



## Maine-New Hampshire Delegation

### Responses to Defense Department claims made at July 18 hearing

Secretary Wynne: realigning Pearl Harbor Shipyard would drastically reduce savings

Response: **Unsubstantiated by facts.** Realignment of Pearl Harbor would move long-term depot-level work from the least efficient shipyard and concentrate such maintenance at the most efficient shipyard (Portsmouth). According to DOD's own figures, the realignment of Pearl Harbor would save more money than the closure of Portsmouth. IND-0055 was the DOD scenario for the realignment of Pearl. The final COBRA run for IND-0055 showed a predicted NPV savings of \$1.8 billion and a three year payback. That is a 50 percent greater savings than DOD claims it would save by closing Portsmouth (Page DoN-24). That is before taking into account any of the problems noted with DOD's COBRA analysis of a Portsmouth closure. Testimony prepared for the July 6 hearing, but blocked by DOD intervention, supports position that keeping Portsmouth open and realigning Pearl is most cost effective option.

ADM Willard: infrastructure analysis was based on force level of 56 attack submarines

Response: **Wrong.** First, Navy indicated the FY2005 Force Structure Plan was 55 submarines, not 56. Second, this claim is contradicted by DOD's deliberations. In November 2004, Navy told IJCSG submarine workload per FY2005 Force Structure Plan (55 subs) couldn't be executed with less than four shipyards. When was evaluated against the FY2006 Force Structure Plan was revised to show a 18 percent reduction in the attack submarine force by 2024. Navy cited this reduction as creating excess capacity to allow for closure of a shipyard. Thus, the analysis was done against a level of less than 55-56 submarines. Even so, our analysis shows there is insufficient excess capacity among shipyards, especially given that the force level remains at approximately 55 submarines through 2019.

ADM Willard: If Pearl Harbor does not do depot work, Navy must buy more subs [implied, to account for transit time]

Response: **Illogical and unsupported conclusion.** Transit time from one coast to the other is 14-29 days. Portsmouth repairs submarines 3-6 months faster than Pearl Harbor, which more than compensates for the transit time. In the last five years, Portsmouth's efficiencies have resulted in the equivalent of adding one year's worth of submarine operational availability to the fleet. Over the same period, the inefficiencies of the other three yards have resulted in the loss of two year's worth of operational availability. If all Pearl Harbor homeported submarines requiring an EOH were performed at Portsmouth Naval Shipyard, that would equate to one round trip per year for 15 years.

ADM Willard: Portsmouth has been credited with its reduced operating costs.

Response: **Misleading**. Portsmouth's efficiencies were not included in COBRA model. DOD "struggled" with creating efficiency metric, but gave up. With efficiencies included, closure payback period doesn't occur until 2042. Portsmouth's performance was calculated in military value score (which earned it a higher ranking than Pearl Harbor).

ADM Willard: looking out 25 years, one shipyard can be closed, we have excess capacity.

Response: **Inaccurate and wrong**. BRAC analysis is in a 20 year window, not 25. In reality, there is insufficient excess capacity among shipyards.

ADM Willard: facing future uncertainties, such as Chinese fleet build up, there is additional capacity out there, and any additional subs can be accommodated.

Response: **Unsupported by facts**. Certified DOD data show shipyards operating at 95 percent capacity under closure, leaving minimal capacity for surge. Adding historical 14 percent workload growth, there is insufficient capacity. Private shipyard capacity cannot be analyzed or included under BRAC law.

ADM Willard: Portsmouth works on only one platform (submarines), while Pearl Harbor handles all kinds of surface ship work as well.

Response: **Wrong**. Portsmouth can maintain and homeport the DDG-51 destroyer, Aegis cruisers, Perry Class Frigates, and the Littoral Combat Ship; can modernize, maintain and homeport all U.S. Coast Guard maritime platforms (it is currently homeport to three U.S. Coast Guard cutters); can modernize, maintain, and repair SSBNs and SSGNs; and can build and maintain deep submersibles and SEAL delivery vehicles.

Proposed Agenda

**BRUNSWICK NAVAL AIR STATION**

Member's/Governor's Meeting With BRAC Commissioners

Monday, July 18, 2005

3:45 – 4:00 pm

SR-428A

*MMA = multi-mission aircraft*

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**1. OVERVIEW/ COSTS AND COST SAVINGS - Sen. Snowe (4 min)**

- The only justification for realignment was cost savings
- Navy failed to account for MMA introduction
- Navy failed to account for increased mission/operational costs
- Navy overstated military construction cost avoidances
- Navy failed to consider timing and phasing of military construction at NAS Jacksonville
- When corrected to reflect above, financial justification for realignment fails

*no facilities  
by 2009 at  
JAX*

**2. MILITARY VALUE/MISSION - Sen. Collins (4 min)**

- The military value of Brunswick has not diminished since May 18th.
- The removal of northeast maritime patrol assets would leave our nation vulnerable.
- Brunswick has the only hangar capable of hosting the MMA. (and UAVs)
- Closure or realignment of Brunswick would require future detachments – from one U.S. base to another – to meet mission requirements.

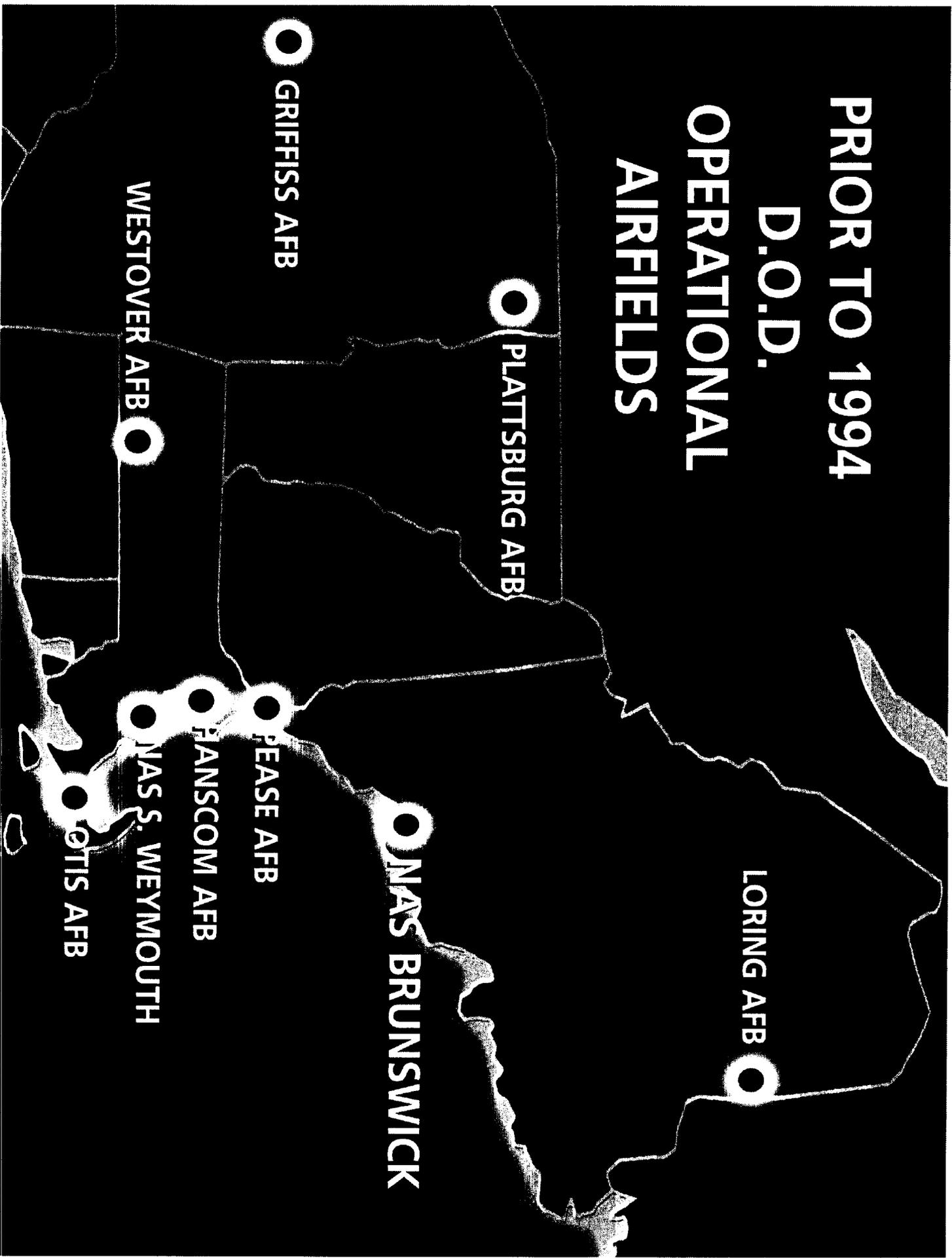
*traveling to/from  
Brunswick*

*\* Bldg new MMA hangar in JAX produces  
excess capacity.*

**3. ECONOMIC IMPACT - Rep. Allen (2 min)**

- DOD calculated NASB in the wrong MSA (Portland instead of Bath-Brunswick).
- Actual economic impact is 8 times greater (10.4% versus 1.3%) in corrected area.
- Deviation of criteria 6: very important for small community like Brunswick.

# PRIOR TO 1994 D.O.D. OPERATIONAL AIRFIELDS



○ GRIFFISS AFB

○ PLATTSBURG AFB

○ WESTOVER AFB

○ PEASE AFB

○ HANSCOM AFB

○ NAS S. WEYMOUTH

○ OTIS AFB

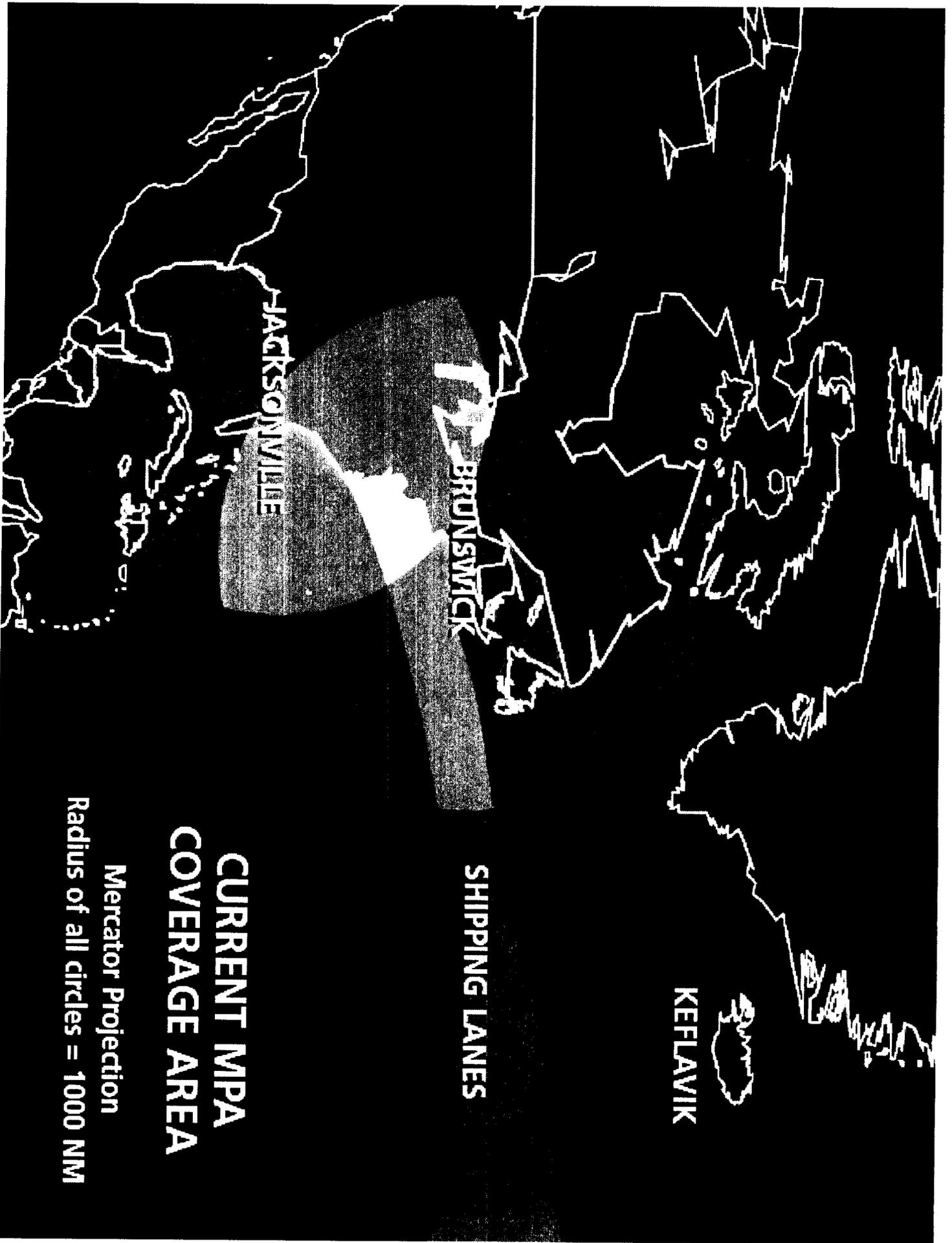
○ NAS BRUNSWICK

○ LORING AFB

**PRESENT DAY  
D.O.D.  
OPERATIONAL  
AIRFIELDS**



**ONAS BRUNSWICK**



JACKSONVILLE

BRUNSWICK

SHIPPING LANES

KEFLAVIK

CURRENT MPA  
COVERAGE AREA

Mercator Projection  
Radius of all circles = 1000 NMI

# Recent Recapitalization

Hangar 6 - Six bays (\$33.9M, completed FY 05)

Runway Recapitalization (\$10.7M, FY 01-05)

Ramp & Taxiway Repairs (\$8.7M, FY 03)

Aircraft Control Tower (\$8.2M, FY 05)

Family Housing - Phases I, II & III - 220 Homes (\$33.4M, FY 01-05)

Transient Quarters (\$17.7M, FY 04)

Re-located Base Entrance (\$1.65M, FY 04)

Separate Truck & Vendor Entrance (\$1.3 M, FY 04)

Small Arms Range (\$940K, FY 05)

MWD Kennel (\$346K, FY 05)

40 Natural Gas Boilers (\$7.0M, FY 05)

## The Case for the Portsmouth Naval Shipyard

NH/ME Delegations Meeting With Commissioners Gehman, Hansen and Hill  
Monday, July 18, 2005, 3:15 pm -3:45 pm  
428A Russell Senate Office Building

- 1) Welcome, Objectives, Overview
- 2) Force Structure and Criteria 1, 2, and 3
  - Force Structure Plans (FSP) show a force structure of about 55 subs until 2019
  - Criterion 1-Without Portsmouth, workload exceeds capacity
  - Criterion 2-FSP precludes closure of unless its 3 drydocks are replicated
  - Criterion 3-Closure leaves others yards at 95% capacity--no room for surge
- 3) Capacity/Workload
  - Human capacity was ignored when evaluating capacity at Naval Shipyards
  - Drydocks and industrial plant capacity cannot accommodate workload without PNS
  - Human capacity cannot accommodate workload without Portsmouth
  - Even with SSN force structure of 45, workload does not decline until 2019
- 4) Other Capabilities and Cost of Reconstitution
  - Portsmouth can maintain and homeport the DDG-51 destroyer, Aegis cruisers, Perry Class Frigates, and the Littoral Combat Ship.
  - Portsmouth can modernize, maintain and homeport all US Coast Guard maritime platforms, and is currently homeport to three US Coast Guard cutters.
  - Portsmouth can modernize, maintain, and repair SSBNs and SSGNs.
  - Portsmouth can build and maintain deep submersibles and SEAL delivery vehicles.
  - It would cost \$400 million and take at least 4 years to reconstitute one drydock
- 5) Criteria 4 and 5
  - Portsmouth will return 60 months of operational time through 2011
  - DoD "struggled" and gave up trying to account for Portsmouth's efficiency
  - Corrected COBRA: \$293 million in additional one-time costs and a 20-year NPV cost of \$285 million, with a 34 year payback (2042).
  - DoD COBRA runs showing that closing Pearl generated higher savings
- 6) Criterion 6
  - DoD did not include New Hampshire in its economic impact evaluations
- 7) Criterion 8
  - DoD understated environmental remediation costs by at least \$100 million
- 8) Summary
  - Closure deviates from BRAC criteria
  - Closure costs taxpayers more than it will save
  - Closure undermines national defense strategy
- 9) Questions/Discussion

- ❑ **closure of Portsmouth substantially deviates from the BRAC criteria and is inconsistent with strategic needs**
- ❑ **closure will cost the taxpayers far more money than it will save**
- ❑ **closure will fundamentally undermine the National Defense Strategy of the United States of America**

## **Substantial Deviation Force Structure Plan**

**Both 2004 and 2005 Force Structure Plans require the same number of submarines until 2019 – Future workload levels necessary to maintain those submarines will not and must not decline for the next 15 years.**

**The Navy's decision to close Portsmouth will result in the inability to maintain the submarine force structure thereby driving the force structure to numbers lower than those submitted in the Force Structure Plan.**

# Portsmouth Naval Shipyard

## Other Capabilities

- Portsmouth can maintain and homeport the DDG-51 destroyer, Aegis cruisers, Perry Class Frigates, and the Littoral Combat Ship.
- Portsmouth can modernize, maintain and homeport all US Coast Guard maritime platforms, and is currently homeport to three US Coast Guard cutters.
- Portsmouth can modernize, maintain, and repair SSBNs and SSGNs.
- Portsmouth can build and maintain deep submersibles and SEAL delivery vehicles.

# Substantial Deviated from Criterion 5.

Criterion 5 states: DoD will consider “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, for the savings to exceed the costs.

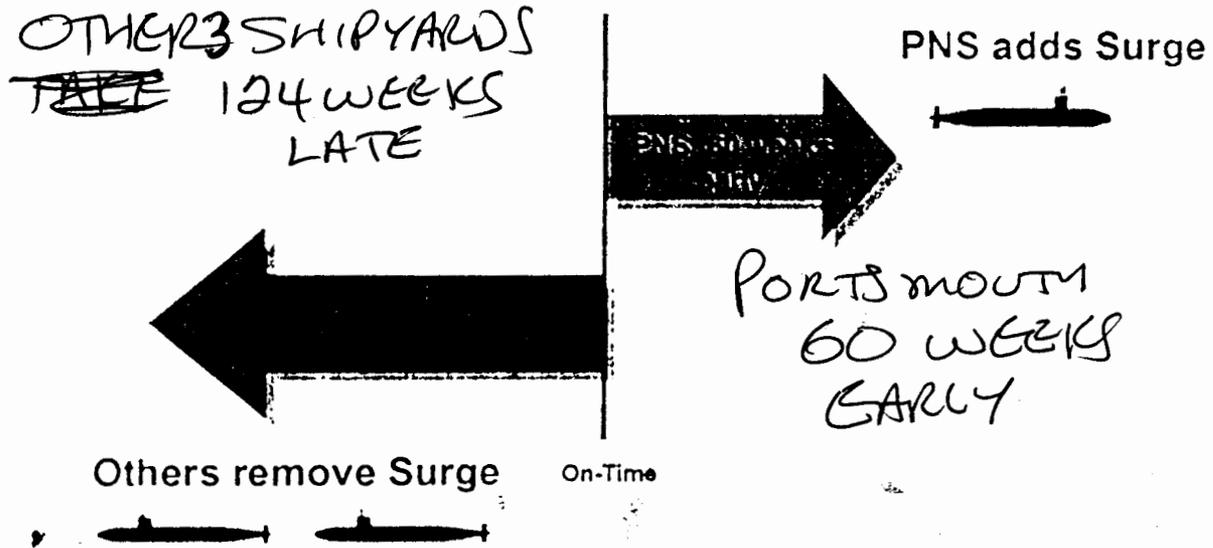
	<u>DoD</u>	<u>Corrected</u>	<u>Difference</u>
Cost to Close	\$448.427 M	\$741.978 M	\$293.551 M
NPV in 2025	\$1.262 B	(-\$284.896 M)	\$1.547 B
Payback Year	2012 (4 years)	2042 (34 years)	30 years

# DoD Military Value Rating for Shipyards\*

1. Puget Sound Naval Shipyard	0.7480
2. Norfolk Naval Shipyard	0.7339
3. Portsmouth Naval Shipyard	0.6444
4. Pearl Harbor Naval Shipyard & IMF	0.6208
5. Norfolk Detachment – Foundry (Philadelphia)	0.2220
6. Puget Detachment – Boston Planning Yard	0.0872
7. SUBMEPP – Kittery	0.0630
8. Norfolk Detachment – PESO (Annapolis)	0.0555
9. Norfolk Detachment – NAVSHIPSO (Philadelphia)	0.0546

\* Industrial Joint Cross Service Group Final Report, 11 May 2005, p.573

# Operational Readiness – Returned Operating Time to War Fighter (Last 5 Years)



*"...Portsmouth's extraordinary performance is translating into increased US Submarine Fleet readiness."*

Admiral V.E. Clark, Chief of Naval Operations  
PNS Meritorious Unit Commendation, 12 May 2005

Partnering for More Ships At Sea



**Remarks of Maine Gov. John Baldacci**

**before the**

**Base Realignment and Closure Commission**

**Boston, Massachusetts**

**6 July 2005**

Chairman Principi, members of the Commission, I am Governor Baldacci of Maine, and I thank you for the opportunity to address the economic impacts on Maine people of the Department of Defense's BRAC recommendations. In the time available to me, I will speak first to the statewide impacts of the DOD plan; second, to their relative impacts in Maine, compared to other states; and lastly, to some flaws in the DOD analysis and the inaccuracies of its numbers.

The citizens of Maine have a long and distinguished history of service to our nation in times of need. In the 1863 Battle of Gettysburg, the 20<sup>th</sup> Maine Regiment led by General Joshua Chamberlain turned the tide at Little Round Top and, in the view of many historians, literally saved the Union. Today, Maine has one of the highest rates among all the states in deployment of National Guardsmen and women. Maine's population accounts for less than 1/2 of one percent of the nation, yet the state has consistently sent 2, 3, or even 5 times its share of servicemen and women in times of war. We did so during the Civil War, both World Wars, Korea, Vietnam, Desert Storm, Iraq, and Afghanistan. In each we suffered disproportionate casualties.

Today, speaking on behalf of all Maine people, let me say that we wish to continue to serve the nation as best we may; and we will.

In establishing "economic impact" as one of the criteria for the BRAC evaluation process, the Congress has created a dilemma for the Commission. No base closure or realignment will be without its economic impacts, at times positive, at other times quite negative. How then is the Commission to make "economic impact" a meaningful consideration?

Certainly, the most reasonable approach is to consider not the mere presence of economic impact, nor necessarily its absolute magnitude, but its relative size among affected areas. **No region should be asked to improve the nation's military efficiency by bearing a disproportionate share of the economic costs. Yet this is exactly what the DOD plan**

**proposes. Its recommendations and their consequences will amount to a federally-induced, major economic recession in Maine** – one deeper than the DOD figures would lead you to believe, and one from which the people of Maine will be years in recovery.

## **STATEWIDE IMPACT**

From the extreme northernmost point of Maine to its southernmost tip of Kittery, the statewide impact of the DOD plan will be massive. The closure of any single installation would be painful; the closure of three together will be felt throughout the Maine economy for years to come. Closing the DFAS center will hurt an already struggling northern region. Closing Portsmouth and realigning Brunswick will compromise all of southern Maine.

## **PORTSMOUTH**

Earlier today Governor Lynch described the impact of closing Portsmouth Naval Shipyard in Kittery. The southern Maine / New Hampshire economy will lose some 12,000 jobs.

In Maine's southern-most county of York, more than 4% of all workers will become unemployed as a result of the DOD plan. And since Shipyard pay levels are nearly twice the average in the region, the percent of total wages being removed from the regional economy will be even greater – fully 12% of all wages paid in the 20-mile region, and 11% of all wages in the 30-mile region. These are numbers one would expect to see only in times of severe recession.

The thousands of workers who will lose their jobs at the Shipyard have highly specialized skills that do not transfer readily to other industries. Many are advanced in their careers and have spent decades tailoring their skills to meet the Navy's needs. Their skills are today unmatched, yet there are not businesses or industries in the region capable of absorbing thousands of newly jobless Shipyard workers.

Long-term projections suggest that traditional manufacturing jobs in southern Maine will continue a pattern of decline. Helping five thousand Shipyard workers adapt their skills to new industries while supporting their families will be an unprecedented undertaking for our state. The lack of immediate job opportunities in the area inevitably will force some workers and their families to leave Maine.

## **BRUNSWICK**

We would like to give you a similar assessment for the impact of Brunswick in the mid-coast region of Maine, but we have been unable to obtain the necessary information from the Navy. We have very little information on which positions will leave, which will stay, which buildings will be mothballed, and which will be available for reuse. We know that DOD estimates a loss of 4,655 jobs and \$135 million in wages and salaries in the region. This alone suggests that the economic impact will be far reaching; however, the impact of the realignment will be magnified by local economic conditions that DOD did not consider.

The mid-coast Maine economy is today struggling with major workforce reductions at Bath Iron Works (BIW), the state's largest defense contractor and builder of Navy destroyers, next-door to Brunswick. In 2004 and 2005, BIW laid off 675 workers from jobs paying some of the highest wages in the region. Over 500 individuals are currently collecting unemployment insurance and face limited prospects for re-employment. The skills and occupational qualifications of the BIW workers are very similar to those employed at Portsmouth. Flooding the regional labor market with thousands of workers with similar skills will further handicap their re-employment prospects in Maine and New Hampshire.

## **LIMESTONE**

The DFAS Limestone center is located in Aroostook County, one of the most economically challenged regions in the nation. The unemployment rate in Aroostook is currently 7.5%, and out-migration is a chronic problem, due largely to its remote location and the decline of traditional agriculture and forestry. DFAS is among the area's largest employers, and its average wages are 50% higher than the rest of the county.

The DOD's decision to close DFAS Limestone, in fact represents a double closure. The 1994 closure of Loring Air Force base had a devastating effect on the local economy. At the time of the BRAC closure, the facility employed 4,500 military and 1,100 civilians.

While the region has not fully recovered from this painful blow, DFAS Limestone has been the cornerstone of that effort and has provided area residents with well paying jobs with benefits. The DFAS job losses will increase the number of unemployed in the region by more than 1/3. When indirect jobs are included, our economists calculate 550 to 600 total positions will be eliminated, increasing the number of unemployed Aroostook residents by more than one-half.

There will also be a severe de-population effect in a county with a long history of out-migration; the loss of 360 well-paying DFAS jobs will deepen this problem. Workers who relocate to find work will take family members with them.

**In sum, the total direct and indirect effect on wages in Maine from the loss of these three facilities will be the equivalent of losing the state's entire farming, fishing, forestry and logging industries. In terms of employment, it will be the equivalent of losing either the state's paper manufacturing industry, or the hotel and motel sector of Maine's tourism economy. It will be nothing short of a catastrophe!**

Under the DOD plan, the nation as a whole is asked to sacrifice some 26,000 direct jobs in order to improve overall military efficiency. Among the 50 states, there are

22 net gainers of direct jobs, and 28 net losers. The job losses will be difficult in each state; but some states will feel the loss more deeply than others.

Of the 28 net losers, only three states will lose more than 4,000 direct jobs: Connecticut, Maine, and Alaska. Maine will lose 6,938 jobs directly, second only to Connecticut. In terms of the number of civilian job losses, Maine is second only to Virginia. And if you add in the indirect job losses calculated by DOD, Maine will lose a total of 13,418 jobs, 2.1% of the state's total employment in 2002, second only to Alaska's 2.4%, and far greater than that of any other state in the nation.

These dire numbers do not, however, paint a complete picture of the DOD plan's impact all across Maine. Job losses will be difficult for every state; but the size of many other states' economies will help them soften the blow. Maine has a small population and a small workforce compared to other states. Of the three states losing more than 4,000 direct jobs, Connecticut will lose civilian jobs equivalent to 0.5% of total employment, Alaska will lose 1.1%, and Maine will lose 1.7%, by far the highest percentage of any state in the nation.

Further, the sub-state area impacted by the DOD plan in Maine is far larger than that of any other area in the country. Other high impact areas tend to be small both in absolute size of labor market and relative to total state employment. The economic area absorbing the bulk of Maine's impact represents over half of the state's total employment.

**By any measure, Maine is being asked to carry a grossly disproportionate burden of the reductions. For our state, the DOD plan will be nothing less than a federally induced, major recession.** Total estimates of civilian job losses are the equivalent of a 1.5 percentage point increase in Maine's unemployment rate. Our best estimate of the percentage of total wage and salary earning that will be lost is even higher: 3.5%. Indeed, 13,418 direct and indirect jobs, the total that DOD predicts Maine

will lose, will be **eight times greater than the job losses of the 2001 recession, and ever larger than the devastating recession of 1990-91.**

All this, as I say, is based on the DOD's own analysis. It is especially distressing to me to report, however, that this analysis appears seriously flawed, and not a reliable basis for the Commission's decisions in these most serious matters. Let me point briefly to just two of the significant problems we have encountered in trying to figure out for ourselves what the full economic impacts of the DOD plan will be.

**The first is incomplete information.** We lack, for example, critical information about the proposed realignment of the Brunswick Naval Air Station. The DOD analysis removes 2,420 military jobs from an authorized manpower level of 3,275, a reduction of 74%. However, our information is that current military personnel assigned to BNAS total 4,410. If the same proportion is to be reduced from the higher figure, the direct loss will be 3,260 jobs, equivalent to a complete shut down of the base using DOD figures.

Nor is it clear just what military personnel will be left at Brunswick – neither how many, nor what their roles will be. This is crucial to understanding the economic impact of the plan. The DOD analysis leaves 825 military employees at the base, but they may have little or no positive role in the local economy. If the only military left are reservists doing training, there is almost no economic benefit to the community, as reservists and guard personnel are counted in the employment of their home regions and not where they are stationed.

**Second, the economic impacts estimated by DOD are only a partial picture of what will actually happen.** Critically, the DOD analysis for bases like Brunswick ignores the related effects on population migrations. In their analysis, it is as if all the military personnel were to leave, but their families were to stay behind. This is a particularly acute issue in the case of Brunswick, where up to 5,700 dependents of military personnel will leave the area under the proposed realignment.

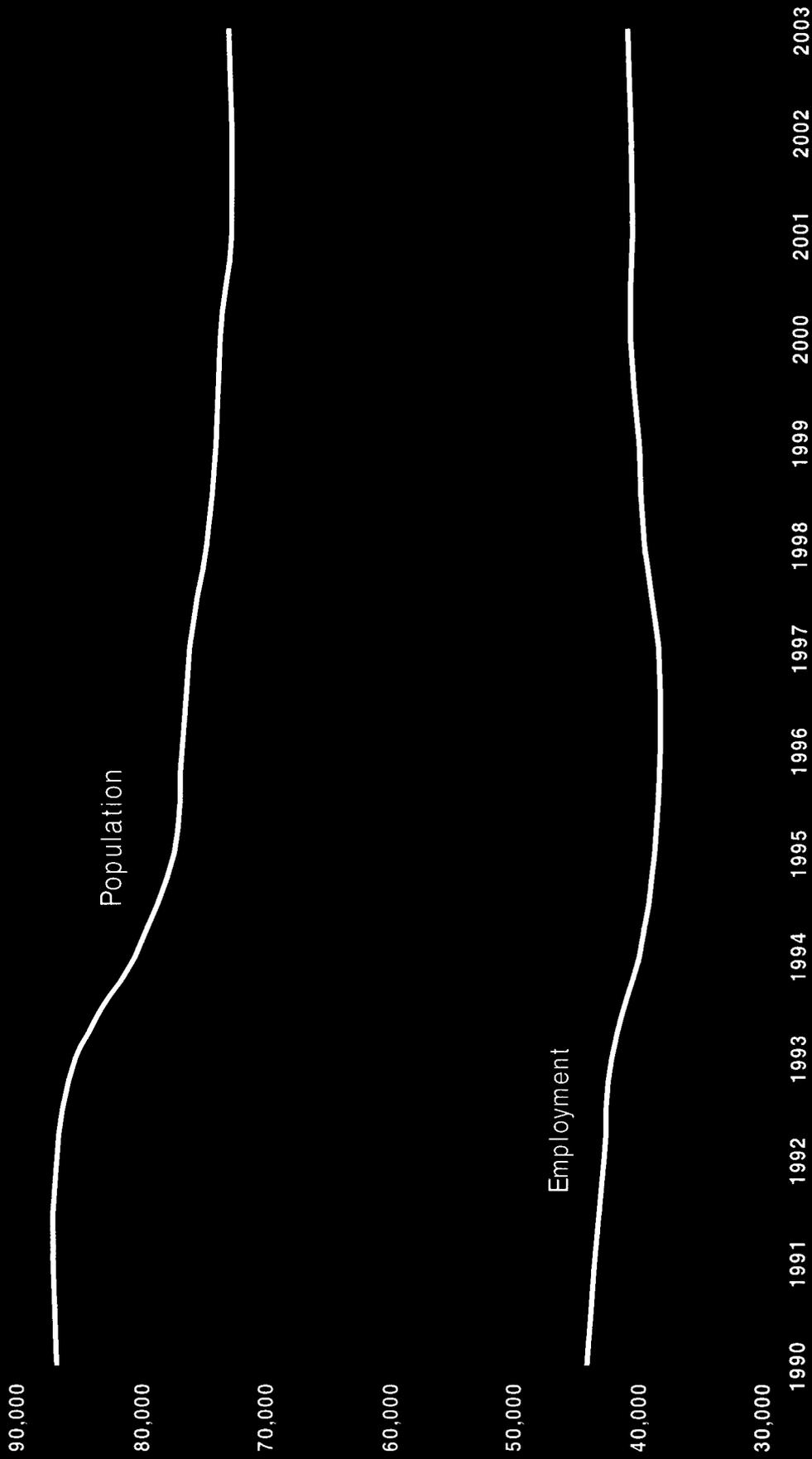
Taking these losses into account, the employment impacts at Brunswick could range from 5,800 to 7,500 job losses – in comparison with DOD’s estimate of 4,300 – as much as a 74% increase. These figures also ignore the potential loss of some portion of the nearly 6,000 military retirees who live near BNAS.

A similar problem exists for the analysis of Portsmouth. Taking into account analyses of both the Maine and New Hampshire economies, the effects could be 15% higher than DOD estimates when population migration is taken into account.

**In summary, then, we find that the DOD plan is founded upon flawed economic and financial data which, if implemented, will have the effect of a federally-induced, major economic recession throughout the state of Maine. And I ask, is this the act of a grateful nation to a state that has, throughout its history, given so much to the nation’s highest purposes?**

Again, on behalf of the people of Maine, I would like to thank you for your time, attention, and consideration.

# Population & Employment in Aroostook County



# ATTACHMENTS

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## Maps

Map A: Place of Residence of Employees Working in Limestone

Map B: Place of Residence of Civilian Employees at Portsmouth Naval Shipyard

Map C: Share of Employed Residents Working at Portsmouth Naval Shipyard

Map D: Distribution of DOD-Related Job Losses

### Contributors:

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# STATEWIDE IMPACT

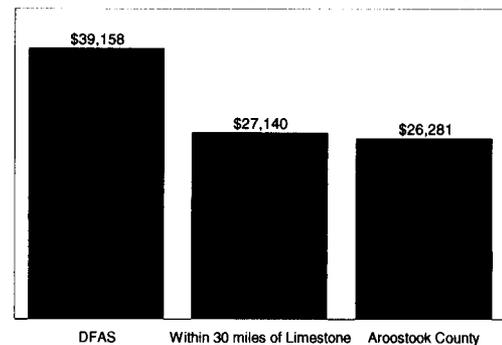
## 1A. Economic Impact of Closing DFAS Limestone

Closure of the Defense Finance and Accounting Service center in Limestone will have a major impact on the population of Aroostook County, which is among the most economically depressed regions in the nation. The county has long been heavily dependent on natural-resource-based industries, especially forestry and agriculture, which have been in decline for decades. The rise of mechanized potato and timber harvesting, increased competition from subsidized Canadian wood products mills, the closure of Loring Air Force Base in 1994, and other factors sent the economy into a decline that it has been struggling to reverse for more than two decades. The unemployment rate in Aroostook County currently is 7.5%. In 2000, 14.3% of residents lived in households with incomes below the poverty level. The economy is in a tenuous state and closure of the DFAS center will be a tremendous blow at an inopportune time.

### *Regional Employment and Wages of DFAS Workers*

DFAS is one of the ten largest employers in Aroostook County and is also among the highest paying employers. As such, a sizeable share of workers commute great distances to work there. Those workers accounted for 1.5% of jobs and 2.2% of total wages paid by employers within 30 miles of Limestone in 2004. Limestone attracts a large number of commuting workers from throughout the county (see Map A).

Average wages at the Defense Finance and Accounting Service are substantially higher than the average among employers in the region



### *Local Population and Labor Force*

Among Maine towns centered within 30 miles of Limestone, the population totaled just 38,290 in 2000 and the 2004 civilian labor force averaged 19,840, with 1,020 unemployed. The direct loss of roughly 360 DFAS jobs will increase the number of unemployed in the region by nearly one-third. That figure does not include secondary job losses that will occur as displaced workers reduce their spending on goods and services in the local economy.

### *Industry Structure of Employment and the Regional Job Outlook*

Many DFAS workers have accumulated knowledge and experience in business, information systems, accounting, and other finance-related occupations. In the slow- or no-growth labor market that currently exists in the Limestone region, it is likely that most displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment.

***Critique of DOD Economic Impact Analysis***

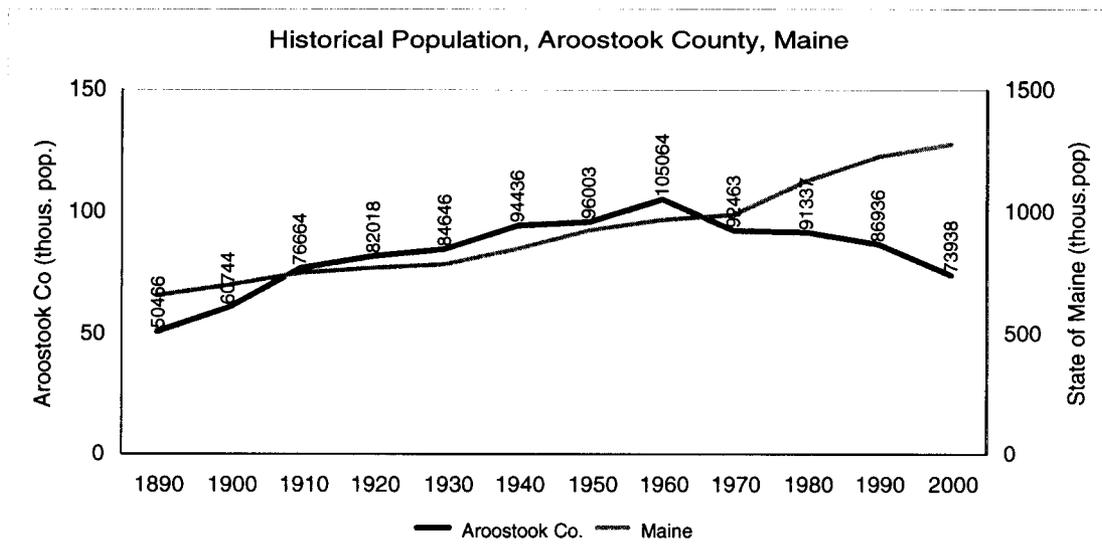
**Baseline employment figure inaccurate**

DOD estimates the impact of closing the Limestone DFAS center to be a loss of 391 jobs in Aroostook County, based on 241 employed at the center. However, the center currently employs just over 360 workers. The impact, using DOD’s method of measuring job loss, is much greater if the current employment figures are used.

**No consideration of impact of population losses associated with closure**

Business closures that result in job losses impact entire families, not just the workers. When workers must relocate in order to find work, whole families leave. This effect will be more intense in areas that offer few alternative employment opportunities, such as Aroostook County. DOD did not consider this de-population effect in their analysis.

Aroostook County has had a long history of out migration, due largely to its remote location and to hard times in the agriculture and forestry industries that dominate the region. This was exacerbated in the 1990s with the closing of Loring Air Force Base, which removed 4,500 military personnel plus family members from the area and put more than a 1,100 civilians employed on the base out of work. Population decline in the county accelerated.



### **Lack of data on operational costs and expenditures**

Secondary impacts of closing the DFAS center include not only the indirect effect of jobs lost at the facility, but also the effects of spending by the facility that occurs in the region. To date little information has been released concerning expenditures.

### ***Maine Economic Impact Analysis***

A comparison of DOD's estimates of the impact of closing the Limestone DFAS center to other assessments show important differences. Had DOD used the current employment figures for the center, the results would have shown a greater impact.

The Maine State Planning Office and the Edmund S. Muskie School of Public Service at University of Southern Maine used two economic models (RIMS II from the US Department of Commerce Bureau of Economic Analysis, and Policy Insight from Regional Economic Models Inc. (REMI) to calculate the economic impact of the closure. The RIMS II and REMI forecasting models capture more of the impact of a closure, in spite of the obstacle of missing and unavailable data, than do IMPLAN multipliers employed by DOD.

### **Employment Effect of Closing DFAS-Limestone**

#### **Area Profile**

Population Estimate - Aroostook County (2003 U.S. Census Bureau)	73,390
Civilian Labor Force (April 2005)	37,030
Employment (April 2005)	34,240
Unemployment Rate (April 2005)	7.5%
Poverty Rate (2002 Census)	15.3%

#### **DOD Estimates**

DFAS Employment	241
Pct of Area Employment	NA
DFAS Employment Impact	391
Pct of Area Employment	1.0%

#### **Actual Labor Force**

DFAS Employment	364
Pct of Area Employment	1.1%

#### **RIMS II Impact Estimates**

DFAS Employment Impact	530
Pct of Area Employment	1.5%

#### **REMI Impact Estimates**

DFAS Employment Impact  
Pct of Area Employment

582  
1.7%

Sources: DFAS, DOD, Maine State Planning Office, University of Southern Maine

The output of the two economic models is based on the effect of losing 360+ jobs at the DFAS center. The results differ due to the different methods the models employ. RIMS II measures effects of payroll and direct spending by the center, while REMI measures the effects of job losses and computes the effects of further population impacts due to out-migration of a portion of the workforce over time. REMI multipliers were also available to measure both statewide and county impacts.

### **Results**

RIMS II measures indirect impacts based on two criteria: the size of the payroll and the expenditures of the establishment. Current data for both criteria were unavailable; instead, the 2003 payroll was used. Note that the 2003 payroll is lower than the current payroll due to the increase in personnel that occurred at the center in 2004. As a result, the impacts of the payroll are conservative and understated. Since no data were available on purchases or direct expenditures to local businesses, the impact of \$1 million in spending was used to determine an approximate amount.

The results show a loss 546 jobs statewide, including 530 direct and indirect jobs due to loss of payroll, and another 16 jobs lost for each \$1 million in direct spending by the center.

### **Economic Impact of Closing DFAS-Limestone: RIMS II Model Output**

	Direct	Indirect	Total
<b>Earnings (million)</b>			
Civilian	\$10.0	\$4.9	\$14.9
Military	---	--	--
Procurement*	--	\$0.465	\$0.465
<b>Total</b>	<b>\$11.0</b>	<b>\$5.365</b>	<b>\$15.365</b>
<b>Employment</b>			
Civilian	364	166	530
Military	--	--	--
Procurement	--	16	16
<b>Total</b>	<b>364</b>	<b>182</b>	<b>546</b>

\* Based on \$1 million in direct spending.

Source: Maine State Planning Office

The REMI forecasting model not only measures the results of lost jobs, but also estimates population loss that results over time from a business closing. The added impact of out-migration indicates that over time the effect will be somewhat greater.

The results show a loss of 582 jobs in the region and a statewide loss of 600 jobs. This loss will increase as out-migration occurs. The labor force is also forecast to decline as people leave the labor force or move away in search of jobs.

**Economic Impact of Closing DFAS-Limestone:  
REMI Model Output**

	2007	2008	2009	2010	2011
<b>Aroostook County</b>					
Total Employment	-581.90	-598.5	-607.90	-612.10	-613.90
Total GRP (Mil Chained 96\$)	-30.29	-30.96	-31.39	-31.64	-31.8
Total GRP (Mil Fixed 96\$)	-33.00	-34.17	-35.10	-35.85	-36.5
Personal Inc (Mil Nominal \$)	-28.18	-30.99	-33.45	-35.69	-37.81
Population	-120.4	-214.3	-293.0	-358.7	-413.8
Labor Force	-134.0	-220.9	-284.5	-331.3	-365.7
<b>Maine</b>					
Total Employment	-600.3	-619.4	-630.6	-635.7	-638.0
Total GRP (Mil Chained 96\$)	-31.06	-31.85	-32.37	-32.67	-32.86
Total GRP (Mil Fixed 96\$)	-33.84	-35.15	-36.19	-37.01	-37.72
Personal Inc (Mil Nominal \$)	-29.35	-32.4	-35.08	-37.48	-39.75
Population	-128.8	-229.9	-315.2	-386.6	-446.5
Labor Force	-143.1	-236.8	-305.5	-356.3	-393.9

Source: University of Southern Maine

Overall, the two models show similar results. A job loss of between 550 and 600 is indicated once the conservative results of the RIMS II model due to lack of current payroll data is considered. Out-migration of population in general, and especially of skilled workers, will make recovery very difficult in isolated Aroostook County.

## **1B. Economic Impact of Closing Portsmouth Naval Shipyard**

Portsmouth Naval Shipyard in Kittery, Maine, is among the largest, highest paying employers in Maine and New Hampshire. Its location on the border of the two states creates a unique situation. Approximately 58% of PNS workers live in Maine, 40% in New Hampshire, and the small remainder in other states. Overall, closure will have a

major impact on both the immediate region in which it is located and the Maine economy overall.

The total impact of closure of the Kittery shipyard is a loss of nearly 12,000 jobs and over \$500 million in earnings, primarily in Maine and New Hampshire, with a small loss in other New England states from which the yard has significant purchases, primarily of replacement parts applied to submarines during the overhauling and refueling process.

### ***Regional Employment and Wages of PNS Workers***

Figures for 2004 from the Seacoast Shipyard Association indicate that PNS's civilian workforce of 4,803 was paid a total of \$318.3 million in wages, with an average wage of \$62,852. Maine residents accounted for 58% of the jobs and 59% of payroll. The military payroll was an additional \$29.3 million.

High levels of pay have attracted workers from throughout Maine to work at the yard. However, 55% of the workers who reside in Maine live in towns centered within 20 miles and 79% live in towns centered within 30 miles of Kittery (see Map B). Among these two commuting regions, the Maine resident PNS workers earned \$105.2 million and \$148.1 million in wages in 2004.

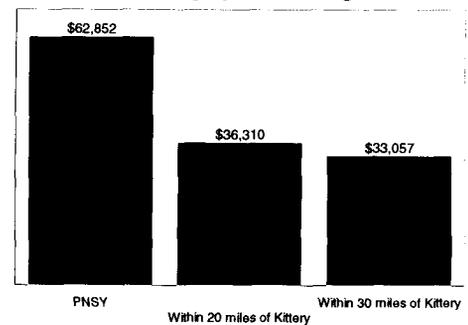
PNS workers accounted for 5% of all employed Maine residents living in towns centered within 20 miles of Kittery in 2004, and 4% of employed residents in towns within 30 miles of Kittery (see Map C).

With pay levels nearly twice the average of the region, the Maine Department of Labor estimates that PNS workers accounted for 12% of total wages paid in the 20 mile region and 11% of wages paid in the 30 mile region.

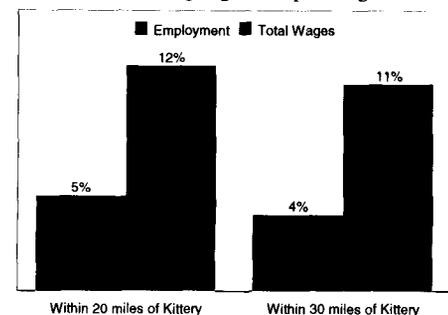
### ***Local Population and Labor Force***

Maine towns centered within 20 miles of Kittery reported 56,300 residents in the 2000 Census. The 2004 average civilian labor force totaled 35,000 workers with an average number of unemployed workers of 1,200. The direct loss of 2,771 jobs by Maine residents will increase the number of unemployed in this region three-fold and cause the unemployment rate to spike from 3.5% to 8.1%.

Average wages at the Portsmouth Naval Shipyard are nearly double those found among Maine employers in the region



The estimated share of employment and wages of Portsmouth Naval Shipyard workers in the residing in the primary Maine commuting region is quite high



In Maine towns centered within 30 miles of Kittery, the number of unemployed will increase twofold and the unemployment rate will spike from 3.9% to 7.7%. These numbers do not include indirect job losses that will occur as the displaced workers reduced their spending on goods and services in the local economy.

***Industry Structure of Employment and the Regional Job Outlook***

Many of the PNS workers have accumulated high-value, advanced skills in trades such as pipefitting, welding, and marine electronics. The knowledge, skills, and experience of those workers are not directly transferable to most industries in the region. As the table below indicates, the share of jobs in the manufacturing sector is relatively low. These figures include PNS workers, who account for more than half the manufacturing employment in the region.

**Employment by Industry Sector in the Kittery Commuting Region**

	Within 20 miles of Kittery		Within 30 miles of Kittery	
	Jobs	Percent	Jobs	Percent
Total	24,429	100%	41,794	100%
Goods-Producing	8,491	34.8%	11,946	28.6%
Natural Resources & Mining	35	0.1%	80	0.2%
Construction	1,024	4.2%	2,074	5.0%
Manufacturing				
PNS 2004	4,083	16.7%	4,083	9.8%
All Other Manufacturing	3,349	13.7%	5,710	13.7%
Service-Producing	15,937	65.2%	29,847	71.4%

Source: Maine Department of Labor

The Maine Department of Labor’s employment projections to the year 2012 for southern Maine indicate that jobs in most manufacturing industries will continue the long-term pattern of decline. Based on past experience with base closings, plant closings, and major workforce reductions, it is likely that most displaced workers will experience a substantial drop in earnings upon re-employment, and that some will move to another region to find suitable employment.

The age and educational profile of the PNS workers, suggests that they will face formidable re-employment challenges. Data from the Shipyard indicates that 77% of workers are age 40 or over 43% are age 50 or over. The highest educational attainment of nearly two-thirds (63%) of them is a high school diploma, and 78% have achieved less than a bachelor’s degree. Facing a weak job market demanding entirely different skill sets, the path to re-employment will be long and costly.

***Critique of DOD Economic Impact Analysis***

### **Baseline employment figure inaccurate**

According to the Seacoast Shipyard Association, PNS's Calendar Year 2004 employment stood at 4,803 civilians. DOD calculated the impact on the region using only 4,510 jobs, of which 4,032 were civilian jobs.

### **No consideration of other nearby closures/realignments**

DOD data show the impact on the region to be a job reduction of 2.8% of the Portland-South Portland-Biddeford MSA's employment. However, this MSA also contains the Naval Air Station at Brunswick, which is recommended for reduction and realignment. The combined effect, using DOD's figures, is a loss of 4.1% of the jobs in the MSA.

### **No distinction between and full- and part-time employment**

The BEA employment measure used by DOD weighs full- and part-time employment equally. In Maine, especially, and south coastal New Hampshire as well, the economy is highly seasonal. The 2000 census shows that only 57% of Maine citizens have full time jobs. The BEA measure underestimates the impact that the loss of these full-time, year-round jobs will have on the economy.

### ***Maine Economic Impact Analysis***

The Maine State Planning Office assessed the economic impact of closing the Portsmouth Naval Shipyard using the RIMS II economic model from the US Department of Commerce Bureau of Economic Analysis. The baseline employment and payroll data to which the model was applied were from the shipyard and varied significantly from those provided by DOD in their initial impact report. The table below shows the residence of PNS workers by county and their associated payroll.

### **PNS Employment and Payroll by County, 2004**

	Workers	Payroll	Percent of Total Workers	Percent of Total Payroll
<b>Maine</b>				
York County	2,841	\$179,019,518	55.4%	56.3%
Cumberland County	60	\$3,441,941	1.2%	1.1%
Sagadahoc County	5	\$249,987	0.1%	0.1%
Other Maine	46	\$2,515,058	0.9%	0.8%
<b>Total</b>	<b>2,592</b>	<b>\$185,226,504</b>	<b>57.6%</b>	<b>58.2%</b>
<b>New Hampshire</b>				
Rockingham County	686	\$43,574,018	13.4%	13.7%
Strafford County	1,205	\$71,918,212	23.5%	22.6%
Other New Hampshire	117	\$7,143,678	2.3%	2.2%
<b>Total</b>	<b>2,008</b>	<b>\$122,635,908</b>	<b>39.2%</b>	<b>38.6%</b>

Maine & New Hampshire	4,960	\$307,862,412	96.8%	96.8%
All Other	164	\$10,217,654	3.2%	3.2%
Total	5,124	\$318,080,066	100.0%	100.0%

Note: Data reflects workers paid. Actual positions in 2004 = 4,803

Source: Seacoast Shipyard Association

York County, Maine, and Strafford County, New Hampshire, will bear the greatest impact of the PSNY closure. The Shipyard provides 4.2% of the jobs in York County and 2.5% of the jobs in Stafford County, based on 2003 BEA employment data. However, the BEA employment measure weighs full- and part-time employment equally and thus does not reflect the disproportionate impact that the loss of full-time, year-round jobs will have on these counties.

This difference in baseline and the available data on base spending (non-payroll) indicates a loss of almost 12,000 jobs in the region, rather than the 9,166 estimated by DOD.

#### Total Economic Impact of Closing PNS

	Maine	Other States	Total
Earnings (million)	\$314.4	\$225.0	\$539.4
Employment	6,788	5,175	11,963
Percent of Total			
Earnings	58.3%	41.7%	100.0%
Employment	56.7%	43.3%	100.0%

Source: Maine State Planning Office

Maine will bear the greatest impact of a closure of the Shipyard, resulting in a net loss of nearly 6,800 jobs and over \$300 million in lost wages. Other states, primarily New Hampshire, will suffer a loss of more than 5,000 jobs and \$225 million in lost wages. The following table displays a detailed breakdown of those earnings and employment losses for Maine.

#### Maine Economic Impact of Closing PNS

Earnings (million)	Direct	Indirect	Total
Civilian	\$185.5	\$89.1	\$274.6
Military	\$16.8	\$8.1	\$24.9
Procurement	--	\$14.9	\$14.9
Total	\$202.3	\$112.1	\$314.4

Employment			
Civilian	2,771	3084	5,855
Military	201	224	425
Procurement	--	508	508
Total	2,972	3,816	6,788

Source: Maine State Planning Office

## 1C. Economic Impact of Realigning Brunswick Naval Air Station

The State of Maine has been unable to obtain the information needed to conduct a reliable economic impact analysis of the realignment of the Naval Air Station in Brunswick.

The DOD analysis removes 2,420 military jobs from an authorized manpower level of 3,275, a reduction of 74%. However, our information is that current military personnel at Brunswick total 4,410. If the same proportion is to be reduced from the higher figure, the direct loss is 3,260 jobs, equivalent to a complete shut down of the base using DOD's figures.

It is not clear what military personnel will be left at Brunswick, neither how many nor what their roles will be. This is critical to understanding the economic impact of the DOD plan. The DOD analysis leaves 825 military employees at the base, but these may have little or no positive role in the local economy. If the only military to be left are reservists doing training, then there will be almost no economic benefit to the community since reservists and guard personnel are counted in the employment of their home regions, not where they are stationed.

In the absence of information about which positions are leaving and which are staying, or the level of activity that will continue at the base, it is impossible accurately to assess the impact of realigning BNAS. The table below represents our best estimate, based on the DOD's proposal to cut approximately 2,400 positions and using conservative procurement figures. Based on these assumptions, the realignment of BNAS will amount to a loss of approximately 4,655 jobs and \$135 million in wages and salaries.

### Economic Impact of Realigning BNAS

Earnings (million)	Direct	Indirect	Total
Civilian	\$2.0	\$1.0	\$3.0
Military	\$67.5	\$19.4	\$86.9
Procurement	--	\$45.0	\$45.0
Total	\$69.5	\$65.4	\$134.9

Employment			
Civilian	61	33	94
Military	2,400	661	3,061
Procurement	--	1,500	1,500
Total	2,461	2,194	4,655

Source: Maine State Planning Office

## ***Major Concerns***

### **Redevelopment Possibilities**

The loss of approximately 2,400 jobs in the town of Brunswick will cause ripple effects throughout the regional economy. In the long run, these effects may be lessened by concerted efforts to redevelop the installation. However, the DOD plan to “realign” Brunswick Naval Air Station will not allow the community to pursue opportunities for reuse. The base is located in the center of the Town of Brunswick and divides the community into two areas. The current plan will result in the de facto “mothballing” of portions of the base, which will permanently handicap the community’s ability to seek redevelopment.

### **Real Estate Impact**

Many BNAS employees and their families live in off-base housing. It is estimated that 500 military personnel own their homes and 1,500 live in rental units. The Town of Brunswick estimates that Navy personnel occupy 30-35% of multifamily units. Realigning BNAS will put these housing units at risk for becoming vacant and could depress the local real estate market. It will also have impacts on the local rental market.

## **1D. Cumulative Impact**

Under the DOD proposal, Maine will lose 6,938 direct jobs. Sixty percent are civilian jobs and have an accompanying payroll of about \$200 million. Forty percent are military positions and have an accompanying payroll of \$132 million (2003 payroll data). Adding direct losses and losses in surrounding regions, the total impact becomes even greater. Total estimates civilian job losses are the equivalent of a 1.5% increase in Maine’s unemployment rate. Because these are some of the best jobs in our economy, the percentage of total wage and salary earning that will be lost is much higher: 3.5%.

### ***17,000 Lost Jobs***

According to the State of Maine’s own analysis, the combined direct and indirect losses from the proposed closings and realignment will be nearly 17,000 lost jobs and \$690

million in lost wages and salaries in Maine and southern New Hampshire. These numbers fully account for the potential gain of 240 jobs at the Air National Guard Station in Bangor, Maine.

***Portsmouth***

The closure of Portsmouth Naval Shipyard alone will mean a loss of nearly 12,000 jobs in Maine and New Hampshire, and more than \$500 million in earnings. Approximately 58% of the impact will be in Maine (6,800 jobs and \$314 million in wages and salaries).

***Limestone***

Preliminary figures for closing the DFAS Limestone center show a loss of at least 546 jobs and at least \$15 million in wages and salaries. Operation and maintenance expenditures and current payroll information, when known, will undoubtedly increase these figures.

***Brunswick***

The realignment of Brunswick Naval Air Station will amount to a loss of approximately 4,655 jobs and \$135 million in wages and salaries. These are conservative figures, based on the DOD's proposal to cut approximately 2,400 positions at BNAS.

**Total Economic Impact of DOD Plan**

Earnings (millions)	Direct	Indirect		Total
		from payroll	from spending	
DFAS Limestone	-\$10.0	-\$4.9	-\$0.5	-\$15.4
NS Portsmouth*	-\$335.1	-\$161.9	-\$42.4	-\$539.4
NAS Brunswick	-\$69.5	-\$20.4	-\$45.0	-\$134.9
Naval Reserve Center - Bangor	?	?	?	?
Air National Guard - Bangor	?	?	?	?
<b>Total</b>	<b>-\$414.6</b>	<b>-\$187.2</b>	<b>-\$87.9</b>	<b>-\$689.7</b>
<b>Employment</b>				
DFAS Limestone	-364	-166	-16	-546
NS Portsmouth*	-5,004	-5,512	-1,447	-11,963
NAS Brunswick	-2,461	-694	-1,500	-4,655
Naval Reserve Center - Bangor	-7	-2	?	-9
Air National Guard - Bangor	+240	+173	?	+413
<b>Total</b>	<b>-7,596</b>	<b>-6,201</b>	<b>-2,963</b>	<b>-16,760</b>

\*Reflects impact on both Maine and New Hampshire.

**In Maine, the total direct effects alone of lost payroll (civilian and military) and jobs at the Portsmouth, Limestone, and Brunswick facilities will be greater than losing the state's entire farming and fishing industry, its food processing industry, its wood**

**products manufacturing industry, the computer and electronics industry, or the entire hotel and motel sector of Maine's tourism industry.**

### **Earnings in Selected Sectors of the Maine Economy**

Sector	Earnings (million)
Farming and Fisheries	\$210
Food Processing	\$258
Wood Products Manufacturing	\$255
Computer & Electronics Manufacturing	\$276
Hotel and Motel Sector	\$248
<b>DOD Plan</b>	<b>\$280+ (Direct Effect Only)</b>

Source: Bureau of Economic Analysis, 2003

### ***Loss of Maine's Best Jobs***

These proposed cuts will hit Maine from its most southern to its most northern locations. In a state known for its lack of large, stable employers that offer earnings and benefits aligned with the national economy, the magnitude of such a loss will be devastating and come at a time when Maine's economy is just starting to move forward.

**Of critical importance is that these jobs are nearly all full-time jobs.** Maine's economy is highly seasonal, dominated by natural resource industries and tourism. The 2000 census shows that only 57% of Maine citizens hold full time jobs. Maine can ill afford to lose full-time year-round jobs.

The jobs at the DFAS center, PNS, and BNAS, pay some of the highest wages in their respective regions, and their loss will be a profound economic blow. Many of the jobs are highly specialized. History has shown that when such jobs leave, replacing them with jobs of comparable skill level is exceedingly difficult and most laid off workers will find themselves choosing between accepting a job at much lower pay or out-migrating.

### ***Compounding Effects: The Bath Iron Works***

The picture is even bleaker in light of potential major reductions at Bath Iron Works (BIW), the state's largest single-site employer and a builder of Navy destroyers. BIW is located less than ten miles from Brunswick, Maine. In 2004 and 2005, BIW laid off 675 workers from jobs paying some of the highest wages in the state. Based on current DOD plans for future construction of destroyers, there is potential for additional major reductions at BIW.

Layoffs at BIW, in combination with cuts at PNS and BNAS, will severely weaken the entire Maine economy. These three employers are located in the same MSA, and

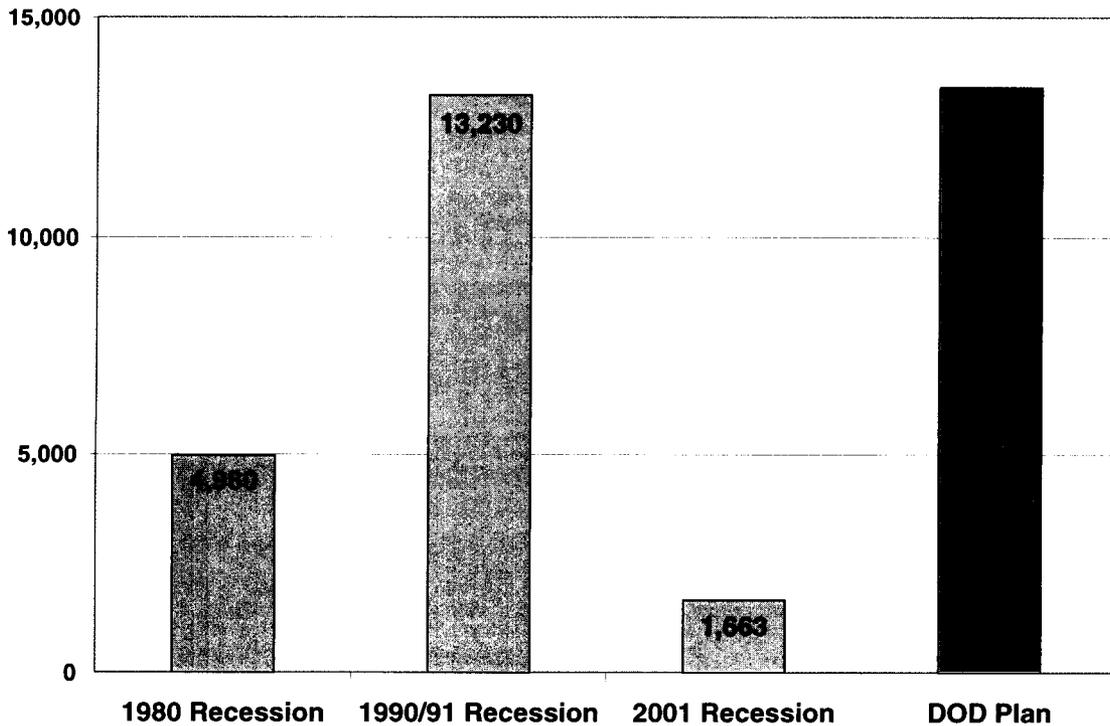
between them account for 16,500 jobs, or 5% of the total (BEA full and part time) jobs in the Portland-South Portland-Biddeford MSA. Along with DOD's proposed reductions at BNAS and closure of the shipyard, one must note the uncertainties surrounding the future workforce level at BIW. DOD's future plans and contracting policies for new Navy destroyers has been unclear and created a high level of uncertainty.

The Portland Region MSA is the core of Maine's economy. It holds 39% of the state's population, 42% of the jobs, and 44% of the personal income. In few, if any, states does a single MSA account for so large a portion of the state's economic activity. A significant loss of jobs in the Portland MSA impacts the entire state of Maine.

***Statewide Recession***

**In short, the DOD plan will constitute a major, federally-induced recession for the state of Maine. The job loss will be seven times greater than that of the 2001 recession, and even larger than the devastating recession of 1990/91.**

**Maine Job Loss by Event**



Sources: Ibid. and Maine DOL

## RELATIVE IMPACT

### 2A. Relative Magnitude of Impact on Maine and Other States

By virtually any measure, Maine will suffer the greatest economic impact of any state in the nation, should the currently proposed DOD recommendations stand. This section compares the impact on Maine and other states using DOD's own estimates.

**In terms of direct job losses, Maine is second only to Connecticut among the 50 states.** Excluding military job losses, however, Maine is by far the most heavily impacted state. This conclusion is evident using the job figures provided by DOD. Once these figures are adjusted for numerous omissions and miscalculations, the impact will be even greater.

#### Top 5 States by DOD-Estimated Job Loss

State	Direct Job Loss	% Civilian	Total Job Loss	Multiplier
1. Connecticut	8,586	12%	16,049	1.87
<b>2. Maine</b>	<b>6,938</b>	<b>60%</b>	<b>13,418</b>	<b>1.93</b>
3. Alaska	4,619	13%	7,653	1.66
4. New Jersey	3,760	99%	8,176	2.17
5. Missouri	3,679	64%	5,124	1.39

Source: DOD

DOD reports that Maine will lose 6,938 direct jobs as a result of its plan. Sixty percent of these jobs are civilian, far more than Connecticut and Alaska, the other major job-losing states.

In part because of this difference, Maine's total job loss is relatively greater still, at 13,418. The job loss in Maine, by the DOD's own impact analysis, has a multiplier effect of 1.93, greater than the 1.87 multiplier for Connecticut and the 1.66 multiplier for Alaska.

Another way of illustrating Maine's disproportionate share of the burden of the DOD plan is to consider job loss as a percentage of total state employment.

#### Top 5 States by DOD-Estimated Job Loss: BRAC Job Loss as Percent of Employment

State	Total Job Loss	Civilian Job Loss
Connecticut	0.9%	0.5%

<b>Maine</b>	<b>2.1%</b>	<b>1.7%</b>
Alaska	2.4%	1.1%
New Jersey	0.4%	0.5%
Missouri	0.2%	0.2%

Sources: DOD and BEA

The 13,418 jobs the DOD estimates Maine will lose as a result of this process amount to 2.1% of the state's entire non-farm wage and salary employment in 2002, the year the DOD used for impact calculations. This rate was second only to Alaska's 2.4%, well above the rates for New Jersey and Missouri, and far greater than those for any other state in the nation.

**Considering only the 10,619 civilian jobs to be lost in Maine, Maine jumps to first in the nation.** The civilian job loss in Maine amounts to 1.7% of total employment.

### *Economic Area Impact*

The DOD plan impacts 234 economic summary areas nationwide. The total DOD-estimated related job loss (direct plus indirect) amounts to more than 10% of the area's employment in just 10 of these areas. Portland ranks number 10 on this list at 4.0% of area employment.

However, the sub-state area impacted by DOD's plan in Maine is far larger than that of any other area in the country. Maine's impacted economic summary area accounts for over half of the state's total employment. This is over twice as large as the next largest area. As a consequence, the job loss in Maine (direct plus indirect) as a proportion of total state employment is the largest of any MSA in the nation.

### **Job Loss by Economic Area**

Area	State	Area Employment	Loss as % of Area Employment	Area Employment as % of State Employment	Loss as % of State Employment
<b>Portland</b>	<b>ME</b>	<b>331,655</b>	<b>-4.0%</b>	<b>52.7%</b>	<b>-2.11%</b>
Rapid City	SD	79,970	-8.5%	20.3%	-1.73%
Grand Forks	ND	66,242	-7.4%	19.2%	-1.42%
Fairbanks	AK	54,469	-8.6%	16.9%	-1.45%
Norwich/New London	CT	168,620	-9.4%	9.7%	-0.91%
Elizabethtown	KY	65,926	-4.5%	3.5%	-0.16%
Clovis	NM	23,348	-20.5%	2.9%	-0.60%
Mountain Home	ID	14,441	-6.2%	0.5%	-0.03%
King George County	VA	14,171	-5.5%	0.4%	-0.02%
Martin County	IN	8,525	-11.6%	0.3%	-0.03%

Sources: Ibid.

In short, while other high impact areas tend to be small both in absolute size of labor market and relative to total state employment, the economic area absorbing the bulk of Maine's impact represents over half of the state's total employment.

Finally, it must be noted that Maine's first-in-the-nation impact is not entirely a matter of jobs. Maine has a long history of personal commitment to the nation's defense. Maine has sent a larger percentage of its population to war over the past century and a half than virtually any other state. Economically, this is evident in the high proportion of veteran's benefits.

### Relative Veterans Benefits by Economic Area

Area	State	Veterans Benefits per \$10,000 State Personal Income
<b>Portland</b>	<b>ME</b>	<b>\$74.59</b>
Clovis	NM	\$74.35
Rapid City	SD	\$56.97
Fairbanks	AK	\$51.96
Mountain Home	ID	\$47.49
Elizabethtown	KY	\$47.06
Grand Forks	ND	\$43.11
King George County	VA	\$39.72
Martin County	IN	\$25.94
Norwich/New London	CT	\$16.55

Sources: Ibid. and BEA.

Maine has the highest proportion of personal income deriving from veteran's benefits of any of the ten most impacted states, and, save New Mexico, has a vastly greater dependence on veteran's benefits.

**In sum, Maine can legitimately claim to have been the single most negatively impacted state in the nation by the DOD plan. In light of Maine's traditional commitment to the national defense, such an impact must not be allowed to stand.**

# THE DOD ANALYSIS

## 3A. Critique of DOD's Methodology

The DOD's analysis of economic impact is seriously flawed, and is not a reliable source of information for the BRAC Commission.

### *Inaccurate Measurement of Regional Employment*

In its economic impact analysis, DOD reported only the number of jobs that would be lost as a result of closures and realignments. It did not report wage levels. The omission of wage information implies that the DOD jobs are no better or worse than other jobs in an MSA. This is rarely the case. In Maine, DOD jobs generally pay much higher wages than other jobs in the economy and provide more stable, year-round employment.

Further, the BEA employment measure used by DOD in its computations of economic impact is total full- and part-time employment. This measure weighs full- and part-time employment equally. Maine's economy is highly seasonal. The 2000 census shows that only 57% of Maine citizens have full time jobs. Using the BEA measure underestimates the impact that the loss of these full-time, year-round jobs will have on the economy. This limits the Commission's ability to make reliable cross-state and cross-MSA comparisons when considering economic impact.

### *Lack of Information*

As we strive to anticipate the impact that the DOD plan will have on Maine's economy, we have been continually challenged by the lack of information available to us. We have struggled to collect accurate data on current employment levels at each installation, payrolls figures, and estimates of operational expenditures within the state.

We lack critical information about the proposed realignment of the Brunswick Naval Air Station. The DOD analysis removes 2,420 military jobs from an authorized manpower level of 3,275, a reduction of 74%. However, our information is that current military personnel at BNAS total 4,410. If the same proportion is to be reduced from the higher figure, the direct loss is 3,260 jobs, equivalent to a complete shut down of the base using DOD's figures.

It is not clear what military personnel will be left at Brunswick, neither how many nor what their roles will be. This is absolutely critical to understanding the economic impact of this proposal. The DOD analysis leaves 825 military employees at the base, but these

may have little or no positive role in the local economy. If the only military to be left are reservists doing training, there will be almost no economic benefit to the community since reservists and guard personnel are counted in the employment of their home regions, not where they are stationed.

### ***Lack of Consideration of Population Effects***

The economic impacts estimated by DOD are only a partial picture of what will occur when installations are closed or realigned. The DOD analysis ignores the effects on population. By only reporting estimated job losses, it is as if the military personnel leave while their families stay.

Consider the case of Brunswick, where up to 5,700 dependents of military personnel will leave the area with the proposed realignment. Taking these losses into account, the employment impacts could range from 5,800 to 7,500 (in comparison with DOD's estimate of 4,300) depending on which figure for the military personnel at the base is correct. These figures also ignore the potential loss of some portion of the nearly 6,000 military retirees who live near BNAS.

A similar problem exists for the analysis of Portsmouth. Taking into account analyses of both the Maine and New Hampshire economies, the effects could be 15% higher than DOD estimates if population migration is taken into account. While a smaller number of military personnel are associated with the Shipyard and many Portsmouth employees will retire, the lack of similar work anywhere in Maine or the region will inevitably draw many people away from Maine and New Hampshire.

# ENVIRONMENTAL IMPACT

## 4A. Environmental Impact

Maine Department of Environmental Protection (DEP) staff has undertaken a careful review of the estimated cleanup costs included in the DOD report to the BRAC Commission. They report that **these costs are substantially underestimated, are missing entire categories of likely costs, and are based on inaccurate and misleading assumptions.** Actual costs of meeting DOD's legal obligations for environmental clean-up in a base closure scenario are substantially higher than estimated by at least \$100 million. In addition, there are areas of major uncertainty which DEP is unable to estimate due to inadequate and incomplete information provided by DOD.

The Portsmouth Naval Shipyard is one of oldest military installations in the U.S. inventory and also one of the oldest industrial facilities in the State of Maine. One would therefore expect to find a history of environmental contamination issues. In addition to the \$46.9 million spent through FY03 and \$47 million in costs to complete estimated by DOD, **there are likely an additional \$100 to \$200 million in further non-radiological, environmental compliance and cleanup costs that will be incurred to comply with legal requirements before transfer of the facility for re-use.** In fact, closure of the facility will accelerate and increase these costs which ordinarily would be spread out over many years as the facility continues to operate.

The detailed analysis of these costs from the Maine DEP follows:

### *Hazardous Waste Regulation Requirements*

The Maine DEP's analysis of the costs associated with compliance with the hazardous waste regulations law not included in the current Department of Defense estimates for the Portsmouth Naval Shipyard (PNS) indicates substantial obligations and associated costs not accepted in the COBRA analysis.

A. Hazardous Waste Storage Facility Closure: PNS currently has a licensed hazardous waste storage facility known as Building 357. This is know as a "TSD License" and has substantial closure obligations associated with closing the license to ensure that no hazardous waste or contamination is left on-site. At the time the facility will no longer be active, it must undergo State of Maine Closure as described in the Hazardous Waste Rules Chapter 854, Section 12G. Under these rules, all waste must be removed from the site, including tanks, materials, equipment, structures and soils containing or contaminated with hazardous waste or waste residues. The estimated cost for closing out PNS's current license is \$1.3 to \$1.5 million.

A further obligation and cost under the current PNS RCRA license is the requirement to excavate and remove contaminated soils and the roll-off pad at building 357 upon termination of the license. The estimated cost for this activity is \$161,000. Third, there is a requirement to cap SWMU-11, located adjacent to building 357 with a plume of contamination emanating from it. The estimated cost by the Navy for this action is \$1.6 million.

Fourth, when costs for TCLP samples and disposal of decontaminated waste are included, the total **overall estimate for closing out PNS's RCRA TSD license alone is \$2.9 to \$3.1 million.**

B. RCRA Generator Closure: PNS has approximately 160 Hazardous Waste generator areas on site utilized over the lifetime of the facility. When the shipyard closes, it will need to undergo generator closure as per the Maine Hazardous Waste Rules Chapter 851, Section 11, which apply to the entire site. Each hazardous waste generator area will need to be certified as having undergone clean closure. The estimated cost for closing the 160 areas is \$4.8 million. The estimate is based on \$30,000 per area, and is based on two recent case studies of military generator area closures in Maine: Brunswick Naval Air Station closed out a photo lab area at a cost of approximately \$30,000, and PNS closed out an abbreviated license unit on site, also at a cost of approximately \$30,000.

C. Removal of Hazardous Materials: There are multiple industrial areas on site that will need to have hazardous materials and wastes removed. These include the cleaning of equipment and removal of structural components that cannot be cleaned, such as creosote coated wood flooring. Some examples of these requirements are:

- demolition and disposal of the blast and paint facility (Building 285) at an estimated cost of \$512,000;
- disposal of hazardous materials stored in lockers (throughout facility – flammables lockers, etc.) at an estimated cost of \$1.29 million;
- cleanup and closure of hazardous materials storage building (commodities) and associated post-cleanup sampling at an estimated cost of \$1 million.

In the event that all the contaminated soil and/or water cannot be removed from the site, the facility will need to undergo post-closure care in accordance with the closure and post-closure requirements pertaining to landfills under Chapter 855, Section 9(A)(15) and (16) of the Rules. This possibility would require substantially more money (approximately \$150,000 per year of post closure care per area) for ongoing oversight and monitoring.

Additional costs for cleanup of industrial areas, sampling and disposal of decontaminated waste bring the **overall estimated total for generator closure to \$23 million.**

D. Former Oil Terminal Tank Farm: Further site investigation will be needed for the former oil terminal tank farm, including soil testing and groundwater sampling. Soil removal would be expected plus toxicology assessments of soil proposed to be left in place. An evaluation will be necessary of the feasibility of extracting petroleum from bedrock fractures, as well as an investigation and removal of underground pipelines that remain. The need for asbestos removal from the heated lines would be assessed. Previous oil terminal closures of this size in Maine without the piping that is present at PNS, cost \$1,000,000 (Sprague, Bucksport North) and \$2,000,000 (Long Island). Based on the State's experience with those closures, **the total estimated cost for these actions is \$1 to \$2 million.**

E. Tank and equipment survey: An inventory of the entire facility for tanks, containers and equipment that contain petroleum and hydraulic fluids would be required, as well as removal and disposal of fluids plus contaminated soil removal. Maintenance on certain pieces of equipment in working order would be required for re-use or sale (for example: cranes and manufacturing equipment that require fluids to remain or be circulated to ensure seals, hoses, and gaskets do not deteriorate). **Total estimated cost for these actions is \$1 to \$2 million.**

F. Heating and Power Plant: Since the facility is centrally heated, the power plant will need to be maintained and remain operational to ensure buildings are heated during winter months. This will be necessary to ensure that pipes do not freeze and burst and that other equipment or storage tanks do not undergo adverse consequences such as releases of miscellaneous fluids due to freezing. Also, the plant will need constant maintenance to ensure it does not deteriorate while being left idle. **Total estimated cost for keeping the power plant operational is \$4.65 million per year or \$23.25 million over a projected 5 year closure period.**

G. PCB Investigations: A site assessment will be required in areas of known historic PCB storage and use. The facility is old enough that PCB's may be found in conjunction with uses other than electrical transformers. Likely areas of PCB investigation based on examples with which Maine's RCRA program is familiar are PCBs used in the rubber coating of electrical cables (Maine Yankee), hydraulic fluid (Loring and other military sites), and paint (Naval Base at Cutler and Maine Yankee). Investigation and remediation of PCB contaminated areas can be costly, for example: the Bath Iron Works drydock remediation at \$2 million and the Kimberly Clark Winslow Mill remediation at \$2 million. Confirmation samples for dioxin-like congeners for PCB clean-ups run approximately \$1,200 each. A concern for PCBs is the likelihood of encountering contaminated sediments that would need to be remediated. **Total estimated cost for PCB investigation and remediation is \$2 million.**

#### RCRA Closure Costs Not In COBRA Analysis

Description of Expense	Costs
Hazardous Waste Storage Facility	\$2,900,000 - 3,100,000

Closure	
Generator Closure	\$23,000,000
Tank and Equipment Survey	\$1,000,000 - 2,000,000
Heating and Power Plant	\$4,650,000 per year
PCB Investigations	\$2,000,000
<b><i>RCRA Costs Subtotal</i></b>	<b><i>\$28,900,000 - 30,100,000</i></b>

**Boiler Operation and Maintenance for Closure Period - costs not accepted by COBRA: \$4.65 million per year in heating costs to maintain buildings and systems prior to transfer of property – assume five years**

### ***Superfund Cleanup Costs***

The COBRA analysis packet points out several factors that can only increase the cleanup costs at Portsmouth Naval Shipyard, assuming the BRAC closure is accepted by the panel. The primary factor is the increased cost of more conservative cleanup levels to account for future use. A large portion of the current shipyard is residential or non-industrial in nature. Most of the sites being considered for remediation under Superfund are not in the central industrial area and are ideal for residential development (condominiums, apartments, residences etc.). In particular, the Defense Reutilization and Marketing Office (DRMO) storage yard, Topeka Pier, and Building 62 areas are on scenic, non-industrial, shorefront property. In and of itself, the cost of removing lead soil contamination at the DRMO to residential instead of industrial standards increases the cost of the clean-up by more than \$7.3 million.

The following additional factors not accounted for in the COBRA documents will add significantly to the environmental cleanup costs:

- Increased cost of greatly accelerating the cleanup schedule in a closure scenario increases the clean-up budget because of the need for additional contractors and supervision. In addition, these costs are front-loaded, requiring higher appropriations for cleanup in earlier years than the Navy had planned.
- The cost of developing Environmental Baseline Studies and Findings of Suitability to Transfer. These are required due diligence documents which may uncover additional contaminated areas.
- The security costs of protecting the sites and the base after the departure of an active military presence and before full re-use could add additional costs not accounted for by COBRA.

Taking these concerns in order:

A. The increased cost of more conservative cleanup levels: The most recent Feasibility Study (FS), for Operable Unit 2 the Defense Reutilization and Marketing Office (DRMO) storage yard and Old Incinerator, includes 5 Alternatives. The FS is a draft and more investigation is required before it may be finalized. Nonetheless, the Net Present Worth Cost for Alternative 4, closure to meet the current military-industrial use, is \$11,346,000. The Net Present Worth Cost for Alternative 5, closure to meet future use residential standards, is \$18,675,000. This represents a 65% increase to meet the likely future use standards for residential purposes. Applying this increase across the board to the Navy's estimated cost to complete cleanup of the entire base (\$46,552,000) presented in the 2003 Annual Report to Congress, an additional \$30,258,800 would be added to the cleanup cost due solely to the need for a higher standard resulting from non-industrial reuse.

B. The increased cost of greatly accelerating the schedule: In order to meet BRAC transfer and reuse deadlines, the Navy's efforts would need to be ramped up. More contractors, more supervision, more contingencies, better QA/QC, more presence on the facility, and more delegation of decisions to personnel on the scene would be necessary to expedite cleanup. Maine DEP's experience at Loring Air Force Base demonstrates that such an additional level of effort is required to meet the Navy's need for rapid transfer and the communities need for expedited reuse of the facility. While the state cannot speak for the Navy's procurement process, based on our own State experience the need to expedite cleanup in this manner is likely to increase costs to the Navy by 25% to 50%. This factor alone will increase the Navy's cost estimate by an additional \$11,638,000 to \$23,276,000.

C. The cost of developing Environmental Baseline Studies and Findings of Suitability to Transfer and required due diligence documents that may uncover additional areas of concern: The State notes with concern that the costs of activities necessary to adequately address environmental issues prior to reuse were disallowed by COBRA. CERFA requires that transferred federal property undergo the equivalent to due diligence environmental review to produce disclosure documents. During the process of closing the former Loring Air Force Base, all of the buildings received thorough inspections and documentation of asbestos and lead hazards, and these buildings are much newer than the buildings at the Kittery Yard, most of which pre-date World War II. The state would likewise require a review based on unrestricted use, including lead and asbestos abatement prior to approval for transfer. Existence of substantial lead paint and asbestos remedial activities is likely based on the age and history of use of many buildings at the Kittery Yard. Further, it is likely that further releases of petroleum or hazardous substances will be discovered during the due diligence process. In the absence of hard figures, the State used its experience at the former Loring AFB to estimate that the \$5.2 million listed under "Miscellaneous" on the "Costs Disallowed in COBRA" worksheet is an accurate estimate of additional environmental investigation costs.

D. The security costs of protecting the sites and the base after the departure of an active military presence and before full reuse. Given the shoreline and surrounding

population, the historical structures and the nature of the sites, this could be a significant cost. Maine DEP's main concern is keeping the public away from sites that may pose a hazard, protecting our monitoring devices such as monitoring wells, and protecting remedial measures from damage. This will add to the facilities operation and maintenance costs, already estimated as \$8,000,000, but hopefully not by a significant amount.

Thus the total increase in costs based on the Navy's own estimates are:

**Portsmouth Naval Station Remedial Costs**

Description of Expense	Costs
DOD Cost to Complete as of 2003	\$46,552,000
Increased cost of stringent standards	\$30,258,800
Cost to accelerate cleanup	\$11,638,000 - 23,276,000
ESB/FOST	\$5,200,000
<b><i>Revised Total Cost to Complete</i></b>	<b><i>\$93,648,000 - 105,286,000</i></b>
<i>Increase</i>	<i>\$47,096,000 - 58,734,000</i>

***Cleanup Precedents at Other Bases Suggest Environmental Cleanup Costs will be much Higher than Projected to Congress***

While the figures above are greater than the environmental costs reported to Congress by the Navy by approximately 100%, consideration of similar BRAC sites known to the DEP suggests that environmental cleanup costs will be even higher. The current estimate to complete the clean-up of Pease AFB is over \$200 million ( Dick Pease, NH DES), and the cost to complete Mare Island in California (Portsmouth's sister base) is over \$225 million ( Isabella Alasti, CA ). Portsmouth's age and documented contamination problems suggest a minimum \$200 million cleanup cost is likely to prepare the property for reuse.

***Dredge Costs of Contaminated Sediment in the Back Channel, Drydock, and Former Industrial Waste Outfalls***

Due to a lack of information from the Navy, the Maine DEP is not able to estimate the cost to dredge contamination from the shipyard in the Portsmouth Estuary. Two areas of particular concern have not been addressed by the Navy. The area adjacent to the Former Gasification Plant in the Back Channel and the submerged areas adjacent to the Drydocks and Former Waste Outfalls may require extensive dredging to remove heavy metals, PCB, and Poly-aromatic Hydrocarbon-contaminated sediment. If contaminated, this material would be banned from ocean disposal, requiring disposal in a hazardous waste landfill. The costs of dredging contaminated sediments run in the many millions of dollars.

***Summary of Environmental Compliance and Closure Costs not Accounted for in COBRA Analysis***

Based on information known to the State, primarily the Maine DEP, the COBRA's analysis dramatically under-accounts the costs of closing and cleaning up the results of over 200 years of operation of the PNS as a naval shipyard.

The figures in this table are likely a low-estimate of environmental costs, based on the history of closure of similar military bases as described in Section III. The age and history of this base suggest that likely additional and substantial environmental issues will be discovered. And the costs of cleaning up contaminated dredge spoils in the Back Channel, drydock, and former waste outfall areas are not included because the State has no basis to estimate these costs at this time.

**Summary of Environmental Compliance Closure Costs  
not Accounted for in COBRA Analysis**

<b>Description of Expense Remedial Costs</b>	<b>DOD accepted costs for future work</b>	<b>Costs not accepted by COBRA</b>
DOD's Cost to Complete as of 2003	\$46,552,000	\$0
Increased cost of stringent standards	\$0	\$30,258,800
Cost to accelerate cleanup	\$0	\$11,638,000 - 23,276,000
ESB/FOST	\$0	\$5,200,000
<b><i>Remedial Subtotal</i></b>	<b><i>\$46,552,000</i></b>	<b><i>\$47,096,800 - 58,734,800</i></b>

<b>Description of Expense RCRA Costs</b>	<b>DOD accepted costs for future work</b>	<b>Costs not accepted by COBRA</b>
Hazardous Waste Storage Facility Closure	\$0	\$2,900,000 - 3,100,000
Generator Closure	\$0	\$23,000,000
Tank and Equipment Survey	\$0	\$1,000,000 - 2,000,000
PCB Investigations	\$0	\$2,000,000
<b><i>RCRA Costs Subtotal</i></b>	<b><i>\$0</i></b>	<b><i>\$28,900,000 - 30,100,000</i></b>

<b>Description of Expense Heat &amp; Power</b>	<b>DOD accepted costs for future work</b>	<b>Costs not accepted by COBRA</b>
Heating and Power Plant – facility operations & maintenance during closure \$4,650,000 – 5 years	\$0	\$4,650,000 per year

<i>Heating and Power Plant Subtotal</i>		<u>\$23,250,000</u>
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<b>TOTAL Environment Closure Cost not accounted for in COBRA Analysis</b>	<b>\$46,552,000 accepted by COBRA</b>	<b>\$99,246,800 - 112,084,800 in foreseeable environmental costs in immediate future due to closure</b>
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Proposed Agenda

**DFAS LIMESTONE**

Member's/Governor's Meeting With BRAC Commissioners

Monday, July 18, 2005

4:00 – 4:15 pm

SR-428A

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**1. OVERVIEW/MILITARY VALUE - Sen. Snowe (3 min)**

- Six reasons to reject recommendation
- Four faults in calculation of military value

**2. COST/BENEFIT ANALYSIS/WORKFORCE - Sen. Collins (4 min)**

- Analysis of the savings associated with keeping DFAS Limestone open and with expanding it;
- The ability of the local Aroostook County workforce to support an expansion at Limestone.

**3. LIMESTONE AS A CENTER OF EXCELLENCE - Rep. Michaud (4 min)**

- Recognized success through increased workload
- Leading DFAS innovation and expertise
- Excellent value
- Capacity to expand

Total for DFAS: 11 minutes, leaving 4 minutes for questions/float.

**4. ECONOMIC IMPACT OF ALL RECOMMENDATIONS ON MAINE - Gov. Baldacci (4 min)**

- Maine suffers disproportionate burden of the reductions.
- Maine job losses among top three in nation
- Maine's small size/population heightens effects of reductions

**Summary of Savings Relative to the DoD Consolidation Proposal (in \$ thousands):**

**Total One-time Costs**

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	(10,362)	(10,753)
Alt 2 (600)	(9,681)	(9,650)
Alt 3 (1000)	(2,702)	1,581

**20-Year Net Present Value Savings**

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	11,168	11,553
Alt 2 (600)	13,245	13,215
Alt 3 (1000)	10,526	6,386

DFAS  
Limestone

A Compelling Case  
For Growth

Response to Request from General Lloyd Newton at

July 6, 2005

BRAC Commission Hearing in  
Boston, Massachusetts

# Congress of the United States

Washington, DC 20510

July 14, 2005

General Lloyd Newton, USAF (Ret.)  
Base Realignment and Closure Commission  
2521 South Clark Street  
Arlington, VA 22202

Dear General Newton:

At the July 6, 2005 regional hearing in Boston, Massachusetts, you requested additional information with regard to the DFAS Limestone Field Site. Specifically, you requested that we provide the Commission with information detailing the estimated cost to increase the number of positions at Limestone to 600 and to 1,000. The information you requested is attached. We certify that the attached information is accurate and complete to the best of our knowledge.

As was presented in Boston, the Limestone facility can accommodate an additional 239 people for a total of 480 people with no military construction costs. Growing DFAS Limestone to 600 employees can easily be accomplished with minor facility upgrades such as modifying existing space and purchasing work stations. Cyr Construction of Caribou, Maine, has estimated the cost of these upgrades to be approximately \$1.2 million.

Expanding the facility by an additional 400 employees to a total of 1,000 workers would require construction of an addition to the existing facility. The DFAS Limestone facility sits on 15 acres of open land, so expansion is not a problem. The Loring Development Authority has agreed to donate the land necessary for expansion, including parking spaces and buffer areas, at no cost.

Cyr Construction has provided a certified estimate that the cost of construction of a two story, 70,000 square foot addition, including data and communications infrastructure, would be \$6.3 million. Adding workstations for 400 employees would cost an additional \$1.88 million. The total cost of the addition would be \$8.18 million.

We have included the results of COBRA runs for three scenarios: increasing Limestone's workforce to 480; increasing it to 600; and increasing it to 1,000 positions. For each personnel level, we ran the COBRA model using DoD generic assumptions for military construction costs, and using certified data for military construction costs at the Limestone Field Site provided by Cyr Construction, a local contractor who has performed extensive work at the site. **These COBRA runs show that in all cases, greater savings can be achieved by expanding DFAS Limestone instead of closing it as recommended by the DoD.**

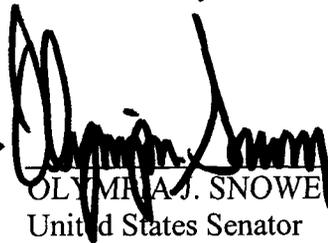
We also have included information detailing how the workforce would be expanded to meet these increased personnel milestones.

As we discussed at the July 6 hearing, the attached information demonstrates that increasing personnel at the Limestone Field Site would maximize savings and reduce costs overall relative to the DFAS consolidation proposal put forward by the DoD.

Please do not hesitate to contact us if you need any additional information in performing your vital mission.

Sincerely,

  
JOHN E. BALDACCI  
Governor of Maine

  
OLYMPIA A. SNOWE  
United States Senator

  
SUSAN M. COLLINS  
United States Senator

  
THOMAS H. ALLEN  
United States Representative

  
MICHAEL H. MICHAUD  
United States Representative

cc: Sec. Anthony Principi, Chairman, 2005 Base Realignment and Closure Commission  
Hon. James Bilbray, Member  
Hon. Philip Coyle, Member  
ADM Harold Gehman, USN (ret), Member  
Hon. James Hansen, Member  
Gen. James Hill, USA (ret), Member  
Hon. Samuel Skinner, Member  
Gen. Sue Ellen Turner, USAF (ret), Member

## I. Limestone grows to 480 positions

Summary: The DFAS Limestone Field Site has sufficient excess capacity – in the form of currently empty space -- to accommodate an additional 239 positions.<sup>2</sup> Accordingly, the COBRA model does not assume that there would be any military construction necessary to reach this personnel milestone. In fact, there would be minor costs associated with securing and installing workstations for the new employees. Because there are surplus workstations already on site at Limestone, the only required change to the facility is the addition of 92 workstations. Cyr Construction Company has provided a certified estimate that the cost for adding these 92 workstations is \$391,000. However, this cost is more than off-set by the \$3.9 million saved in military construction costs at Columbus under this scenario. As discussed in the submissions of Carl Flora and Galen Rose, Acting State Economist, attached hereto,<sup>3</sup> the local workforce can easily accommodate this expansion from the ranks of skilled workers currently employed in similar occupations at lower pay in Aroostook County, the “shadow workforce” of individuals who would return to Aroostook County if there were the opportunity, and individuals from other DFAS facilities slated for closure who would choose to relocate to Limestone.

### COBRA Model results using Certified Data for Military Construction Costs:<sup>4</sup>

#### Military Construction Costs (Savings)

- Columbus MilCon = \$3.898 million saved<sup>5</sup>
- Limestone MilCon = \$391,000<sup>6</sup> cost
- MilCon Net = \$3.507 million saved

#### Costs (Savings) Relative to Status Quo:

- One-time costs = \$2.56 million saved
- Twenty-year NPV = \$9.35 million saved

#### Costs (Savings) Relative to DoD Proposal:

- One-time costs = \$10.36 million saved<sup>7</sup>
- Twenty-year NPV = \$11.168 million saved

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<sup>2</sup> Although there currently are 353 employees working at DFAS Limestone, DoD’s COBRA model assumes that there are 241 employees because that is the planned future workforce. We have used the same DoD assumption with regard to future planned personnel at Limestone in all our COBRA runs.

<sup>3</sup> See Attachment C, Certified letters from Carl Flora, President and CEO, Loring Development Authority, and Galen Rose, Acting State Economist, State of Maine.

<sup>4</sup> See Attachment A, Certified COBRA Runs, prepared by Ed Anderson, July 13, 2005.

<sup>5</sup> Each of the three scenarios under which Limestone is expanded avoids spending this \$3.9 million in military construction costs at DFAS Columbus.

<sup>6</sup> See Attachment B, Certified Construction Cost Estimates, prepared by Cyr Construction Company, June 24, 2005. These funds would be used to purchase 92 additional workstations. Id.

<sup>7</sup> The costs avoided are: \$3.507 million in military construction costs, \$5.688 million in moving costs, and \$1.168 million in personnel costs.

**Conclusion: Realigning DFAS Limestone as a receiver site growing to 480 positions would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. The government would achieve a net savings of over \$3 million in military construction costs. By pursuing this scenario, instead of the one proposed by the DoD, the government would save over \$10 million in implementation costs and have a twenty-year net present value savings of over \$11 million. There is no material difference between the outcome using Cyr Construction cost estimates versus DoD's generic construction cost assumptions.**

## **II. Limestone grows to 600 positions**

Summary: The DFAS Limestone Field Site has sufficient excess capacity – in the form of currently empty space and space being used for other purposes such as storage -- to accommodate an additional 359 positions without any addition to the facility. Cyr Construction Company has provided a certified estimate that the cost for this work is \$1,199,000. These funds would be used to modify spaces within the Limestone facility that need minor renovation such as by hanging a suspended ceiling in order to accommodate employees, and to purchase workstations for the new employees.

As discussed in the submissions of Carl Flora and Galen Rose, Acting State Economist, attached hereto,<sup>8</sup> the local workforce can easily accommodate this expansion from the ranks of skilled workers currently employed in similar occupations at lower pay in Aroostook County, the “shadow workforce” of individuals who would return to Aroostook County if there were the opportunity, and individuals from other DFAS facilities slated for closure who would choose to relocate to Limestone.

### **COBRA Model results using Certified Data for Military Construction Costs:<sup>9</sup>**

#### Military Construction Costs (Savings)

- Columbus MilCon = \$3.898 million saved
- Limestone MilCon = \$1.199 million<sup>10</sup> cost
- MilCon Net = \$2.699 million saved

#### Costs (Savings) Relative to Status Quo:

- One-time costs = \$1.875 million saved
- Twenty-year NPV = \$11.426 million saved

#### Costs (Savings) Relative to DoD Proposal:

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<sup>8</sup> See Attachment C, Certified letters from Carl Flora, President and CEO, Loring Development Authority, and Galen Rose, Acting State Economist, State of Maine.

<sup>9</sup> See Attachment A, Certified COBRA Runs, prepared by Ed Anderson, July 13, 2005.

<sup>10</sup> See Attachment B, Certified Construction Cost Estimates, prepared by Cyr Construction Company, June 24, 2005. These funds would be used to purchase 92 additional workstations. Id.

- One-time costs = \$9.681 million<sup>11</sup> saved
- Twenty-year NPV = \$13.245 million saved

**Conclusion: Realigning DFAS Limestone as a receiver site growing to 600 positions would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. By pursuing this scenario, instead of the one proposed by the DoD, the government would save \$9.7 million in implementation costs and produce a twenty-year net present value savings of over \$13 million. There is no material difference between the outcome using Cyr Construction cost estimates versus DoD's generic construction cost assumptions.**

### III. Limestone grows to 1,000 positions

Summary: In order to expand the workforce to 1,000, the DFAS Limestone facility would need to build an addition with approximately 70,000 square feet of new administrative space. This would produce a facility with a combined total of 211,000 square feet of space (or roughly 210 square feet per employee). The addition could rely upon the same heating and air conditioning systems in the existing building as well as some of the existing building's other spaces such as its cafeteria. Cyr Construction Company has provided a certified estimate that the cost for this work is \$9,379,000.

There are currently 353 employees at DFAS Limestone, so this change would require the hiring of 647 additional employees over the next several years. As discussed in the submissions of Carl Flora and Galen Rose, Acting State Economist, attached hereto,<sup>12</sup> the local workforce can accommodate this expansion from the ranks of skilled workers currently employed in similar occupations at lower pay in Aroostook County, the "shadow workforce" of individuals who would return to Aroostook County if there were the opportunity, and individuals from other DFAS facilities slated for closure who would choose to relocate to Limestone.

### COBRA Model results using Certified Data for Military Construction Costs:<sup>13</sup>

#### Military Construction Costs (Savings)

- Columbus MilCon = \$3.898 million saved
- Limestone MilCon = \$9.379 million<sup>14</sup> cost
- Net MilCon = \$5.481 million cost

#### Costs Relative to Status Quo:

<sup>11</sup> The costs avoided are: \$2.699 million in military construction costs, \$5.927 million in moving costs, and \$1.055 million in personnel costs.

<sup>12</sup> See Attachment C, Certified letters from Carl Flora, President and CEO, Loring Development Authority, and Galen Rose, Acting State Economist, State of Maine.

<sup>13</sup> See Attachment A, Certified COBRA Runs, prepared by Ed Anderson, July 13, 2005.

<sup>14</sup> See Attachment B, Certified Construction Cost Estimates, prepared by Cyr Construction Company, June 24, 2005. These funds would be used to purchase 92 additional workstations. Id.

- One-time costs = \$5.104 million cost
- Twenty-year NPV = \$8.707 million saved

Costs (Savings) Relative to DoD Proposal:

- One-time costs = \$2.402 million saved<sup>15</sup>
- Twenty-year NPV = \$10.526 million saved

**Conclusion: Realigning DFAS Limestone as a receiver site for 1,000 positions would require, based on the Cyr Construction Company cost estimates, a smaller initial investment than the scenario proposed by DoD. Although the military construction costs create a larger one-time cost than in the other two scenarios, there is a four year pay-back for these costs. By pursuing this scenario, instead of the one proposed by DoD, the government would save \$2.4 million in implementation costs and would produce twenty-year net present value savings of over \$10.5 million.**

**Using the less accurate generic DoD assumptions for military construction costs produces a larger one-time cost of \$1.581 million versus the \$2.4 million in savings using the certified Cyr estimates. It produces an eleven-year payback versus a four-year payback produced using the Cyr estimates. However, the generic assumptions produce a twenty-year net present value savings of \$6.386 million. Thus, regardless of the construction cost estimates used, the COBRA model demonstrates that it is always in the government's long-term interest to expand the DFAS Limestone facility.**

---

<sup>15</sup> These costs are: \$5.481 million in military construction costs, \$7.189 million in avoided moving costs, and \$994,000 in avoided personnel costs.

Attachment A

Certified COBRA Runs

Prepared by:

Ed Anderson, Aviation Management Consultant

Conklin & de Decker Associates

July 14, 2005

# COBRA Scenario Alternatives for DFAS Limestone, Maine

Ed Anderson, Aviation Management Consultant  
Conklin & de Decker Associates

July 14, 2005

## Introduction

For BRAC 2005, the Defense Department has proposed consolidating 26 DFAS facilities into three receiver sites:

DCS Columbus, Ohio

DFAS Indianapolis, Indiana

ARPC Denver, Colorado

The proposed consolidation promises to produce substantial long-term savings due primarily to the elimination of 1,206 positions as a result of improved efficiencies. These savings are partially offset by one-time costs such as military construction at Columbus, personnel costs (primarily civilian RIF costs), and moving costs.

Savings are also affected by recurring cost factors that vary among locations. They include civilian location factor (local pay adjustment), per diem costs and operating costs per square foot (overhead). The following table compares these factors for the three receiver facilities to those at DFAS Limestone.

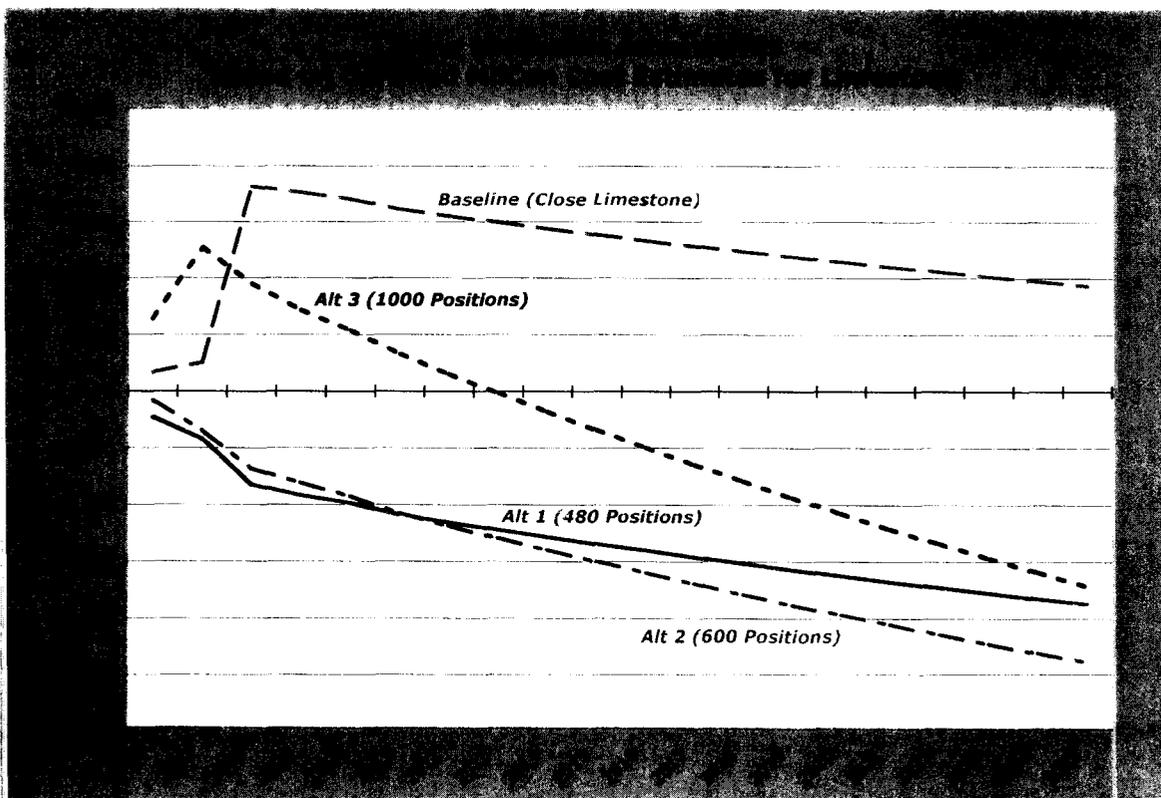
	Civ. Location Factor	Per Diem Rate	Operating Cost per Square Foot	MILCON Required?
DCS Columbus	1.131	\$ 118	\$ 8.27	Yes
DFAS Indianapolis	1.111	\$ 134	\$ 14.96	No
ARPC Colorado	1.167	\$ 159	\$ 9.15	No
DFAS Limestone	1.109	\$ 91	\$ 4.98	No

Representatives of DFAS Limestone interests have questioned whether three is the optimum number of receiver sites. They have suggested that retaining Limestone as a fourth receiver site and growing the facility will produce additional savings. According to this theory, costs would be saved by eliminating moving costs for 234 positions and by eliminating MilCon costs at Columbus. Recurring savings would also result from the lower personnel costs and overhead at Limestone.

The following analysis uses the DoD COBRA model to analyze the Return On Investment for the DoD's recommended scenario (HSA0018) for closing DFAS Limestone and explores three alternatives scenarios. The four scenarios evaluated are:

- Baseline. Close Limestone – as per Scenario HSA0018
- Alternative 1. Grow Limestone to 480 Positions
- Alternative 2. Grow Limestone to 600 Positions
- Alternative 3. Grow Limestone to 1000 Positions

The following chart shows the comparative Net Present Value costs of these four alternatives. This analysis is based on Limestone MilCon cost estimates certified by Cyr Construction Company.



The following table summarizes the results.

**Grow Limestone Alternatives Based on Certified MilCon Cost Estimates for Limestone**

	<b>Baseline (0)</b>	<b>Alt 1 (480)</b>	<b>Alt 2 (600)</b>	<b>Alt 3 (1000)</b>
Payback	25 Years	Immediate	Immediate	4 Years
NPV Cost in 2025 (\$K)	3,672	-7,493	-9,568	-6,851
1-Time Cost (\$K)	7,806	-2,556	-1,875	5,104
<b>Total Investment (\$K):</b>				
MilCon	1,416	-2,091	-1,283	6,897
Personnel	1,106	-62	51	112
Moving	5,284	-404	-643	-1,905
Overhead	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>7,806</b>	<b>-2,556</b>	<b>-1,875</b>	<b>5,104</b>
<b>Recurring Costs/Year (\$K)</b>				
Personnel	-253	-315	-378	-1,124
Overhead	148	-240	-281	-460
Mission	-170	238	128	756
Other	0	0	0	0
<b>TOTAL</b>	<b>-275</b>	<b>-317</b>	<b>-531</b>	<b>-828</b>
<b>Limestone Position Changes</b>				
Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	239	359	759
After BRAC	0	480	600	1,000

***Recommendation: The Return On Investment for DFAS consolidation will be improved significantly by retaining DFAS Limestone as a receiving site and growing Limestone to 600 positions. This alternative would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$9.6 million in implementation costs with a 20-year NPV savings of over \$13.2 million.***

## **Methodology**

The COBRA model is limited to handling 20 bases in a single realignment scenario. When a scenario consists of more than 20 bases (as is the case with the DFAS consolidation), it must be broken down into two parts. Then an ADDER model is used to sum the results for the entire scenario.

The method used in our analysis was to start by running Part 1 of the DoD recommended scenario HS0018. The cost impact of each alternative investigated was determined by changing the inputs as required to define the alternative, then running the COBRA model again. Then, the new results were compared to the original results using an Excel spreadsheet to calculate the differences. This is analogous to determining the weight of a slice of pie by weighing the pie before and after the slice is removed.

By using this approach, we were able to maintain consistency with the original model and ensure that extraneous factors did not contaminate the analysis.

### The Baseline Scenario – Close DFAS Limestone

It is clear that the overall business case for DFAS consolidation is compelling. However, the question remains, “Can better results be achieved by retaining Limestone as a receiver facility and relocating personnel from higher cost facilities to Limestone?”

In order to answer this question, we ran an alternative COBRA scenario where the data in the COBRA input fields were changed to indicate no Limestone realignment at all. Then, the new scenario results were compared to the original to measure difference. This difference represents the costs/savings attributable exclusively to the realignment of Limestone.

Limestone Positions:	
Before BRAC	241
Gained/eliminated	-7
Realigned	-234
After BRAC	0
Starting Year :	2006
Final Year :	2008
Payback Year :	NA
1-Time Cost (K):	\$7,806
NPV in 2025 (K):	\$3,672 cost

Among other considerations, this scenario would require the renovation of 81,469 square feet of administrative space at a cost of \$3.9 Million. Some 36% of this space is to accommodate 148 positions realigned from Limestone to Columbus, at a cost of \$1.4 million. Personnel and moving costs are \$6.4 million.

**Conclusion:** While the overall business case for DFAS consolidation is good, the closure of DFAS Limestone would not contribute to that result. In fact, the closure of Limestone would require a one-time investment of \$7.8 million. There would be no NPV savings realized during the 20-year NPV period.

Another way of stating this is, “The business case for DFAS consolidation would be improved if DFAS Limestone were not closed/realigned.”

### Alternative 1 – Grow DFAS Limestone to 480 Positions

In this scenario, DFAS Limestone would become a receiver site for 239 additional positions, bringing the total count up to 480. In defining this scenario, we assumed 239 Norfolk positions would relocate to Limestone instead of Columbus. This alternative totally eliminates the need for \$3.9 million in MilCon at Columbus. However, this is partially offset by \$391,000 in costs for 92 additional workstations at Limestone (certified estimate by Cyr Construction). This alternative also produces savings in other areas because personnel costs, overhead, etc. are lower at Limestone than at Columbus and Indianapolis.

#### Limestone Positions:

Before BRAC	241
Gained/eliminated	0
Realigned	239
After BRAC	480
Starting Year :	2006
Final Year :	2008
Payback Year :	Immediate
1-Time Cost (\$K):	\$2,556 saved
NPV in 2025 (\$K):	\$7,493 saved

When compared to the DoD proposed scenario, this alternative saves costs, as follows:

Net MilCon cost avoidance (\$K)	\$3,507
Moving cost avoidance (\$K)	\$5,688 (234 positions not moved)
<u>Personnel cost avoidance (\$K)</u>	<u>\$1,168</u>
Net 1-Time Costs (K):	\$10,362 saved
NPV in 2025 (K):	\$11,165 saved

Conclusion: Realigning DFAS Limestone as a receiver site would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. ***By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$10.3 million in implementation costs and net 20-year NPV savings of over \$11.1 million.***

## Alternative 2 – Grow DFAS Limestone to 600 Positions

In this scenario, DFAS Limestone would become a receiver site for 359 additional positions, bringing the total count up to 600. In defining this scenario, we assumed that 79 positions would relocate from Charleston, SC to Limestone instead of Columbus and that 280 Norfolk positions would relocate to Limestone instead of Columbus and Indianapolis. This scenario requires renovating 24,000 sq ft of administrative space plus 120 additional workstations at Limestone at a cost of \$1.199 million, certified estimate from Cyr Construction Co. (Note: This estimate is consistent with the MilCon Cost of \$1.23 million calculated by COBRA using the default settings.)

It also produces additional savings in other areas because personnel costs, overhead, etc are lower at Limestone than at Columbus and Indianapolis.

### Limestone Positions:

Before BRAC	241
Gained/eliminated	0
Realigned	359
After BRAC	600
Starting Year :	2006
Final Year :	2008
Payback Year :	Immediate
1-Time Cost (\$K):	\$1,875 saved
NPV in 2025 (\$K):	\$9,568 saved

When compared to the DoD proposed scenario, this alternative saves costs, as follows:

Net MilCon cost avoidance (\$K)	\$2,699
Moving cost avoidance (\$K)	\$5,927 (234 positions not moved)
<u>Personnel cost avoidance (\$K)</u>	<u>\$1,055</u>
Net 1-Time Cost (K):	\$9,681 saved
NPV in 2025 (K):	\$13,245 saved

Conclusion: Realignment DFAS Limestone as a receiver site would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. ***By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$9.6 million in implementation costs and 20-year NPV savings of over \$13.2 million.***

### Alternative 3 – Grow DFAS Limestone to 1000 Positions

In this scenario, DFAS Limestone would become a receiver site for 759 additional positions, bringing the total count up to 1000. In defining this scenario, we assumed that 349 Charleston positions, 130 Sill Oklahoma positions, and 280 Norfolk positions would relocate to Limestone instead of Columbus, Indianapolis and Colorado. This scenario requires renovating 24,000 sq ft of administrative space at Limestone plus a 70,000 square foot addition to the current limestone facility.

In this case MilCon costs were based on a certified estimate of \$9,379,000 provided by Cyr Construction Company. This value is judged to be more accurate than the default value used in the COBRA model because it correctly represents the cost of building an addition to an existing structure, rather than the cost of all new construction.

This alternative represents a lower implementation cost and better financial results than the DoD proposed scenario and shows the potential for future growth at Limestone.

#### Limestone Positions:

Before BRAC	241
Gained/eliminated	0
Realigned	759
After BRAC	1000
Starting Year :	2006
Final Year :	2009
Payback Year :	4 Years
1-Time Cost (\$K):	\$5,104 cost
NPV in 2025 (\$K):	\$6,851 saved

When compared to the DoD proposed scenario, this alternative saves costs, as follows:

Net MilCon cost (\$K)	\$5,481 cost
Moving cost avoidance (\$K)	\$7,189 (234 positions not moved)
<u>Personnel cost avoidance (\$K)</u>	<u>\$994</u>
Net 1-Time Cost (K):	\$2,702 saved
NPV in 2025 (K):	\$10,526 saved

Conclusion: Realigning DFAS Limestone as a receiver site for 1,000 total positions would require a smaller initial investment than the scenario proposed by DoD. The requirement to construct new facilities at Limestone would result in a four-year payback. This scenario shows excellent potential for accommodating future growth requirements. ***By pursuing this scenario, instead of the one proposed by DoD, the government would save over \$2.7 million in implementation costs and 20-year NPV savings of over \$10.5 million.***

### Alternative COBRA Analyses Based on Default MilCon Values

The COBRA model has algorithms for calculating MilCon costs based on standard factors. As a crosscheck against the preceding analyses, we ran the above scenarios using COBRA's default settings. We found the following results (in \$ Thousands):

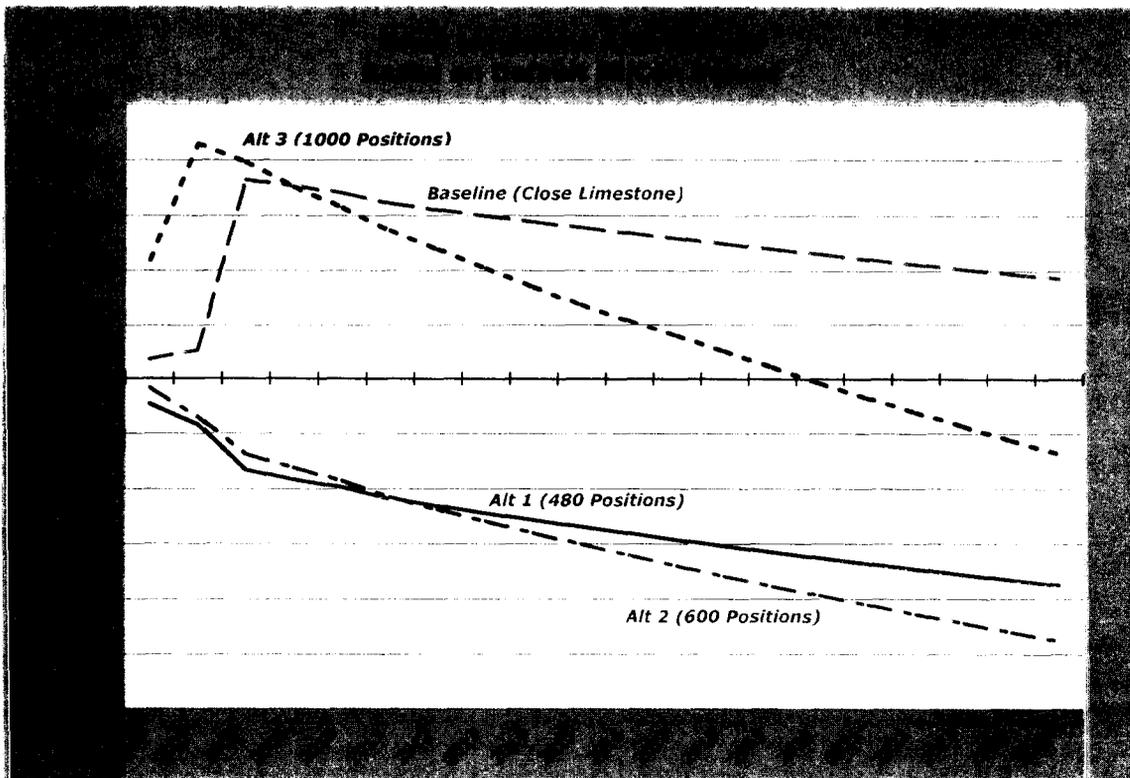
#### Total One-time Costs

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	(10,362)	(10,753)
Alt 2 (600)	(9,681)	(9,650)
Alt 3 (1000)	(2,702)	1,581

#### 20-Year Net Present Value Savings

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	11,168	11,553
Alt 2 (600)	13,245	13,215
Alt 3 (1000)	10,526	6,386

Only in Alternative 3 was there a significant difference between the results using the two methods. This is due primarily to the fact that the default factor for MilCon is based on all new construction. However, DFAS Limestone has proposed adding 70,000 square feet to an existing building. Costs for this addition would be lower due to fact that the existing physical plant and infrastructure can accommodate this addition. For the record, the results of this alternative analysis are as follows:



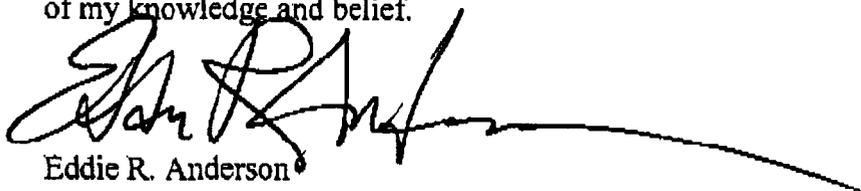
**Grow Limestone Alternatives Based on Default MilCon Values**

	<b>Baseline (0)</b>	<b>Alt 1 (480)</b>	<b>Alt 2 (600)</b>	<b>Alt 3 (1000)</b>
Payback	25 Years	Immediate	Immediate	11 Years
NPV in 2025 (\$K)	3,672	-7,493	-9,568	-2,711
1-Time Cost (\$K)	7,806	-2,556	-1,875	9,387
<b>Total Investment (\$K):</b>				
MilCon	1,416	-2,091	-1,283	11,180
Personnel	1,106	-62	51	112
Moving	5,284	-404	-643	-1,905
Overhead	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>7,806</b>	<b>-2,556</b>	<b>-1,875</b>	<b>9,387</b>
<b>Recurring Costs/Year (\$K)</b>				
Personnel	-253	-315	-378	-1,124
Overhead	148	-240	-281	-460
Mission	-170	238	128	756
Other	0	0	0	0
<b>TOTAL</b>	<b>-275</b>	<b>-317</b>	<b>-531</b>	<b>-828</b>
<b>Limestone Position Changes</b>				
Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	239	359	759
After BRAC	0	480	600	1,000

**Certification Memorandum:**

**Subject: Base Realignment and Closure (BRAC) 2005 Certification of Information**

I certify that the information provided in this analysis is accurate and complete to the best of my knowledge and belief.

A handwritten signature in black ink, appearing to read "Eddie R. Anderson", with a long horizontal flourish extending to the right.

Eddie R. Anderson

Aviation Management Consultant

Conklin & deDecker Associates

**Attachment B**  
**Certified Construction Cost Estimates**  
**For the Limestone Field Site**

**Prepared by:**  
**Cyr Construction Company**

**June 24, 2005**

**CYR CONSTRUCTION COMPANY**

GENERAL CONTRACTORS  
P.O. BOX 520  
CARIBOU, MAINE 04736

PHONE  
(207) 496-3481  
FAX  
(207) 498-2831

June 24, 2005

Carl Flora  
Loring Development Authority  
154 Development Drive, Suite F  
Limestone, ME 04750

Dear Carl:

In 1998 Cyr Construction was awarded the contract to convert the former Loring Air Force Base hospital into the current DFAS facility, including the procurement and installation of the workstations through Unicor/Federal Prison Systems. We completed the \$6.6M contract four months early and close to a million dollars under budget.

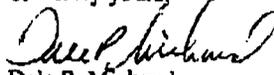
Drawing from our experience with this project and similar others, we are able to provide you with the following estimates:

1. Add 92 workstations in the open area of the existing facility; an estimate of \$391,000.
2. Convert and fixture the first floor Records Warehouse and the second floor Receiving Warehouse with 120 workstations, an estimate of \$808,000.
3. Construct a two story 70,000 square foot addition adjacent to the existing facility:
  - a. Cost of a building addition in a design different from, but complimentary to, the existing facility, based on current market costs, not including workstations, including data and communication s infrastructure, an estimate of \$6,300,000.
  - b. Cost of workstations, an estimate of \$4,700 per station including the wiring thereof.

Architctural and engineering fees would need to be added to the above estimates. These estimates assume the utilization of workstations from Unicor/Federal Prison Systems matching the existing systems furniture. A substantial savings could be realized if the systems furniture could be procured from a private source.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely yours,

  
Dale P. Michaud  
Project Manager

Attachment C

Construction Cost Estimates and Workforce Capabilities

Prepared by:

Carl Flora

President and CEO

Loring Development Authority

And

Galen L. Rose

Acting State Economist

State of Maine

July 14, 2005



LORING COMMERCE CENTRE

July 14, 2005

General Lloyd Newton, USAF (Ret.)  
Base Realignment and Closure Commission  
2521 South Clark Street  
Arlington, VA 22202

Dear General Newton:

This letter is in response to your request for additional information at the July 6 regional hearing in Boston, Massachusetts.

The Loring Development Authority fully supports expanding the DFAS Limestone Field Site. In connection with the proposal to expand Limestone to 1,000 employees, the Loring Development Authority -- who owns the vacant real estate around the DFAS Limestone Field Site -- stands ready to donate up to ten acres of land at no cost to support such an expansion by adding that acreage to the existing no cost 50 year renewable lease.

In order to grow from its current workforce of 353 to 1,000 employees, DFAS Limestone would need to recruit and hire 647 individuals over the next several years. This hiring would not need to take place immediately since an expansion beyond 600 (absent use of shift work) would require military construction to expand the Limestone facility.

I am familiar with the Aroostook County economy and workforce. I have studied the economic data previously prepared and submitted to the Commission. The information available demonstrates that the local workforce can accommodate an expansion to 1,000 employees. The workers likely would come from several sources.

First, in 2005, there are 2,800 people in Aroostook County currently working in occupations common to DFAS operations. Because DFAS jobs pay 50% more than the average job in Aroostook County, DFAS is, and would continue to be, a regional "employer of choice," luring skilled workers from other employers in the area.

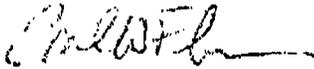
Second, as was described in a study done by the University of Southern Maine Center for Business and Economic Research in October 2004, there is a "shadow workforce" of individuals, including many young people, who have left the County but who would return to Aroostook County if there were suitable career opportunities commensurate with their skills.

Third, some of the individuals currently employed at other DFAS facilities slated for closure as part of the consolidation plan likely would choose to relocate to Limestone versus moving to a more urban location such as Denver, Indianapolis, or Columbus.

Finally, the certified testimonials already provided to the Commission by companies who have chosen to locate their businesses in Aroostook County attest to the ability of companies to meet their employment needs in Aroostook County. These six companies employ 2,475 skilled workers. Over the past decade, they have successfully recruited, hired, trained, and maintained in the Limestone area a workforce many times larger than the number that would be required to expand the DFAS Limestone facility to 1,000 positions.

This information is accurate and complete to the best of my knowledge.

Very truly yours,



Carl W. Flora  
President & CEO



JOHN ELIAS BALDACC  
GOVERNOR

STATE OF MAINE  
EXECUTIVE DEPARTMENT  
STATE PLANNING OFFICE  
35 STATE HOUSE STATION, AUGUSTA, MAINE 04333

MARITHE E. FREEMAN  
DIRECTOR

July 13, 2005

Secretary Anthony Principi  
Chairman, Defense Base Realignment and Closure Commission  
2521 S. Clark Street, Suite 600  
Arlington, VA 22202

Dear Chairman Principi:

The case has been made in the various documents and oral testimony delivered to the BRAC Commission over the past few weeks that the Limestone, Maine DFAS facility is a prime candidate for expansion. My purpose here is to make a more concise statement of the facts from an economist's point of view as I believe they make a compelling case.

Current employment at the Limestone DFAS is 361. In 2004, the Civilian Labor Force of Aroostook County averaged 36,830, far more than necessary to man a facility of 1,000 or so workers. The principal labor related arguments for an expansion of the Limestone facility can be summarized as follows:

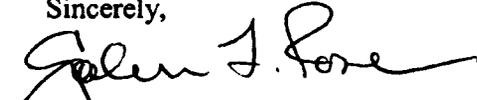
- 1) Current average annual pay at the facility is \$39,000, nearly 60% greater than the average payroll worker in the county earns (\$25,000). These jobs are highly desirable!
- 2) In a recent workforce expansion of 80 jobs, the facility received 400 resumes, a 5 to 1 ratio.
- 3) New hires at the facility take less than 10 days to complete, one of the lowest rates in the DFAS system.
- 4) The turnover rate at the facility is less than 5% per year, compared to 9.2% for the average payroll job in Aroostook County.
- 5) According to a recent Maine Department of Labor study, "There is a substantial pool of people working in related occupations [in Aroostook County] who have the knowledge, skills, and other attributes necessary for success in functions performed in DFAS operations."
- 6) There is a substantial untapped "shadow" labor force consisting of recent out-migrants from Aroostook County, who have left primarily for lack of economic opportunity, and current DFAS employees in other parts of the US who prefer to live in rural areas and would thus not consider transferring to facilities located in metro areas.
- 7) The University of Maine, the Northern Maine Community College campuses in Presque Isle, and Husson College in Caribou offer accounting, business, information systems, and other programs of academic and professional development that will sustain a strong supply of workers with the education and skills necessary for success in DFAS operations.

Clearly, the labor economics prove that the Limestone DFAS facility is an excellent, perhaps unexcelled, candidate for expansion. I believe the facility could be expanded easily to a workforce of 1,000.

We thank you for your consideration of this case and hope that you will share this information with your Commission colleagues.

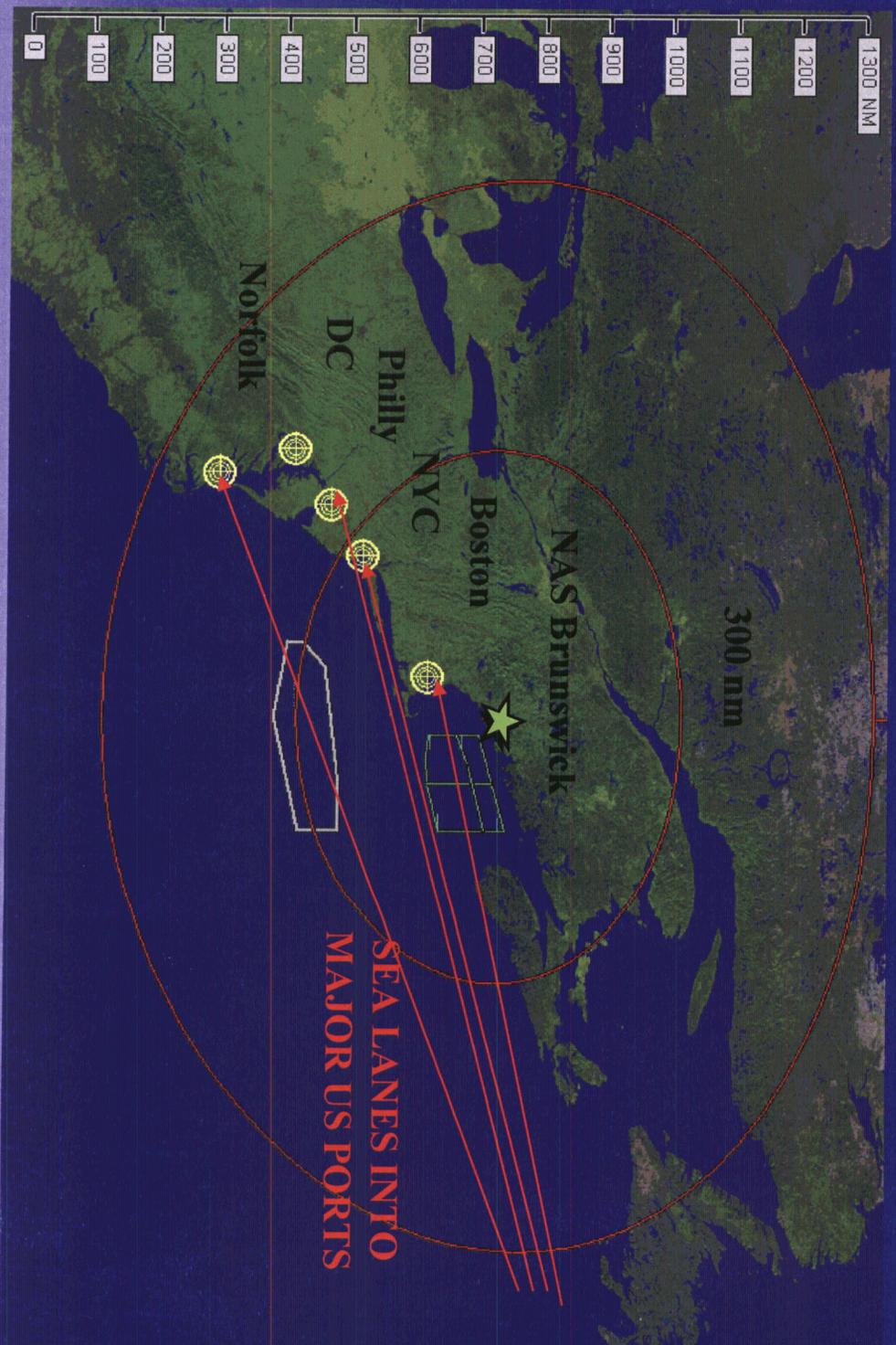
I hereby certify that the data contained in this letter are true and accurate to the best of my knowledge.

Sincerely,



Galen L. Rose  
Acting State Economist

# NAS Brunswick's Strategic Importance





# Human Capital Capacity

## Shipyards Production Trade Skill Surge Indicator

TS	SHIPYARD				TS OVERALL
	NNSY	PNS	PHNS	PSNS	
Electrical	Green	Green	Green	Green	Green
Electronics	Green	Red	Yellow	Green	Yellow
Insulating	Yellow	Yellow	Yellow	Red	Yellow
Paint/Blasting	Red	Yellow	Yellow	Red	Red
Shipwright	Red	Green	Yellow	Yellow	Yellow
Inside Machining	Green	Green	Green	Green	Green
Outside Machining	Red	Yellow	Red	Red	Red
Pipefitting	Yellow	Yellow	Red	Red	Red
Shipfitting	Yellow	Green	Yellow	Green	Yellow
Sheet Metal	Green	Green	Green	Green	Green
Welding	Red	Green	Green	Red	Yellow
SY OVERALL	Yellow	Yellow	Yellow	Yellow	Yellow

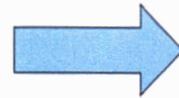
*No Critical Shortages (pink)*

Overall Rating



# Industrial Plant Capacity and Usage

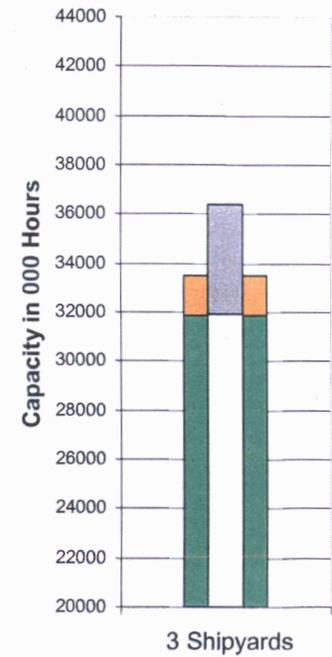
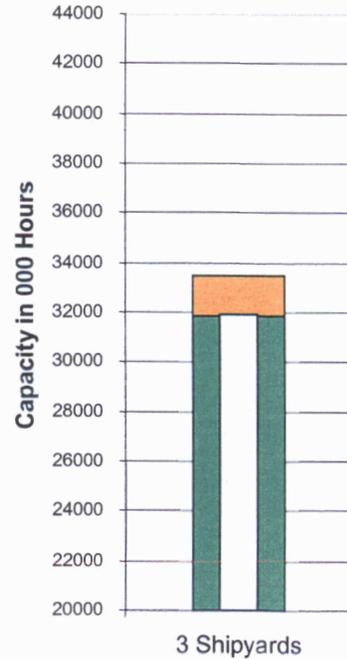
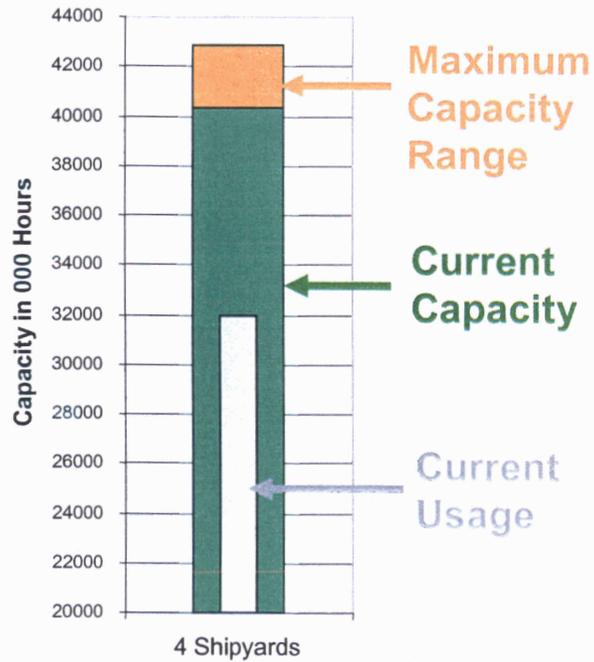
## Baseline Data



## DoD Recommendation

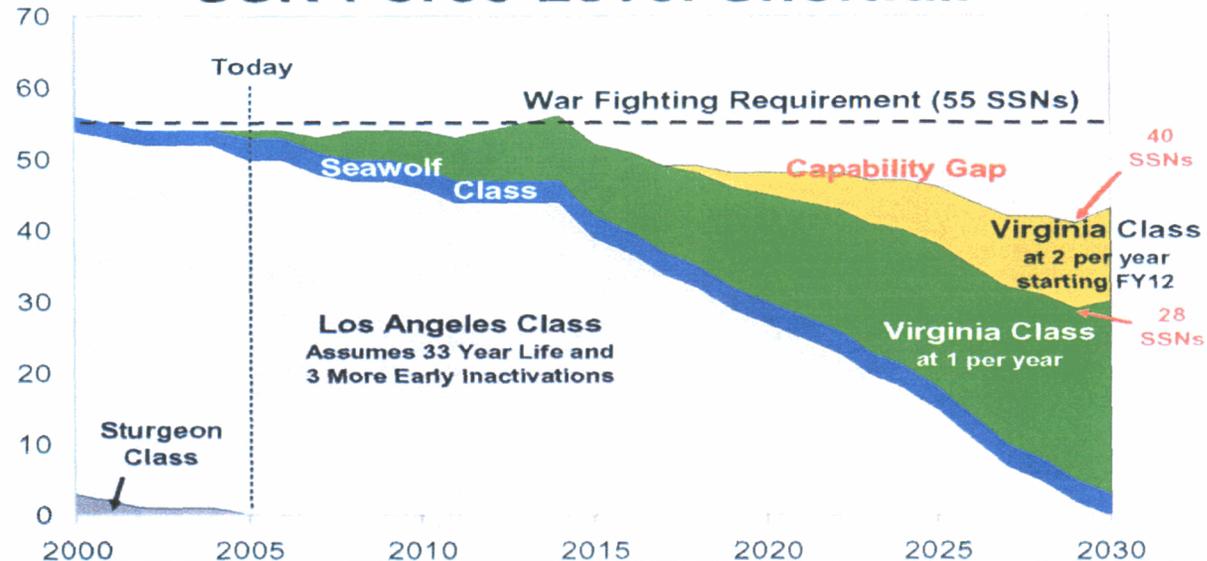


## DoD Recommendation With Historical Growth Factor



# Workload - Misconceptions

## SSN Force Level Shortfall



### Four major concerns:

- Does not reflect maintenance workload
- Does not show surface combatants or SSBN/SSGNs
- Does not support Force Structure Plan
- Does not support the War Fighter requirements, only budget shortfall

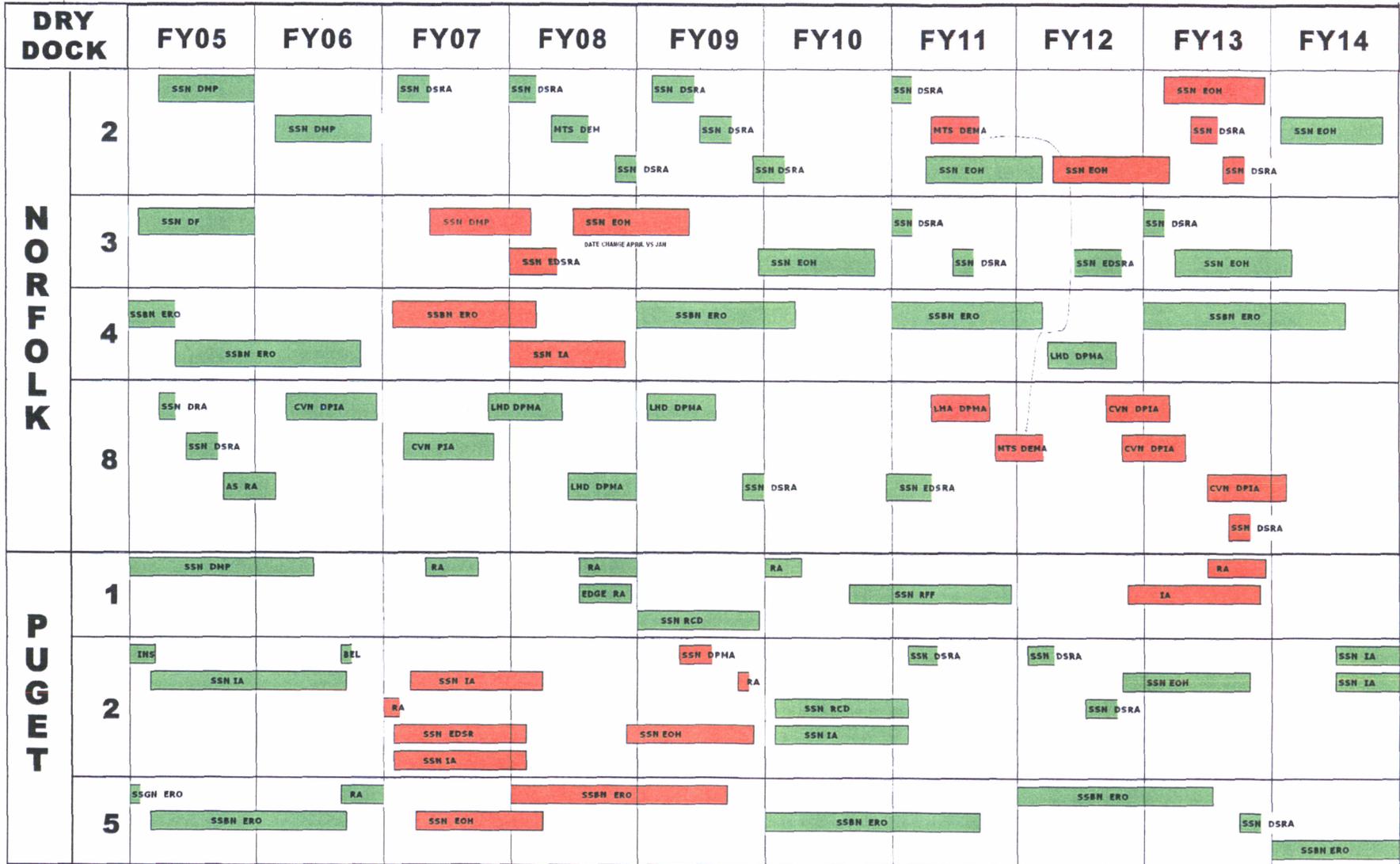
DoD officials, in a 22 June 2005 meeting, stated that closure was based on an 18% force structure cut and 4 near term inactivations.

Please Note, this 18% reduction does not occur until 2024 and the 4 inactivations are not reflected in the force structure plan submitted to Congress.

**CONFLICT**

# Conflicts in Dry Dock Usage with Portsmouth Closure

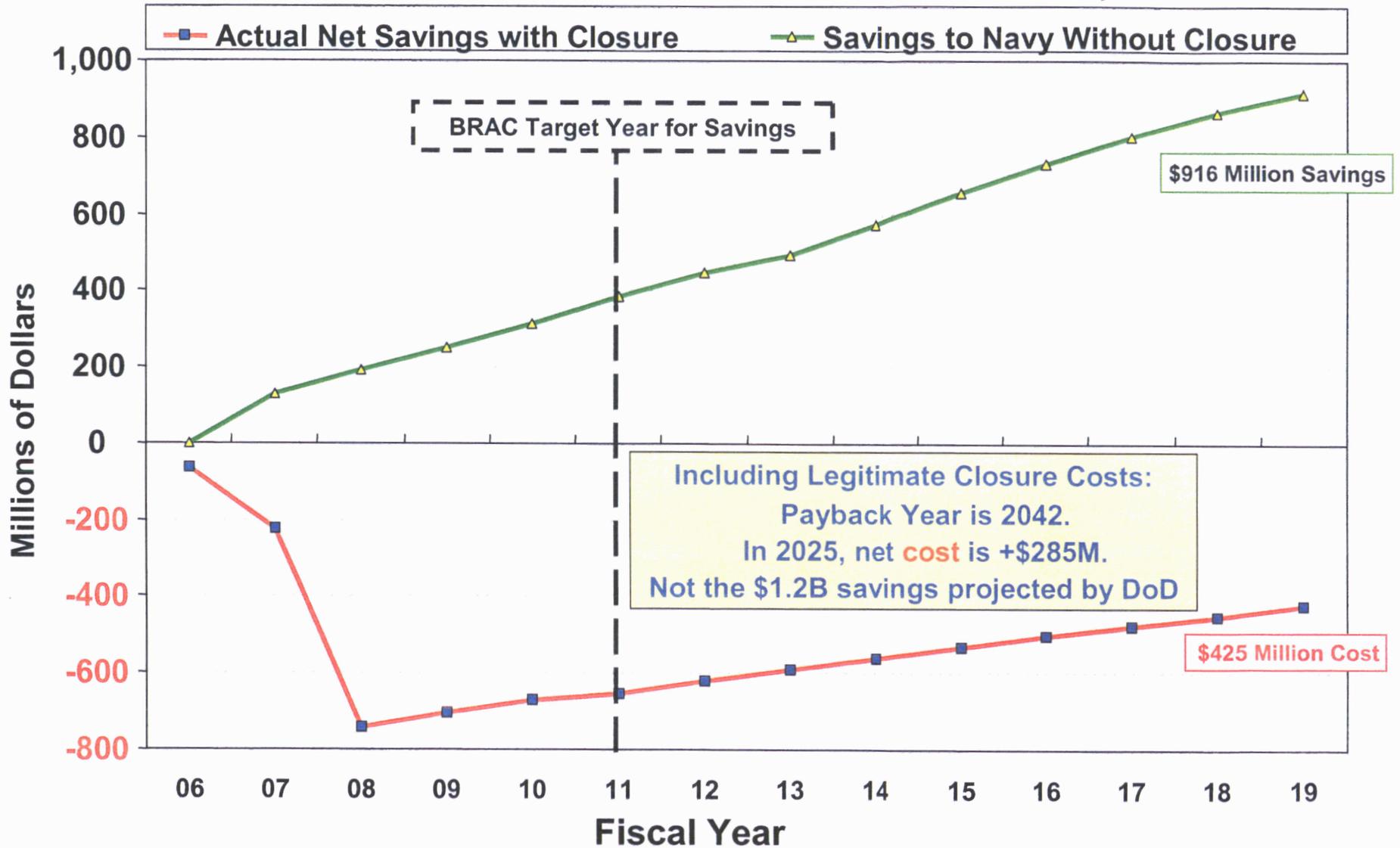
**CONFLICT**



 **CONFLICT**

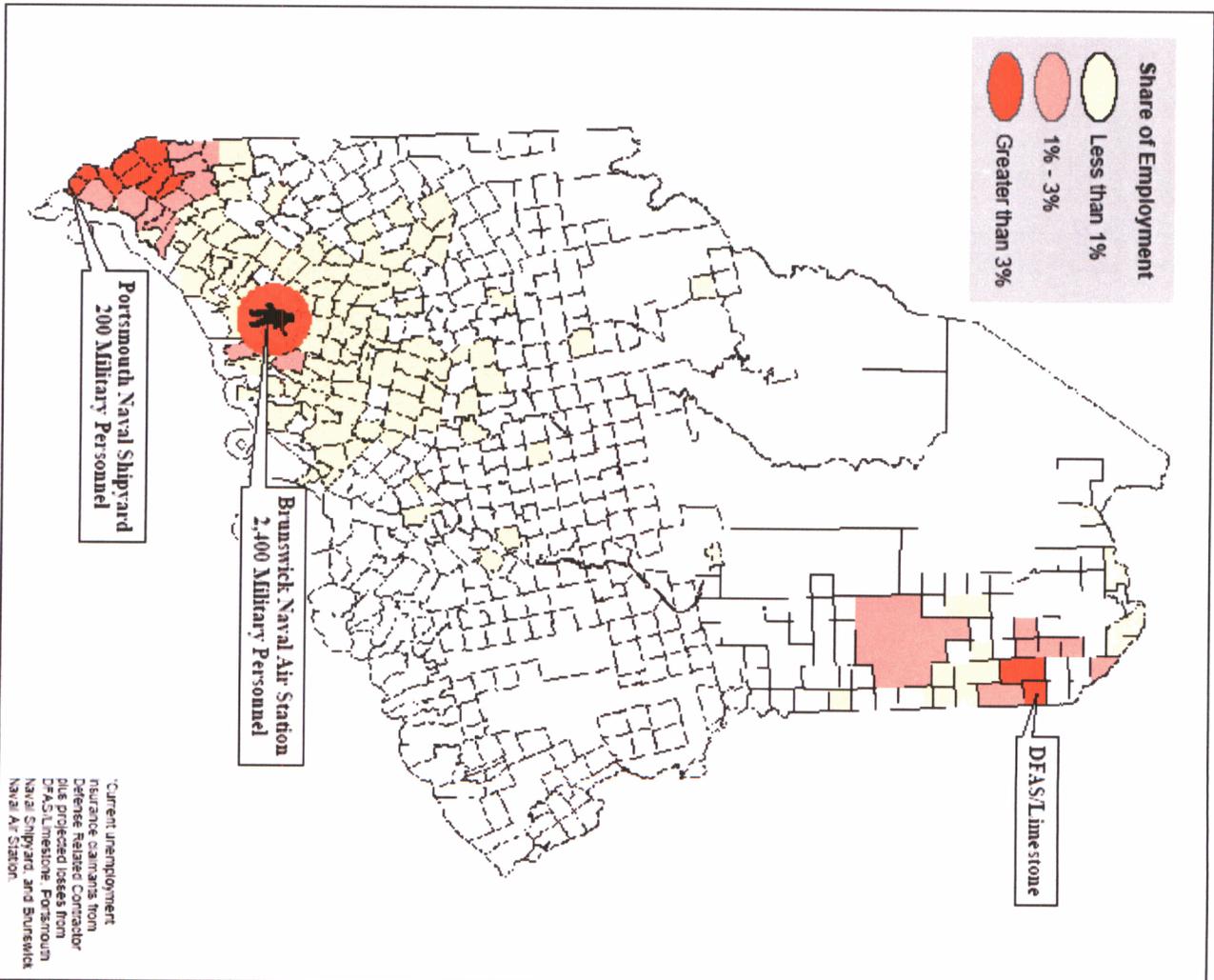
# Projected Savings Calculations

(Re-calculated with efficiency and actual cost of closure)



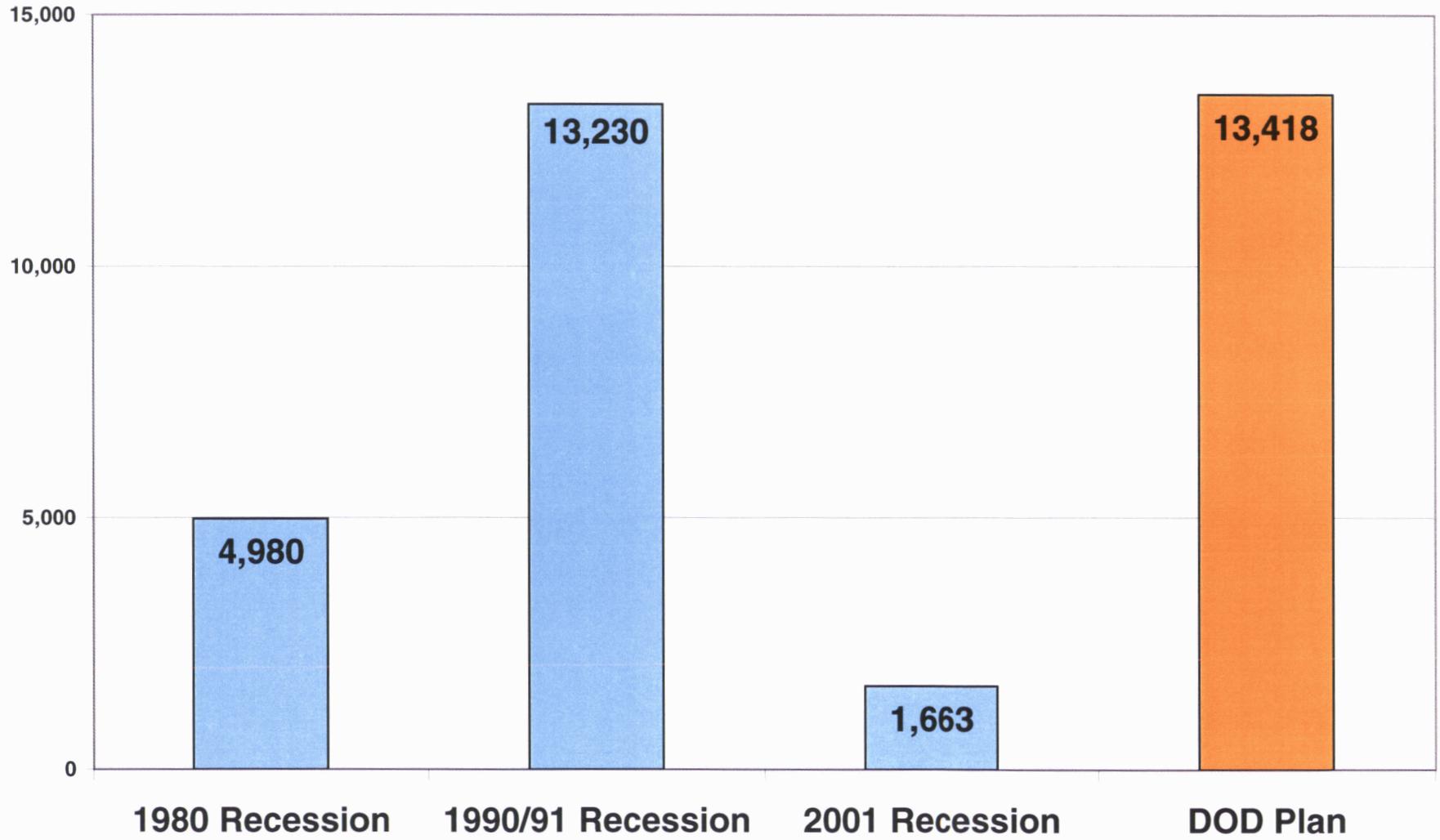
**Portsmouth Open Equals Greatest Savings to Navy**

# DOD-Related Job Losses as a Share of Resident Employment



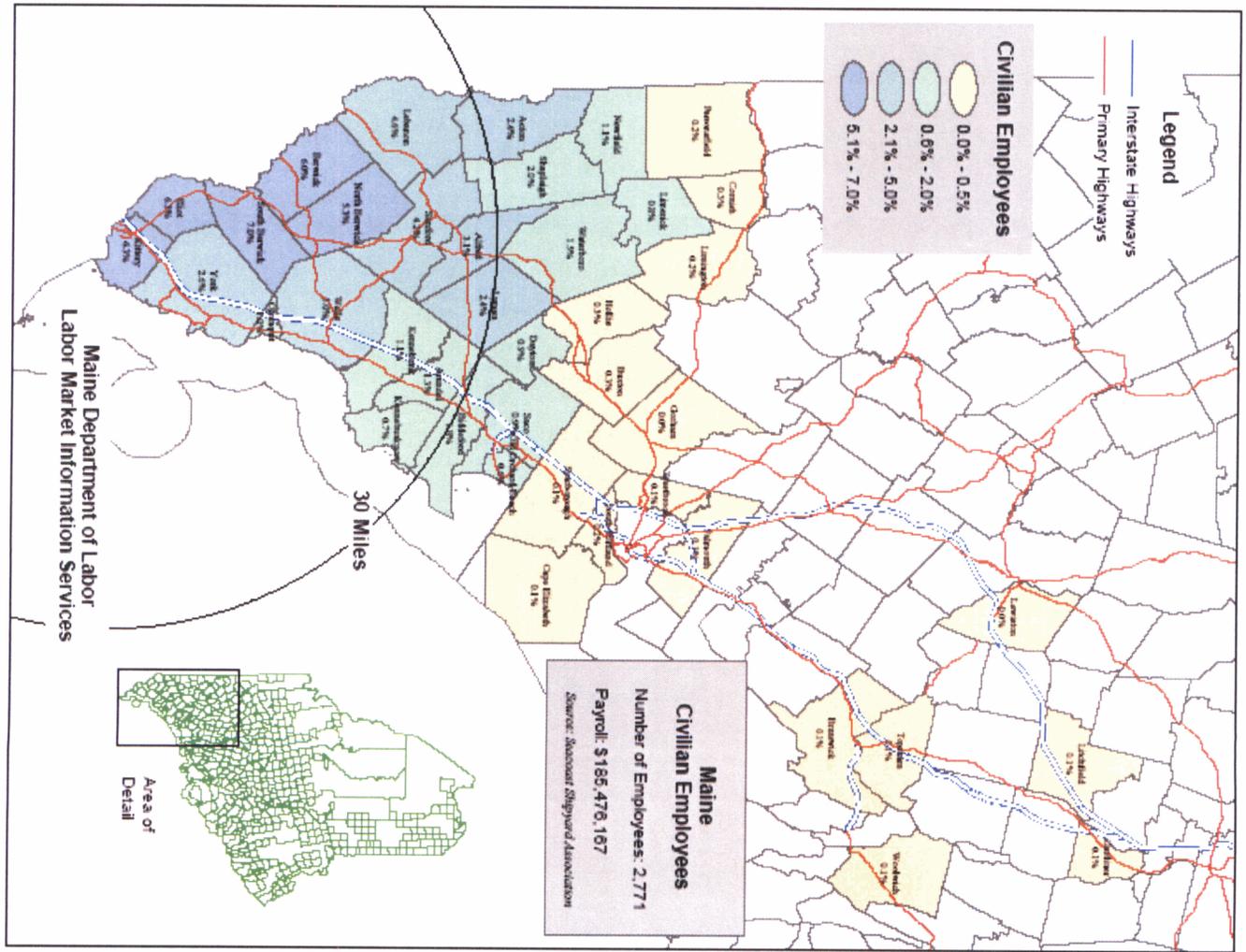
Maine Department of Labor  
Labor Market Information Services

## Maine Job Losses

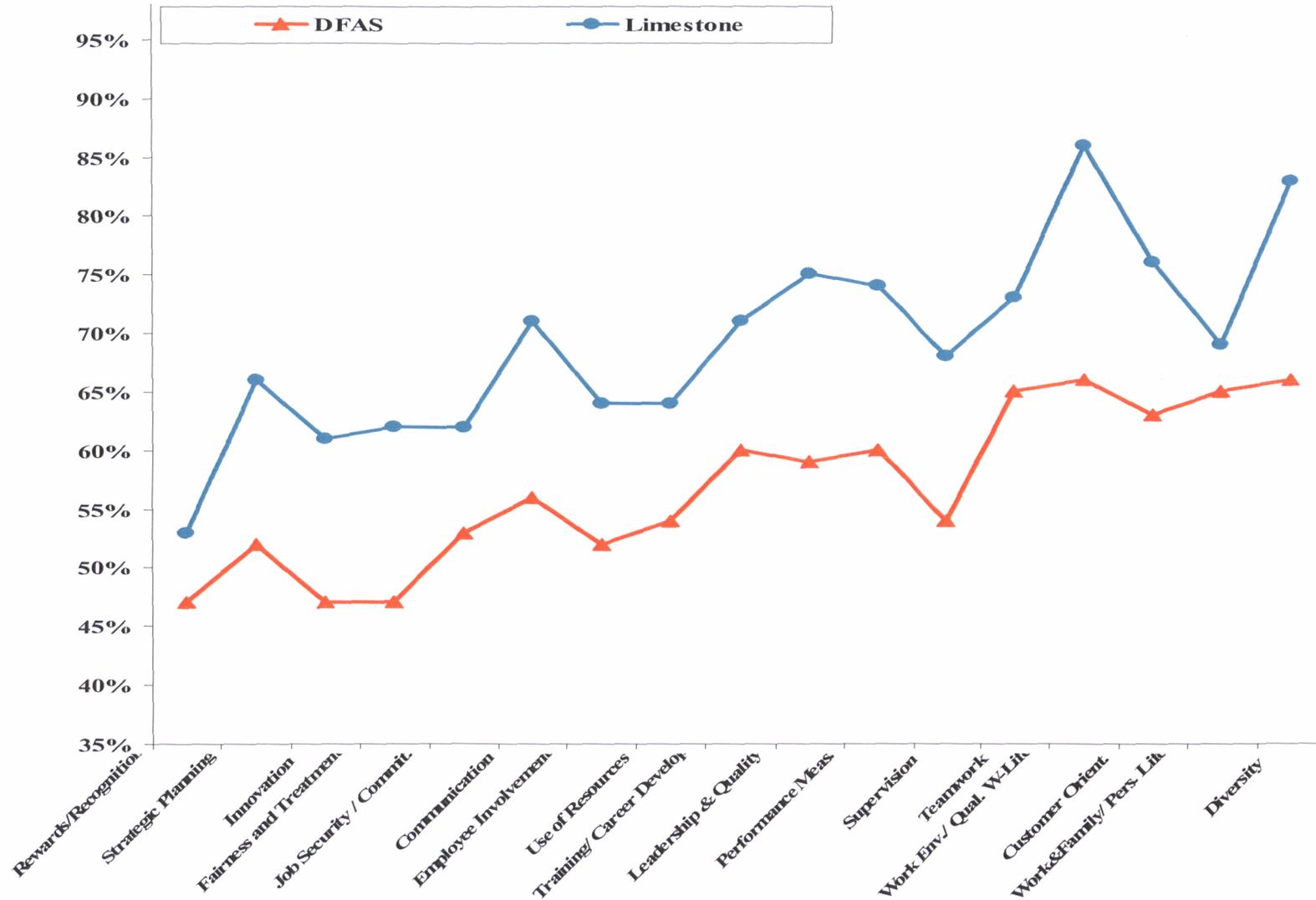


Source: Maine State Planning Office

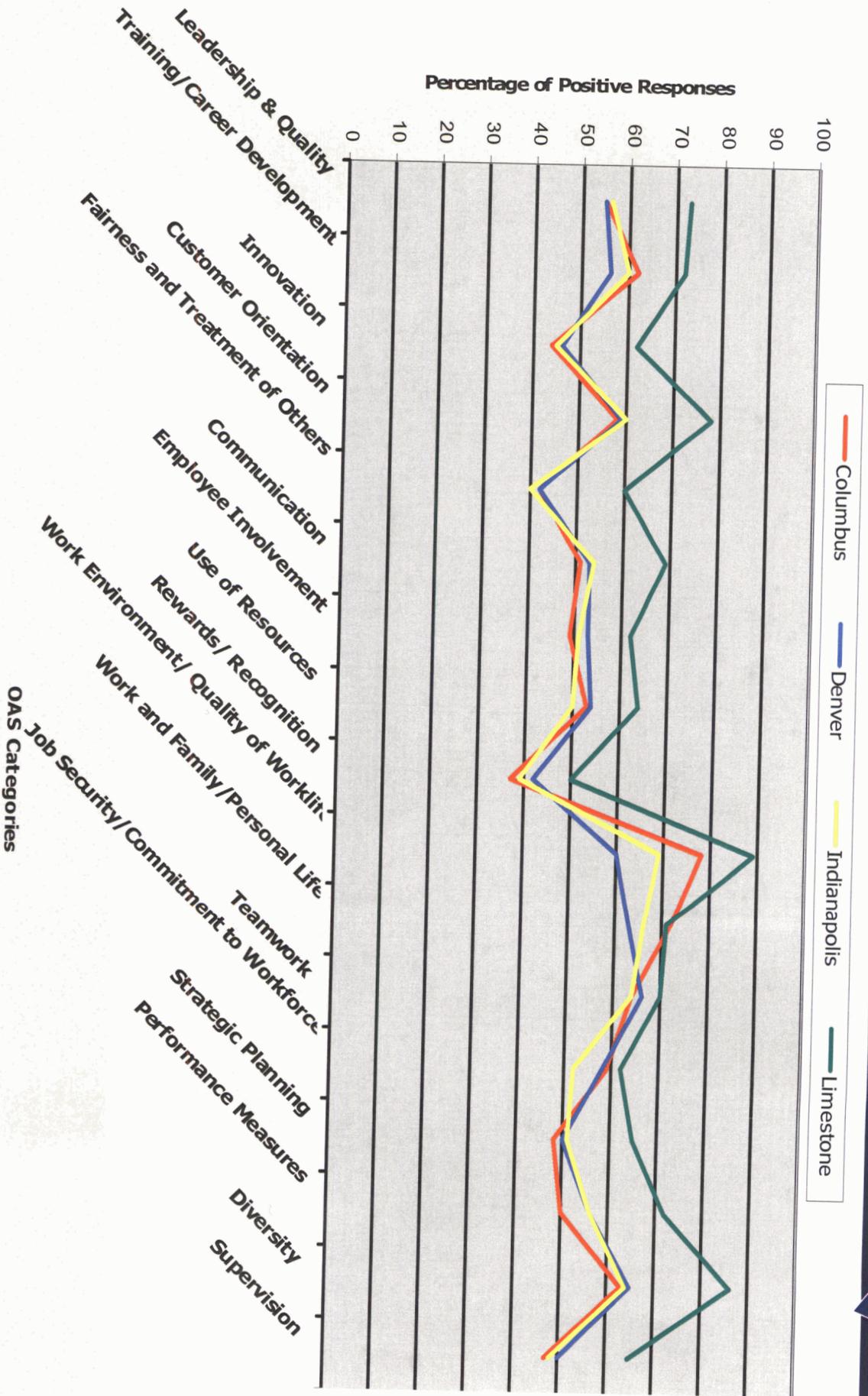
Share of Employed Residents Working at Portsmouth Naval Shipyard



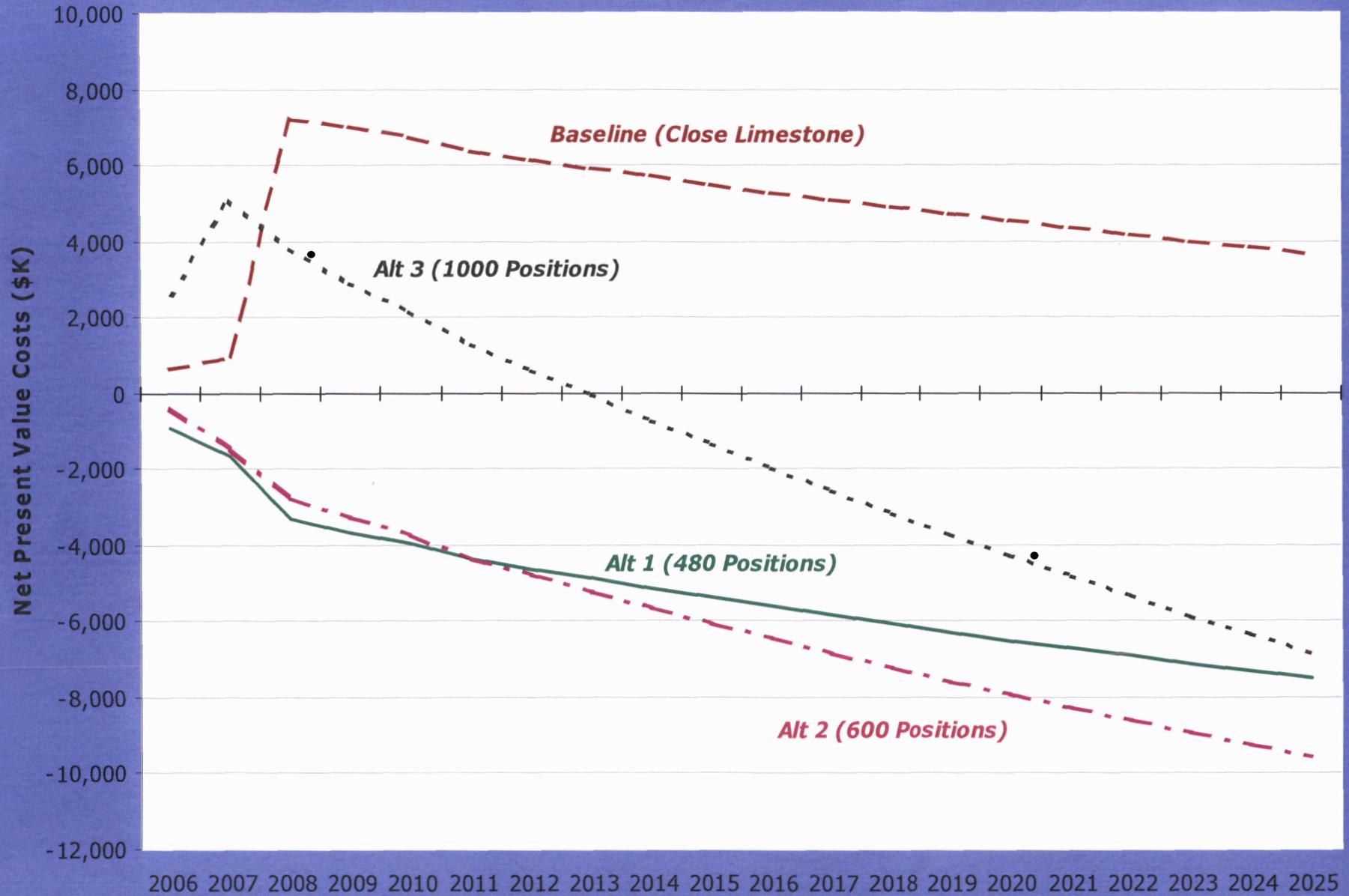
# DFAS and Limestone Overall 2005 OAS Favorability Ratings



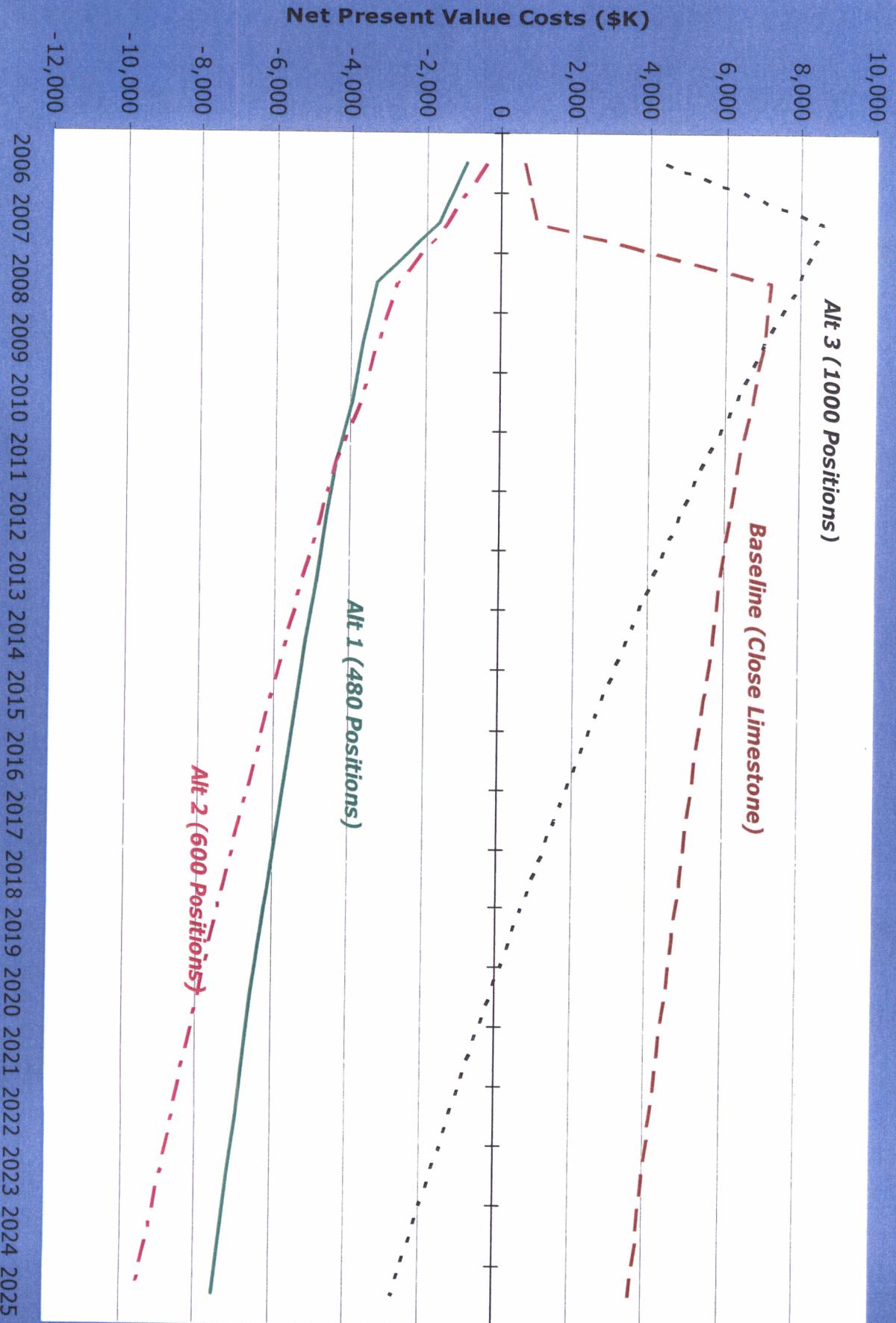
# 2005 OAS Survey Results



# Grow Limestone Alternatives Based on Certified MilCon Cost Estimates for Limestone



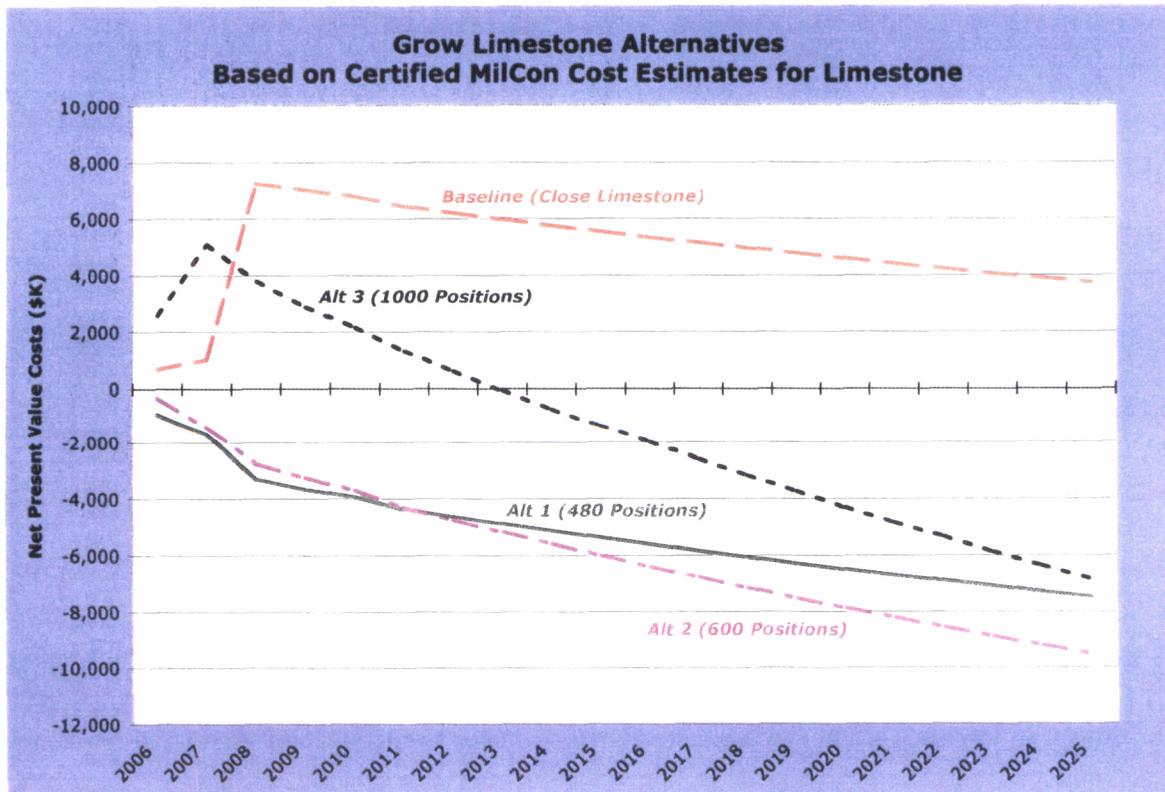
# Grow Limestone Alternatives Based on Default MilCon Values

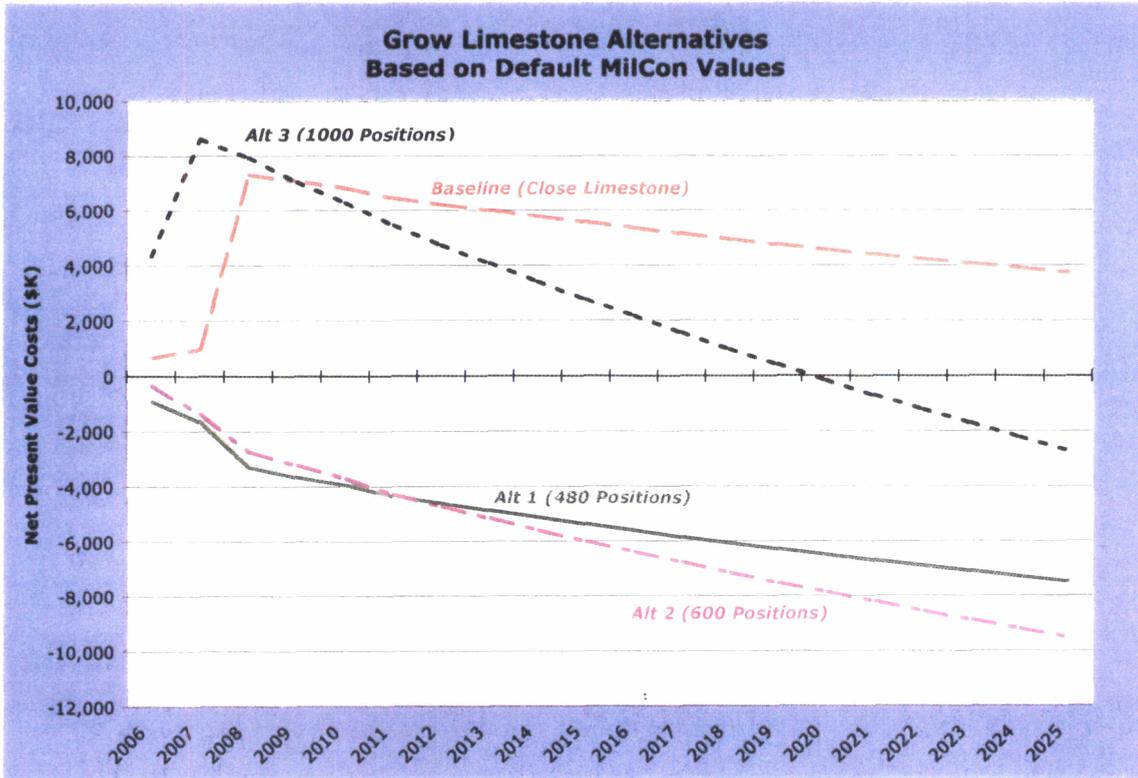


## COST ANALYSIS FOR THREE ALTERNATIVES

At the July 6 hearing, General Newton asked for information regarding the ability of the DFAS Limestone Field Site to expand from its current size of 353 positions to 1,000 positions.

To prepare our response, we asked Ed Anderson, an expert from the firm of Conklin & de Decker Associates hired by the State of Maine, to perform COBRA runs for three scenarios: expanding Limestone to 480 positions; expanding Limestone to 600 positions, and expanding Limestone to 1,000 positions. Mr. Anderson ran the COBRA model using the same certified data relied upon by the Department of Defense in formulating its recommendations. In addition, he ran the COBRA model using certified construction cost estimates for military construction costs at Limestone that were supplied by Cyr Construction Company, a local contractor who has previously done significant construction work at the Limestone facility. Cyr's cost estimates reflect the local Northern Maine construction market, and are tailored to the actual addition that would be needed if Limestone were expanded. Therefore, their estimates are more accurate than DoD's generic construction cost estimates. The results of these COBRA analyses are shown in the charts below. A detailed description of each option follows.





**Summary of Costs and Savings for Three Alternatives Relative to DoD's Proposal (in \$ Thousands):<sup>1</sup>**

**Total One-time Costs**

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	(10,362)	(10,753)
Alt 2 (600)	(9,681)	(9,650)
Alt 3 (1000)	(2,702)	1,581

**20-Year Net Present Value Savings**

	Based on Cyr Estimates	Based on Default Settings
Alt 1 (480)	11,168	11,553
Alt 2 (600)	13,245	13,215
Alt 3 (1000)	10,526	6,386

<sup>1</sup> The numbers on these charts represent the difference between the Baseline DoD proposal to close Limestone (shown in the dashed red line) and the line representing the particular alternative.