

**PORTSMOUTH NAVAL SHIPYARD  
BRAC COMMISSION REGIONAL HEARING, JULY 6, 2005**

Boston Convention and Exhibition Center  
415 Summer Street, Boston, MA

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1. **SENATOR JUDD GREGG**  
Opening Remarks (3 mins)
2. **SENATOR OLYMPIA SNOWE**  
Case Summary (10 mins)
3. **VADM AL KONETZNI (retired)**  
Military judgment - strategic (criterion 1) (15 mins)
4. **RADM WILLIAM KLEMM (retired)**  
Military judgment - industrial (criteria 1 thru 4) (15 mins)
5. **MR. EARL DONNELL (community)**  
Capacity and workload (criteria 1, 3, 4) (25 mins)
6. **REPRESENTATIVE TOM ALLEN**  
Workload (criteria 4, 5) (2 mins)
7. **SENATOR SUSAN COLLINS**  
BRAC Process (criterion 5) (9 mins)
8. **SENATOR JOHN SUNUNU**  
Corrected COBRA Analysis for Scenario DoN-0133 (criterion 5) (5 mins)
9. **REPRESENTATIVE JEB BRADLEY**  
Cost of reconstitution (criteria 1, 3, 5) (2 mins)
10. **MR. PAUL O'CONNOR (unions)**  
Labor/Management relationship (criteria 1, 4) (2 mins)
11. **GOVERNOR JOHN BALDACCI**  
Environment (criterion 8) (5 mins)
12. **GOVERNOR JOHN LYNCH**  
Economic impact (criterion 6) (5 mins)
13. **SENATOR JUDD GREGG**  
Closing Remarks (5 mins)

DCN: 5025

**Gregg**  
**(Opening Remarks)**

SMITH

**Sen. Judd Gregg**  
**Opening Statement on Portsmouth Naval Shipyard**  
**July 6, 2005**

Mr. Chairman, this presentation will show that the DOD's recommendation to close Portsmouth Naval Shipyard substantially deviated from statutory base closure criteria. Our analysis will show that

[INSERT CHART 1]

- 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.

Our first presenter, Senator Olympia Snowe, will give a case summary outlining the deviations from the BRAC closure criteria.

[INSERT CHART 2]

Then we will introduce retired Vice Admiral Albert Koneztni, Jr., an irrefutable expert on submarine operations and former Commander, Submarine Forces, U.S. Pacific Fleet. He will describe the current strategic environment, and how the closure recommendation deviates from military value criteria.

Following him will be retired Rear Admiral William Klemm, a man of legendary expertise in the submarine industrial base. He was Director of Logistics, Maintenance, and Industrial Operations and responsible for all shipyard operations for the Navy. He will show how Portsmouth is the highest-rated shipyard based on Military Value criteria – it gets subs back to the fleet 3-6 months earlier than other yards. If Portsmouth is closed, submarines will not get overhauled even by the Navy's own schedule.

The next speaker will be Mr. Earl Donnell, a distinguished technical expert from the shipyard. He will address the unmanageable conflicts and delays in submarine repair that will occur if Portsmouth is closed.

Congressman Allen will then show that preserving Portsmouth allows the Navy to explore more efficient workload alternatives.

Senators Collins and Sununu will discuss cost issues, and how closing Portsmouth would deviate from criterion 5 while Congressman Bradley will address Portsmouth's nuclear license and the high cost of reconstituting the yard's capability. Portsmouth is the most efficient yard: an average of \$26 million saved per Depot Modernization, and \$82 million per refueling – cost effectiveness the Navy did not account for in its recommendation. Losing Portsmouth's efficiency will nullify any hoped-for payback.

Mr. Paul O'Connor, representing the unions, will show how the excellent labor-management team promotes unmatched efficiency.

Governors Lynch and Baldacci will then address economic and environmental impact, which are criteria 6 and 8, and I will close the presentation.

Thank you.

□ 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

# SPEAKERS – CRITERIA DEVIATIONS

## SENATOR OLYMPIA SNOWE

Case Summary

### VADM AL KONETZNI (retired) Criteria 1

Military Value: Current and Future Missions and Operational Readiness

### RADM WILLIAM KLEMM (retired) Criteria 1 – 4

Military Value: Missions, Facility Condition, Readiness, Surge, Cost, and Manpower

### MR. EARL DONNELL Criteria 1, 3, 4

Military Value: Missions, Readiness, Surge, Cost, and Manpower

### REPRESENTATIVE TOM ALLEN Criteria 4 & 5

Military Value & Cost: Cost of Operations, Extent & Timing of Costs & Savings

### SENATOR SUSAN COLLINS Criteria 5

Cost: Extent and Timing of Costs and Savings

### SENATOR JOHN SUNUNU Criteria 5

Cost: Extent and Timing of Costs and Savings

### REPRESENTATIVE JEB BRADLEY Criteria 1

Military Value: Current and Future Missions and Operational Readiness

### MR. PAUL O'CONNOR Criteria 1 & 4

Military Value: Missions and Cost

### GOVERNOR JOHN BALDACCII Criteria 8

Environmental Impact: Costs of Environmental Restoration

### GOVERNOR JOHN LYNCH Criteria 6

Economic Impact on the Community

**Snowe**  
**(Case Summary)**

AMERICAN

**STATEMENT TO BRAC COMMISSION**  
**Portsmouth Naval Shipyard**  
**Case Summary**  
**Sen. Olympia J. Snowe**  
**July 6, 2005**

Good afternoon. Mr. Chairman...Commissioners...we thank you for your consideration today of Portsmouth Naval Shipyard.

We are all mindful of the significant responsibility before you, and we appreciate the open-mindedness and seriousness of purpose you have accorded this process throughout – including your visits to the facilities we are discussing this afternoon.

*My purpose today is to outline our case for how the Department of Defense substantially deviated from both their force structure plans and the selection criteria with regard to military value, cost savings, and economic and environmental impact.*

My purpose today is to outline our case for how the Department of Defense substantially deviated from both their force structure plans and the selection criteria with regard to military value, cost savings, and economic and environmental impact.

The shipyard we are discussing here today was specially designated by NAVSEA to execute the Navy's "One Shipyard" transformation, a core strategy called for by the Secretary of Defense to enhance the Navy's military readiness.

*And yet, now, by recommending the complete closure of Portsmouth Naval Shipyard, DoD proposes to sacrifice this core strategy and thereby directly jeopardize the Navy's essential need to have its primary assets returned to their operating fleets on schedule and under budget.*

Today, we will show how DoD substantially deviated from the statutory criteria. And we will *also* demonstrate that DoD is deviating substantially from its *own Force Structure Plan – a critical point that speaks directly to the priority issue of military readiness.*

On that note, both the 2004 and 2005 Force Structure Plans require the same number of submarines until 2019. Therefore, future workload levels necessary to *maintain* those submarines will not and *must not* decline for the next 15 years.

*We will explain that closing Portsmouth would dangerously preclude ready access to such crucial repairs. Moreover, as BRAC law requires DoD to base its recommendations on their Force Structure plan – DoD cannot attempt to now "end run" that plan with their 06 budget submission that would inactivate up to four submarines over the next two years.*

The point is, workload and capacity calculations based on budgetary shortfalls rather than the Force Structure Plan violate both the BRAC statute and fundamentals of our national defense -- and *must not be considered* in evaluating future workload level projections.

### Criterion 1

Turning now to the statutory criteria, and Criterion # 1 that speaks to capacity and readiness --

We begin with the important criticism by the **GAO** that, on the broad issue of measuring excess infrastructure capacity, DoD's *overall* methodology is not "**well grounded,**" and suffers from "**limitations**" that "**prevent**" any "**precise**" measure of excess capacity.

*Then*, with specific regard to Portsmouth --

**First**, we will show that the Navy estimates that if Portsmouth closes, an excess capacity of approximately 4.5 percent would remain at its other three shipyards. Yet, the Navy's *own data* shows that the Department historically underestimates workload capacity by approximately *14 percent*.

**Second**, we will further demonstrate, using DoD's capacity analysis, that -- *without* Portsmouth's capacity -- workload will *exceed* maximum capacity at the three

remaining yards by more than *nine percent* – posing an unacceptable risk to the Navy as submarines sit pier-side awaiting maintenance.

**Third**, we will show the crucial flaws in DoD's drydock capacity analysis of the Navy's three other nuclear shipyards –

- That DoD failed to account for required drydock maintenance...
- That DoD left no capacity for emergent, or unplanned, dockings of East Coast ships – and the GAO concurred, finding in its July 1 report that closing Portsmouth would hinder the Navy's ability to make unanticipated repairs...
- And that DoD completely ignored the reassignment of Portsmouth's **13 Selected Restricted Availabilities** that comprise *25 percent* of the entire submarine fleet. Normally, such availabilities are specifically assigned within three years...

**Fourth**, we will show that, comparing the total workforce strength to the *scheduled* workload, closing Portsmouth would result in the loss of an average of 1.4 million man hours per year – to the *further* detriment of operational readiness.

**Fifth**, while the Navy's analysis proved repeatedly that there would be costs associated with closing Portsmouth, every analysis, including the very latest, showed that closing Pearl Harbor Naval Shipyard would result in significant savings for the Navy.

**Finally**, Portsmouth has provided an additional 60 weeks of submarine operation time by returning boats ahead of schedule. In *contrast*, 124 weeks of operation time have been *lost* due to the combined inefficiencies of the other shipyards – in fact, current performance at other shipyards will result in an *additional* loss of 108 weeks of operational time next year.

Extrapolating from these figures, over the *next* five years, we would *lose* at least 184 weeks of submarine operation time, or 37 weeks a year of operational time by closing Portsmouth.

And we can ill afford to lose these 37 weeks.

As the current **Commander of Naval Submarine Forces, Admiral Charles Munns**, testified *just three weeks ago*, **“possibly the best Force level yardstick (for submarines) is the Combatant Commander deployment requests for daily submarine operations, which exceeds what we can provide with the current force.”** And **“Combatant Commanders...currently want 150 percent of the critical mission days that we can provide.”**

Simply put, the nation cannot afford to have more subs tied up dockside awaiting delayed repairs due to any capacity miscalculation, let alone one that erroneously recommends closing our leading and best performing public or private shipyard.

Together, these and other facts we will cite demonstrate that the recommendation to close Portsmouth substantially deviates from Criterion One.

### Criterion 2

With regard to Criterion # 2 -- the availability of facilities -- you will hear that, in addition to the preceding arguments about excess capacity, this recommendation deviates substantially from force support requirements.

The Industrial Joint Cross Service Group's own meeting minutes from November 18, 2004 noted that the FY05 Force Structure Plan "precludes the closure of Portsmouth unless its three drydocks are replicated at another shipyard."

Not *only* does this statement undermine DoD's argument that excess capacity exists, it *also* begs the critical question, why build three new drydocks -- at what have historically cost an average of \$400 million *each* -- when they already exist at the Navy's most efficient shipyard?

### Criterion 3

Moving to Criterion # 3 -- the ability to accommodate surge, which the Secretary of Defense *specifically added* to this BRAC round's criteria --

We will show that, if the remaining three shipyards receive Portsmouth's workload, they would then be operating at 95 percent of maximum capacity -- *and that is prior to accounting for the accommodation of any emergent or unplanned needs apart from surge.*

This is *particularly* disturbing given the **Director of Navy Nuclear Reactor's** testimony three weeks ago that, "**any further reductions in capacity would push the limits of viability and eliminate the modest surge capacity we have today.**"

Clearly, DoD substantially deviated from Criterion # 3.

#### **Criterion 4**

With regard to Criterion # 4 -- the cost of operations and manpower implications --

We will show the Navy *failed* to account for at least \$287.6 million in performance-based cost savings at Portsmouth. As GAO found in its July 1 report, the Navy had difficulty in adequately quantifying Portsmouth's efficiency. In fact, we learned in a meeting with Navy officials that DoD "struggled" to account for efficiency...that the **Industrial Joint Cross Service Group** could not figure out how to incorporate efficiency differences among the shipyards into the COBRA analysis *or any other model*.

As you will see, the result is that DoD could not -- and *did not* -- consider Portsmouth's cost efficiencies that have saved \$82 million over the Navy's other shipyards for each refueling overhaul, and \$26 million for each depot modernization period.

### Criterion 5

So we ran the analysis *for* them under Criterion # 5 -- the extent and timing of cost savings. And what you will see is how accounting for Portsmouth's performance-based cost savings *dramatically* changes DoD's promised 4-year payback from closure to a remarkable *34 years*.

*In other words*, savings wouldn't occur for *multiple decades* – well outside the scope of BRAC law. Such failures are substantial deviations from Criteria # 4 and # 5.

### Criterion 6

Moving to Criterion # 6 – economic impact –

You will hear how the Department deviated in addressing jobs impact by including Portsmouth in the **Portland Metropolitan Statistical Area** rather than the Portsmouth-Rochester MSA.

*As a result of this error*, the department calculated 4,000 direct jobs lost rather than 4,800 – and 9,000 indirect jobs lost rather than 12,000. As you will hear from both Governors, this level of loss threatens to impose a regional recession on two of the smallest states in the country – 40<sup>th</sup> and 41<sup>st</sup> in population.

### Criterion 8

Finally, with regard to Criterion # 8, we will show DoD substantially deviated in failing to analyze in their COBRA analysis all aspects of environmental remediation costs of a nuclear shipyard, under-estimating by at least \$169 million the relevant environmental cleanup costs.

### Conclusion

In sum total, the Department's recommendation deviated substantially from the selection criteria and its own force structure plan – a plan that could not be sustained without Portsmouth.

To close the Navy's lead nuclear submarine shipyard – a yard, to quote the Navy itself – in its meritorious unit commendation of just 7 weeks ago -- whose **“extraordinary performance is translating into increased U.S. Submarine Fleet readiness”** – would be an unacceptable risk to the military security of this nation.

By the Navy's *own admission*, only one shipyard in the country – public or private -- puts submarines to sea ahead of schedule while saving millions of dollars on every availability; and that shipyard is Portsmouth.

It's no wonder that the Commander, Naval Sea Systems Command, said in a ceremony at Portsmouth just *five days ago* to celebrate that Meritorious Unit Commendation,

**"...I want to leave you with this. The Navy and the country need you to continue doing what has earned you your reputation for professionalism and patriotism. I'm talking about your work ethic, your enthusiasm, your attention to detail, your willingness to apply diligence in everything you do."**

Well, we couldn't agree more.

I will now turn to Admiral Konetzni to begin our more specific discussion on Portsmouth's military value.

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## 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.*

## **Substantial Deviation from the Selection Criteria**

### **Criterion 1: Operational Readiness**

***Navy's calculations demonstrated a shortage of Shipyard capacity would exist if Portsmouth closes.***

*Navy did not perform a quantitative capacity analysis, consistent with the force structure plan, to confirm that adequate dry-dock or commodity capacity would exist in the remaining Shipyards.*

*Navy did not account for, in any dry-dock plan, all submarine availabilities currently assigned to PNS.*

*Special skilled workforce will not be available to perform additional work in other yards.*

## **Substantial Deviation from the Selection Criteria**

### **Criterion 2: Availability of Facilities**

***Meeting minutes (IJCSG 18 Nov 2004) indicate workload calculations, based on 2004 Force Structure Plan, precludes closure of Portsmouth until three dry-docks are replicated at another yard.***

*The force structure plan that was used as the basis for recommending PNS closure was based on budget constraints vice mission requirements.*

*Eliminated 3 dry-docks capable of docking Virginia class submarines.*

## **Substantial Deviation from the Selection Criteria**

### **Criterion 3: Surge Capacity**

***Navy's calculations demonstrated a shortage of Shipyard capacity would exist if Portsmouth closes.***

*Surge requirements were not predetermined and no analysis was performed to ensure any amount of surge was maintained.*

*No analysis of the cost associated with having to use a private sector shipyard in the event that surge capacity was needed.*

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## **Substantial Deviation from the Selection Criteria**

### **Criterion Number 4: Costs and Manpower**

***DoD failed to account for efficiency based cost savings.***

*Loss of skilled workforce interrupts logical progression of One Shipyard transformational concept.*

*DoD did not account for at least \$700 Million of true costs associated with mission or support activity shutdown or relocation.*

*DoD decided to close Portsmouth even though DoD's COBRA runs showed that closing Pearl generated more savings than closing Portsmouth.*

## **Substantial Deviation from the Selection Criteria**

### **Criterion 5: Extent and Timing of Savings**

***COBRA analysis using all required costs yielded a Net Present Value cost of \$285 Million in 2025 and the payback year does not occur until 2042.***

*Failure to account for inefficiencies at receiving shipyards will result in higher costs and manpower requirements effecting extent and timing of anticipated savings.*

*Because force structure plan was not delineated and the Navy did not formalize the movement of PNS workload, Navy did not accurately calculate the extent and timing of potential costs and savings.*

## **Substantial Deviation from the Selection Criteria**

### **Criterion 6: Economic Impact**

***DoD did not assess impact on New Hampshire where 40% of the workforce resides.***

*DoD failed to address economic impact of communities in the vicinity of PNS: used Portland, ME MSA, not Portsmouth-Rochester MSA*

*DoD analysis shows twice the economic impact of closure of PNS than for realignment of Pearl.*

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## **Substantial Deviation from the Selection Criteria**

### **Criterion 8: Environmental Impact**

***DoD excluded all environmental restoration costs from the COBRA analysis***

*DoD did not properly assess the DERA closure costs based on most probable future use of the land.*

*DoD excluded the majority of the certified costs for waste management and environmental compliance activities associated with the closure.*

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**Konetzni  
(Strategic)**

**Statement by VADM Albert Konetzni, USN (Ret)  
Before the Base Realignment and Closure Commission  
On Portsmouth Naval Shipyard  
Boston Massachusetts, July 6, 2005**

Good Afternoon Commissioners and Chairman Principi. My name is Al Konetzni. I retired from the U.S. Navy as a Vice Admiral in September 2004. My last assignment was Deputy Commander, U.S. Fleet Forces Command. I served there from May 2001 until September 2004. Prior to that I served as Commander, Submarine Force, U.S. Pacific Fleet.

Thank you for the opportunity to present submarine force issues from an operational perspective. In my remarks, I would like to highlight the "pain" that is being felt in the Submarine Force with our inadequate number of attack submarines. I will discuss the challenges that the Navy faced in meeting combatant commander and National requirements, and offer my perspective on what we need to do to maintain a Submarine Force that is sized adequately and structured properly to fulfill its role in preserving National Security.

I am here on my own behalf because I am concerned that the capability to conduct two U.S. Navy access missions, Anti-Submarine Warfare and Mine Warfare, is declining to a point that puts the Nation at great risk. I'll speak today about Submarine Warfare.

[insert slide 1: Kim Jong Il and threats]

**Submarines uniquely deliver capabilities without provocation.** The Navy delivers capability from the sea without the need for support or permission of coastal nations. Submarines do this as well, but submarines can deliver this capacity without provocation or geopolitical backlash. Submarines are there before anyone knows they are there. Submarines preserve the ability for the United States to remain in position to defend its own interests without drawing fanfare or international commentary. This preserves a tremendous degree of flexibility for the national command authority. Stealthy platforms can make preparations for military intervention without fear of promoting escalatory countermoves by potential adversaries.

**Exploiting our advantages.** Only the United States operates a submarine force with global reach and war-fighting potency. The National Command Authority could send an unaccompanied attack submarine at high speed virtually anywhere on the globe on short notice regardless of the weather, and expect that the submarine to properly execute either a peacetime or a wartime mission. Events of the last few years suggest that the future may place increased importance on the ability to “walk softly and carry a big stick” – that is, to deliver force without provoking international reaction. The long-range, long-endurance, and non-provocative power that submarines provide is the kind of force that will be in increased demand. The submarine force’s submerged immunity to asymmetric attack from sources such as small boats and RPGs will be an increasingly valuable asset. The ability of submarines even during peacetime to collect unique intelligence makes them especially cost effective. The opportunity to substantially expand both the peacetime and wartime utility of submarines by enhancing the range of off-board vehicles they can employ provides a valuable target for future exploitation.

[insert slide 2: PRC submarine force modernization]

**Threat environment.** The challenges facing the submarine force are many, including emerging security issues in the Pacific Theater. Submarines and related technology are rapidly proliferating throughout the world. There are currently more than 400 non-U.S. submarines worldwide. Nineteen new submarines were launched last year, nine of them in China.

Regarding China, in addition to the four Kilo-class submarines bought from Russia, eight additional submarines are on order. China is building at least five Type 093 nuclear-powered attack submarines (SSNs) and two Type 094 nuclear-powered strategic missile submarines. The Chinese have at least 10 SONG-class (Type 039) modern diesel electric submarines in their inventory and recently launched a new SS class, the YUAN. With the purchase of foreign submarine technology and tactical weapons, China is rapidly developing a Navy that could project power beyond territorial waters.

[insert slide 3: submarine operations]

The crisis on the Korean Peninsula continues to evolve and North Korea continues to develop the capability to deliver weapons of mass destruction with intermediate range ballistic missiles.

**Value of Submarine Intelligence, Reconnaissance, and Surveillance (ISR).** Admiral Walt Doran (COMPACFLT) has clearly articulated the value of submarine ISR to his understanding of the emerging threats in the Western Pacific. Submarines have been surged to the Pacific to fulfill Seventh Fleet ISR requirements. The intelligence collection efforts of our SSN force is on the level of what our SSNs brought home during the Cold War and today our SSNs are conducting a much wider range of missions in multiple theaters. Unlike a satellite or air-breathing intelligence platform, an SSN can remain on station, close in and undetected, for months; can analyze and respond to information in real time; and can deliver ordnance, Special Forces, or conduct offensive Information Operations on command.

**New missions create new demands.** The submarine force has responded well to the challenges it faces. Submarines have been homeported in Guam and Atlantic submarines have been deployed to the Pacific using the polar route. Even so, an increasing demand has resulted in some of our highest priority intelligence collection requirements not being met.

There is an operational requirement to maintain 5 SSNs deployed to the Western Pacific at all times. Until submarines were homeported in Guam this requirement was rarely met. Even now it is missed 30% of the time.

Exercise participation with allies and foreign navies has been greatly reduced due to the lack of SSN assets. Since 1995, the number of exercise-days has been reduced by more than half. This reduction directly impacts our ability to operate with foreign navies and runs counter to our national strategy of influencing events overseas. Will we be able to fight the next war alone?

Unfortunately, the vital nature of increased ISR requirements has resulted in ships and sailors going to great lengths to meet the increasing demand and avoid gapping missions. SSNs are worked harder and driven faster. The deployed OPTEMPO, or the percent of time spent underway while deployed, has risen 80 percent in 2000, with some ships experiencing upwards of 85 percent deployed OPTEMPO. The OPTEMPO goal to provide for maintenance and crew liberty is 65 percent. For short periods of time, maintenance can sometimes be deferred, but deferral has become a regular answer. The impact of regularly deferring maintenance is decreased

operational readiness and prematurely aging our ships – literally “running them into the ground.”

Another impact of high OPTEMPO is excessive use of the submarine’s reactor fuel. The average amount of fuel used for a deployment has risen about 20 percent. This is particularly a concern for improved LOS ANGELES class SSNs, whose reactor cores are designed to last the life of the ship. For short periods of time the impact of this is not significant, however if this trend continues these submarines will not last the full 33 years that they were designed for, further exacerbating force structure problems.

This OPTEMPO concern highlights the significant risk we face if the closure of the Portsmouth Naval Shipyard leaves us with insufficient capacity to meet maintenance needs.

[insert slide 4: SSN force level studies]

**Submarine Force Structure.** The submarine force has been studied to death: 14 studies in the last 12 years [CHECK against chart]. These studies are time-consuming but they are appropriate and they are welcome – we *should* be ready to justify the billions of dollars that the tax-payers spend on submarines, and if we can’t justify it, it should be taken away. Repeatedly the submarine force has been able to show a solid case – both in real world ‘peacetime’ operations and in speculative wartime usage – that provides a firm basis for the American taxpayer to be comfortable that his money is not being wasted.

Recent studies are different, however. The pragmatic and balanced approach to war-fighting force structure favored in the past has been replaced by an ideology that conducts analysis with targeted, agenda-driven outcomes. As an example, a Navy study to determine the number of submarines required in the future was released in March 2005. The study was conducted in strict secrecy, with no input from the Combatant Commanders, and no input from the submarine community leadership. The study was concealed from the OPNAV staff. The completed study, which recommended a one third cut in the number of submarines, was briefed to senior Navy three and four-star leadership before it was shared with the submarine community. The first time a senior submariner saw the study was at the meeting with CNO. Every step along the way, what should have been

an intellectually honest analytical process was warped to achieve a pre-determined outcome.

Without getting into classified details and addressing the technical limitations of the analysis, it is enough to make a few general comments.

1. The approach I described to develop a Navy position is not defensible as intellectually honest. The fact that those conducting the study were explicitly forbidden to discuss it with submariners makes clear the fact that the study had the premeditated outcome of justifying a reduction in the number of submarines.
2. The conclusion justifying a reduced number of submarines was dependent on each of a long string of unrealistic assumptions all turning out to be invalid. The more realistic outcome in each case would push the required size of the submarine force in the larger, not smaller, direction.
3. Finally, it was disappointing to see the lowest range force number in this study – touted as *the* Navy-approved decision on submarine force structure – was leaked to the press and given credibility by being repeatedly echoed by senior Navy leadership.

[insert slide 5: SSN force structure shortfall]

In this light, it must be stressed that the Navy's submarine fleet projections are not the same as the Force Structure Plan developed per the BRAC law. The projections, which are budget-driven, show the submarine force declining to 41. The Force Structure Plan shows the force remaining steady in the mid-50s. Only this latter plan is relevant to the BRAC process.

**East-Coast-West Coast issue.** As a former submarine force commander, I know the operational value of having a submarine overhaul completed ahead of schedule. The faster I can get a submarine out of drydock and back into action, the better my warfighting capability. While it's preferable not to have to move sailors from one coast to the other, the Navy does it all the time. A Pacific commander gets more military value having a submarine come back early from a depot availability in an Atlantic shipyard than late from a Pacific shipyard. The one-month coast-to-coast transit time

(roundtrip) is dwarfed if a shipyard is shaving three to six months off an overhaul, as Portsmouth does.

[insert slide 6: conclusion]

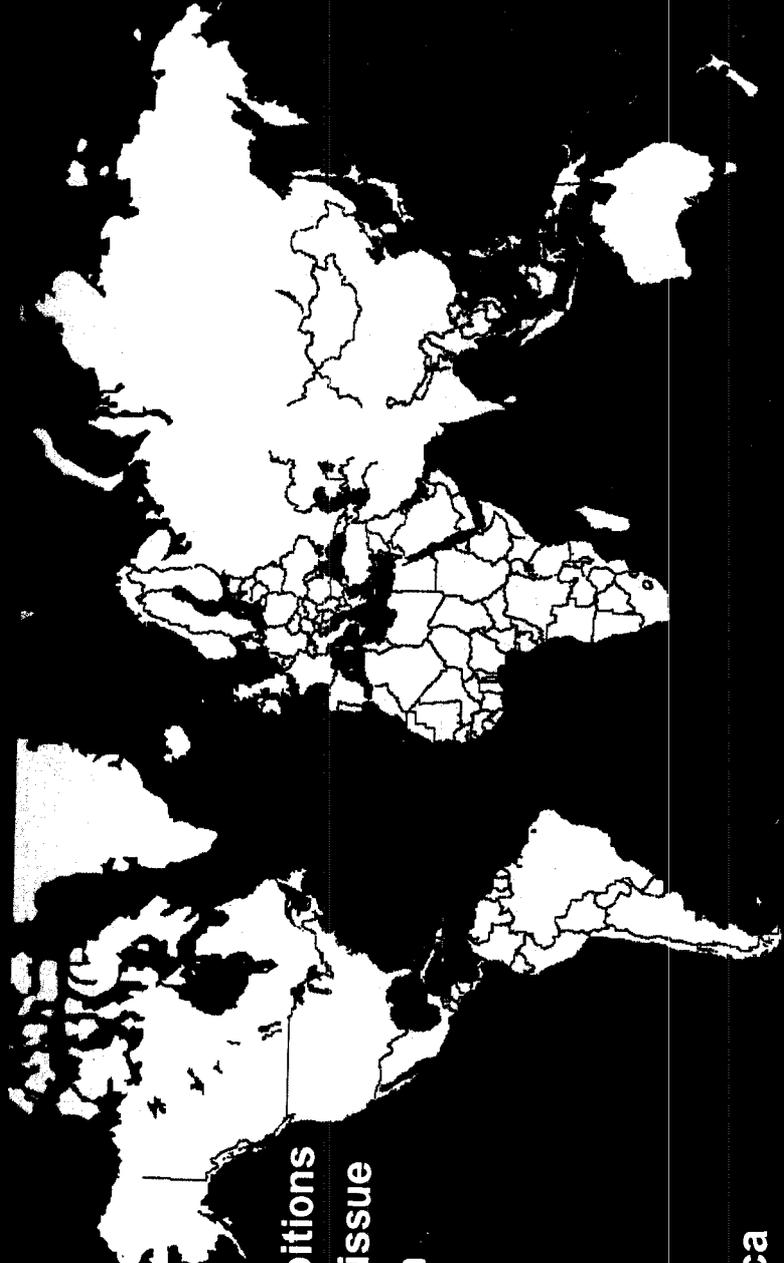
**Conclusion** With the above said, I leave the Commission with three thoughts:

1. The force structure used for workload and capacity analysis is not approved or released, and is not the same as the BRAC force structure plan.
2. The nation cannot afford to lose the ability to gain access overseas.
3. Should Portsmouth Naval Yard close, national security risk will gain significantly.

Therefore, I conclude that DOD substantially deviated from its force structure plan and from military value criterion number 1.

Thank you again for the opportunity to testify. It is my pleasure to introduce RADM Bill Klemm, who will address the industrial base requirements to sustain our SSN fleet.

# Today's Global Challenges



North Korea

Nuclear weapons development

Regime stability

China

Growing regional ambitions

Resolution of Taiwan issue

Military modernization

Iran

GWOT

Piracy

Southeast Asia

War on Drugs

Regional stability in Africa



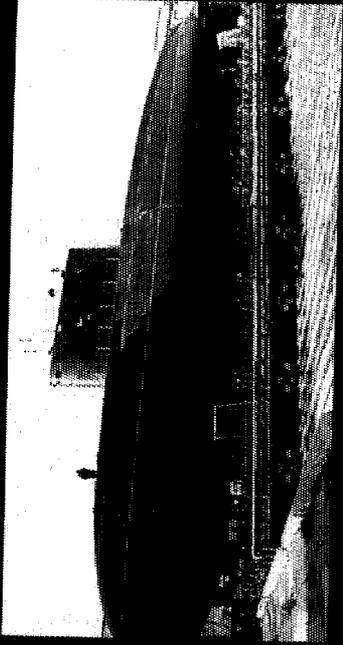
IRAN'S NUCLEAR PROGRAM



UNCLASSIFIED

# Today's Global Challenges

## Continued PRC Submarine Force Modernization



Purchasing advance Russian built Electric-Submarines  
 Capable of launching anti-ship cruise missiles and wake homing torpedoes

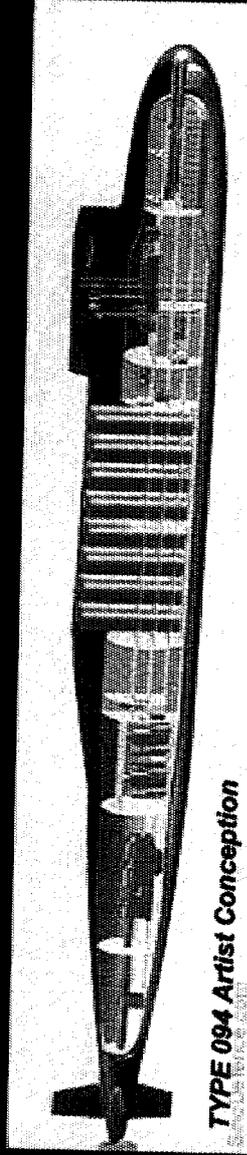


Building Submarines and Class Diesel-Electric  
 Capable of launching anti-ship cruise missiles and wake homing torpedoes



TYPE 093 Artist Conception

Building Nuclear Attack Submarines  
 Capable of launching anti-ship cruise missiles and wake homing torpedoes



TYPE 094 Artist Conception

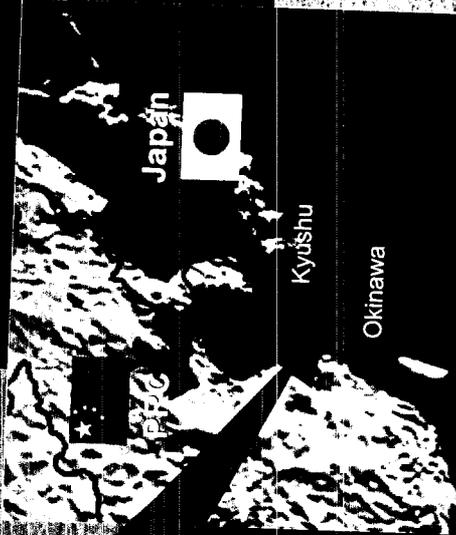
Building Ballistic Missile Nuclear Submarines

# Today's Global Challenges

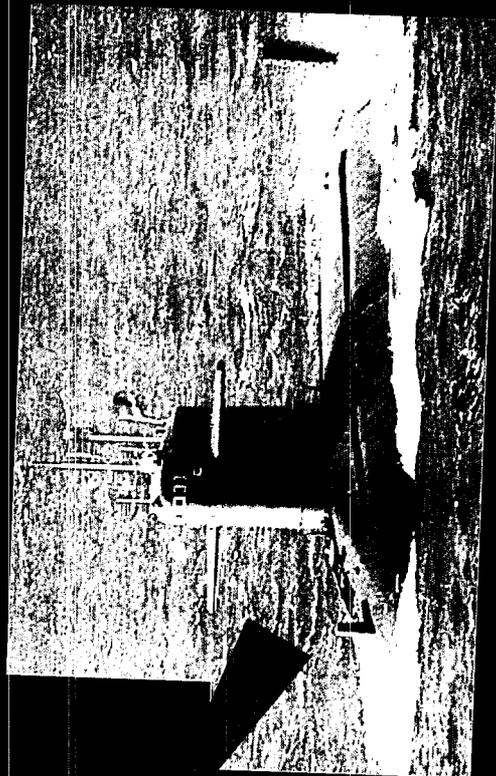
## PRC Submarine Operations Causing Regional Concerns



November 2003  
PLA(N) MING SS conducts operations southwest of Kyushu Island, Japan  
Japanese Maritime Self-Defense Force responded



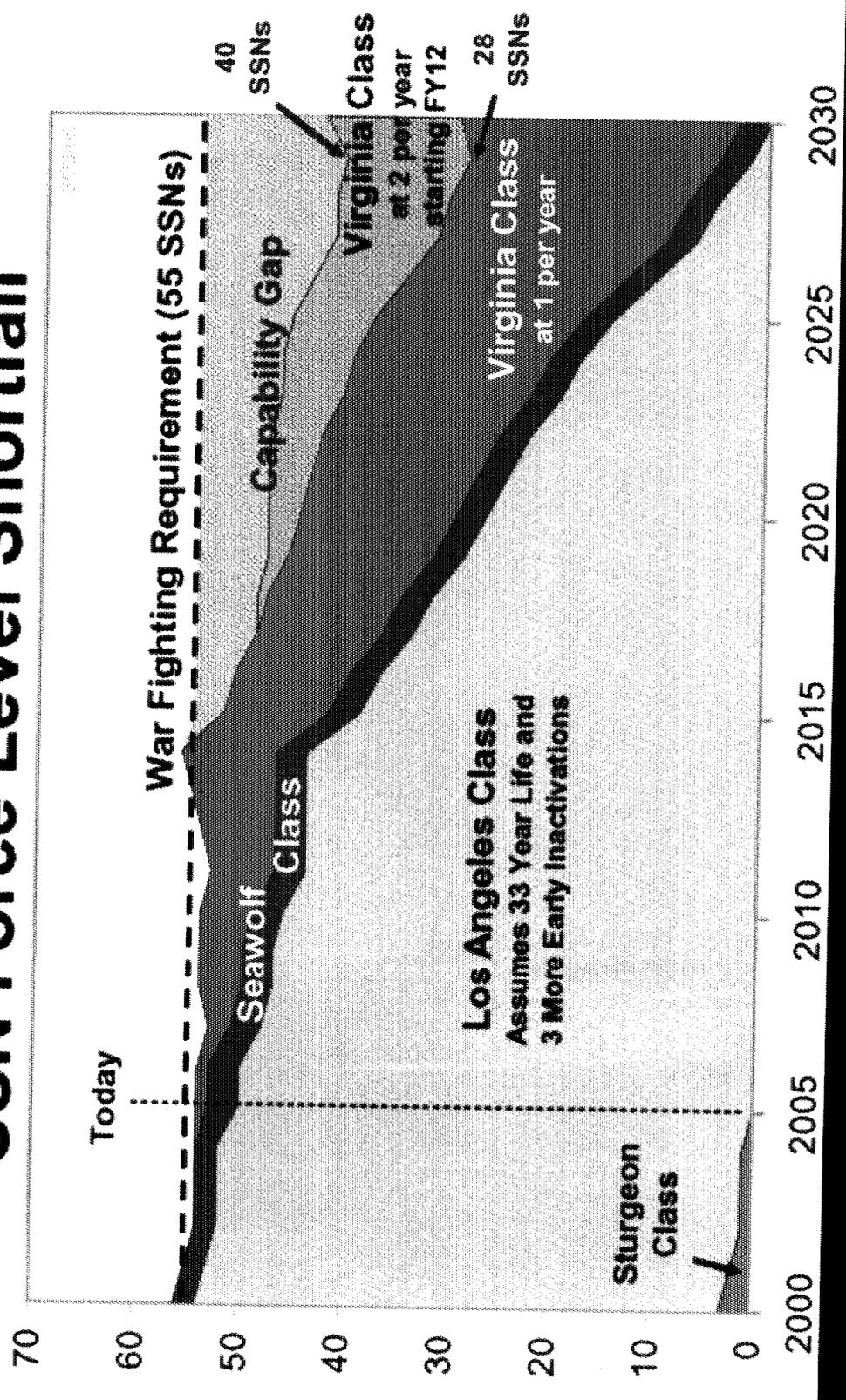
November 2004  
PLA(N) HAN SSN conducts submerged operations near Okinawa, Japan  
Reported operations inside Japanese territorial waters  
Japanese Maritime Self-Defense Force responded



# SSN Force Level Studies/Reviews

1992 CJCS SSN Study	(52-68)
1993 CJCS SSN Study Update	(51-67)
1993 Bottom Up Review (not a study)	(45-55)
1995-6 Fleet SSN Peace Time and War Time Reqts. Study	(72)
1997 QDR (not a study)	(50)
1998 Defense Science Board Task Force	(>65)
1999 CJCS SSN Study	(68)
2001 QDR (not a study)	(55)
2002 N81 SSN War Fighting Study (4-2-1 Force Sizing)	(55)
2003 CFFC Study	(55)
2003 N70 Force Level Study	(results not released)
2003 N81 Submarine Force Level Study	(37-67)
2004 OSD PA&E Study (PDM-III)	(45-50)
2005 Navy Future Force Size	(37-41)

# SSN Force Level 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.

# Conclusion

- Force Structure Plan used is not approved or released
- The nation cannot afford to lose the ability to gain access overseas
- Should Portsmouth NSY close, national security risk will grow significantly

DCN: 5025

**Donnell**  
**(Capacity/Workload)**

SMITH

**Statement by Earl R. Donnell Jr.**  
**Before the Base Realignment and Closure Commission**  
**On Portsmouth Naval Shipyard: Capacity and Efficiency Evidence**  
**Boston, Massachusetts, July 6, 2005**

[Insert Slide 1]

Good afternoon Commissioners and Chairman Principi. My name is Earl Donnell and I will discuss the Capacity and Efficiency of Portsmouth Naval Shipyard as they apply to Military Value, and present arguments to challenge the recommendation for closure. I have worked at the shipyard for 37 years and have been a senior shipyard manager for the past 15. The past nine years I've been the Production Operations and Planning Manager, with a collateral duty as Chairman of the NAVSEA sponsored Corporate Production Resources Team for the last six.

But today I speak to you as a resident of Kittery, Maine, the host community of Portsmouth Naval Shipyard. I am honored with the privilege of speaking today on behalf of the men and women of Portsmouth Naval Shipyard, the Metal Trades Council, International Association of Fire Fighters, American Federation of Government Employees, International Federation of Professional and Technical Engineers, Federal Managers Association, Naval Civilian Managers Association, and the National Association of Superintendents.

[Insert Slide 2]

We will speak about the Capacity and Efficiency of both Portsmouth Naval Shipyard and Naval Shipyard Corporation. We will submit data and analysis that challenges the DoN analysis and ultimate recommendation to close Portsmouth.

First we will discuss the misconception that Navy will have enough dry dock capacity to perform all its planned maintenance without Portsmouth.

[Insert Slide 3]

This slide is typical of reports issued by Naval Shipyards to reflect their capacity to dry dock ships undergoing major maintenance. The left, vertical axis on the chart indicates the dry docks (by number designation) at each yard, and the horizontal axis is fiscal years, by quarter. The colored bars indicate the vessels scheduled to be in each dry dock during their repair cycle. Each vessel typically must enter dock, a minimum of one-to-two weeks, after the preceding ship has undocked. Any overlap of avails in the same dry dock is a conflict requiring rescheduling of one or both of the avails to eliminate the overlap. As you can see from this chart, Portsmouth Naval Shipyard has plenty of scheduled work for many years into the future, all of which must be reallocated under a Portsmouth Naval Shipyard closure scenario.

[Insert Slide 4]

This chart shows the dry dock loading at Norfolk Naval Shipyard, prior to adding any Portsmouth Naval Shipyard workload. It already shows seven conflicts. These conflicts are indicative of the frequent disconnects between the required maintenance and the capacity of the Naval Shipyards to accommodate the work.

[Insert Slide 5]

This is the same Norfolk dry dock loading, with the addition of 45% of the Portsmouth workload. The Portsmouth closure scenario (DoN-0133) identified 80% of Portsmouth work would be reassigned to Norfolk Naval Shipyard. Portsmouth responded to the data call and certified their response to the scenario. In the months that followed, there were many iterations of DoN-0133, many of which Portsmouth Naval Shipyard did not participate. For example, at some point, a BRAC team concluded that Norfolk could not support the workload. As a result, the Portsmouth work was redistributed to a 45/45/10 percentage split between Norfolk, Puget and Pearl, respectively. Changes were made to COBRA, however no additional data calls were issued to ensure that the other shipyards had the necessary infrastructure to accomplish this change in workload. Please note the red and blue bars at the bottom of this chart. The red bars represent the scheduled Selected Restricted Availabilities (SRAs) currently assigned to Portsmouth Naval Shipyard and the blue bars represent an annual average of six emergent dry dockings per year on the east coast, as reported by the Atlantic Fleet Commander. There is no capacity to perform these SRAs or emergent dockings at the Norfolk Naval Shipyard. Navy has placed them in a "To Be Determined" (TBD) category (which often means "the private sector").

Navy will tell you that it is common to have SRA availabilities listed in the TBD category, but historically, all SRAs within the upcoming three-year window are assigned to the shipyard that will execute them.

[Insert Slide 6]

This chart shows the dock loading at Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility, and although it indicates probability of some excess dry dock capacity, there are several reasons why it is impractical to bank on it. First, it is a one-month round-trip transit from the east coast to Hawaii and consequently unreasonable to move short-term work to that location. Second, all these dry dock charts reflect notional durations, meaning availabilities are only listed for the durations Navy wishes them to be performed, not at actual individual shipyard performance levels. Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility has yet to deliver any availability close to notional duration, resulting in submarines remaining in dry dock much longer than anticipated, and much longer than a notional projection.

[Insert Slide 7]

Puget Sound Naval Shipyard and Intermediate Maintenance Facility also develops significant dry dock conflicts when trying to absorb 45% of Portsmouth's workload.

[Insert Slide 8]

Clearly the capacity analysis did not support the closure of Portsmouth Naval Shipyard. The flow diagram on this chart was presented to the Commission as part of Ms. Anne Davis' testimony explaining the DoD's decision process. It defines a very deliberate process that was to be followed, at the heart of which is an analytical effort. During an 18 November 2004 Industrial Joint Cross Services Group (IJCSG) meeting, RADM Klemm stated, "These workload calculations, which are all based on the FY 05 20-year Force Structure Plan, preclude the closure of Portsmouth Naval Shipyard unless its three dry docks are replicated at another shipyard." DoD substantially deviated from their defined deliberate process by making a recommendation that was contrary to the analytical conclusion.

[Insert Slide 9]

Another aspect of capacity is Human Capital (i.e.: our skilled workforce). We will discuss DoD's conclusions on Commodities capacity. Commodities, is a term used by DoD to de-humanize the fact that we are making decisions about people, their skills and their lives. Human Capital capacity needs to be viewed from a trade-skill, shipyard and corporate perspective.

[Insert Slide 10]

This slide shows our workforce's capacity to perform work. Green indicator shows the ability to perform scheduled work within budget and staffing constraints. Yellow indicator shows there is significant risk to perform

scheduled work within budget constraints. Red indicator signifies excessive risk of being able to perform scheduled work and is a warning that budget constraints will be exceeded. The far left column is a listing of the eleven critical trades and across the top you see the listing for each shipyard. A trade-skill can be rated at the corporate level by reading across the horizontal line. A shipyard can be rated by looking down a vertical column at each trade skill, with a summary rating at the bottom. At the lower right hand corner, there is an overall rating for the naval shipyard corporation. This sheet represents the naval shipyards ability to execute scheduled work from March 05 – Feb 06 and shows significant risk.

[Insert Slide 11]

Another way to look at Human Capital capacity is by comparing the total workforce strength to the scheduled workload. The colored band on this chart represents the capacity of the remaining three naval shipyard's production workforces to perform work within their budget parameters. The gap between this band and the heavy blue workload line represents an average shortfall of 1700 workers per day without the Portsmouth workforce. Finally, the element of Human Capacity that cannot be easily translated into numbers is the ability and time it takes to cultivate the level of proficiency to perform the Navy's most technical work. In the Human Capital Capacity slide shown, many of the trade skills are rated yellow or red. In the shipyards, these shortages of skilled workers are felt everyday. Noteworthy is the trade we call Painting and Blasting. For at least the past year, the Navy's own analysis has indicated that trade as yellow or red. It

was surprising to see the BRAC Capacity Report, for this Commodity, rate this skill at 41% EXCESS. Another flawed COBRA analysis.

[Insert Slide 12]

The third form of capacity we will discuss is DoD's assessment of the industrial plant capacity. Assuming COBRA capacity data is correct, the following conclusions can be drawn: if Portsmouth closes, "current usage" will be more than "current capacity", and within five percent of "maximum capacity"; Navy historically underestimates workload and the financial impact; and as work grows (at the point of execution), the Navy will not have the public sector capacity to react.

[Insert Slide 13]

Over the past three fiscal years actual Navy workload growth during the year of execution has averaged 14 percent. It's important to recognize that 14% is equivalent to >500,000 mandays, or roughly the size of a small shipyard. Therefore, when looking at the Navy's required future capacity accuracy is difficult to predict, as history shows.

[Insert Slide 14]

To illustrate the capacity results from COBRA, we have taken the data and put it into a thermometer type display. The green area on the leftmost thermometer represents DoD's analysis of current capacity. The orange area above it represents their calculated max capacity (or surge capability). The

gray column represents DoD's current usage analysis. The delta between the top of the gray column and the top of the green most likely represents their conclusion of excess capacity. The middle thermometer represents the same data with the Portsmouth capacity removed. This chart shows that without Portsmouth capacity, the current usage would exceed the remaining three naval shipyard's current capacity and reduces the remaining max capacity or surge range. The shaded area added to the gray column on the thermometer to the right, represents an average annual workload growth of 14 percent to current usage. During the year of execution workload will exceed maximum capacity of the three remaining shipyards by more than nine percent.

[Insert Slide 15]

During the 18 November 2004 Industrial Joint Cross-Services Group meeting, Rear Admiral Klemm stated "for Portsmouth Naval Shipyard, the Optimization Model determined that closure would leave 1.4 Million direct labor hours of workload annually that other shipyards cannot accommodate." This represents an unacceptable high risk to Navy's ability to execute scheduled workload and will result in ships queued at the pier waiting for necessary maintenance.

[Insert Slide 16]

The last element of capacity we will address is workload.

[Insert Slide 17]

Here is a Navy chart you may have already seen titled "SSN Force Level Shortfall". This chart reflects the potential future state of the submarine force through 2030. This is not a workload graphic, nor is it an accurate representation of the Force Structure Plan, it only represents a budget shortfall and the potential size of SSN force structure. We have four major concerns with this chart: it does not reflect any maintenance workload; it only shows SSN's with no surface combatants, SSBN or SSGN's; it does not support Force Structure Plan; and it does not support the War Fighter requirements, it only reflects a budget shortfall. In a meeting on 22 June 2005, DoD officials admitted the Force Structure Plan, used to recommend closure of Portsmouth, was "not approved/released", over-stated net reduction of SSNs and in fact doesn't reduce the number of submarines until 2024. DoD substantially deviated from BRAC process if recommendations were based on the hypothesis of reduced budgets to reduce the number of submarines without a credible objective analysis of actual capacity requirements.

[Insert Slide 18]

Naval shipyard corporate workload is reasonably stable from now through 2020. The dark blue shaded area on this graph shows the current planned workload. The light blue area represents an average 14 percent growth, as discussed earlier, and the heavy red line represents the corporate workforce with a Portsmouth closure. Navy has long stated their belief that a significant number of skilled artisans from Portsmouth would relocate and follow the work. Historically, that is NOT the case. Only about 8% have

accepted relocation appointments in previous down-sizings at Portsmouth. The bottom of the red band represents about 400 people that we believe might transfer, and the top of the band represents about 1400 people Navy believes will transfer. Based on historical information we are confident that the lower number more accurately represents those Portsmouth employees likely to relocate. This slide once again reinforces the necessity to retain the national asset that is the Portsmouth Naval Shipyard workforce. Based on theoretical fleet reduction in out-years, it is likely that workload from 2015 through 2030 would grossly increase due to the aging of the fleet. Again requiring retention of the Portsmouth workforce and facilities to accommodate.

[Insert Slide 19]

If the submarine fleet were to reduce as suggested by the previous slide, the average age of each boat would approach 30 years by 2025. With fewer ships, the OP tempo will significantly increase, and these older ships will certainly require more repairs and maintenance. RADM Mark A. Hugel, then Deputy Director for Fleet Readiness, testified before the HASC on 6 April 2005 stating, "The work packages for those ships returning from combat operations were larger than normal due to extended deployment length and the higher war time operational tempo." This reinforces why depot capacity cannot be reduced without detailed accurate analytics.

[Insert Slide 20]

When Los Angeles Class ships were first planned for Depot Modernizations, Navy believed the work could be performed for about 80,000 mandays. Over the next 15 years the work grew to about 140,000 mandays, a 75% increase over initial projections. All out-year Virginia class work is currently estimated at 80,000 mandays. Will history repeat? Is Navy again setting itself up for a huge budget shortfall? All out-year workload projections for Virginia class ships are based on these low projections

[Insert Slide 21]

The third reason for concern is performance across the corporation. Neither west-coast shipyard has delivered a submarine avail close to schedule or cost. At a time when money is tighter than ever, why would you eliminate your best performing division, when you need work done cheaper and more efficiently than ever? Eliminating the best performer leaves no motivation for improvement. Look at the nuclear ship construction industry. With only two providers, there is no competition and schedule and cost continue to escalate far beyond budgetary goals. This significantly contributes to the decline of maintenance dollars and drives the fleet smaller each year. Can we afford this business model on the repair side? What performance are we going to reward?

[Insert Slide 22]

To conclude our discussion on capacity, it is clear that dry dock conflicts exist with reassigning Portsmouth workload. There is no naval shipyard capacity for emergent dockings of East coast ships. There has been no

reassignment of Portsmouth's 13 Select Restricted Availabilities. There is no capacity for emergent dockings of Virginia Class ships on the East coast. There is insufficient Human Capital both at the trade skill and total corporate level. The men and women of Portsmouth Naval Shipyard are unlikely to relocate as analyzed by Navy, depleting the skills and knowledge base. Workload will clearly exceed analyzed capacity regardless of fleet size. Based on these facts, there has been a clear and significant deviation from BRAC Criteria 1 and 2.

[Insert Slide 23]

Now we will turn to the issue of Efficiency. The first element we will discuss is Innovation.

[Insert Slide 24]

Portsmouth Naval Shipyard is Naval Sea Systems Command's Innovation Leader. Portsmouth has a pro-active and engaged workforce that is perfectly scaled to pilot new ideas and processes affordably to provide measurable results. Our workforce is culturally rooted in maritime history, highly motivated, with an innovative mindset and an unmatched work ethic. We enjoy the most progressive and visionary Union Leadership in the industry who enable, support and motivate the workforce. For these reasons our success cannot be replicated elsewhere. Portsmouth recently received a Meritorious Unit Commendation. An excerpt reads, "the shipyard embraced the One-Shipyard Initiative and is leading the transformation of our Navy's nuclear ship maintenance base through innovation...", Admiral V. E. Clark, Chief of Naval Operations.

[Insert Slide 25]

As the leader of Innovation, Portsmouth is leading the way in many productivity categories and returning valuable dollars to the War Fighters that can be used for training, operations and acquisition. Examples are:

- Lead shipyard for 688 Class planning (Ships Availability Planning and Engineering Center). Results have made about 70 Million available to War Fighters through reduced submarine availability planning costs.
- Lead shipyard for One Shipyard (Submarine) Project Management has resulted in a cost avoidance of \$30 Million during execution of BUFFALO project at Pearl Harbor Naval Shipyard.
- Lean Process Improvements and Theory of Constraint implementation on PITTSBURGH is expected to save War Fighters \$27 Million and 16 additional weeks of operational time.
- Creation of a paperless work process (electronic Technical Work Document) is anticipated to save \$6-\$10 Million per availability. This process currently being piloted at Portsmouth will be exported to the entire corporation for use on submarines and surface ships.

[Insert Slide 26]

The next element of Efficiency is Transformation.

[Insert Slide 27]

For several years, NAVSEA has been undergoing a major transformation. Portsmouth Naval Shipyard is the lead shipyard in three of the four NAVSEA Transformation Plan Strategies. The three strategies are One Shipyard, Productivity, and Organizational Effectiveness. First, under the One Shipyard initiative, Portsmouth is the leader of the Corporate Production Resource Team and has taken extensive advantage of the opportunity to borrow and loan personnel. This has significantly contributed to Portsmouth's achieving our Net Operating Result for seven consecutive years and allowed us to return \$33 Million to the War Fighters for training, operations and acquisition. Second, as lead for Productivity Portsmouth has returned more than \$127 Million to War Fighters. Third, by improving Organizational Effectiveness NAVSEA projects \$12 Million annual return to the War Fighters.

[Insert Slide 28]

The next element of Efficiency is Cost Savings. These graphs show the Cost Savings and increased operational time provided to the War Fighter when work is performed at Portsmouth Naval Shipyard.

[Insert Slide 29]

Portsmouth consistently performs Engineered Refueling Overhauls (ERO's) much quicker and faster than corporate averages. We deliver ERO's for \$82 Million cheaper and six months earlier than the corporate average without Portsmouth.

[Insert Slide 30]

Portsmouth consistently performs Depot Modernization Periods (DMP's) much quicker and faster than corporate averages. We deliver DMP's for 26 Million cheaper and three months earlier than the corporate average without Portsmouth.

[Insert Slide 31]

Portsmouth is the only shipyard to date that has performed an Engineered Overhaul (EOH). Navy historically experiences about a seven percent improvement the second time a like availability is performed at any activity. Because we have no one else to benchmark against and because we choose to not rest on our laurels, we are projecting a 20 percent, \$27 Million and four-month improvement over our previous first-time EOH.

[Insert Slide 32]

All this efficiency reduces cost and has a direct manpower implication. With Portsmouth executing currently scheduled work between FY 2008 and FY 2019, we would perform for 1,521,000 fewer direct mandays. That results in about 125,000 fewer direct mandays per year or 729 fewer employees per year. This equates to annual savings of \$54.7 Million per year. An excerpt from Portsmouth's Meritorious Unit Commendation reads, "...producing business results that are the benchmark among public and private sector nuclear shipyards", Admiral V. E. Clark, Chief of Naval Operations.

[Insert Slide 33]

With DOD's recommendation, Portsmouth is scheduled to close by FY2008. If Portsmouth stays open and performs only its currently scheduled work, Navy would save ~\$288 Million, by 2011. Navy only predicts saving \$21 Million by 2011.

[Insert Slide 34]

From a cost perspective it makes more sense to keep Portsmouth open than to close it. There is more return on investment for the taxpayer and the savings are immediate. This graph shows DoD's projected savings in red. Their projection shows no savings until FY 2011 with a net savings of \$779 Million by FY 2019. The actual cost of closing will be significantly higher than calculated in COBRA resulting in no savings until FY 2019 as depicted by the blue line. By allowing the most efficient shipyard to continue providing the best value to the Navy, we can save more than \$916 Million over the same timeframe.

[Insert Slide 35]

This is the same Cost Savings graph after plotting legitimate closure costs and efficiency into the COBRA model. As you can see, there is no payback through 2019 and the Navy is still \$425 Million in the red at that point. Mr. Sununu will explain further in his presentation.

[Insert Slide 36]

Our last element of Efficiency is Operational Readiness.

[Insert Slide 37]

These capacity and efficiency discussions have one purpose, to provide more operational readiness to the War Fighter. Over the last five years, Portsmouth Naval Shipyard has returned 60 weeks of operational time to the fleet through early delivery. This is equivalent to more than one additional operational submarine in the fleet. In contrast, during this same timeframe, the other three shipyards have collectively lost 124 weeks of operational time by delivering ships late. This is equivalent to removing more than two submarines from operational theaters. An excerpt from Portsmouth's Meritorious Unit Commendation reads, "...Portsmouth's extraordinary performance is translating into increased US Submarine Fleet readiness", Admiral V. E. Clark, Chief of Naval Operations.

[Insert Slide 38]

To summarize what we've just discussed, it is our contention that the DoD:

- Significantly under-estimated Portsmouth's Military Value
- Significantly over-estimated Corporate Industrial Capacity to perform work without Portsmouth
- Significantly under-estimated Navy's Future Maintenance Workload
- Inaccurately calculated the true cost of closure

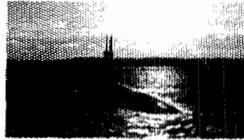
- Inaccurately reflected costs of moving workload
- Significantly under-estimated Portsmouth's contribution to Fleet Operational Readiness

[Insert Slide 39]

What should one conclude from the data presented here today? With regard to Capacity, despite the analytics showing insufficient capacity would remain if Portsmouth closes, DoD recommended closure. This deviates from the BRAC analytical process and substantially deviates from Criteria No. 1 and 2. With regard to Efficiency, by recommending closure of the best performing shipyard, the DoD recommendation substantially deviates from Criteria No. 4, 5, and 8. This will increase costs and manpower, therefore providing no savings. Lastly, and most importantly, with regard to Operational Readiness, the DoD inaccurately considered the contribution to the war fighter when Portsmouth delivers ships on or ahead of schedule, and within budget. Therefore, DoD's recommendation substantially deviates from Criteria No. 1 by decreasing operational readiness.

Thank you for your attention and consideration.

**Base Realignment and Closure Commission  
Regional Hearing  
Maine  
July 6, 2005**



**Presentation from  
the People of  
Portsmouth Naval  
Shipyard**

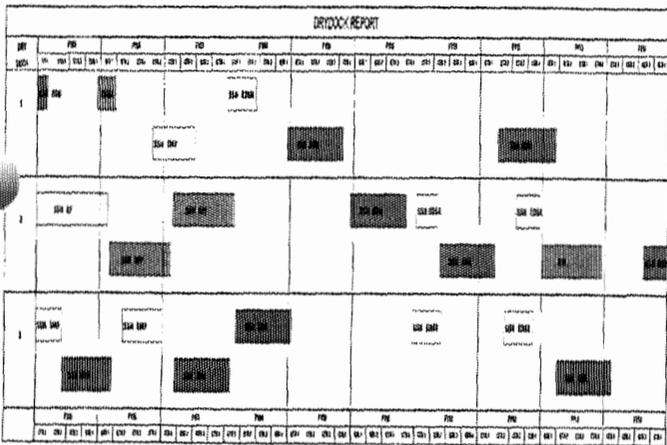
**Portsmouth Naval Shipyard Closure Concerns**

- ⇒ Capacity
  - ⇒ Dry Docks
  - ⇒ Commodities (Human Capital)
  - ⇒ Industrial Plant
  - ⇒ Workload
- ⇒ Efficiency
  - ⇒ Innovation
  - ⇒ Transformation
  - ⇒ Cost Savings
  - ⇒ Operational Readiness

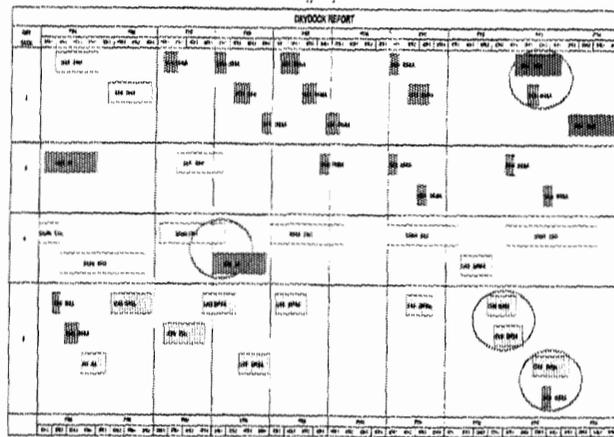
Partnership for More Ships At Sea



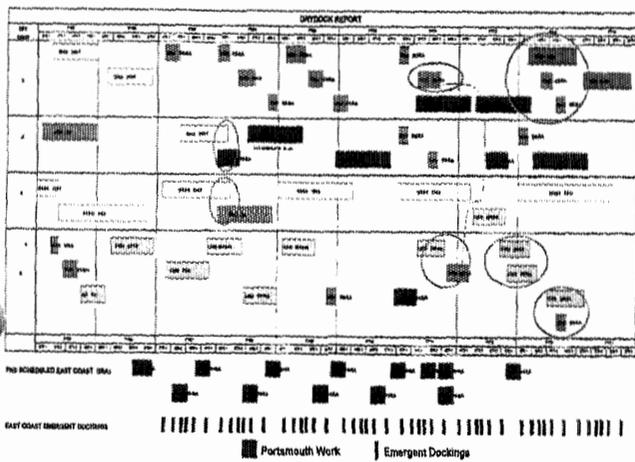
**Portsmouth Dry Dock Report  
Current Workload**



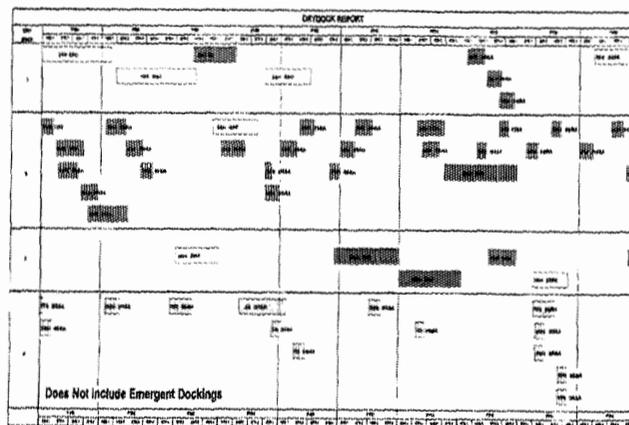
**Norfolk Dry Dock Report  
Current Workload**



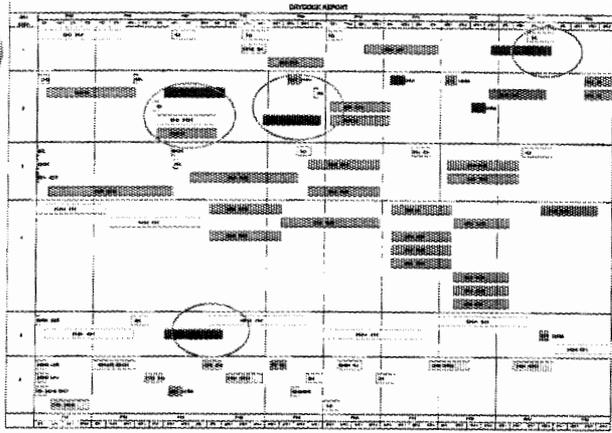
**Norfolk Dry Dock Report  
Current Workload with Portsmouth Closure**



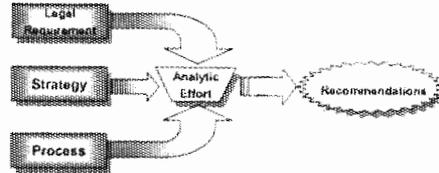
**Pearl Harbor Dry Dock Report  
Current Workload with Portsmouth Closure**



**Puget Dry Dock Report  
Current Workload with Portsmouth Closure**



**Capacity analysis clearly does not support closure of Portsmouth Naval Shipyard**



*"These workload calculations, which are all based on the FY 05 20-year Force Structure Plan, preclude the closure of Portsmouth Naval Shipyard unless its three dry docks are replicated at another shipyard."*  
RADM Klemm, NAVSEA 04, JCSG Meeting, 18 Nov 2004

**DoD substantially deviated from BRAC process by making a recommendation that was contrary to the analytical conclusion.**

*Partnering for More Ships At Sea*



**Portsmouth Naval Shipyard Closure Concerns**

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  - ⇒ Workload
- ⇒ Efficiency
  - ⇒ Innovation
  - ⇒ Transformation
  - ⇒ Cost Savings
  - ⇒ Operational Readiness

*Partnering for More Ships At Sea*



**Human Capital Capacity**

Shipyards Production Trade Skill Surge Indicator

TS	SHIPYARD				TS OVERALL
	NAVY	PAS	SHNS	PSNS	
Electrical					
Electronics					
Insulating					
Painting/Finishing					
Shipwright					
Inside Machining					
Outside Machining					
Pipelining					
Shifting					
Sheet Metal					
Welding					
TS OVERALL					

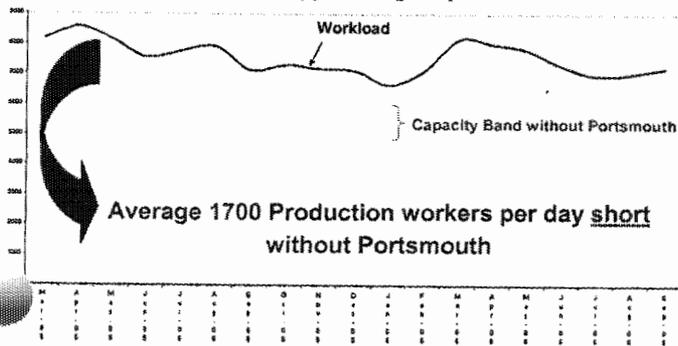
Overall Rating

*Partnering for More Ships At Sea*



**Human Capital Capacity**

Naval Shipyard Surge Report



*Partnering for More Ships At Sea*



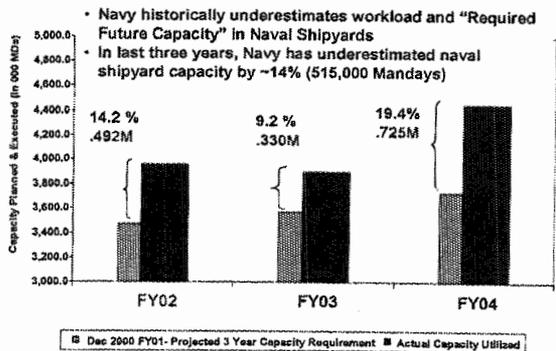
**Portsmouth Naval Shipyard Closure Concerns**

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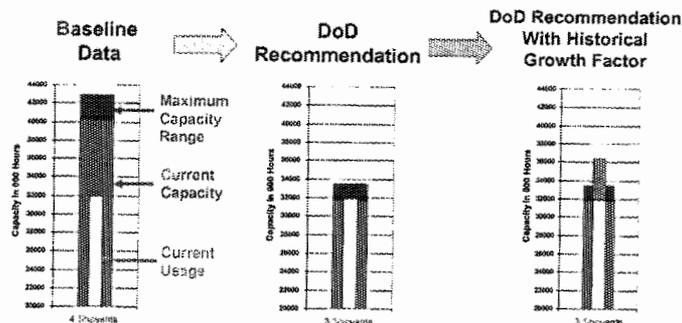
*Partnering for More Ships At Sea*



### Industrial Plant Capacity and Usage

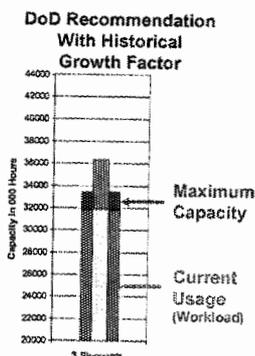


### Industrial Plant Capacity and Usage



### Industrial Plant Capacity and Usage

"For Portsmouth Naval Shipyard, the Optimization Model determined that closure would leave 1.4 Million direct labor hours of workload annually that the other shipyards cannot accommodate."  
 RADM Klemm, NAVSEA 04, JCSG Meeting 16 Nov 2004

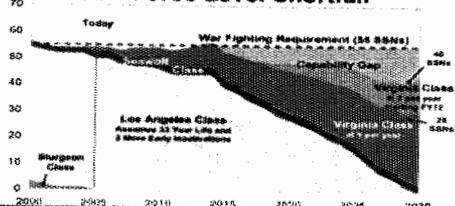


### Portsmouth Naval Shipyard Closure Concerns

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- ⇒ Workload
- ⇒ Efficiency
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  - ⇒ Cost Savings
  - ⇒ Operational Readiness

### Workload - Misconceptions

#### SSN Force Level Shortfall

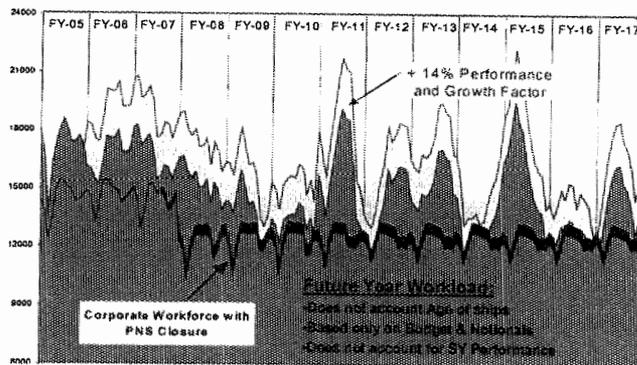


- Four major concerns:
- Does not reflect maintenance workload
  - Does not show surface combatants or SSBN/SSGNs
  - Does not support Force Structure Plan
  - Does not support the War Fighter requirements, only budget shortfall

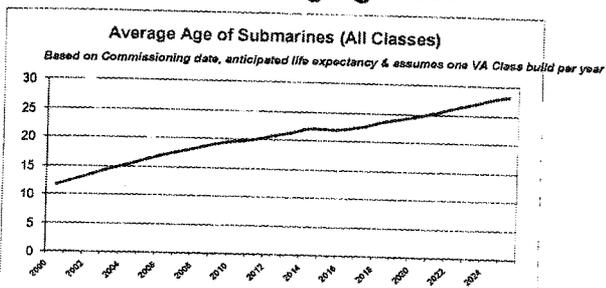
DoD officials, in a 22 June 2005 meeting, stated that closure was based on an 18% force structure cut and 4 near term inactivations.

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.

### Workload - Current Plan

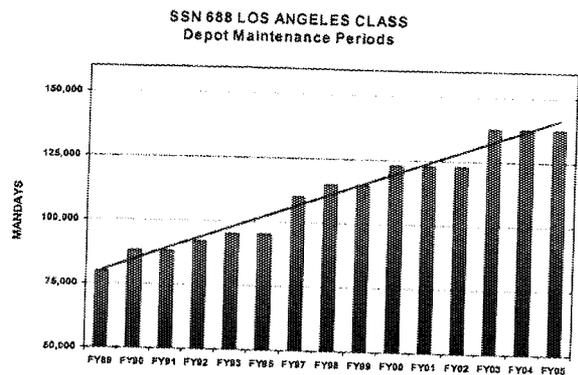


### Workload – Aging Fleet



*"The work packages for those ships returning from combat operations were larger than normal due to extended deployment length and the higher war time operational tempo."*  
RADM Mark A. Huges, Deputy Director for Fleet Readiness  
HASC Testimony, 8 April 2005

### Workload – Growth of "Notionals"



### Workload – "Performance" Growth

NAVAL SHIPYARD LOS ANGELES CLASS OVERHAUL REPORT CARD (FY 84-Present)

WORKFLOW/PROGRESS				2001				2002				2003				2004				2005			
FP	REAL	AVAIL	DIR	FP	REAL	AVAIL	DIR	FP	REAL	AVAIL	DIR	FP	REAL	AVAIL	DIR	FP	REAL	AVAIL	DIR				
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				

### Capacity Conclusions

- Conflicts exist with reassignment of Portsmouth work
- No capacity for emergent East-coast dockings
- No reassignment of Portsmouth's SRA work
  - 13 submarines over next seven years
  - Normally SRAs assigned within 3-year window
- No capacity for emergent docking of Virginia Class ships on the East coast
- Insufficient skilled Human Capital Portsmouth people unlikely to relocate
- Workload will exceed analyzed capacity

DoD capacity analysis substantially deviates from Criteria No. 1 and 2 by decreasing operational readiness

### Portsmouth Naval Shipyard Closure Concerns

- ⇒ Capacity
  - ⇒ Dry Docks
  - ⇒ Commodities (Human Capital)
  - ⇒ Industrial Plant
  - ⇒ Workload
- ⇒ Efficiency
  - ⇒ Innovation
  - ⇒ Transformation
  - ⇒ Cost Savings
  - ⇒ Operational Readiness

### Naval Sea Systems Command Innovation Leader

Portsmouth has:

- A proactive and engaged workforce
  - Perfectly sized & scaled to pilot new ideas and processes affordably and with measurable results
  - Motivated and innovative mindset
  - Culturally rooted in maritime industry
- Visionary Union leadership that is willing to enable, support, and motivate an engaged workforce
- Success that cannot be replicated elsewhere

*"The shipyard embraced the One-Shipyard Initiative and is leading the transformation of our Navy's nuclear ship maintenance base through innovation ..."*  
Admiral V.E. Clark, Chief of Naval Operations  
PNS Mentonous Unit Commendation, 12 May 2005

### Naval Sea Systems Command Innovation Leader

Portsmouth leads the Shipyard Corporation in the following Productivity categories:

- Lead Shipyard for Ships Availability Planning and Engineering Center (standardized planning products)  
~\$70M returned to war fighters
- Lead Shipyard for One Shipyard (Submarines) Project Management Office  
~\$30M avoided on Pearl Harbor BUFFALO Project
- Lean process improvement and "Theory of Constraints" implementation  
~\$27M & 16 weeks projected savings on PITTSBURGH
- Electronic Paperless Technical Work Document (e-TWD)  
~\$6-10M projected savings *per availability*



### Portsmouth Naval Shipyard Closure Concerns

- ⇒ Capacity
  - ⇒ Dry Docks
  - ⇒ Commodities (Human Capital)
  - ⇒ Industrial Plant
  - ⇒ Workload
- ⇒ Efficiency
  - ⇒ Innovation
  - ⇒ Transformation
  - ⇒ Cost Savings
  - ⇒ Operational Readiness



### Naval Sea Systems Command Transformation Leader

Portsmouth is leader for three of the four NAVSEA Transformation Plan Strategies

1. One Shipyard  
Impact: Contributed to performance success, returning ~\$33M to war fighter for operations, training, and readiness
2. Productivity  
Impact: \$127M+ available to war fighter for operations, training and readiness, from Lead Shipyard initiatives
3. Infrastructure and Organizational Effectiveness  
Impact: NAVSEA projects ~ \$12M annually returned to the war fighter for operations, training, and readiness

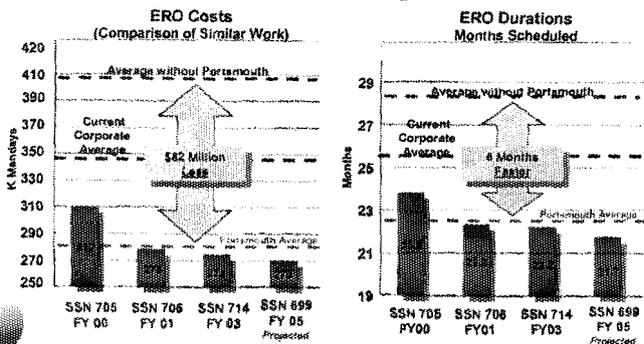


### Portsmouth Naval Shipyard Closure Concerns

- ⇒ Capacity
  - ⇒ Dry Docks
  - ⇒ Commodities (Human Capital)
  - ⇒ Industrial Plant
  - ⇒ Workload
- ⇒ Efficiency
  - ⇒ Innovation
  - ⇒ Transformation
  - ⇒ Cost Savings
  - ⇒ Operational Readiness



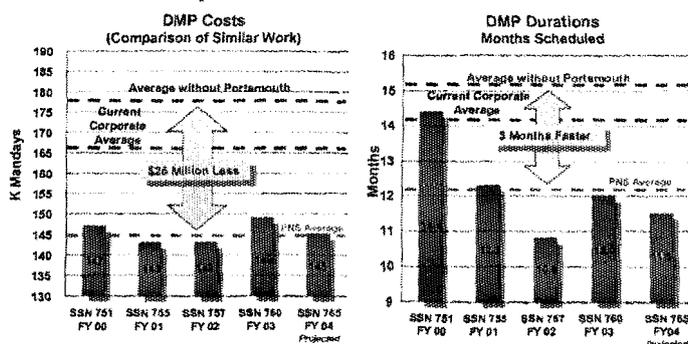
### Cost Savings - Performance on Engineered Refueling Overhauls



Every future ERO accomplished at Portsmouth would realize these savings



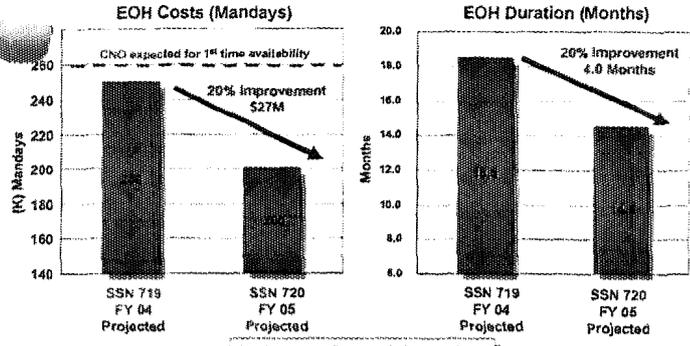
### Cost Savings - Performance on Depot Modernization Periods



Every future DMP accomplished at Portsmouth would realize these savings



**Cost Savings - Performance on Engineered Overhauls**



**Cost Savings - Portsmouth's Performance Requires Less People**

Portsmouth projects execution of current schedule work FY 2008 to FY 2019 for **1,521,000 Fewer Direct Mandays.**

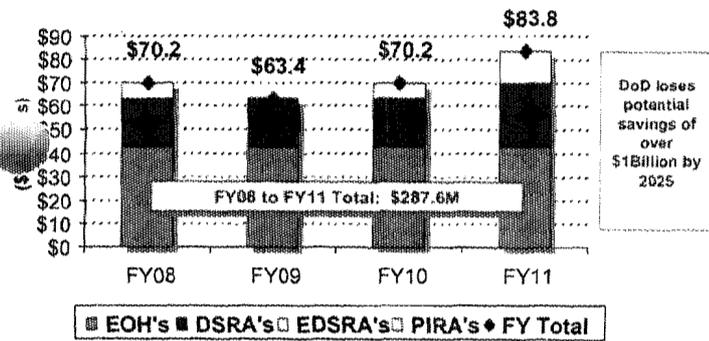
**~125,000 Average Fewer Direct Mandays Required Per Year.**

**125,000 Fewer Direct Mandays Equals ~729 Fewer Employees Per Year.**

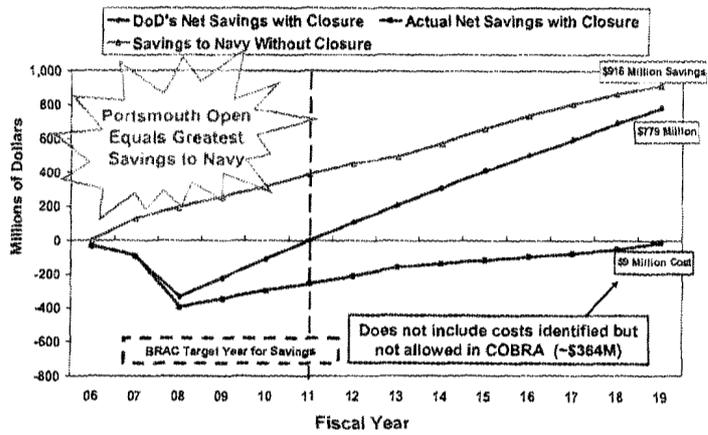
*"...producing business results that are the benchmark among public and private sector nuclear shipyards."*  
Admiral V.E. Clark, Chief of Naval Operations  
 PNS Memorandum Unit Commentation, 12 May 2005

**729 Fewer Employees Per Year Equals \$54.7 Million Savings Per Year**

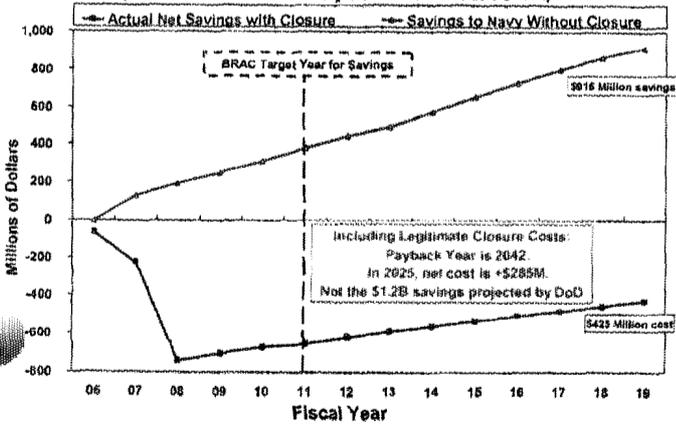
**Cost of Moving Portsmouth Work to Less Efficient Naval Shipyards**



**Projected Savings Calculations (from 1 June PNS site visit)**



**Projected Savings Calculations (Re-calculated with efficiency and actual cost of closure)**

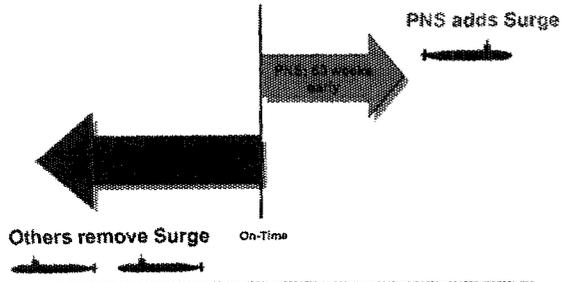


**Portsmouth Open Equals Greatest Savings to Navy**

**Portsmouth Naval Shipyard Closure Concerns**

- ⇒ Capacity
  - ⇒ Dry Docks
  - ⇒ Commodities (Human Capital)
  - ⇒ Industrial Plant
  - ⇒ Workload
- ⇒ Efficiency
  - ⇒ Innovation
  - ⇒ Transformation
  - ⇒ Cost Savings
  - ⇒ Operational Readiness

**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.B. Clark, Chief of Naval Operations  
 PNS Meritorious Unit Commendation, 12 May 2005

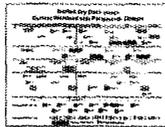
**Summary of Key Points**

**The DoD...**

- Under-estimated Portsmouth Military Value
- Over-estimated the Industrial Capacity to Perform Work Without Portsmouth
- Under-estimated Navy's Future Maintenance Workload
- Inaccurately Calculated True Cost of Closure
- Inaccurately Reflected Costs of Moving Workload
- Significantly Under-Estimated Portsmouth's Contribution to Fleet Operational Readiness

**Conclusion: Portsmouth should not be closed**

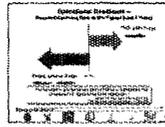
**Capacity** – Despite the analytics showing insufficient capacity would remain if Portsmouth closes, DoD recommended closure. This deviates from the BRAC analytical process and substantially deviates from Criteria No. 1 and 2.



**Efficiency** – By recommending closure of the best performing shipyard, the DoD recommendation substantially deviates from Criteria No. 4, 5, and 8. This increases costs and manpower, therefore providing no savings.



**Operational Readiness** – DoD inaccurately considered the contribution to the war fighter when Portsmouth delivers ships ahead of schedule and below cost. Therefore, DoD's recommendation substantially deviates from Criteria No. 1 by decreasing operational readiness.



**Allen**  
**(Dock Loading Alternatives)**

DCN 5025

AMERY

**Statement by Rep. Tom Allen  
Before the Base Realignment and Closure Commission  
On Portsmouth Naval Shipyard: Workload Alternatives  
Boston Massachusetts, July 6, 2005**

I am Congressman Tom Allen from the First District of Maine.

I want to make a further point about the drydock conflict that Earl Donnell discussed.

Last year, the Delegation asked the Navy to develop a plan to distribute workload equitably among the four shipyards. This was in response to Navy plans for a draconian 29 percent cut in Portsmouth's workload, more than the other three yards combined. [see *top* of CHART]

The Navy did not comply with our request, so the Delegation devised a plan to redistribute work and stabilize Portsmouth's annual workload at 600,000 mandays through 2020. [see *bottom* of CHART]

The Navy rejected our good faith plan, claiming, first, that it created four drydock conflicts through 2019 and, second, that it created an inefficient workload spike of 32 percent at Portsmouth in a four year period. Yet, as Mr. Donnell has stated, the Navy's closure scenario creates seven drydock conflicts through 2013, and creates a workload spike of 37 percent at Norfolk in a two year period.

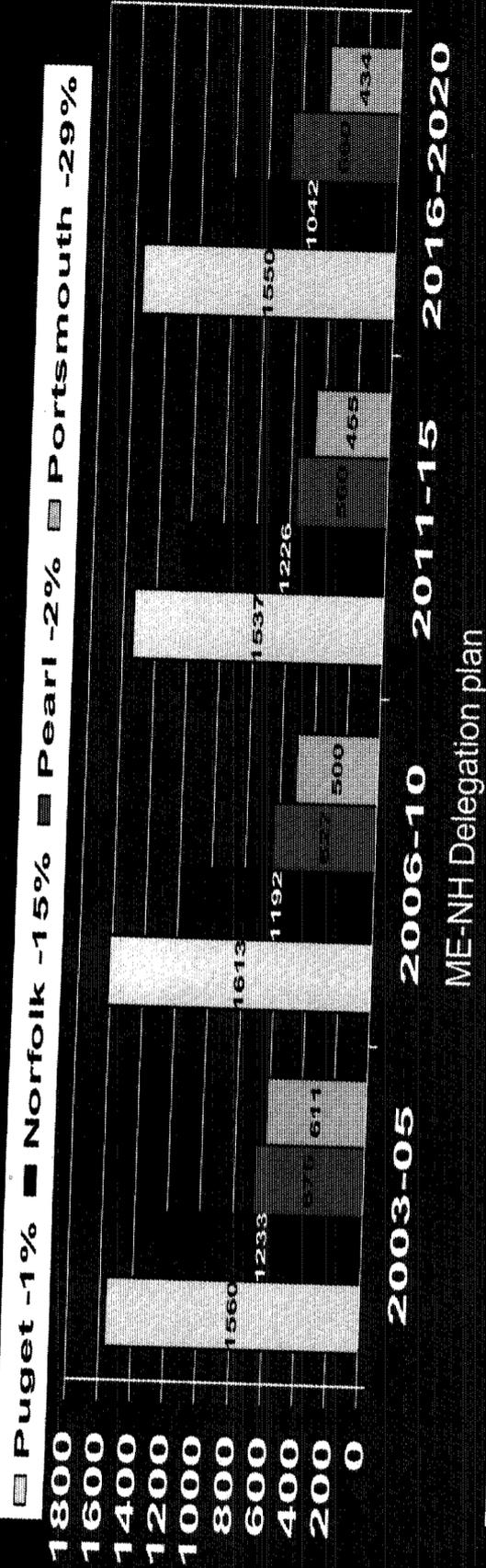
Thus, at the very time this year that the Navy told us they couldn't load all four yards efficiently because drydock and workload spike problems created

unacceptable risk, the Navy privately accepted a plan to close a shipyard, even though it created even worse drydock and workload spike problems. This story is further evidence that the Navy never properly evaluated more cost effective alternatives to closing Portsmouth, and thus deviated from criteria 4 and 5.

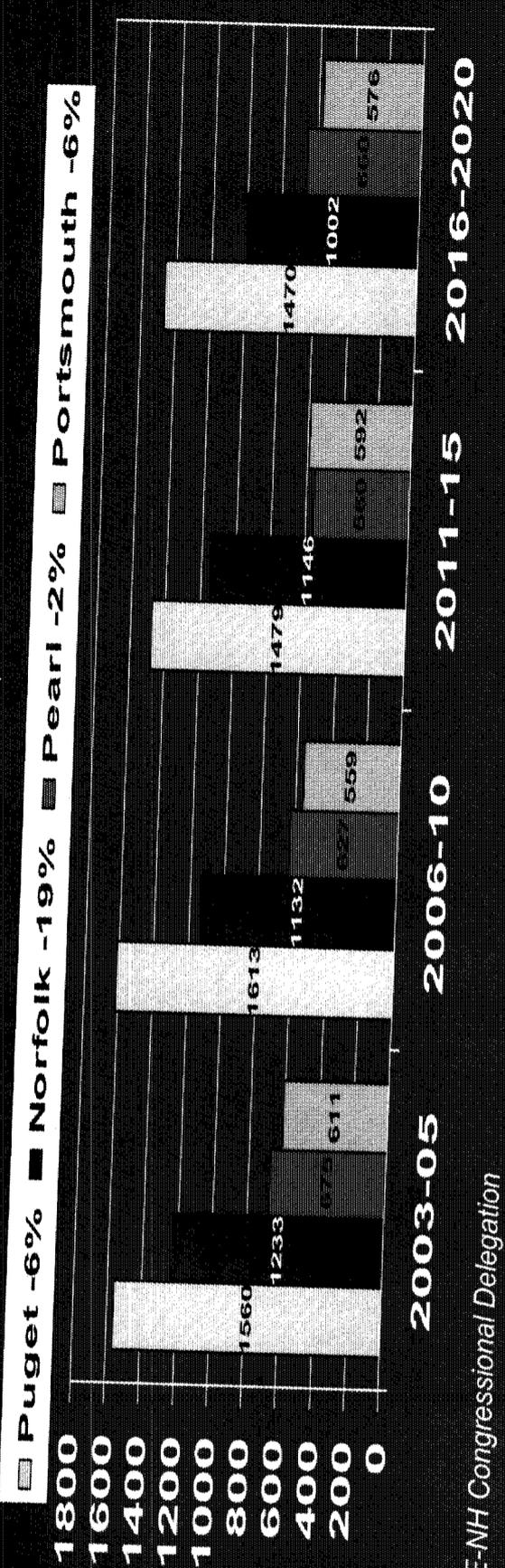
Thank you for your attention. Now let me turn to Senator Susan Collins.

# Public yard annual manday levels, in multi-year blocks

Navy plan



ME-NH Delegation plan



ME-NH Congressional Delegation

DCN: 5025

Collins  
(BRAC Process)

AVIARY

**Statement of Senator Susan Collins**  
**Before the Base Realignment and Closure Commission on**  
**Portsmouth Naval Shipyard Boston, Massachusetts, July 6, 2005**

Good afternoon, Mr. Chairman, Commissioners.

I am Senator Susan Collins from Maine. I will talk to you today about criterion five – a criterion that was thoroughly disregarded when the decision was made to place Portsmouth Naval Shipyard on the base closure list.

Criterion five requires DoD to consider “the extent and timing of potential costs and savings” when selecting military installations for closure or realignment.

It stands to reason that cost is an important factor, and indeed it falls just after the four military value criteria. For if a base closure or realignment is not going to save money, why put a community through the pain and upheaval that it would cause?

DoD developed a model known as “COBRA” to estimate the costs and savings associated with a proposed base closure. According to its user manual, COBRA is designed, and I quote, “to provide a consistent and auditable method of evaluating and comparing different courses of action.” In the case of Portsmouth, however, the only consistency was that the COBRA results were consistently disregarded.

[SLIDE 1] When the Industrial Joint Cross Service Group met on January 13, 2005, it had COBRA runs before it that actually showed a cost – not a savings – from closing Portsmouth. As the slide shows, the COBRA run for Portsmouth reported a \$1.8 million net present value cost over twenty years from closing the facility. In contrast, the COBRA run for Pearl Harbor reported a \$584 million net present value savings over twenty years from closing the facility.

Yet even though the COBRA runs calculated no net present value savings to the Department from closing Portsmouth until the year 2026, the Industrial Group made the decision to recommend closure of Portsmouth. And that recommendation never changed.

[SLIDE 2] DoD has told us that, as the Industrial Group's recommendation made its way up the chain to the Secretary of Defense, and I quote, "COBRA runs for all of the scenarios were periodically updated with the latest data." The slide you now see shows what DoD has told us were its final COBRA runs comparing closure of Pearl and Portsmouth. As you can see, although the numbers have changed, the basic result is the same: The COBRA model reports that closing Pearl would achieve \$1.3 billion in net present value savings over twenty years – \$760 million more in savings than closing Portsmouth would achieve.

Again, we see the numbers from DoD's own economic model ignored.

And there is another flaw with DoD's consideration of criterion five. The COBRA runs underestimated the costs of closing the Portsmouth shipyard

because they ignored Portsmouth's superior efficiency as compared to the other three shipyards.

Indeed, it is undeniable that Portsmouth is the most efficient shipyard for depot-level maintenance of submarines as compared to its sister yards of Pearl, Norfolk, and Puget. Efficiency is at the core of our shipyards' contribution to national security: the faster and better our submarines are repaired and upgraded, the sooner they will return to the fleet and the more effective they will be.

[SLIDE 3] DoD even admitted during its BRAC decision-making process that Portsmouth's efficiency is superior. In its critical January 13<sup>th</sup> meeting, the Industrial Group assessed the pros and cons of closing Portsmouth versus Pearl. As you can see, the Industrial Group's own briefing slide states that retaining Portsmouth – quote – “preserves [the] best performing SSN depot.” Nevertheless, at that meeting, this committee decided to close Portsmouth.

Why didn't DoD factor Portsmouth's superior efficiency into the COBRA runs for Portsmouth's closure? Because DoD found it too difficult to create a metric for measuring Portsmouth's efficiency for purposes of the COBRA analysis.

The minutes of the Industrial Group reflect that this committee struggled with how to account for Portsmouth's superior efficiency. Indeed, in our recent interviews with Defense Department officials, the Navy's special assistant for BRAC literally used the same word: “struggled.”

Of course, determining how to account for efficiency across the shipyards is not a simple task. But the Industrial Group did not start wrestling with this issue seriously until very late in the BRAC decision-making process.

On November 10, 2004, the Industrial Group requested assistance from the Comptroller in determining how to account for efficiency. The Comptroller responded in late December, recommending use of a “cost per unit of production effort or simply cost per direct labor hour.” Either measure would have helped capture Portsmouth’s efficiency. The Industrial Group, however, failed to reach a consensus on the Comptroller’s recommendation.

[SLIDE 4] On January 6, 2005, the Industrial Group discussed this problem. As the slide shows, one of the participants said explicitly, “Presently, there isn’t a good metric available to capture or measure effectiveness.” The committee decided to defer the issue and to establish a working group.

On January 13<sup>th</sup>, despite the fact that the working group had not yet reported its recommendations, the Industrial Group met and decided to close the Portsmouth shipyard.

On February 25<sup>th</sup>, the OSD-level Infrastructure Steering Group approved the Industrial Group’s recommendation to close Portsmouth. Yet on March 3<sup>rd</sup>, one week after that meeting, the Industrial Group once again discussed – without success – its proposed methodology for incorporating efficiency into the COBRA runs.

[SLIDE 5] By then it was too late. Portsmouth never got credit for its efficiency in the COBRA runs analyzing its potential closure because the Department never established a methodology to do so.

As a result, the COBRA analysis ignored the savings that have been documented. Portsmouth delivers Engineering Refueling Overhauls for \$82 million cheaper and 6 months earlier than the other shipyards' average. Over the last five years, Portsmouth has delivered submarines a total of 60 weeks early. During that time, the other shipyards have been a total of 124 weeks late. But these savings were excluded from the COBRA analysis.

DoD's failure to devise a metric for crediting Portsmouth for its proven superior efficiency is all the more surprising given that DoD was willing to use an arbitrary figure of 30 percent to credit the other shipyards for efficiency savings in administrative personnel relocated from Portsmouth.

In sum, Portsmouth did not receive credit in the COBRA model for its proven efficiency because the Industrial Group struggled but ultimately decided that Portsmouth's efficiency was too difficult to account for. As a result, the Industrial Group substantially deviated from criterion five concerning the true savings and costs of closing Portsmouth.

Senator Sununu is our next speaker.

# January 2005 COBRA RUNS

Shipyard Comparison

SHIPYARD	AVAILABILITY	PERFORMANCE	QUALITY	SAFETY	ENVIRONMENTAL	FINANCIAL
Pearl Harbor NSY	8 years	8 years	8 years	8 years	8 years	8 years
Portsmouth NSY	16 years	16 years	16 years	16 years	16 years	16 years

payback 8 years      16 years

NPV \$ -584,236 K (Savings)      \$ 1,777 K (Cost)

# April 2005 COBRA RUNS

## Pearl Harbor NSY

## Portsmouth NSY

**Payback Year: 2010 (3 Years)**  
**NPV in 2025 (\$K): -1,288,709**

Financial statement for Pearl Harbor NSY. The table shows cash flows from 2005 to 2025. Key values include: 2005: -1,000,000; 2006: 1,000,000; 2007: 1,000,000; 2008: 1,000,000; 2009: 1,000,000; 2010: 1,000,000; 2011: 1,000,000; 2012: 1,000,000; 2013: 1,000,000; 2014: 1,000,000; 2015: 1,000,000; 2016: 1,000,000; 2017: 1,000,000; 2018: 1,000,000; 2019: 1,000,000; 2020: 1,000,000; 2021: 1,000,000; 2022: 1,000,000; 2023: 1,000,000; 2024: 1,000,000; 2025: 1,000,000. NPV is -1,288,709.

**Payback Year: 2014 (6 Years)**  
**NPV in 2025 (\$K): -521,712**

Financial statement for Portsmouth NSY. The table shows cash flows from 2005 to 2025. Key values include: 2005: -1,000,000; 2006: 1,000,000; 2007: 1,000,000; 2008: 1,000,000; 2009: 1,000,000; 2010: 1,000,000; 2011: 1,000,000; 2012: 1,000,000; 2013: 1,000,000; 2014: 1,000,000; 2015: 1,000,000; 2016: 1,000,000; 2017: 1,000,000; 2018: 1,000,000; 2019: 1,000,000; 2020: 1,000,000; 2021: 1,000,000; 2022: 1,000,000; 2023: 1,000,000; 2024: 1,000,000; 2025: 1,000,000. NPV is -521,712.

# Industrial Joint Cross Service Group

January 13, 2005

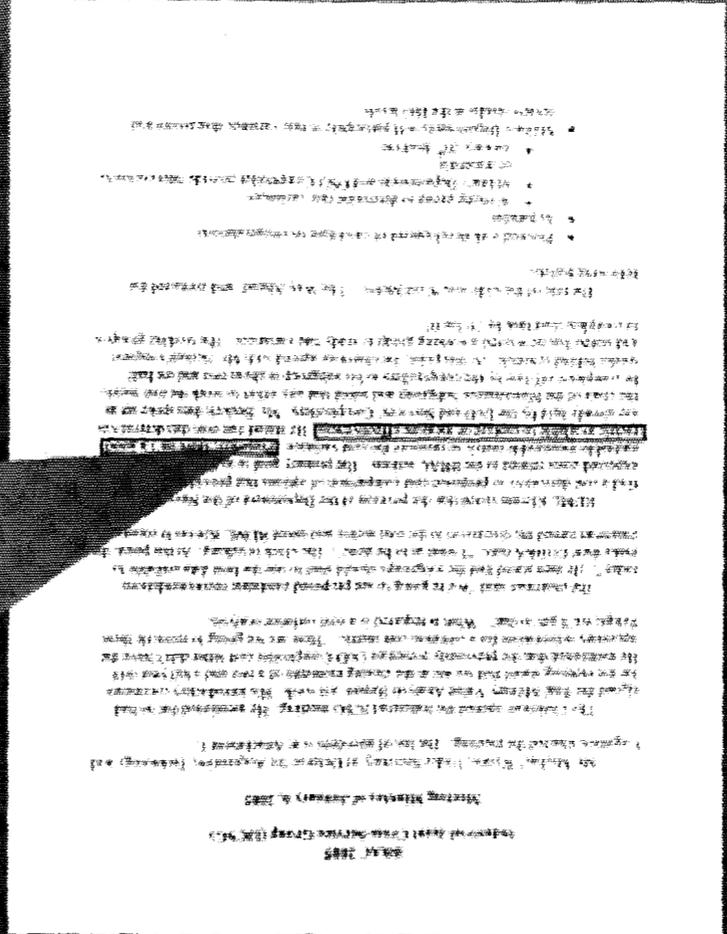


Department of Defense, Office of Inspector General, Pearl Harbor (IND-0055) / Portsmouth (IND-0055) Comparison

Preserves best performing  
SSN Depot

NAVSHPYD AND IMF PEARL HARBOR HI IND-0055		PORTSMOUTH (IND-0055)	
CON	PRO	CON	PRO
<ul style="list-style-type: none"> <li>Long history of service</li> <li>Business Plan and Capabilities</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> <li>Does not have the same</li> <li>Established the City of the 21st Century</li> <li>Planned for the future</li> <li>Established the City of the 21st Century</li> <li>Established the City of the 21st Century</li> </ul>	<ul style="list-style-type: none"> <li>Focus on cost performance</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> <li>Supports the Navy's strategic</li> <li>Accommodates the Navy's</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> <li>Supports the Navy's strategic</li> <li>Accommodates the Navy's</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> </ul>	<ul style="list-style-type: none"> <li>Supporting long-term infrastructure</li> <li>Supports the Navy's strategic</li> <li>Accommodates the Navy's</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> <li>Supports the Navy's strategic</li> <li>Accommodates the Navy's</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> </ul>	<ul style="list-style-type: none"> <li>Supports the Navy's strategic</li> <li>Accommodates the Navy's</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> <li>Supports the Navy's strategic</li> <li>Accommodates the Navy's</li> <li>Highly regarded for its Mission, Culture and Work Ethic</li> </ul>

**Presently, there isn't a good metric available to capture or measure effectiveness.**



# Industrial Joint Cross Service Group

January 6, 2005

- D
- The bottom line: Portsmouth did not get credit for its efficiency in the COBRA analysis of its potential closure.

**Sununu**  
**(Corrected COBRA)**

ARMY

**Statement by Senator John E. Sununu  
Before the Base Realignment and Closure Commission  
On Portsmouth Naval Shipyard: Corrected COBRA Analysis for  
Scenario DoN-0133  
Boston, Massachusetts, July 6, 2005**

Thank you, Senator Collins. Mr. Chairman and Commissioners, we deconstructed the Department of Defense's COBRA analysis for DoN-0133 – the scenario for closure of Portsmouth Naval Shipyard - based on the flaws outlined by previous presenters. In so doing, we identified from certified data the following major omissions.

- \$315.843 million in Recurring Costs
  - \$287.625 million for Portsmouth efficiencies lost through closure
  - \$ 28.218 million in recurring environmental and personnel costs
  
- \$293.653 million in one-time costs to close Portsmouth
  - \$260.725 million in one-time “unique costs”
  - \$ 32.918 million in military construction at Norfolk Naval Shipyard
  
- \$100.490 million in receiving costs at other naval shipyards

Using the DoD's own COBRA model, we found DoD understated the one-time cost to close the Portsmouth Naval Shipyard by \$293.551 million and overstated the Net Present Value (NPV) savings in 2025 by \$1.547 billion. Therefore, the closure of Portsmouth would not realize a savings until 2042, 30 years later than in 2012 as promised by DoD. BRAC Selection Criterion 5 requires consideration of “the extent and timing of potential costs and savings, including the number of years...for the savings to exceed the costs.” By excluding these significant costs and potential savings from efficiency, DoD substantially deviated from Criterion 5.

For a detailed explanation and sourcing of the preceding and following items and figures, I respectfully direct your attention to the appendix attached to my statement.

**Portsmouth "Unique Costs," Efficiencies and Recurring Costs**

Chart 1 outlines \$260.725 million in one-time "unique costs" (Question 18), \$287.625 million in savings from efficiencies at Portsmouth (Question 22), and \$28.218 million in recurring personnel and environmental costs (Question 26). As noted in the appendix to my testimony, the items and figures noted in Questions 18 and 26 are taken directly from certified data provided by Portsmouth but ultimately excluded by DoD in COBRA under scenario DoN-0133.

The \$287.625 million to be saved by Portsmouth efficiencies is included on the line titled "Question 22: Mission costs". This was done in accordance with the *COBRA Users Manual*, page 30, which states "... the analyst/user should primarily consider whether the costs/savings are mission or support related. The most important thing is to capture all known costs/savings incurred with the realignment action." Savings from Portsmouth efficiencies are not included in certified data as discussed in the appendix to my testimony. However, the \$287.625 million figure is certifiable, and absolutely should be considered in any credible COBRA analysis.

PNS DATA OMITTED:	2008	2009	2010	2011	TOTAL
Question 18: One time unique costs:					
Action 1 - Diver Rescue Chamber					\$2,691
Action 1 - Historical Preservation of Buildings					\$34,108
Action 1 - NMCI Closure Costs					\$10,600
Action 1 - Special Bldg Closure & Preservation					\$45,950
Action 1 - Transportation Equip - Inactivation					\$114
Action 1 - Non-Dera Environmental Compliance					\$9,643
Action 1 - Power Plant Sustainment					\$23,282
Action 1 - Unique Sustainment Costs					\$437
Action 1 - Future Annual Facilities Insp. Cost					\$1,987
Action 1 - Future Empty Facility Sustainment Cost					\$20,341
Action 1 - Grounds Keeping, Snow Removal, Lighting Maint.					\$2,166
Action 1 - Operation & Maintenance of Sewer System					\$1,903
Action 1 - Operation & Maintenance of Storm Drainage					\$201
Action 1 - Operation & Maintenance of Potable Water System					\$950
Action 1 - Operation & Maintenance of Electrical System					\$2,739
Action 2 - Write-off of Underpreciated Assets					\$71,476
Action 2 - Material Disposition					\$10,945
Action 2 - Non-DEIRA Environmental Compliance					\$21,192
Question 22: Mission costs:	\$70,200	\$63,375	\$70,200	\$83,850	\$287,625
Question 26: Misc Recuring Costs:					
Action 1 - FECA					\$3,064
Action 1 - Clean Air Act					\$448
Action 1 - Regulatory Water Sampling					\$1,120
Action 1 - Sewer Pretreatment Sampling					\$112
Action 1 - Oil Spill Response					\$336
Action 1 - Spill Prevention Control Insp					\$179
Action 2 - FECA					\$21,100
Action 2 - Moving Contractor Cost to Support Relocations					\$1,860
				GRAND TOTAL	\$576,569

Chart 1

**Military Construction at Norfolk Naval Shipyard**

Chart 2 details \$32.9 million in military construction at Norfolk Naval Shipyard that would be necessary under scenario DoN-0133. As noted in my appendix, Chart 2 is taken directly from certified data submitted by Norfolk but ultimately excluded by DoD in COBRA under scenario DoN-0133.

Receiving Activity:						
	FAC	UM	New Milcor QTY (SF)	Rehab QTY (SF)	Type	Total Cost
NAVSHIPYD NORFOLK:						
Action 11: Material Storage Facility	4411	SF	500		Default	\$62
Action 2: Material Storage Facility	4411	SF	35,000		Default	\$4,356
Action 2: Renovate Building 1575	6100	SF		20,000	Default	\$1,000
Action 2: Renovate Building 369	6100	SF		50,000	Red	\$7,500
Action 2: Renovate Building 163	6100	SF		133,817	Red	\$20,000
					GRAND TOTAL	\$32,918

Chart 2

**Receiving Costs at Other Naval Shipyards**

Chart 3 lists \$100.4 million in costs associated with receiving Portsmouth's workload and personnel under scenario DoN-0133. As noted in the appendix to my testimony, Chart 3 is taken directly from certified data submitted by Norfolk and Puget Sound Naval Shipyard but ultimately excluded by DoD in COBRA under scenario DoN-0133.

	2006	2007	2008	2009	2010	2011	TOTAL
NAVSHIPYD NORFOLK:							
One-Time IT Costs	\$0	\$4,100	\$485	\$0	\$0	\$0	\$4,585
Action 11 - NMCI Buildout NMCI Seats \$485							
Action 2 - NMCI Buildout \$4,100							
Misc Recurring Costs	\$5,261	\$85,344	\$0	\$0	\$0	\$0	\$90,605
NAVSHIPYD PUGET SOUND:							
Misc Recurring Costs - Pers Attrit/Training	\$0	\$5,300	\$0	\$0	\$0	\$0	\$5,300
							GRAND TOTAL
							\$100,490

Chart 3

### Correcting COBRA Analysis in Scenario DoN-0133

Before running COBRA with the costs and savings excluded by DoD as detailed above, we first ran the model based on the original DoN-0133 inputs to validate the accuracy and consistency of our data. This run produced the same results as those released in scenario DoN-0133. Chart 4 shows the result of the original DoN-0133 analysis.

COBRA REALIGNMENT SUMMARY REPORT (COBRA v6.10) - Page 1/2	
Data As Of 4/26/2005 2:41:22 PM	
Department	: Navy
Scenario File	: C:\BRAC\COBRA\DON-0133 CR.CBR
Option Pkg Name	: DON-0133 CLOSE PORTSMOUTH NAVAL SHIPYARD CR
Std Fctrs File	: C:\BRAC\COBRA\BRAC2005.SFF
Starting Year	: 2006
Final Year	: 2008
Payback Year	: 2012 (4 Years)
NPV in 2025(\$K)	: -1,262,370
1-Time Cost(\$K)	: 448,427

Chart 4

We then re-ran COBRA to include the costs and cost savings outlined in Charts 1, 2, and 3 by doing the following:

- Add \$260.725 million in one-time “unique costs”, \$287.625 million in Portsmouth efficiency savings, and \$28.218 million in recurring costs on Input Screen Five (NAVSHIPYD Portsmouth, NH (N00102)).
- Add \$32.9 million for military construction at Norfolk on Input Screen Seven (NSY Norfolk, VA (N00181)).
- Add \$100.4 million for costs associated with receiving Portsmouth’s workload and personnel at other naval shipyards on Input Screen Five (NSY Norfolk, VA (N00181) and NAVSTA Bremerton, WA (N32416)).

Chart 5 shows the results of the corrected COBRA analysis after taking the above steps.

COBRA REALIGNMENT SUMMARY REPORT (COBRA v6.10) - Page 1/2  
 Data As Of 6/24/2005 3:16:02 PM, Report Created 6/26/2005 1:41:19 AM

Department : Navy  
 Scenario File : C:\BRAC\COBRA\DON-0133 Corrected.CBR  
 Option Pkg Name: DON-0133 CLOSE PORTSMOUTH NAVAL SHIPYARD CR  
 Std Fctrs File : C:\BRAC\COBRA\BRAC2005.SFF

Starting Year : 2006  
 Final Year : 2008  
 Payback Year : 2042 (34 Years)

NPV in 2025(\$K): 284,896  
 1-Time Cost(\$K): 741,978

Chart 5

The following are the results when comparing the results of Charts 4 and 5:

<u>DoD</u>	<u>Corrected</u>	<u>Difference</u>	
Payback Year	2012 (4 years)	2042 (34 years)	30 years
One-Time Cost (\$K)	448,427	741,978	293,551
NPV in 2025	-1,262,370	284,896	-1,547,266

**Conclusion**

BRAC Selection Criterion 5 states the following:

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.”

Attempting to make a business case in support of its recommendation to close the Portsmouth Naval Shipyard under scenario DoN-0133, DoD excluded in its COBRA analysis \$287.625 million in savings from efficiencies, \$28.218 million in recurring environmental and personnel costs, \$260.725 million in one-time “unique costs” to close Portsmouth, \$100.4 million in receiving costs at other naval shipyards, and \$32.9 million for military construction required at Norfolk. Therefore, by understating the one time cost to close Portsmouth by \$293.551 million, miscalculating the NPV savings in 2025 by \$1.547 billion, and overstating by 30 years the

payback period for closing Portsmouth, the DoD substantially deviated from BRAC selection Criterion 5.

Thank you, Mr. Chairman and members of the Commission.

Congressman Jeb Bradley will now discuss the cost of reconstituting Portsmouth's drydocks and workforce.

## DoD Substantially Deviated from Criterion 5

- Understated one time cost to close by **\$293.551 million**
- Overstated NPV savings in 2025 by **\$1.547 billion**
- Miscalculated pay back by **30 years**

# DoD's COBRA Analysis for DoN-0133

## Major Omissions

- \$315.843 million in Recurring Costs
  - \$287.625 million for Portsmouth efficiencies
  - \$28.218 million in recurring environmental and personnel costs
- \$293.653 million in One-Time Costs to Close Portsmouth
  - \$260.725 million in "one-time unique costs"
  - \$32.918 million in military construction at Norfolk NSY
- \$100.490 million in receiving costs at other naval shipyards

# Conclusion

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 Substantially Deviated from Criterion 5.**

CHART 1: (All costs w/exception of Question 22 can be found in [www.defenselink.mil/brac/](http://www.defenselink.mil/brac/) Then go to Scenario Data Calls/Department of the Navy/Redacted Scenario Data Calls-Final Certified Answers ZipFile (53.4MB))

PNS DATA OMITTED:	2008	2009	2010	2011	TOTAL
Question 18: One time unique costs:					
Action 1 - Diver Rescue Chamber					\$2,691
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 17					
Rationale: PNS operates and maintains this equipment for all Navy, DOD, Coast Guard, other Government agencies, and private individuals involved in recompression emergencies. This equipment must be maintained in the New England Region as a humanitarian asset. Recommended site of relocation of this equipment is Portsmouth Regional Hospital, Portsmouth, New Hampshire.					
Action 1 - Historical Preservation of Buildings					\$34,108
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 18 through 20					
Rationale: The National Preservation Act, Secretary of Interior standards and DoD facility closure requirements gives standards for preservation of historic buildings. At PNS we have dozens of historically significant buildings, two national landmark eligible buildings, and an extensive historic district. The costs for preservation of historic facilities in the PNS Closure scenario were developed by the PNS Facilities and Maintenance Department to ensure compliance with not only DOD requirements but with the National Preservation Act. This estimate is a detailed building-by-building engineered estimate of the cost required to properly prepare historical facilities for turnover to the receiving organization. Non-critical service such as grounds keeping, sewer, water, steam, electricity, fire protection, HVAC/ventilation requirements, and annual inspections were estimated at the minimum requirements. Please see two uploaded word files for more specific details.					
Action 1 - NMCI Closure Costs					\$10,600
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 20 through 21					
Rationale: The Navy NMCI contracts with Electronic Data Systems (EDS) is N00024-00-D-6000. PNS is currently paying EDS 85% of the seat cost required by the contract even though EDS is providing only minor services. PNS cannot cancel this contract nor remove itself from the provisions. At some point, when EDS is determined to be technically capable, PNS will be required to "cutover" to NMCI and EDS will deliver NMCI "seats" to PNS. Once that occurs, PNS will not be allowed to cancel or change the NMCI order within three years. Precedent has been set at other Naval activities that have cutover to NMCI and have not been allowed to cancel/change their NMCI order within the three year technical refresh period. Regardless of PNS's closure and the subsequent movement and elimination of employees, the FY08 NMCI cost (10.6M) will be incurred. As part of the NMCI contract, EDS builds out the IT infrastructure at each site to meet the standards required by the governing Service Level Agreements. They then depreciate the cost of this capital expenditure over a multi-year period. EDS is only required to pay for this expense once, when a site first enters NMCI. Although the Principle Contracting Officer has not yet negotiated this issue with EDS, the contractor has said that if a site closes or relocates prior to the end of the depreciation period, the Navy would be liable for the remaining depreciation expenses.					

<p>Action 1 - Special Bldg Closure &amp; Preservation  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 21 through 22  Rationale: This is a conservative professional engineer's cost estimate, and includes: special requirements associated with the closure of active heavy industrial activities not accounted for by the COBRA model. Includes layup of portions of the Heating/Electrical plant and substations and elimination of waterway hazards. Please see two uploaded word files for more specific details.</p>	\$45,950
<p>Action 1 - Transportation Equip - Inactivation  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 22  Rationale: Preparation for disposal of the Navy owned vehicles such as front end loaders, flat bed trucks, and construction vehicles. This includes removing fluids, batteries, and any other hazardous components.</p>	\$114
<p>Action 1 - Non-Dera Environmental Compliance  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 23  Rationale: This is non-DERA funded environmental compliance costs uniquely required by the State of Maine (Code of Maine Regulations 06-096, Chapter 852) that will require BRAC funding if Portsmouth NSY is closed. These non-DERA funded costs have not been reported in previous data calls and are not calculated by the COBRA model. Some examples are: Hazardous waste generator closure, Spill Prevention Control Counter Measure Closeout, Continuing Spill Prevention Control, monitoring storm water permit compliance, etc.</p>	\$9,643
<p>Action 1 - Power Plant Sustainment  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 23 through 24  Rationale: Includes all costs associated with the operation of the Power Plant and heating distribution systems. Also includes total base energy costs for electric and fuel purchases. Electric system Operations and Maintenance is separate and indicated in another response.</p>	\$23,282
<p>Action 1 - Unique Sustainment Costs  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 24  Rationale: Maintenance, preservation and partial operation of fire alarm and sprinkler system, RADON monitoring, and elevator preventative maintenance as required by OPNAV P45-115-95, Appendix D, Table 2 and the Secretary of the Interior Standards until property turnover is effected.</p>	\$437
<p>Action 1 - Future Annual Facilities Insp. Cost  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 24  Rationale: Yearly Annual Inspection Summary type B inspections on all facilities and quarterly inspections on historic facilities, per OPNAV P45-115-95 and the Secretary of the Interior Standards until property turnover is effected.</p>	\$1,987
<p>Action 1 - Future Empty Facility Sustainment Cost  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 24  Rationale: Maintenance and preservation of facility as required by OPNAV P45-115-95, Appendix D, Table 2 and the Secretary of the Interior Standards until property turnover is effected.</p>	\$20,341

<p>Action 1 - Grounds Keeping, Snow Removal, Lighting Maint.  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 24 through 25  Rationale: This figure represents the lowest level of service required to properly preserve the facilities (industrial, utility, and historical). When closed, the Navy will have to maintain a certain level of effort to properly ensure that the assets are cared for until property transfer is effected. Minimum security lighting, fire protection, facility access, safety, and basic utilities would be some of the services required.</p>	<p>\$2,166</p>
<p>Action 1 - Operation &amp; Maintenance of Sewer System  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 25  Rationale: This figure represents the lowest level of service required to properly preserve the facilities (industrial, utility, and historical). When closed, the Navy will have to maintain a certain level of effort to properly ensure that the assets are cared for until property transfer is effected. Minimum security lighting, fire protection, facility access, safety, and basic utilities would be some of the services required.</p>	<p>\$1,903</p>
<p>Action 1 - Operation &amp; Maintenance of Storm Drainage  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 25 through 26  Rationale: This figure represents the lowest level of service required to properly preserve the facilities (industrial, utility, and historical). When closed, the Navy will have to maintain a certain level of effort to properly ensure that the assets are cared for until property transfer is effected. Minimum security lighting, fire protection, facility access, safety, and basic utilities would be some of the services required.</p>	<p>\$201</p>
<p>Action 1 - Operation &amp; Maintenance of Potable Water System  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 26  Rationale: This figure represents the lowest level of service required to properly preserve the facilities (industrial, utility, and historical). When closed, the Navy will have to maintain a certain level of effort to properly ensure that the assets are cared for until property transfer is effected. Minimum security lighting, fire protection, facility access, safety, and basic utilities would be some of the services required.</p>	<p>\$950</p>
<p>Action 1 - Operation &amp; Maintenance of Electrical System  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 26  Rationale: Includes testing and maintenance in accordance with National Electric Testing Association and Navy criteria for low reliability standards and annual repair costs until facility is closed and property transfer is effected.</p>	<p>\$2,739</p>
<p>Action 2 - Write-off of Underappreciated Assets  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 22 through 23  Rationale: Per the DoD Financial Management Regulations Volume 4, Chapter 6 and Volume 11B, Chapters 58 and 62, Navy Working Capital Fund (NWCF) activities purchase Capital items of value greater than \$100K using the Capital Purchase Program, and expense the value using depreciation across the designated useful life span of the item. The key is that NWCF activities do not expense capital assets when purchased. Capital assets across the expected life cycle of the item. When a NWCF activity is disestablished or transitions to Mission Funding, any Capital assets not fully depreciated must be expensed in full against the NWCF. This results in one time buyout costs for DoD. This same action would be expected as a result of a BRAC closure action.</p>	<p>\$71,476</p>

Action 2 - Material Disposition	\$10,945
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 23	
Rationale: Unexpensed material inventories under the Navy Working Capital Fund regulations must be fully expensed to the NWCF, and would result in a one time buyout costs for DoD.	
Action 2 - Non-DEIRA Environmental Compliance	\$21,192
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 26 through 27	
Rationale: This is non-DEIRA funded environmental compliance costs uniquely required by the State of Maine (Code of Maine Regulations 06-096, Chapter 852) that will require BRAC funding if Portsmouth NSY workload is transferred to Norfolk Naval Shipyard. These non-DEIRA funded costs have not been reported in previous data calls and are not calculated by the COBRA model. Some examples are: Hazardous waste generator closure, Spill Prevention Control Counter Measure Closeout, Continuing Spill Prevention Control, monitoring storm water permit compliance, etc.	
Question 22: Mission costs:	\$70,200 \$63,375 \$70,200 \$83,850 \$287,625
Our original certified submission included mission costs for FY07 and an efficiency factor for duration based on actual performance data. PNS was directed to take these costs out and Headquarters determined an inefficiency factor in receiving considerations. PNS recomputed these costs and took out FY07 costs (since closure date is now known - it wasn't when the data was certified). These costs are based on mandays saved and utilizing a manday rate of \$650. We input the data in FY08 though FY11.	
Question 26: Misc Recurring Costs:	
Action 1 - FECA	\$3,064
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 31	
Rationale: FECA costs continue despite closure of the Activity (Note: NSY Philadelphia FECA is still costing \$12M in FY05). PNS has included this so that the COBRA model correctly calculates the savings from the closure action. This cost will be transferred from NWCF (PNS) to another naval activity.	
Action 1 - Clean Air Act	\$448
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 32 through 33	
Rationale: Federal Clean Air Act, Public Law 101-549, 40 CFR requires compliance inspections and reports to comply with the Title V Air Permit for PNS Power Plant operations.	
Action 1 - Regulatory Water Sampling	\$1,120
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 33	
Rationale: Federal Water Pollution Control Act, 33 USC 1251 requires Municipal Separate Storm Sewer System (MS4) Permit to conduct water sampling of any runoff/discharge from federal property to include catch basin cleaning and maintenance. Also, the National Pollution Discharge Elimination System (NPDES) Permit is required to conduct sampling as long as drydock pumpwells operate for any discharges directly into the Piscataqua River. Inspections must continue until property transfer is effected.	
Action 1 - Sewer Pretreatment Sampling	\$112
Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 33 through 34	
Rationale: PNS utilizes Publicly Owned Treatment Works (POTTW). Two composite samples of sewer discharges are required per month per the Kittery Sanitary Sewer Pretreatment Agreement until or unless sewer discharge is secured. PNS will continue to pump to Kittery and will need to be in effect for the new tenant unless they modify the agreement.	

<p>Action 1 - Oil Spill Response  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 34  Rationale: PNS's Power Plant will continue to operate and the day tanks will contain fuel. Once PNS closes and our On-Scene Operations Team (OSOT) is eliminated, contract services from the Piscataqua River Cooperative (PRC) will be required to provide one hour response to deploy of oil boom should a spill occur as required by 40 CFR 112.</p>	<p>\$336</p>
<p>Action 1 - Spill Prevention Control Insp  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 34  Rationale: Spill Prevention Control Countermeasures Inspections are required by 40 CFR 112 for oil-filled transformers and power plant tanks. Inspections must continue until property transfer is effected.</p>	<p>\$179</p>
<p>Action 2 - FECA  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 31  Rationale: FECA costs continue despite closure of the Activity (Note: NSY Philadelphia FECA is still costing \$12M in FY05). PNS has included this so that the COBRA model correctly calculates the savings from the closure action. This cost will be transferred from NWCF (PNS) to another naval activity.</p>	<p>\$21,100</p>
<p>Action 2 - Moving Contractor Cost to Support Relocations  Source: Redacted Scenario DON-0133 - NAVSHIPYD Portsmouth NH, Page 32  Rationale: Cost of mover contractor to support consolidation of office spaces as buildings are closed down.</p>	<p>\$1,860</p>
<p>GRAND TOTAL</p>	<p>\$576,569</p>

CHART 2: (All costs for this chart can be found in [www.defenselink.mil/brac/](http://www.defenselink.mil/brac/) Then go to Scenario Data Calls/Department of the Navy/Redacted Scenario Data Calls-Final Certified Answers ZipFile (53.4MB))

Receiving Activity:						
	FAC	UM	New Milcon QTY (SF)	Rehab QTY (SF)	Type	Total Cost
NAVSHIPYD NORFOLK:						
Action 11: Material Storage Facility	4411	SF	500		Default	\$62
Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 9 and 11						
Rationale: NNSY will require warehouse storage space for equipment moved from SUBMEPP. Storage requirement would be combined with the requirement for action 2 resulting in one new facility sized at 35,500 sf.						
Action 2: Material Storage Facility	4411	SF	35,000		Default	\$4,356
Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 9 and 10						
Rationale: NNSY will require material storage, shipping, receiving, packaging and kitting space to support the material requirements associated with the additional workload received. All existing supply support space is required to support the existing workload.						
Action 2: Renovate Building 1575	6100	SF		20,000	Default	\$1,000
Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 8 and 9						
Rationale: Renovation of bldg. 1575 space is required for admin space to support relocation of personnel to NNSY.						
Action 2: Renovate Building 369	6100	SF		50,000	Red	\$7,500
Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 8 and 9						
Rationale: Renovation of bldg. 369 is required for admin support of personnel relocated from PNSY to NNSY. Cost of \$150 per SF is used due to the condition of the space. Access elevators are already in place. The space was previously used for admin and training.						
Action 2: Renovate Building 163	6100	SF		133,817	Red	\$20,000
Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 8 and 10						
Rationale: Renovate the bldg 163 loft space for waterfront support space for engineering and project teams to support waterfront work.						
GRAND TOTAL						\$32,918

CHART 3: (All costs for this chart can be found in [www.defenselink.mil/brac/](http://www.defenselink.mil/brac/) Then go to Scenario Data Calls/Department of the Navy/Redacted Scenario Data Calls-Final Certified Answers ZipFile (53.4MB))

	2006	2007	2008	2009	2010	2011	TOTAL
<b>NAVSHIPYD NORFOLK:</b>							
One-Time IT Costs	\$0	\$4,100	\$485	\$0	\$0	\$0	\$4,585
Action 11 - NMCI Buildout NMCI Seats \$485 Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 12							
Action 2 - NMCI Buildout \$4,100 Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 12							
Misc Recurring Costs	\$5,261	\$85,344	\$0	\$0	\$0	\$0	\$90,605
Source: Redacted Scenario DON-0133 - NAVSHIPYD Norfolk VA, Page 12							
<b>NAVSHIPYD PUGET SOUND:</b>							
Misc Recurring Costs - Pers Attrit/Training	\$0	\$5,300	\$0	\$0	\$0	\$0	\$5,300
Source: Redacted Scenario DON-0133 - NAVSHIPYD Puget Sound WA, Page 9							
<b>GRAND TOTAL</b>							<b>\$100,490</b>

**Bradley**  
**(Cost of Reconstitution)**

SMV

**Statement by Rep. Jeb Bradley  
Testimony before the BRAC Commission  
July 6, 2005**

Good Afternoon. I represent New Hampshire's First District. Commissioners, I would like to highlight the risks and costs related to the irreversibility of a closure decision.

If our nation's defense requires more submarines or just maintaining the current number, re-creating Portsmouth would be cost prohibitive. First, are the impediments of establishing a nuclear permitted facility in any community. Second, land values and coastal development make it exceedingly difficult and expensive to establish deep water nuclear facilities. Third, there are long training times for scarce nuclear skilled laborers.

The cost of building new dry-docks must also be considered. The most recent study of the construction a new dry-dock estimated the cost to be \$400 million. If necessary, what would the costs be to construct a single dry-dock in 2015, or in 2025?

The BRAC analysis does not take these considerations into account in its narrow mandate to achieve quick savings on paper. The fact that a shipyard is nearly impossible to reconstitute creates an additional pressure on the analysis related to base closure – the cost of reconstitution. Insufficient maintenance capability will result in a reduction of submarine force readiness. Thus, the cost pressure of reconstitution will stifle our future

submarine force, and cripple our capability to maintain it if we close Portsmouth Naval Shipyard.

Fundamental to the BRAC criteria is the maintenance of bases and facilities that are impossible to reconstitute in order to meet current or future military needs. Therefore, a Portsmouth closure substantially deviates from Criteria 1, 3, and 5. The Portsmouth Naval Shipyard, a nuclear licensed facility, is irreplaceable. The threats to our nation remain and require a strong and vibrant Navy. Thank you. Let me introduce Governor Baldacci.

# The Cost of Reconstitution

- ❑ Costs of building a new dry-dock are prohibitive
- ❑ Unquantifiable Social and Political impediments to new nuclear facilities
- ❑ Coastal and harbor development makes suitable locations with suitable infrastructure increasingly difficult and expensive
- ❑ Lengthy training/development requirements and scarcity of technical workforce

**O'Connor**  
**(Labor/Management)**

AMV

**Statement by Paul O'Connor  
Metal Trades Council  
Before the Base Realignment and Closure Commission  
On Portsmouth Naval Shipyard Workforce  
Boston, Massachusetts, July 6, 2005**

I am Paul O'Connor, President of the Metal Trade Council, representing the Portsmouth Naval Shipyard workforce.

As stated, our efficiency relates directly to military value.

Our unrivaled performance has established benchmark standards unattained by others within the "One Shipyard" corporation. We continue to innovate and create work practices that further enhance our capabilities, verifiable by the fact that we consistently exceed our own standards. We continually raise the bar.

At the heart of our performance is the Labor/Management relationship, the catalyst for change at Portsmouth. For more than a decade, we have molded relationships of trust between Labor and Management. What began as individual relationships has evolved into a cultural metamorphosis.

Today, Labor is woven into the shipyard fabric, an integral element of our shipyard leadership. Through this relationship, our workforce is more focused on the mission. Through dialogue, our workforce understands exactly what we are trying to achieve and exactly how we are trying to get there. So much more is achievable when trust and understanding form the bedrock.

The Portsmouth Naval Shipyard culture which has taken years to cultivate, could not be replicated at other shipyards simply by sprinkling meager numbers of our workforce around the country. If creating this culture were easy, it would have been done everywhere else by now. It hasn't. You can transfer the billets but not the culture.

If our shipyard closes, our Navy will lose its most critical asset and resource. We lose the inventive nature of our cultural experience and the transformational thrust that we provide, when it is so desperately needed. The result: diminished fleet readiness and higher costs.

Failure to account for the "Portsmouth Culture" constitutes substantial deviation from criterion 1 and criterion 4.

**Baldacci**  
**(Environment)**

DCN 5025

EMERY

TESTIMONY OF  
JOHN ELIAS BALDACCI, GOVERNOR  
STATE OF MAINE

To the

BASE REALIGNMENT AND CLOSURE COMMISSION

DEFICIENCIES OF NON-RADIOLOGICAL  
ENVIRONMENTAL COST ANALYSIS FOR  
PORTSMOUTH NAVAL SHIPYARD

Mr. Chairman, Members of the Commission, good afternoon, I am Governor John Baldacci of Maine. I appreciate the opportunity to speak with you about an issue that is of significant importance to the citizens of both Maine and New Hampshire. I also appreciate the time and care you have taken in visiting the affected facilities.

The Portsmouth Naval Yard is one of oldest industrial facilities in the State of Maine. You would therefore expect to find a history of environmental contamination issues. There is a budgeted plan in place that provides \$94 million, provided over several years, to initiate this clean-up. According to DoD's Base Closure and Realignment Report, there remains a need for an additional \$47.1 million in Defense Environmental Restoration Account (DERA) costs. My Commissioner of Environmental Protection has determined that there is at least an additional \$100 million in further non-radiological, environmental compliance and clean-up costs that would be incurred to comply with legal requirements before transfer of the facility for re-use.

Regardless of the final dollar amount, the BRAC report states these costs are not included in the total for all closure costs because they would need to be expended whether the shipyards closes or not. This assertion is inaccurate and misleading at several levels. DERA costs will be significantly affected by a closure in at least three ways:

• The cleanup of these sites will be accelerated to complete the cleanup in compliance with the BRAC schedule versus what would occur without closure. **Based on Maine's experience with significant environmental clean-up projects including experience with military facility closures, we estimate additional costs of between \$11.8 and \$23.5 million due to this factor alone.**

• The DERA estimates provided by DoD underestimate and in some cases do not account for cleanup costs required under the federal Resource Conservation and Recovery Act (RCRA) and Maine law to fully remediate environmental hazards at the Portsmouth Facility. **We estimate that these additional remediation costs amount to \$29.9 million to \$32.1 million.**

• Finally, clean up of a site under Comprehensive Environmental Response Compensation and Liability Act (CERCLA) is a public process involving not only the US Environmental Protection Agency (EPA), the Maine Department of Environmental Protection (DEP), and the property owner (the Navy) but also stakeholders from the community, from the state and local government. The State of Maine, representing these stakeholders, will require more thorough and expansive measures from a property owner who is closing and leaving a site whose future best use is likely to be, at least in part, for activities other than heavy industry. **Based on a review of DoD analysis and Maine's own experience we estimate this additional cost at \$30.6**

million. In addition, further characterization studies, already legally required, are estimated at \$5.2 million while the costs of maintaining the facility safely during the closure process will add \$31.2 million to the total closure costs.

It is also important to note that prior national experience has shown DERA costs to be chronically underestimated. Environmental cleanup costs following closure of the nearby Pease Air Force Base and at the Mare Island, CA nuclear shipyard dramatically exceeded original estimates. The current estimated "cost to complete" clean up at Mare Island now stands at \$225 million while at Pease \$135 million has been spent on clean up to date with an estimated \$46 million required for completion. Based on this experience, it is not unreasonable to assume that DoD estimates of environmental clean-up at the Portsmouth Naval Shipyard are unrealistically low in ways that are not captured in the preceding analysis.

For all of these reasons, the \$47 million DERA estimate is substantially flawed. It cannot be separated from assumptions on which it is based. Furthermore, the cost of closure should include the full cost of closing the facility including DERA costs as adjusted above, for determining whether a particular closure proposal saves money within the required timeframe. It is important to note these costs are based on the officially identified environmental clean up sites and existing legal requirements.

BRAC selection criterion 8 requires DoD to consider the "environmental impact, including the impact of cost related to potential environmental restoration, waste management, and environmental compliance activities." Yet DoD effectively evaded this criterion by applying an unrealistic environmental standard (DERA) to a nuclear shipyard that does not align with the plausible equivalent end-use (mixed industrial, commercial and residential).

They compounded the error by dropping environmental costs from the payback consideration, even though the law requires the Department to consider them. DoD's rationale is as follows: "Because the Department has a legal obligation to perform environmental restoration regardless of whether an installation is closed, realigned, or remains open, the cost is not included in the payback calculation."

In practice, there is great difference in whether a base remains open or is closed pursuant to BRAC. If the property remains a DoD base, environmental costs are typically recorded in DoD's annual financial report as a financial liability. These liabilities are rolled over from year to year; if there is no money in the services' budgets to do cleanups, they are not performed. However, if a base closes, DoD has a strict liability on environmental damage that ordinarily must be liquidated at the time of property transfer to a third party. That is why it makes sense to count the cost of environmental impact at a closing base. These are hard costs which,

taken together with other errors previously discussed by this panel, will eliminate the projected savings over the time horizon used in the BRAC process.

I have attached a summary table to this testimony outlining the additional costs discussed above. I have also supplied to your staff with a memorandum from the Commissioner of the Maine DEP which provides a review of the DoD analysis of environmental clean-up costs.

I appreciate the opportunity to speak with you today and urge you to apply the standards for the BRAC process rigorously and fairly. I believe that you will conclude that the omission of these costs represents a substantial deviation from criterion number eight and that the proposed closure is inappropriate and not in the national interest.

**Summary of Environmental Compliance Closure Costs Underestimated or Not  
Accounted for in BRAC/COBRA analysis  
(millions \$)**

Description of Expense Remedial Costs	DOD accepted costs for future work	Costs not accounted for in COBRA
DOD's Cost to Complete as of 2003	\$47.1	\$0
Increased cost of stringent standards	\$0	\$30.6
Cost to accelerate cleanup	\$0	\$11.8 - \$23.5
EBS/FOST	\$0	\$5.2
<b><i>Remedial Subtotal</i></b>	<b><i>\$47.1</i></b>	<b><i>\$47.6 - \$59.4</i></b>

Description of Expense RCRA Costs	DOD accepted costs for future work	Costs not accepted in COBRA
Haz Waste Storage Facility Closure	\$0	\$2.9 - \$3.1
Generator Closure	\$0	\$23.0
Tank Farm Investigation	\$0	\$ 1.0 - \$2.0
Tank and Equipment Survey	\$0	\$ 1.0 - \$2.0
PCB Investigations	\$0	\$2.0
<b><i>RCRA Costs Subtotal</i></b>	<b><i>\$0</i></b>	<b><i>\$29.9 - 32.1</i></b>

Description of Expense Heat & Power	DOD accepted costs for future work	Costs not accepted in COBRA
Heating and Power Plant -- facility operations & maintenance during closure \$4,650,000 -- 5 years	\$0	\$ 4.6 per year
Security during clean-up period and related O & M	\$0	\$8.0
<b><i>Heating and Power Plant Subtotal</i></b>	<b><i>\$0</i></b>	<b><i>\$31.2</i></b>

<b>TOTAL Environment Closure Cost not accounted for in COBRA Analysis</b>	<b>\$47.1 accepted by DoD</b>	<b>\$108.7 - 122.7 in environmental costs in immediate future due to closure <u>plus</u> \$47.1 accepted by DoD</b>
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Source: Maine Department of Environmental Protection, 2005

Lynch  
(Economic Impact)

AMIRYS

**Governor John Lynch  
Testimony on Economic Impact Before the BRAC Commission  
July 6, 2005**

Chairman Principi, members of the Commission, I am Governor John Lynch of New Hampshire.

The Portsmouth Naval Shipyard has been a vital and integral part of New Hampshire and Maine's economies, and a vital and integral part of our nation's defense, for more than 200 years.

As part of the BRAC process, the Department of Defense is charged with looking at several criteria, including the economic impact on the surrounding community. In the case of the Portsmouth Naval Shipyard, the DOD substantially deviated from that criterion by completely ignoring the impact on the State of New Hampshire.

In outlining job losses and gains by state, the BRAC report actually stated that New Hampshire was in the "win" column, with a gain of four jobs. Nothing could be further from the truth. New Hampshire will actually lose nearly 2000 jobs.

DOD deviated from its obligation to judge the economic impact on the community and instead chose the Portland-South Portland-Biddeford, Maine county-based metropolitan statistical area as the Region of Influence. This area accounts for only 57 percent of the Shipyard's workers.

Of the three Maine counties included in the DOD analysis, only one, York, had a significant population of Shipyard workers.

Only one percent of Shipyard workers live in the other two Maine counties DOD included in its economic analysis. At the same time, DOD completely ignored New Hampshire – where 40 percent of civilian workers reside and where the Shipyard is one of the state's top 10 employers.

DOD considered the economic impact of the closing on communities 100 miles away, but ignored the impact on communities two miles from the Shipyard's gates. That defies common sense, and ignores the charge to the DOD under the BRAC process.

By spreading its analysis over this large area in Maine, and excluding the effect on New Hampshire, the Department of Defense distorts and minimizes the true economic impact.

If we look at actual 2004 employment and payroll data from the Shipyard, Maine and New Hampshire together will lose more than 5,000 direct jobs and nearly 12,000 total jobs – not the 9,166 jobs DOD predicts.

If the Shipyard closes, the unemployment rate for many communities surrounding the Yard will more than double.

The loss of 12,000 jobs will be nothing less than a federally induced recession, one that our region and our workers would not recover from quickly. The highly specialized skills of these workers are unmatched, but are not easily transferable to other industries – even if there was an industry in New Hampshire and Maine that was capable of absorbing so many workers.

Even in the rosiest of scenarios, the Shipyard will not be converted to civilian use for a number of years, if at all, something DOD also did not consider.

DOD also does not consider the very real difference in the economic impact of closing a military base versus closing this Shipyard, where most jobs are civilian and most workers are local. The Government Accountability Office, however, has looked at that difference from previous BRAC rounds. Those bases that employed more than 3,000 civilians on average recovered only 43 percent of the jobs lost after an average of nearly 13 years.

In addition to ignoring the job losses in New Hampshire, the DOD analysis is flawed because it looked only at jobs. In considering the economic impact, DOD did not look at the multiplier effect on the economy from the loss of so many jobs, the loss of other business activity, the loss of tax revenue, the drop in real estate values, and the increased cost of unemployment benefits and social services.

The economic impact model the DOD used is too simplistic for the purpose and inadequate for a true evaluation. It fails to recognize the fundamental differences between a shipyard and other types of military bases; it assumes that a region established solely for statistical purposes can adequately define the economic sphere of the Shipyard; and does not use actual data on purchases to model the Shipyard's spending in the region.

By failing to even consider the job losses in New Hampshire, by neglecting to consider the fundamental difference between a shipyard and other types of military base, by using inaccurate payroll data, and by failing to consider the numerous other economic costs of the Shipyard's closure, the Department of Defense substantially deviated from the requirement that it consider the economic impact of closure on a community.

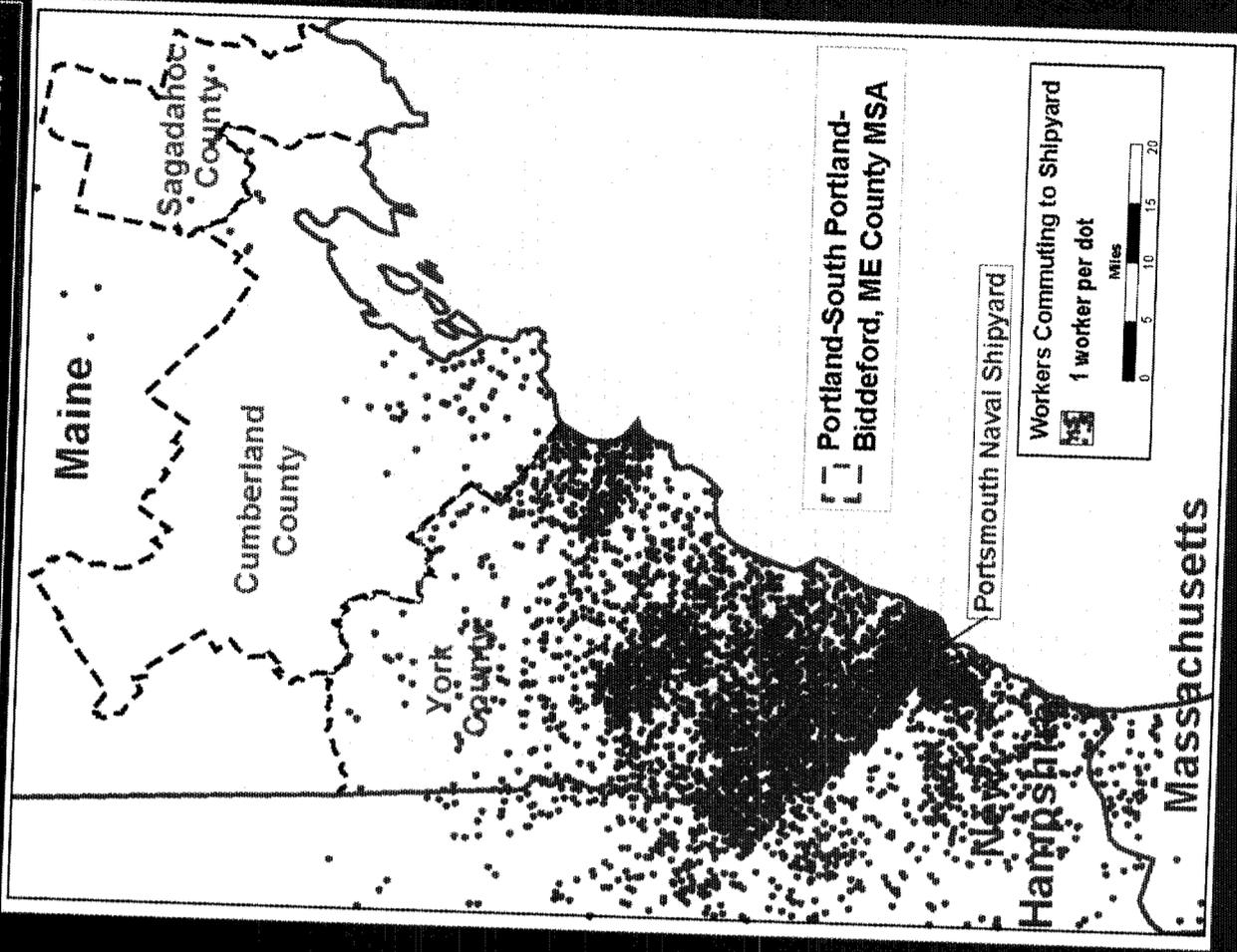
I respectfully ask you to consider this substantial deviation, along with the other information so ably presented by other members of the panel, in your deliberations.

Thank you.

## DOD did not get the Region of Influence (ROI) right —

- Just 1% of Yard's civilian workers live in Cumberland and Sagadahoc Counties combined.
- 55% live in York County
- 39% in New Hampshire

Patterns of Commuting to the Yard Show the Portland-South Portland-Biddeford, ME (County) MSA to be a Poor Fit



DCN: 5025

Gregg  
(Closing)

AMV

**Sen. Judd Gregg**  
**Closing Statement on Portsmouth Naval Shipyard**  
**July 6, 2005**

Thank you, ladies and gentlemen. We appreciate your attendance and we appreciate that you focused on the facts.

The Panel today has addressed the base closure criteria. We stuck to the issues and we stuck to the facts. We have shown, in what we believe to be an incontrovertible way, that the Navy substantially deviated from criteria No. 1, No. 2, No. 3, No. 4, No. 5, No. 6, and No. 8.

Portsmouth Naval Shipyard is not an air base. This is not an artillery range. This is a unique facility within the Defense industrial establishment. It is a facility where the work is to overhaul ships – specifically nuclear submarines. If it is closed, you cannot replicate it. If it is closed, the people who work there will not move – they are not transferable. They are not airmen. They are not artillery officers or soldiers. They are not support military. They are private citizens, and they will not move on. So when and if this base were ever closed, it would be lost forever.

In this instance, this Commission has a much higher burden to deal with than in other instances because of the uniqueness of the facility.

I will leave you with two charts. There were many good charts presented today pointing out substantial deviations, but I will leave you with two.

The first is the chart that Mr. Donnell showed, which reflects the fact that the Navy, if it closes Portsmouth, cannot put into the water the ships it needs to protect America because it will not have the drydock capability, to say nothing of the fact it will not have the expertise which is so unique to Portsmouth and which are so much stronger than in any other shipyard. This speaks directly to criteria 1, 2 and 3, which involve the ability of bases to support mission requirements and readiness.

We know that if Portsmouth closes, ships will be in the water later, and they will cost more to get into the water. We, as a result, will be a Nation with less national defense in a crucial area – our submarine warfare capabilities.

The second chart I show you illustrates the issue of cost. One of the key purposes of BRAC process was to save money for the American taxpayer. Criteria 4 and 5 are directly based on that; 6, 7, and 8 also involve cost. What we have established beyond any question is that closing Portsmouth does not save the taxpayer's money. Instead it costs the American taxpayer money. There are a lot of reasons for that, and they have been highlighted quite effectively here, but the most significant reason is this: this shipyard consistently puts boats back in the water ahead of schedule and under cost – dramatically under cost compared to other yards. The yards left to do this work will cost the Navy a great deal more, and as a result, the Navy cannot justify the closing of this yard on the basis of cost.

So regrettably, especially because we find ourselves here today, but regrettably, the Navy has erred substantially. They have made a colossal mistake. They have substantially deviated from the criteria of military

value, of cost savings, and most importantly, if this base is closed, America and our national defense will be fundamentally harmed.

Thank you very much for your attention.

## 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

**CONFLICT**

**Conflicts in Dry Dock Usage  
with Portsmouth Closure**

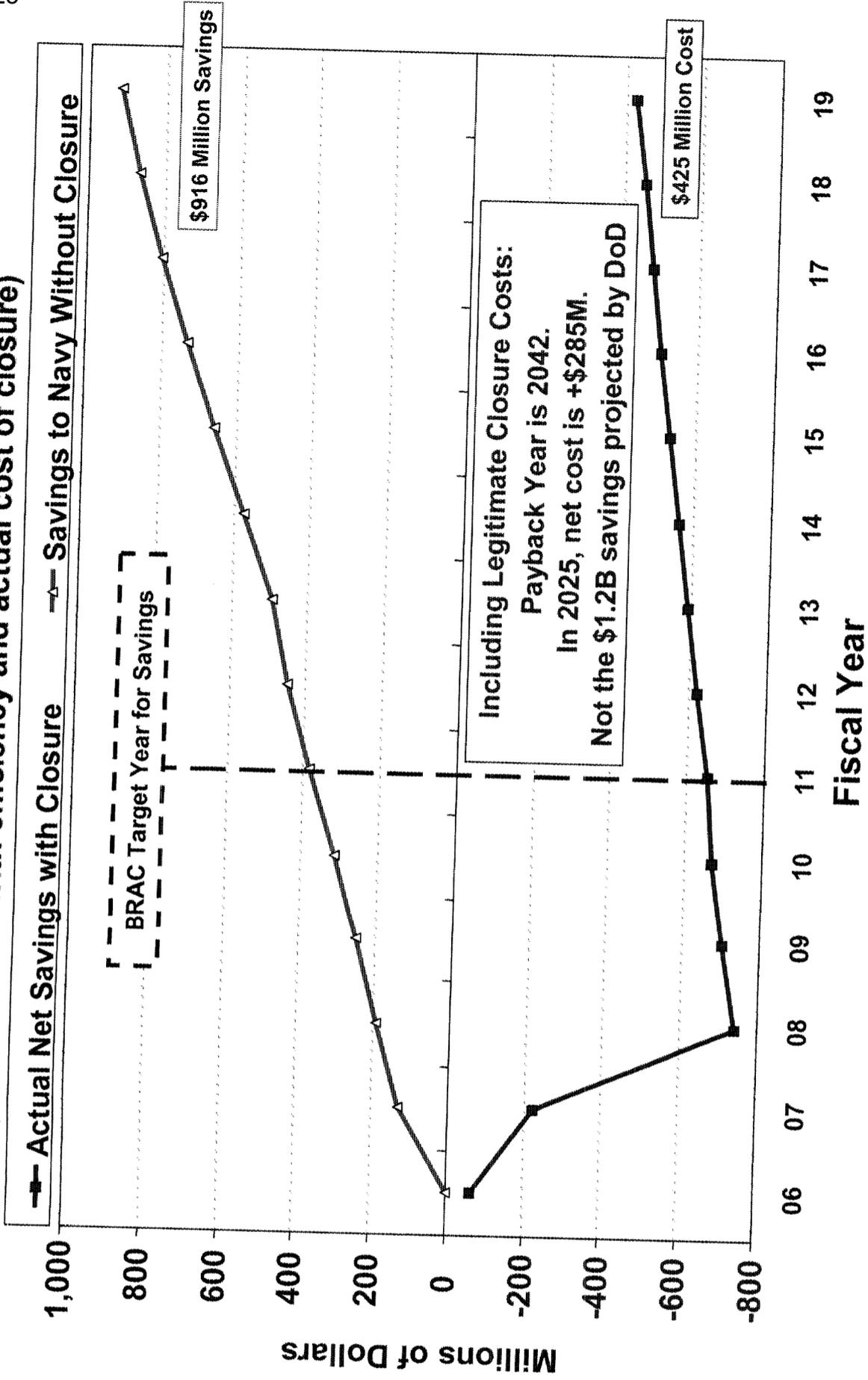
**CONFLICT**

DRY DOCK	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
<b>NORFOLK</b>	2	DSRA, DRA	DSRA, DRA, DRA	DSRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA
	3	DSRA, DRA	DSRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA
	4	DSRA, DRA, DRA	DSRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA
	8	DSRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA							
<b>PUGET</b>	1	DSRA, DRA, DRA	DSRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA
	2	DSRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA							
	5	DSRA, DRA, DRA, DRA	DSRA, DRA, DRA, DRA, DRA							

**CONFLICT**

# Projected Savings Calculations

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



**Portsmouth Open Equals Greatest Savings to Navy**