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Advanced Management Program

INSTALLATION MANAGEMENT
IN DOD

JUNE 21, 2002

ISSUE

The current approach to installation management within the DoD results in costly inefficiencies. All military components have very similar requirements for managing installations, yet each component maintains its own bureaucracy for this purpose. The duplication inherent in this approach becomes especially obvious when looking at a given geographical region that contains a number of Air Force, Army, Marine Corps and Navy installations in relatively close proximity, such as southern California or the southeastern US. While there may be some regionalization of services within the same military component in these areas, for the most part each installation maintains its own expensive organizational structure and supplier relationships to provide services that are nearly identical to those of the neighboring installations. With a DoD installation management budget of \$14 billion in FY02 (Appendix), clearly the potential savings that could be achieved by reducing the redundancies in common services and leveraging suppliers is significant. The bottom line would be a higher tooth-to-tail ratio.

PROPOSAL

There are several ways that the service components could share common services. In this paper we will present three options and discuss the pros and cons of each approach. The options are:

1. The installations within a geographical region would use Inter-Service Support Agreements (ISSA) or Memorandum of Agreements (MOA) to provide each other services and share suppliers.
2. The installations within a geographical region would use a matrix approach where installation commanders would also be responsible for managing one of the common services for all of the installations within their region.

3. A third party would assume responsibility for managing all DoD military installations.

The first option, using ISSAs and MOAs, would create a loose federation of installations that would operate as they do today but would eliminate a number of functional and contract duplications by establishing mutually beneficial agreements for providing services. Functions like housing, utilities and environmental would lend themselves well to this approach. An example would be an ISSA between MCAS Beaufort and the Naval Region Southeast that would give responsibility to one of the organizations for managing and providing utilities for both. Additional efficiencies could be achieved by combining regional requirements into fewer contracts, thus reducing contractual overhead and increasing buying power with vendors. This scenario promotes economies of scale while it maintains the independent status of the individual installations. This approach could be implemented quickly and would require the least amount of organizational change; however, it would offer less potential savings than options 2 & 3.

In Option 2 the commander of an installation would also assume responsibility for one of the major service functions common to all of the installations in that geographical area. That commander would be charged with assuring that each installation received the same level of service in the most efficient and effective manner possible. This matrix option would allow greater specialization in services provided, which would enhance efficiencies and simplify a commander's installation management responsibilities. Since this scenario requires a large amount of interdependence of the parties, definition of the geographic region is key and mutual agreement among all installations on assignment and acceptance of functional responsibilities would be essential. Potential savings due to consolidation of functional requirements of all installations is greater than Option 1. Interweaving multiple services into a single joint region would be a difficult endeavor, but one from which significant gains in efficiency and effectiveness could be gained.

In Option 3, installation management responsibilities are transferred to a third party. This is the most radical proposal whereby an existing federal agency (e.g., Defense Logistics Agency) or a new joint command (notionally the Defense Installation Management Agency (DIMA)) would be formed to handle all DoD installation management activities, to exclude mission essential operations. Under this scenario, ownership of all installations would belong to DIMA or an existing agency, and that agency would be responsible for efficiently providing high levels of service to all of its customers. That agency could perform the services in-house or contract some of them out, depending on what was the most cost-effective. This option:

- Allows mission commanders to fully concentrate on mission readiness rather than installation management
- Ensures funds are executed as programmed and appropriated
- Enables development of multi-functional installations to support evolving force structure, transformational needs, and potential joint use
- Provides the infrastructure to maintain installation readiness to train, project, sustain, recover, reconstitute, and protect forces

The potential for improved efficiency and cost savings is significant. While a detailed cost-benefit analysis is beyond the scope of this paper, the cost reduction could approach the 30 percent savings achieved through A-76, which would amount to \$4.2 billion of the current \$14 billion annual DoD installation budget. Although this option would require the greatest change to the current structure, the long-term benefits could far outweigh the initial difficulties associated with the change.

RECOMMENDATION

We believe all three of the options presented in this paper offer the potential for significant efficiency improvements and cost savings. However, we think the time is ripe for Option 3. Security requirements and warfare have changed, and our military must adjust to the changes and do so within very tight manpower and budgetary constraints. It must concentrate energies on its core competencies, and installation management is not a core competency of our fighting forces – their mission is to fight and win wars. Our military services have done an admirable job of maintaining our installation infrastructure and providing all of those services a small city would provide its residents. However, it is time to free up our war fighters to do the job our country asks of them, and we suggest it is time for a third party specialist to provide installation management services for the United States military.



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