

Davis, Anne R. SES DASN(ISA)

From: Cincotta, Steven J CDR BRAC
Sent: Tuesday, August 16, 2005 11:24 AM
To: Fairbairn, Edward J. CDR BRAC CP6,9,900,67; Biddick, Dennis CIV
Subject: FW: questions for the record



question6.doc

-----Original Message-----

From: Michael J Kennedy [mailto:KennedyM@GAO.GOV]
Sent: Tuesday, August 16, 2005 11:13
To: Cincotta, Steven J CDR BRAC
Subject: questions for the record

Commander

See answer to question: We ran a sensitivity analysis to show the impact of one time milcon costs and less medical personnel reductions.

Mike

On June 6, the Connecticut delegation testified that the Navy's cost estimate for moving the Submarine School to Kings Bay was understated. For example, they testified that: The Navy's school construction cost of \$211 per square foot is not consistent with recent experience averaged at \$325 per square foot - a \$47M difference; the Navy did not factor in the cost of reassembling and testing the submarine trainers - a \$31 million difference; the Navy did not factor in the 20 per cent additional costs associated with building on the unstable soil of Kings Bay - a \$30 million difference; and the Navy did not consider the costs of additional family housing units.

Question: Was the GAO able to verify the accuracy of the Navy's cost estimates of moving SUBSCOL in light of these discrepancies?

Answer: We verified that the Navy used standard cost factors in the COBRA model in completing its cost analysis. The Navy used a standard factor (\$211 per square foot) to estimate military construction costs for an instruction building at Kings Bay. The Navy analysis did not consider any additional cost factor based on unstable soil conditions. The Navy analysis did include an estimate of about \$18 million to disassemble, pack, ship, and reassemble trainers based on the recent experience of moving a trainer from New London, Connecticut, to Bangor, Washington. Given the questions that have been raised about the completeness of the Navy's cost estimates, as noted above, we completed a sensitivity analysis, assuming \$108 million (\$77 million for military construction and \$31 million for moving) in increased costs, as well as considering the impact of 214 fewer military positions being eliminated. Our analysis showed that the 20-year net present value savings decreased from \$1.6 billion to \$1.2 billion and the payback period increased from 3 to 4 years.

We should emphasize, as noted in our July 1 report, that cost and savings estimates produced at this point using the COBRA model represent estimates based largely on standard factors and other data that are useful for comparing competing alternatives. However, as we have pointed out in the past, the COBRA analysis does not provide budget quality data—that level of granularity comes later, as BRAC decisions are finalized and detailed implementation plans are developed.