would be limited to those performed within specified geographic clusters. These clusters consisted of significant concentrations of DoD installations within a 25 mile radius of specified geographic areas in the U.S. Eleven were identified that included such areas as Hampton Roads, Oahu, National Capital Region (NCR), etc...

WHAT WENT WRONG? Following are the main factors that contributed to the decision to cease the investigation into these 14 CS functions within the BRAC process:

- **LACK OF VISIBILITY:** Senior leadership within the DoD has the “sense” that there are transformational opportunities out there, but the “data” to support or refute such inclinations is not readily available.
- **FUNCTIONS TOO BROADLY DEFINED:** In the interest of developing a list that was both “manageable” and comprehensive, similar but discrete functions were not separately identified. Thus, under Administration you will find mail room and library operations. However, when it comes to presenting a consolidation scenario these two distinct operations would not be “consolidated.”
- **FUNCTIONS WITH UNIQUE, UNFAMILIAR DEFINITIONS:** While definitions were provided (it was emphasized that reading them was essential), the terms could lead one to assume that they knew the meaning when they did not (e.g., the term “Financial Management Services” does *not* include Finance and Accounting).
- **LACK OF UNIVERSAL UNDERSTANDING OF EVEN COMMON TERMS:** Some of these 14 CS functions would be classified as base operations support functions (sometimes referred to as commercial activities) that are necessary to support, operate, and maintain DoD installations. Although OMB identifies 29 services as base support functions, DoD does not have a generally accepted definition of base support services, and the military services differ in how they individually define them. Without a common definition it is difficult to accurately determine the size of DoD’s base support workforce. Then there is the additional challenge of normalizing whatever data is received.
- **DIFFICULTY IN DEVELOPING/RESPONDING TO QUESTIONS:** In addition to the challenge (described above) in defining the 14 CS functions, there was the added requirement of developing Military Value questions that would be applicable to all the CS functions throughout all DoD Components. While some activities found that the questions were perfectly understandable, others indicated that those in the field would not understand or know how to respond. To reach a consensus often involved

long and arduous meetings; and even after agreement was reached, there were frequent requests for clarification. This difficulty was compounded by the fact that we were not discussing these questions with people who were functional experts (e.g., finance and accounting) and thus, did not have a mutual understanding of the relevant terms and issues in their area of expertise.

- **TARGETING PROBLEM:** With the focus on MHAs, the initial targeting of activities in response to capacity and military questions was restricted to MHAs. A different subgroup was looking at the potential consolidation of installations (where various CS functions are also performed). It was eventually recognized that there were significant organizations in between these two extremes that were also performing CS functions and the scope was expanded to include them. However, examining the feasibility of consolidating CS functions performed by MHA, but ignoring the performance of the same functions at the installation level, in the same geographic area, was not a logical approach to maximizing efficiencies.

An additional problem was the lack of a simple way to identify organizations performing some of these functions. While Finance and Accounting Centers and Mobilization Centers are clearly identifiable, there is no easy way to ascertain which organizations perform such functions as “administration” and “security.”

- **LACK OF BASIC MANAGEMENT INFORMATION:** This problem relates to the above mentioned issues of the lack of common terms and the targeting challenges. The bottom line is, that within limited exceptions, one cannot go to a specific source within DoD to obtain the number of personnel performing a CS function within an identifiable organization. Further, this is basically true across all the Military Departments.
- **RESTRICTIVE BRAC PROCESS:** The rigid BRAC process requires the conduct of investigations at arms length and strict time lines for the conduct of the specified steps in the process (capacity analysis, military value, COBRA, etc.). The in-depth understanding of functions, and related processes, required by Business Process Re-engineering (BPR), cannot be ascertained by determining the number of personnel performing a function and the associated square feet that they occupy.

As the result of these significant obstacles, and others, the JCSG initially considered downscoping the effort (examine only 3 or 4 functions and restrict them to the NCR). Then, they finally concluded that combining the traditional BRAC process with exploratory efforts into BPR would not succeed and that the expenditure of additional resources on this effort would not likely produce an adequate solution.

WHAT THE REPORTED DATA SHOWS: Enclosure A contains charts that display some of the information gathered at great effort in response to the Capacity Analysis questions. Note that this information reflects data “as received” that has not been “scrubbed”, is not considered comprehensive (due to the problems noted above), nor has it been validated through the rigorous BRAC process. Accordingly, it should not form the basis upon which a decision should be made to either consolidate or not consolidate a particular function. The information has been made available only to provide some limited insight into the comparability of personnel resources devoted to the various CS functions. Thus, as we would intuitively assume, there are far fewer personnel in the NCR supporting executive dining facilities and health and wellness (with its very restricted definition) than are supporting administration and security.

With our understandable desire to obtain “sound” data upon which to make important management decisions, it is probably wise to bear in mind the warning provided by Sir Josiah

Stamp, Inland Revenue Department, 1896-1919, "The Government are very keen on amassing statistics. They collect them, raise them to the Nth power, the cube root, and prepare wonderful diagrams. But you must never forget that every one of those figures comes in the first instance from the village watchman, who just puts down what he damn pleases."

POSSIBLE TRANSFORMATIONAL OPPORTUNITIES: Based upon a limited analysis of the 14 CS functions (primarily within the NCR), an assessment is provided for the opportunities to gain greater efficiencies through the consolidation of these functions (See Enclosure B).

FAILURES IN THE CONSOLIDATION OF COMMON SUPPORT FUNCTIONS: While it is true that there are some significant examples of successful consolidation of CS functions on a joint basis (as exemplified by many of the Defense Agencies and DoD Field Activities) along with an innumerable number of assignments of Executive Agent Responsibilities; there are, nevertheless, examples of the "failure" of the consolidation of CS functions that opponents are likely to cite. The first example is the San Antonio Real Property Maintenance Agency and the San Antonio Contracting Center (See enclosure C); and the second, more recent example within the NCR, is the Defense Contracting Command-Washington (DCC-W) (See Enclosure D). Our review of the reasons for their failure reveals that the failure was not necessarily in the CONCEPT, but in the IMPLEMENTATION.

OPPORTUNITIES/CONCERNS WITH THE CONSOLIDATION OF CS FUNCTIONS IN THE PENTAGON/NATIONAL CAPITAL REGION (NCR): In the course of our interviews we met with Sandy Reilly, the Administrative Assistant to the Secretary of the Army; John La Raia, Assistant for Administration, Office of the Secretary of the Navy; Bill Davidson, Administrative Assistant to the Secretary of the Air Force; and Howard Becker, Deputy Director, Administration and Management, Office of the Secretary of Defense. The first three individuals are frequently referred to as the "three wise men" in the Pentagon since they represent the highest career civilians in their respective Military Departments and continue to occupy their positions when Senior Military Officers and Political Appointees rotate out. The last individual represents the highest career civilian in OSD and he formerly served as the Deputy to the "Mayor" of the Pentagon (the former D.O. Cooke). All four individuals are intimately involved in solving joint problems in the Pentagon, and frequently, also in the NCR. The views of these individuals were solicited with respect to the merits of consolidation of CS functions in the Pentagon/NCR. Their comments are at Enclosure E.

TRENDS TOWARD CENTRALIZATION/CONSOLIDATION: Within the NCR, our primary focus of investigation, there are concrete signs of "centralization/consolidation" in addition to the "informal" joint efforts reflected above. Within the Army, the Military District of Washington originally had a large mission to provide services to other Army activities in the NCR, as well as to other DoD components. The Administrative Assistant to the Secretary of the Army has gradually taken on the mission of providing more and more CS functions in the NCR with the establishment of the U.S. Army Resources and Programs Agency, U.S. Army Services and Operations Agency, and the U.S. Army Information and Technology Agency, with combined personnel resources of approximately 2500. In addition to these regional initiatives, the Army has also established Army-wide organizations to manage installations (Installation Management Agency) as well as to provide specific services (e.g., Army Contracting Agency). The Navy's efforts for performance of CS

functions in the NCR are largely reflected in the establishment of the Naval District of Washington. However, their area of responsibility is far greater than just the NCR. The Navy has also moved toward providing CS services on a Navy-wide basis with the establishment of the Naval Supply Systems Command and Naval Facilities Engineering Command; the management of installations is now the responsibility of the Commander, Navy Installations. The Marine Corps has also recognized the benefits of providing CS on a regional basis with the recent establishment of the Marine Corps NCR Command. This command has been established not only to support the Joint Forces Headquarters (JFHQ)-NCR, under USNORTHCOM, primarily in the area of antiterrorism/force protection, but also to “facilitate regionalization and consolidation of support functions by instituting a NCR Base Operating Support (BOS) structure in the NCR.” Within the largely decentralized Air Force structure, the provision of CS is left primarily in the hands of the Installation Commander. Finally, Washington Headquarters Services was created and exists primarily to provide CS services to DoD components in the NCR, though some services are provided on a DoD-wide basis.

Along with the establishment of the JFHQ-NCR is the recognition of the criticality of command and control with respect to employing forces for homeland defense and military assistance to civilian authorities, with a particular emphasis on antiterrorism/force protection. However, *when it comes to CS, there does not appear to be the same urgency to meet the challenge and get it right – demonstrating what a powerful forcing function can accomplish.*

BENEFITS OF CENTRALIZATION/CONSOLIDATION: While it is beyond the scope of this paper to provide a business case analysis for the centralization/consolidation of any particular CS function, the Military Departments (MILDEPs) have largely recognized the benefits of such initiatives internal to their own operations. In addition, the concept of gaining efficiencies through consolidation has been around for some time and has engendered a certain level of support, as noted below:

- The Business Initiative Council (BIC), consisting of the highest level officials of DoD, supported the concept of consolidating the DoD Defense Agency and Field Activities overhead, non-core functions such as PPBS, Human Resources, Information Technology (IT), Legal, Contracting, Facility Management, and Public Affairs in a CS activity, or to outsource.
- The provision of CS at a joint base is not dissimilar to the Navy’s “Shared Services” concept of operation whereby consistent and standard services are provided at a lower cost.
- The GAO determined that another way to reduce Operations and Maintenance (O&M) costs would be to assign one service, command, or Defense Agency the exclusive responsibility for carrying out a particular support function. Such actions “could reduce or eliminate underutilization and inefficiencies in the various support organizations within each service and reduce O&M spending.”
- Due to the scarcity of definitive data documenting savings, opponents of consolidation could argue that reductions in personnel are proportional to decreases in workload (e.g., at depots). The GAO has countered, however, that achieving such decreases in staffing in proportion to workload is more than DoD typically achieved for administrative and service-wide functions that have continued to be managed by the services.
- In a Logistics Management Institute (LMI) study, the authors concluded that consolidation, on a joint regional basis of selected functions at installations located near each other, there would be a savings primarily from two sources: lower labor costs, since redundant management personnel and associated overhead staff would be eliminated, and

- greater operational efficiencies, which consolidated activities would achieve through economies of scale.
- While the GAO recognized that the evidence from DoD's recent experience with consolidation is sketchy, they, nevertheless, concluded that consolidation may make it easier for support organizations to decrease staffing to match workload and realize modest savings from the consolidation itself.
 - The GAO has determined that the potential for greater savings over the longer term (in addition to those realized with the initial consolidation) may depend on an organization's success in adopting common management information systems and practices as well as reducing overhead and closing facilities.
 - The GAO concluded that it appears likely that consolidation, under which a new organization is in charge of staffing, will increase the likelihood that personnel levels will be cut to match workload. Thus, savings may be greater than the modest economies accounted for strictly with the reduction in overhead as a result of consolidation.
 - Numerous studies from the 1993 Bottoms-Up-Review, through the Quadrennial Defense Review, Defense Reform Initiative, and National Defense Panel have concluded that DoD could realize significant savings by outsourcing commercially available support services. GAO supported this position with the statement. "Consolidation, in advance of contracting out could enhance the potential for greater efficiencies and cost savings through contracting out."
 - There are also the BIC initiatives, such as the further expansion of privatization efforts in order to transition non-core competencies to the private sector. An example is the Desktop Management Services initiative under which a Defense Agency will outsource desktop computing hardware, software, and support services as a new requirement and will negotiate with the private sector to accomplish this divestiture.
 - In a recent article in GOVEXEC.COM, entitled, "Agencies save by sharing back-office jobs," it was pointed out that the Bush administration has advocated the use of shared services whereby instead of performing back-office functions – accounting, invoicing, and running call centers on their own – agencies are pooling resources and sharing the same providers for those services. Shared services, which became popular in the private sector a decade ago, can save 20-40% of service costs.

While not limiting his comments to strictly the benefits of consolidation, General Boyd (Retired), representing Business Executives for National Security, has offered up the following observations on transformational options for DoD Infrastructure:

- Businesses have transformed by focusing on their core missions, integrating their enterprises, and cutting overhead.
- Congressional legislation may have counter-productive effects by proscribing private sector capabilities, encouraging "complacent/monopolistic" behavior.
- The process of competition has been stunted in the public sector.
- Back office functions – that are not core competencies and are distracting management attention from what is core – should be outsourced. The same should apply to the performance of functions when the organization is not the "best in class."

THE DOWNSIDE OF MONOPOLISTIC STRUCTURES: The MILDEPS have recognized the benefits of consolidation of CS and back office functions, and have been moving slowly, but inexorably in this direction. The benefits of moving the process one step further and performing CS functions on a joint basis are discussed above. This movement towards the establishment of one DoD provider – the "best in class" – is not, however,

without potential drawbacks. According to DoD's own assessment, the reality of the Defense Agencies is that, "they exist in a 'monopolistic' environment, are focused on functions not processes, perform many tasks not core to war fighting, and – as across all of DoD – have an aging workforce." The dilemma that needs to be addressed is how to reconcile the benefits of "jointness" and the downside of monopolistic structures. One approach would be to ensure that it is DoD policy that the private sector is the preferred provider of services for its back office functions (IT, document management, auditing, financial management, human resource services, management of commodities, etc.) as well as any other commercially performed function. The spotlight of external reviews (Defense Boards/Commissions) Congressional oversight (GAO), and Congressional mandates (e.g., Biennial Review of Defense Agencies), also offers opportunities to ameliorate the negative affects of monopolistic institutions and the absence of free-market incentives.

IS REGIONALIZATION THE ANSWER? The underlying assumption of the review initially undertaken was that the consolidation of CS functions would occur at the regional level. It was understood, and rightly so, that having one joint entity performing a function on a regional basis would produce far greater efficiencies than if every organization performed the same function themselves. Various ISSAs and other cooperative agreements on the local level are a reflection of the benefits of this approach. The fundamental question that needs to be addressed is whether we are creating regional efficiencies at the expense of the whole? This applies to not only regional, joint entities, but also to regional Service entities. The White Paper on Field Contracting hopefully demonstrates that if a function is performed throughout DoD then it needs to be examined holistically, with enterprise-wide solutions. One of the primary failures of the DCC-W experiment was that it was a stand-alone entity. Regionalization makes sense when the functions performed are limited to just a particular geographic area, or when the regional structures are part of a larger whole (e.g., regions within DFAS, DLA, DCMA, etc.). Thus, any recommendations that might be made to look at the feasibility of consolidation of a function at the local/regional level should be viewed as an interim measure until such time as an enterprise wide-review can be conducted.

BUSINESS PROCESS REENGINEERING (BPR): A working definition of BPR is the *fundamental* rethinking and *radical* design of business processes to achieve *dramatic* improvements in performance. It requires ignoring what *is* and concentrating on *what should be*. This is obviously what the top-level leadership of DoD was hoping for when the ISG gave the JCSG's "the 'widest aperture' to reengineer business processes." It is also obvious, from the citations in the "WHAT WENT WRONG" section, that a BPR review has not been conducted of the 14 CS functions. Some of the reasons for the failure are in the process pursued; but others have to do with the very nature of DoD, which is exemplified by:

- No central control over the organizational structures, internal processes, and personnel resources;
- No enterprise-wide information system that produces sufficient, accurate, and reliable data; and
- No allocation and assignment of offices and personnel throughout the country based solely upon the CS functions performed, workload requirements, and geographic necessities.

WHERE DO WE GO FROM HERE AND HOW DO WE GET THERE? High-level DoD officials intuitively grasped the benefits that would accrue with the performance of CS functions on a joint basis when they approved the charter of our JCSG. We have cited many

of the recognized (both within and outside the Department) benefits of pursuing consolidation/centralization initiatives. Enclosure B identifies those functions where it *appears* that consolidation may make sense. We have grouped our 14 CS functions into the following categories for further investigation by a joint task force considering the merits of consolidation on a joint basis:

PRIORITY CONSIDERATION: Facilities Management/Environmental Services and Safety, Administration, Security

SECONDARY CONSIDERATION: Transportation, Audio Visual Services, Operations Research

TERTIARY CONSIDERATION: Cost Analysis, Executive Dining Facilities, Financial Management Services, Health and Wellness, Inspections and Evaluation, Supply and Support Services

To move from the “possible” to the “practical” will undoubtedly require a business case analysis where an adequate Return on Investment (ROI) can be demonstrated; or, as a minimum, some reasonably good data to determine the magnitude of the resources expended in support of the function(s). In the case of a local/regional solution (e.g., Pentagon/NCR), care should be taken that the transformational scenario does not negatively impact existing regional/Service-wide institutions, does not hamper DoD-wide efforts to develop an enterprise-wide solution, and is only pursued as an interim measure until such time that a DoD-wide solution is implemented.

While some functions may be easy to get your hands around, others are more complex and are performed by a multitude of organizations scattered both organizationally and geographically throughout the U.S./world. Then there is the challenge of dealing with personnel/financial/spending data that is fragmented across multiple information systems. There are also the following obstacles that have impeded past reform efforts and would have to be overcome before “success” could be declared:

- A cultural resistance to change.
- The existence of autonomous operations for decades/centuries.
- Stakeholders who are not able to put aside their particular military services’ or agencies’ interests to focus on DoD-wide approaches.
- The reluctance of autonomous organizations to share decision making authority.
- The reluctance of staff to communicate with others with whom they have not traditionally communicated.

To ensure “success” the following “critical factors” will have to be addressed in the case of CS functions that are performed throughout DoD:

- Very committed senior executive level support.
 - A willingness to tackle difficult back-room operations over the long haul and put the culture “on notice” that change must occur.
- Sustained “entrepreneurial” executive leadership at DoD, with the possible establishment of a Program Management Office within OSD.
- Resources that are adequate to ensure effective implementation.
- The establishment of a joint task force consisting of experienced, dedicated, functional professionals from within DoD and experts from the private sector.
 - This is a most critical factor. The JCSGs have been able to push the transformational envelope due to their independence from the MILDEPS and Defense Agencies. For this to occur, these functional experts need to be detailed to the task force and receive their personnel evaluations from the leadership of the task force.

- Clearly communicate the rationale, goals, and expected results from the reengineering effort.
 - Communication has to be seen as vital in educating and keeping staff on board with the changes.
- To achieve buy-in, need to make a compelling case to the DoD Components that reengineering would enhance service delivery and reduce costs.
- The possible involvement and support of Congress.
- The essentiality of measuring whether the changes are having their intended effects.

While the above factors are most critical to the success of transformational initiatives, our experience has shown us that frequently it is the mandated budget wedge/reduction target that provides the “fuel” to drive the change. Finally, the efforts it will take to overcome the significant hurdles in the establishment of joint entities to perform any one of these CS functions should in no way be minimized.

Category	Item	Value	Unit
Personnel
Equipment
Materials
Services
Construction
Travel
Other

ENCLOSURES

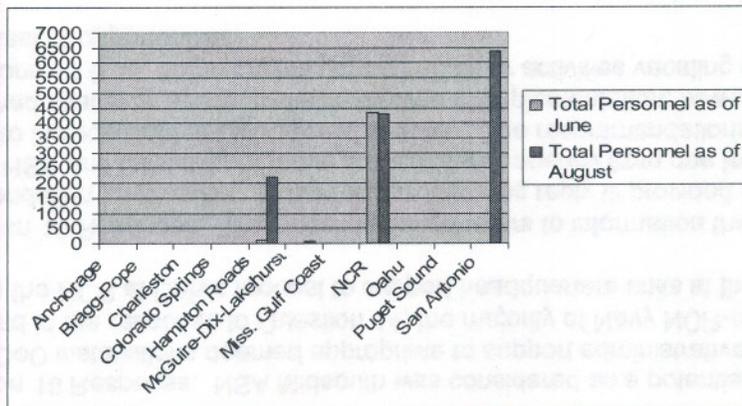
ENCLOSURE A

REPORTED CS DATA

This data reflects information gathered through Capacity Analysis questions on the 14 CS functions performed within the identified geographic clusters, within the NCR, and within the Hampton Roads area. As discussed in the document, it has limited value for analytical purposes.



Total Personnel by Geo Cluster



Transforming Through Base Realignment and Closure

HSA JC97/03.998.1885

Draft Deliberative Document – For Discussion Purposes Only – Do Not Release Under FOIA

August 14, 2003



NCR Total Personnel

Common HQ, Administrative and Business-Related Functions	Military Officers (Jun)	Military Officers (Aug)	Military Enlisted (Jun)	Military Enlisted (Aug)	DoD Civilians (Jun)	DoD Civilians (Aug)	On-Board Contractors (Jun)	On-Board Contractors (Aug)	Total Personnel (Jun)	Total Personnel (Aug)
Administration	250	307	150	262	968	898	473	419	1876	1887
Security	10	7	91	87	245	234	140	196	486	525
Acquisition & Contracting	12	7	0	1	426	322	42	41	480	371
Facilities Management	25	28	12	10	218	255	183	54	438	345
Financial Management Services	4	4	7	4	201	203	54	55	266	267
Audiovisual Services	8	4	132	68	159	134	30	51	328	258
Transportation	3	3	60	47	233	125	5	14	301	189
Supply & Support Services	18	11	43	48	121	82	34	39	214	180
Environmental Services & Safety	4	4	1	2	60	61	5	7	70	74
Inspections & Evaluation	3	4	1	2	37	49	0	0	41	55
Executive Dining Facilities	2	1	46	49	0	0	0	0	48	50
Health & Wellness	0	8	6	5	34	30	6	7	55	50
Cost Analysis	1	1	0	0	4	17	0	13	5	31
Operations Analysis	0	4	0	3	7	13	7	0	14	20

Transforming Through Base Realignment and Closure

HSA JC97/03.998.1885

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August 14, 2003



Total Personnel in NCR by Org

Organization (in NCR)	Total Personnel (Jun)	Total Personnel (Aug)
JJ ARMY ACTIVITY: USARC	1009	1009
JJ ARMY ACTIVITY: SAAA	1752	876
CNL_WASHINGTON_DC (Commander-Naval Installations)	298	298
MDA - NCR	304	245
Defense Threat Reduction Agency	95	227
Washington Headquarters Services (WHS)	74	108,215
DLA HQ - USA FORT BELVOIR	177	198
Andrews AFB	0	173
HOBN_HQMC_HENDERSON_HALL_VA	9	139
COMNAVSEASYSKOM_WNY_DC	96	96
JJ ARMY ACTIVITY: ARMY MATERIAL COMMAND	96	96
Defense Advanced Research Projects Agency	89	89
DISA Manpower and Personnel Systems Division	81	82
COMNAVSECGRU_FT_GEORGE_G_MEADE_MD	76	76
JJ ARMY ACTIVITY: USASMDC	75	75
BUMED_WASHINGTON_DC	48	48
DoD Human Resources Activity	37	37
Bolling AFB	0	35

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continued

Organization (in NCR)	Total Personnel (Jun)	Total Personnel (Aug)
COMNAVFACCOM_WASHINGTON_DC	35	35
CNR_ARLINGTON_VA	33	33
COMSC_WASHINGTON_DC	31	31
DCMA HQ	26	26
JJ ARMY ACTIVITY: INSTALLATION MANAGEMENT AGENCY	26	26
CG_MCNCRD_WASHINGTON_DC	22	21.5
JJ ARMY ACTIVITY: ATEC	18	18
COMNAVSUPSISCOM_MECHANICSBURG_PA	16	16
Defense Security Service	16	16
JJ ARMY ACTIVITY: ARMY CONTRACTING AGENCY	16	16
COMNAVIST_WASHINGTON_DC (NDW)	15	15
DISCA Headquarters	13	13
COMNAVAIRSYSKOM_PATUXENT_RIVER_MD	10	10
Tricare Management Activity	8	8
FLDSUPPACT_WASHINGTON_DC (Navy)	7	7
Joint Chiefs of Staff	5	5
Department of Defense Education activity (DODEA)	4	4
JJ ARMY ACTIVITY: MDW	4	4
JJ ARMY ACTIVITY: HQ CRIMINAL INVESTIGATION_COMMAND	3	3

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Hampton Roads Total Personnel by Function

Common HQ, Administrative and Business-Related Functions	Total Personnel
Facilities Management	1272
Transportation	562
Environmental Services & Safety	187
Operations Analysis	101
Administration	20
Inspections & Evaluation	13
Acquisition & Contracting	11
Financial Management Services	7
Health & Wellness	5
Executive Dining Facilities	2
Supply & Support Services	2
Audiovisual Services	1
Cost Analysis	0
Security	0

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Hampton Roads Total Personnel by Org

Organization (in Hampton Roads)	Total Personnel
AEFC	24
AFC2ISRC	92
PWC_NORFOLK_VA	1942
COMNAVNETWARCOM_NORFOLK_VA	125

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ENCLOSURE B

POSSIBLE TRANSFORMATIONAL OPPORTUNITIES

The purpose of this enclosure is to examine the 14 specified CS functions and to assess the likelihood that a recommendation to pursue further analysis would produce an acceptable ROI. Our recommendations are based on limited research into the specific functions, limited use of the "data" reported, a review of literature on the merits of consolidation/centralization, and interviews with selected DoD officials/functional experts. It provides us with a "sense" of where further investigation (especially into the magnitude of DoD resources consumed) by a joint task force would produce appreciable efficiencies and economies through consolidation.

ACQUISITION AND CONTRACTING: Our initial review focused on the performance of this function in the NCR. As such, the DCC-W, with its DoD charter, was of prime interest. However, with the decision to prepare a White Paper on the merits of consolidating field contracting on a DoD-wide basis, the limited focus on the NCR was dropped. (Refer to the White Paper entitled, "The Case for Consolidation of Field (Installation-Level) Contracting" dated April 5, 2005, for further details on the RECOMMENDATIONS made in this area.)

ADMINISTRATION: This function was broadly defined to include administrative communications, documentation, publications (to include libraries), and reproduction. It should be noted that there is a DoD-wide recognition that the contracting out for administrative services is a major DoD expenditure that should be examined for an enterprise-wide solution. Specifically, it is one of only three functional areas where Commodity Councils have been established at the OSD level to come up with a joint procurement strategy. Thus, the RECOMMENDED approach would be to first see to what extent these functions could be performed by the private sector. Secondly, to see what remaining functions could be performed on a joint DoD-wide basis (e.g., publications). Finally, for those functions that have to be performed at the local level, the goal should be to have them carried out by one provider in the local geographic area.

AUDIOVISUAL SERVICES: These services have been defined as the provision of photographic, television, and graphic arts services. From the limited data that we have at our disposal, it appears that the resources consumed in this area are in the mid range. Our RECOMMENDED course of action would be similar to that for Administration.

COST ANALYSIS, EXECUTIVE DINING FACILITIES, FINANCIAL MANAGEMENT SERVICES, HEALTH AND WELLNESS, INSPECTIONS AND EVALUATION, and SUPPLY AND SUPPORT SERVICES: From the limited data that we have at our disposal, it appears that the resources consumed in this area, relative to the other functions, are in the low range. While economies and efficiencies could undoubtedly be obtained through a thorough look at these functions, it is unlikely that the ROI would be that great. Thus, it is NOT RECOMMENDED, at least initially, that these functions be analyzed with the objective of consolidating them regionally or nationally.

FACILITIES MANAGEMENT/ENVIRONMENTAL SERVICES AND SAFETY: While the environmental services and safety function is distinct from the facilities management function, there is a close relationship between the two and frequently both functions fall

under the same management structure. Our limited data shows, that in comparison to the other CS functions, the personnel resources consumed in this area are one of the largest. Since both functions are integrally part of the installation management functions, which fall under the purview of the Installation Management Team (IMT), we deferred to them to investigate the merits of consolidating these functions. As a result of their analysis, the IMT put forth a number of recommendations to consolidate public works functions as part of broader installation management consolidations. While the IMT did not separately identify facilities management for consolidation, they did consider having WHS provide installation management services to all of the DoD facilities in the NCR. This proposal never gained traction and was dropped.

However, if one looks at all the CS functions, facilities management is not only substantial but it offers a large degree of commonality and compatibility across all DoD components. Facilities management is a prime candidate for performance on a joint basis throughout DoD. Whether this concept should be expanded to include all installation management functions remains to be seen; but it should be noted that this is a concept that has advocates at the highest levels of DoD. Two possible candidates for provision of facilities management services are the Corps of Engineers and NAVFAC. The NAVFAC is already operating on a regional basis, has a centralized management data base, and maintains visibility over its assets. It is important that this function be examined from an enterprise perspective, so that any solutions proposed consider the implications of the Navy and the Army's efforts to manage their installations; consolidation in this area should not preclude the possible consolidation of all installation functions sometime in the future. It is RECOMMENDED that this function be placed high on the list of functions to be examined for potential consolidation on a joint basis.

OPERATIONS ANALYSIS (OA): While only 20 personnel were reported to perform this function in the NCR (based on our Capacity Analysis questions) we were informed that the Air Force's Studies and Analysis Agency (AFSAA) and the Army's Concepts Analysis Agency (CAA) utilize approximately 200 and 165 personnel respectively (including contractor personnel). The Navy employs the services of the Center for Naval Analyses (CNA), a Federal Funded Research Development Center (FFRDC). The reasons for opposing the consolidation of these entities into a joint analytical service range from it would create group think; leadership would not have "trust" in the joint activity; if it was taken away, it would be recreated; models are different; to savings would be small. On the other hand, OA is OA; these activities can and do operate in a joint environment (e.g., in support of the JCSGs), increasingly there is need for OA capabilities to address joint problems, and the MILDEPS have utilized the services of other OA activities. While the potential personnel savings would not be monumental ($365 \times 14\%$ (personnel saving factor) = 51), the synergy, cross fertilization of ideas, and personnel advancement opportunities could produce a more adept workforce. Additionally, the existence of CNA provides a useful counterweight to the dangers inherent in all monopolistic structures. While not high on the list of potential candidates for consolidation, it appears that the advantages outweigh the disadvantages. It is RECOMMENDED that this function be placed in the second tier of functions to be examined for potential consolidation on a joint basis.

TRANSPORTATION: This function was defined as the provision of military and commercial air, sea, and surface transportation; including motor vehicle management and logistic transportation planning and control. Initially, we were looking at the possibility of consolidating the non-tactical motor pools and executive level aviation resources in the NCR. There are two primary motor pools that provide support to executive-level DoD officials

within the NCR. The Army motor pool provides service to all DoD components with the exception of the Navy; the Navy operates their own motor pool. In addition, both operate scheduled bus service within the NCR. As a result of this arrangement, the customer is directed to call 5 different numbers in three different area codes for inquiries about particular DoD bus routes. The consolidation of these two motor pools, with the creation of a most efficient organizational structure, would increase the possibility that providers in the private sector would compete on the provision of services through the A-76 process. The Air Force is the primary provider of executive-level aviation services. However, the Army has 12 aircraft and 52 personnel performing the same mission. Consolidation of these operations and associated assets offers the possibility for greater efficiencies, personnel (and associated square footage of space) savings, greater flexibility, contract cost savings resulting from economies of scale, and the provision of comparable service to comparably ranked personnel.

While the proposal to consolidate the motor pools has been "studied," and the Navy did not agree with the proposal due to "operationally incompatible missions," one of the primary factors in the turn down appeared to be the fact that the Navy provides services to individuals at a lower rank than what the Army motor pool provides. Thus, if Army policies prevailed in the joint motor pool, certain Navy personnel would be deprived of this service. Of greater importance, however, is the fact that transportation services are provided on the basis of affordability, with no enterprise-wide view of the total costs involved and assets consumed to provide this service. While the personnel resources consumed in support of this CS function are not of the same magnitude as those supporting such functions as administration, security, and contracting, they appear, nevertheless, to be substantial. Accordingly, we would RECOMMEND that this function be examined for possible performance on a joint basis.

SECURITY: This term was used to cover the "provision of physical, personnel, information, and communications security, as well as police or guard services, when not covered by one of the other categories of functions." Due to its breadth, it was probably not a very useful definition for determining the merits of consolidation (e.g., a provider of police or guard service may not in anyway be involved with communications security). Early on, the IMT took the lead in examining force protection/law enforcement in the NCR – a major component of our "security" function – and eventually developed a scenario to assign this responsibility to the Pentagon Force Protection Agency.

Force Protection includes but is not limited to Antiterrorism Program Capabilities; Chemical, Biological, Radiological, Nuclear and High-Yield Explosives Program Capabilities; Physical Security Program Capabilities; and Operations Security Program Capabilities. Elements of 16 Defense Agencies, 10 Defense Activities, and four Military Services reside on innumerable installations or off-installation owned or leased facilities performing force protection or law enforcement functions in the NCR. Assigning these functions to a single, joint provider would relieve other agencies of this non-core burden; free military uniformed personnel for war-fighting tasks; concentrate planning, programming, and budgeting for this specialized area to a single entity; produce management efficiencies, economies of scale, and improved continuity of operations; create commonality in standards, training, and safety; and enhance interoperability with the Department of Homeland Security, state, regional, and public safety agencies/activities.

This scenario was dropped NOT because the idea did not have merit, but largely because the impact on "footprint" would be hard to substantiate and the BRAC process was not the appropriate avenue to pursue this proposal. The personnel resources devoted to this function are substantial, second only to administration. Thus, the potential personnel savings would likewise be substantial. While force protection/law enforcement must be applied

locally, and there are considerable complexities and variations (especially jurisdictional issues) that must be addressed in any consolidation scenario, it is a function that has a large degree of commonality and comparability across all DoD components. Accordingly, it should be looked at first from an enterprise-wide perspective, what management structures, information systems, training centers, and "centers of expertise" would be appropriate for performance holistically; secondly, what regional/metropolitan centers could be created to pool resources, create efficiencies, and improve services; and, lastly, what, if any, small, independent operations should be retained. It is RECOMMENDED that this function be high on the list of functions to be examined for potential consolidation on a joint basis.

RECOMMENDATIONS

Recommendation 1: The JCSO should have the opportunity to provide input on the consolidation process. The JCSO should have the opportunity to provide input on the consolidation process. The JCSO should have the opportunity to provide input on the consolidation process.

Recommendation 2: The JCSO should have the opportunity to provide input on the consolidation process. The JCSO should have the opportunity to provide input on the consolidation process. The JCSO should have the opportunity to provide input on the consolidation process.

Recommendation 3: The JCSO should have the opportunity to provide input on the consolidation process. The JCSO should have the opportunity to provide input on the consolidation process. The JCSO should have the opportunity to provide input on the consolidation process.

March 18, 2002

Joint Staff Operations Group Operations for the Record

ENCLOSURE C

THE SAN ANTONIO REAL PROPERTY MAINTENANCE AGENCY AND THE SAN ANTONIO CONTRACTING AGENCY*

In the mid-to-late 1970s, Air Force and Army installation real property maintenance and contracting services in the San Antonio, Texas, area, were consolidated, creating the San Antonio Real Property Maintenance Agency (SARPMA) and the San Antonio Contracting Center (SACC). Both efforts, to be managed by the Air Force, were expected to save \$2.2 million annually in personnel, supplies, and equipment, or \$24 million over the 11-year life of the program. The DoD agreed to disestablish both efforts in 1989 at the Air Force's request. By the fall of 1989, both efforts had ceased operating and their functions were returned to the control of individual base commanders.

In a 1989 report, GAO stated that DoD approved the request to dissolve the consolidation based on studies performed by it and the Air Force that cited installation commanders' concern over a lack of command and control of their engineering support functions. In its justification, the Air Force cited a September 1986 DoD Directive giving installation commanders broad authority to decide how to accomplish their engineering functions and made them accountable for those resources, and stated that mandating SARPMA was at variance with this authority. One Air Force study questioned SARPMA's customer responsiveness and productivity, yet concluded that it provided services at about the same level as before the consolidation. However, it also noted that customers resented the loss of direct control of the civil engineering work resulting in a negative perception of SARPMA's performance. In retrospect, various service officials suggested that this had been a situation in which DoD had pushed the services toward consolidation that the services had not really bought into.

A December 1990 Defense Management Report Decision concluded that comparisons of SARPMA savings was not possible due to the dramatic differences in program funding, environmental issues, hiring freezes, and other factors that impacted DoD during the period the consolidation existed. Also, the original concept of organization, supply, personnel, procurement support, automated data processing, and the client base SARPMA was to serve never materialized. The report went on to say that, considering the range of fundamental management problems and mistakes, such as under staffing, an inadequate computer system, and not promptly reimbursing vendors that caused them to refuse to deal with SARPMA, **to blame its failure on consolidation alone was unwarranted** (emphasis added).

* This information was extracted from GAO Report, "Military Bases: Opportunities for Savings in Installation Support Costs Are Being Missed," April 23, 1996, Appendix II

ENCLOSURE D

DEFENSE CONTRACTING COMMAND-WASHINGTON (DCC-W)

BACKGROUND: The benefits of establishing a joint contracting office in the NCR was recognized several years ago with the establishment of Defense Supply Service-Washington (the name was later changed to Defense Contracting Command-Washington (DCC-W). It was established as a joint activity with executive agency responsibility assigned to the Army (DoDD 5335.2). While the DCC-W is still in existence, their assignment of this joint mission was nullified with OSD's cancellation of DoDD 5335.2 in 2004.

REASONS FOR FAILURE: While some may maintain that the very concept of performing this service on a joint basis is flawed; and, that it would be foolish to take on joint contracting on a DoD-wide basis when it has proven to be a failure on a metropolitan basis, we would contend that it was not the CONCEPT that was flawed, but the IMPLEMENTATION. While there was not any one particular causal defect, the combination of the following deficiencies resulted in the demise of DCC-W as a joint institution:

- While all DoD components in the NCR were suppose to utilize the services of DCC-W, there was no enforcement of noncompliance and there was a specific "escape clause" that allowed exceptions to the required use of DCC-W services. Before long the Navy, Air Force, and parts of the 4th Estate were utilizing their own contracting resources to obtain necessary goods and services.
- While established with the best of intentions, there was no consistent, long-term commitment to making it work.
- As one of many Army entities, it was subject to the normal competition for scarce resources and required reductions. It didn't receive the high level attention (and funding) that would occur if it was a DoD Defense Agency/DoD Field Activity. Some would maintain that it was inadequately funded.
- Many of the personnel in DCC-W were hired and promoted with skills as buyers making simplified purchases. They were inadequately prepared to perform more complicated procurement actions. Accordingly, dissatisfied customers took their business elsewhere.
- DCC-W operated as a stand-alone procurement office within the Office of the Administrative Assistant to the Secretary of the Army. Therefore, it didn't have the advantages of being part of a large procurement organization which could provide for:
 - Reallocation of workload and personnel resources as need dictated
 - Centers of expertise in performing more specialized/complicated contracting actions
 - Oversight by procurement professionals and a common set of metrics to compare effectiveness and efficiency throughout numerous contracting offices
- While assignment of executive agent responsibility to a DoD component is not a flawed concept, in this case it was not the most appropriate format.
- The leadership (with its in/out military assignments) did not provide the necessary continuity to ensure implementation of long-range plans.

The end result is that DCC-W has become irrelevant as a joint institution, but has still retained the illusion of being one.

ENCLOSURE E

COMMENTS OF PENTAGON "WISEMEN"

The following is a collection of relevant comments taken from our numerous interviews. Some are exact quotes; others are paraphrases. We have been careful to retain the meaning while ensuring the confidentiality of the speaker and the context within which the comments were made.

- Contracting out CS functions is not better; can do cheaper/better in house.
- The consolidation of the two motor pools that service the NCR (Army and Navy) makes sense.
- The consolidation of publishing is something that is already being examined (through the BIC process).
- There is no justifiable reason why two military services are necessary to provide executive airline services in the NCR.
- The performance of facilities management functions on a joint basis should be considered.
- The biggest issue to tackle when considering consolidation is funding; reimbursable is best. The cost of providing CS services must be treated like a utility service...must pay bill!
- Any consolidation proposal must recognize not only the different cultures, but their *importance*.
 - For instance, with respect to certain functions (e.g., physical/personnel security) how the organization responds may very well vary depend on whether it is military or civilian.
- The performance of administrative functions in the NCR on a joint basis is an option that should be considered.
- When military personnel are performing CS functions, must consider to what extent consolidation may degrade their combat mission.
- The existence of the "three wise men and mayor of the Pentagon," acting as an informal board of directors, is a very useful forum to resolve problems.
 - Corporate/collaborative values are more important to resolving problems than the formal organizational structure.
 - Informally...can get things done; if have to go through the "formal" route, the process can kill you!
- High-tech functional offices with necessary expertise (e.g., in the area of contracting) can provide adequate services even though far removed from the customer base; geographic factors not that important.
 - Face-to-face contact/liason personnel are not always necessary.
- The organizational structure of the CS provider, with its resultant grade structure, is a key factor in the quality of service provided.
- Should consider consolidation of the following CS functions: contracting, audio visual, facilities management/environmental services and safety, security, supply and support services, and transportation.
 - Within just the Pentagon, consider consolidation of mailrooms
- Rather than force an organizational structure on us, give us a reduction target.
- **We really ought to address some of these consolidation opportunities, but we never seem to have the time or energy to do so.**