

SUBASE New London BRAC Commission Briefing

COBRA Model Analysis

08/02/2005

COBRA Model Analysis Overview

- One-time military construction costs underestimated by at least **\$269m** *
- Recurring personnel savings overstated by **\$84m/yr**
- One-time moving costs understated by **\$31m**
- Recurring other unique costs underestimated by **\$42m/yr**
- Recurring overhead cost **\$50m**

COBRA Model Analysis

One Time Costs

- Submarine School training facilities - \$47m
 - Navy used cost of \$211/sf should be \$325/sf
- Kings Bay Pier Construction - \$10m *
 - COBRA model uses cost of \$14m
 - Pier cost per FPG \$24m
- Kings Bay Soil Conditions (FEMA) - \$30m
- BEQ/Housing/Footprint - \$128m
- New drydock-NFLK (\$93m-\$39m) - 54m *
- Installation/relocation costs - \$31m

COBRA Model Analysis

Recurring Savings

- Personnel savings overstatement - **\$84m/yr**
 - COBRA eliminated 1,560 billets for \$169M/yr savings
 - Reduction overstated by approximately 780 billets
- Examples:
 - 533 medical billets serve 8,045 personnel at NLON
 - 62 are to be relocated to service 6,485 (\$37m savings)
 - GAO found reduction overstated by 214 billets (\$18m costs) *
- COBRA omitted NLON retiree medical costs
 - NAVY BRAC agreed to TRICARE increase of \$5m *

COBRA Model Analysis

Recurring Savings (Con't)

- BOS algorithm overstates savings (\$15m) *
- Eliminated 1,188 actual billets and \$12m non-payroll
- Added 283 billets at KB and Norfolk and \$15m non-payroll BOS (+\$3m non-payroll delta=50 billets)
- Per Navy analysis, BOS costs are 50% fixed, 50% variable. 594 billets should be relocated
- NLON could outsource military BOS billets as done at KB (\$17m) *
- 451 military = 372 civilians due to 33 hour work week
- Save \$39m, cost \$22m net savings = \$17m

COBRA Model Analysis

Recurring Savings (Con't)

- BRAC double counts previously reported *
Chief of Navy Installations (“CNI”) billet
reductions
 - 1,223 non-medical billets per COBRA, 994 as
of today (\$19M)
- Further reductions at NLON anticipated *
through 2011

COBRA Model Analysis

Other Unique Costs

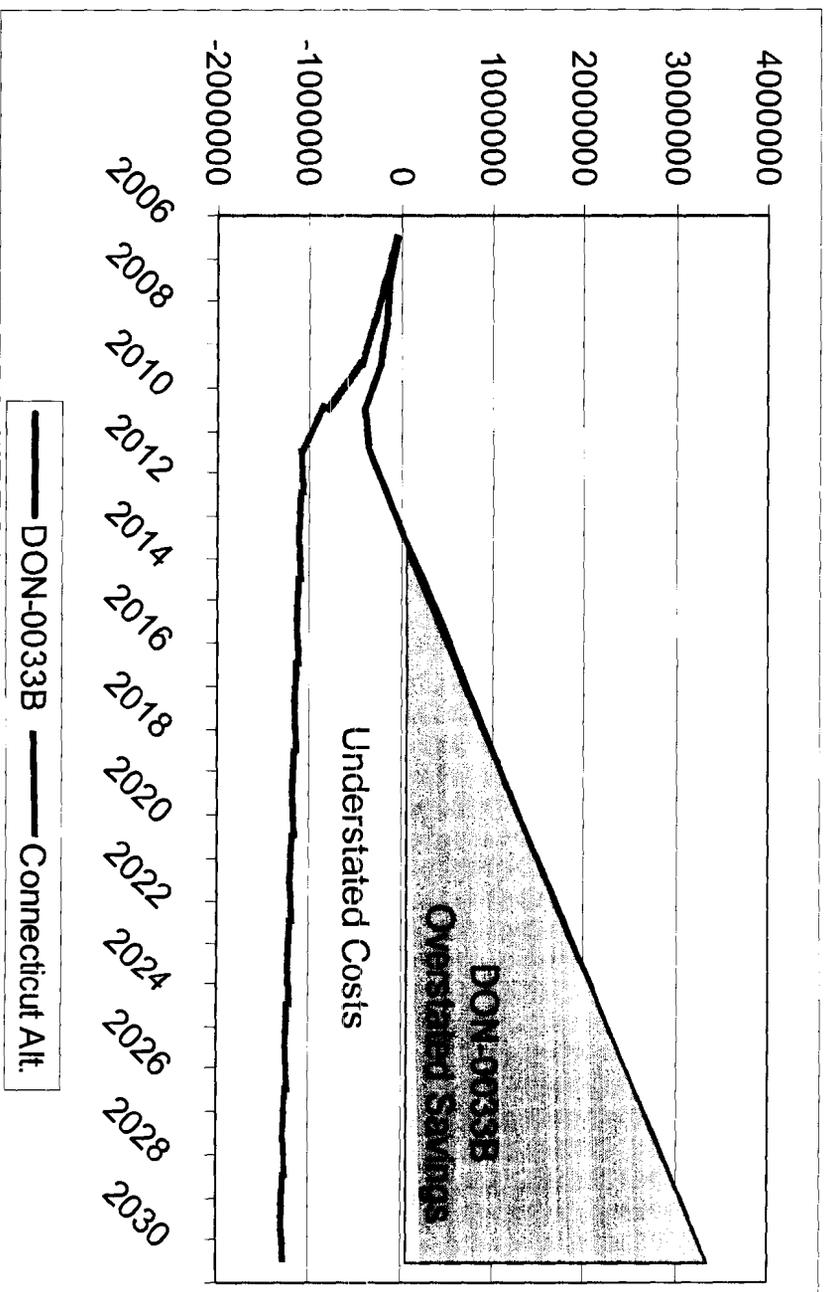
- Contractor cost savings overstated - **\$42m/yr**
- Savings are a result of:
 - Headcount reduction (438 at NLON vs. 143 KB/NFK)
 - Wrong because no change in sub maintenance workload
 - Comparing actual savings to COBRA model defaults
 - Actual NLON Savings = 438 contractors at \$114k (\$50m)
 - COBRA Default Costs =143 civilian government employees at \$60k (\$8m)
- Norfolk actual data call requested 207 billets at *
\$174k (\$36m) - - - this submission was ignored

COBRA Model Analysis

Recurring Overhead Costs

- Approximately \$50m in overhead costs would be applied to new construction with the loss of overhaul and repair volume

Comparison of Potential Savings Analysis



SUBASE New London COBRA Adjustments

NAVY TOTAL	\$680
Sub School Training Facilities	\$47
Navy used cost of \$211/sf should be \$325/sf	
Kings Bay Pier Construction	\$10
COBRA model uses cost of \$14 million	
Pier costs per FPG is \$24 million	
Kings Bay Soil Conditions (FEMA)	\$30
Additional Housing & BEQ Costs at Kings Bay	\$100
New Dry-Dock @ Norfolk	\$54
Dry-dock will not be moved from Washington	
Added Installation/Relocation Costs	\$31
Environmental	\$125
TOTAL	\$1,077

Navy Total	\$ 193
Billet Savings	\$ (84)
COBRA omitted NLON retire medical costs (\$5M)	
BOSS Algorithm overstates savings (\$15M)	
NLON could outsource military BOSS Billets (17M)	
Double counting of CNI Billet reductions (\$18M)	
Contractor Costs savings overstated	\$ (42)
Additional EB Overhead Costs	\$ (50)
TOTAL	\$ 17

SUBASE New London COBRA Scenarios

#	Scenario	One-time (costs)	Net implementation (costs) or savings	Net annual recurring savings	Payback Period	20-year net present value
1	BASE CASE: DON-0033B	\$ (679.6)	\$ (345.4)	\$ 192.8	3 years	\$ (1,576.4)
2	Corrects DON-0033B for the number of contractors eliminated and the number of DOD personnel added in Norfolk and Kings Bay. Also adds \$133 million in construction for KB Pier, Submarine School and environmental costs	\$ (809.1)	\$ (71.2)	\$ 37.7	30 years	\$ 273.7
3	Identical to Scenario 2 with additional \$80 million in one-time costs for 800 housing units in Kings Bay and \$125 million for environmental remediation at SUBASE New London	\$ (1,077.0)	\$ (917.4)	\$ 37.7	46 years	\$ 455.8
4	Identical to previous scenario plus additional miscellaneous recurring costs of \$50 million per year to reflect increased EB overhead that will be charged back to the Navy	\$ (1,077.0)	\$ (1,067.4)	\$ (12.3)	Never	\$ 1,080.2