

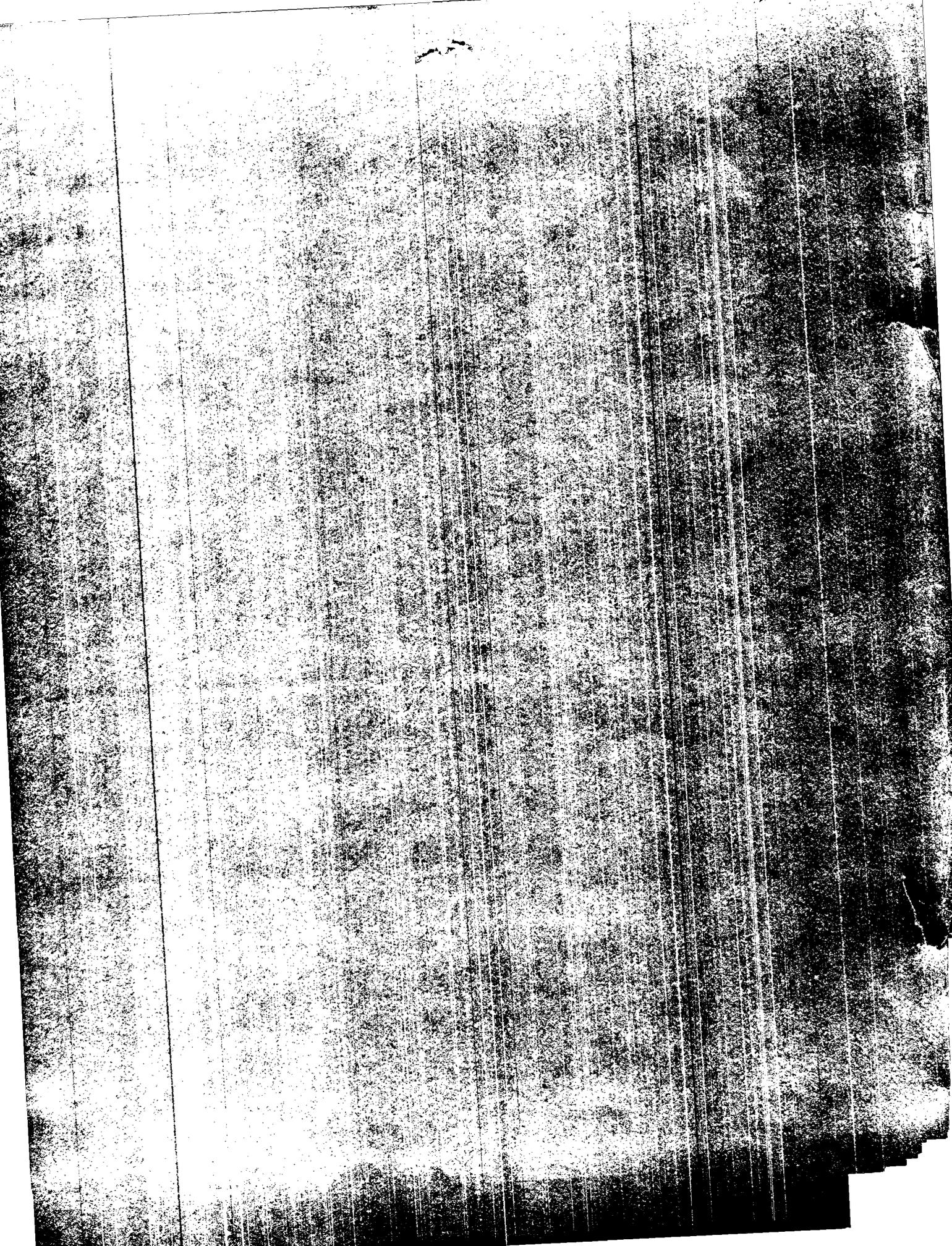


Economic And Logistical Impact  
Resulting From The Announced  
Closure Of Fort MacArthur B-172707

Department of Defense

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

770607/087402 NOV. 7, 1974





COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-172707

The Honorable Glenn M. Anderson  
House of Representatives

Dear Mr. Anderson:

As you asked on February 4, 1974, we are reporting on the economic and logistical impact resulting from the announced closure of Fort MacArthur. As your office directed, we have not presented the contents of this report to the Department of Defense for official comment.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script that reads "James P. Stacks".

Comptroller General  
of the United States

C o n t e n t s

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Letter dated February 4, 1974, from the  
Honorable Glenn M. Anderson, House of  
Representatives

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ABBREVIATIONS

DOD	Department of Defense
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
GAO	General Accounting Office
GSA	General Services Administration
ROTC	Reserve Officers Training Corps

COMPTROLLER GENERAL'S REPORT TO  
THE HONORABLE GLENN M. ANDERSON  
HOUSE OF REPRESENTATIVES

ECONOMIC AND LOGISTICAL IMPACT  
RESULTING FROM THE ANNOUNCED  
CLOSURE OF FORT MACARTHUR  
Department of Defense  
B-172707

D I G E S T

WHY THE REVIEW WAS MADE

GAO was asked to examine the circumstances regarding the announced closure of Fort MacArthur, including:

- Costs and savings involved and transfer of the fort's functions.
- Effect on logistical support of activities supported by the fort.
- Effectiveness of the Army's program for retraining and relocating civilian employees.
- Ability of other agencies and programs to meet medical needs of those served by the fort's medical clinic.
- Availability of alternative services to meet needs of retired military personnel.

FINDINGS AND CONCLUSIONS

On February 4, 1974, DOD announced the closure of Fort MacArthur, effective June 30, 1975. (See p. 1.) On June 18, 1974, the Army announced a modification to the closure plan so that part of the fort would be retained for use by Reserve components and an area support detachment. (See p. 2.)

The Army claims the revised plan will save \$8.6 million annually and result in one-time costs of \$7 million. (See p. 2.)

GAO estimates the revised plan will save only \$220,000 annually, result in one-time costs of \$5.2 million, and produce one-time cost avoidances of \$4.4 million. (See ch. 2.)

GAO estimates the original complete closure plan would have increased annual recurring costs by about \$62,000. (See p. 10.)

The revised plan will decrease support effectiveness by about 25 percent. The eventual complete closure and transfer of the area support detachment to the Los Alamos Armed Forces Reserve Center will decrease support effectiveness from 25 to 50 percent. The original closure plan would have decreased support effectiveness by 50 percent. (See ch. 3.)

The Army justified the decreased support effectiveness on the basis of savings resulting from closure. GAO believes the actual minimal amount that will be saved places a new perspective on the decrease. (See p. 15.)

The Army plans to retrain and relocate civilian employees who lose

their jobs as a result of the closure. At the time of GAO's fieldwork, the program had not been put into action. (See ch. 4.)

Although many federally operated medical clinics are in the Fort MacArthur area, it appears retired personnel and their dependents currently using the fort's clinic will have to rely on the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) for outpatient

services. This will result in CHAMPUS costs of about \$2.1 million once the fort's clinic closes. (See ch. 5.)

There is only one commissary in the immediate area to handle the workload of the fort's commissary, and it will need additional space and staffing to do so. Several post exchanges in the area can assume the workload once the fort's exchange closes. (See ch. 6.)

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**Congress of the United States**  
**House of Representatives**  
**Washington, D.C. 20515**

February 4, 1974

COMMITTEES:  
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CONSERVATION AND THE  
ENVIRONMENT  
MERCHANT MARINE  
OCEANOGRAPHY

Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office  
441 G Street, N. W.  
Washington, D. C. 20548

Dear Mr. Staats:

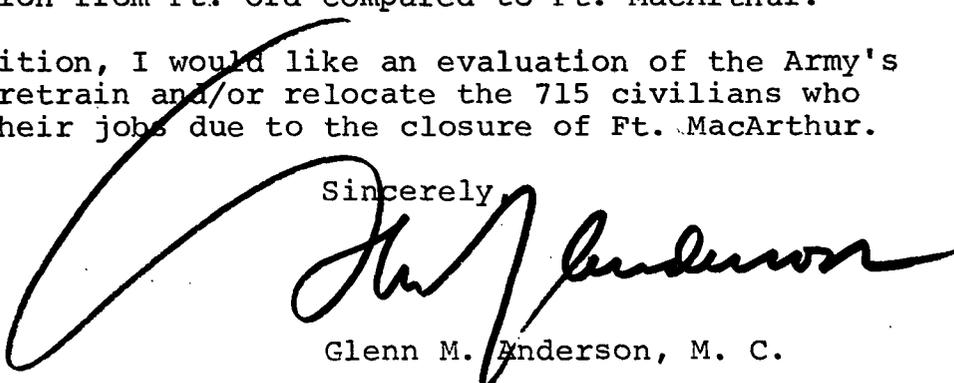
On February 4, the Department of Defense announced its intention to close Ft. MacArthur, California, because "Army Air Defense units and supporting activities located at Ft. MacArthur are being inactivated...."

Thus, the reserve component units and activities which were tenants at Ft. MacArthur will be relocated to the Los Angeles area and the Armed Forces Reserve Center at Los Alamitos, while logistical support missions will be transferred to Ft. Ord, California.

I would like for your organization to undertake an indepth investigation to determine the cost effectiveness of 1) transferring the activities to Los Alamitos; 2) the costs or projected costs of leasing or purchasing buildings to be used by activities formerly located at Ft. MacArthur; 3) the economic feasibility of Ft. Ord providing logistical support for activities formerly supported by Ft. MacArthur, specifically additional travel costs, adequacy of maintenance and repair from Ft. Ord vis a vis Ft. MacArthur, and adequacy of supervision from Ft. Ord compared to Ft. MacArthur.

In addition, I would like an evaluation of the Army's program to retrain and/or relocate the 715 civilians who will lose their jobs due to the closure of Ft. MacArthur.

Sincerely,



Glenn M. Anderson, M. C.

APPENDIX I

Honorable Elmer B. Staats  
February 4, 1974  
Page 2

P. S. I would also appreciate an examination of the ability of other agencies and programs (such as CHAMPUS) in the area to meet the medical needs of those who were formerly served by the medical clinic at Ft. MacArthur, and an evaluation of the availability of other governmental services in the San Pedro area which would be designed to meet the specific needs of retired military personnel.

CHAPTER 7

REAL PROPERTY

At the time of the closure announcement, Fort MacArthur controlled 1,164 acres--960 Government-owned acres, 121 leased acres, and 83 acres of easements. Fort MacArthur officials said there are no restrictions on disposing of the 960 acres owned by the Government.

Fort MacArthur proper consists of 544 acres, with the remaining 620 acres' being used for Nike missile operations. The Army estimates the value of the 960 acres at about \$48 million--\$35 million for Fort MacArthur and \$13 million for the missile sites.

The 960 acres were acquired for about \$1,163,000. Information on the 960 acres owned and the 204 acres involving leases and easements follows.

<u>Activity</u>	<u>Date</u>	<u>Type</u>	<u>Acres</u>		<u>Source</u>	<u>Cost</u>	
Fort MacArthur	1918	Purchase	452		Private owner	\$910,200	
		Public domain	49			0	
		Leased	13		Palos Verdes Corporation	0	
	1973	Transfer	<u>30</u>	544	Navy	<u>0</u>	\$910,200
Nike site 04	1955	Leased	100		Department of Agriculture	0	
Nike site 32	1954	Transfer	227		Navy	58,700	
Nike site 78	1955	Purchase and easement	144		Private owner	66,900	
Nike site 88	1955	Purchase and easement	110		Private owner	26,300	
Nike site 55C	1954	Purchase	4		Private owner	67,500	
Nike site 94 (housing)	1959	Purchase	8		Private owner	33,800	
Nike battalion headquarters	1941	Leased	3		City of Long Beach	0	
Nike aircraft maintenance	1961	Leased	5		City of Long Beach	0	
Nike administration headquarters	1955	Transfer	<u>19</u>	<u>620</u>	Army	<u>0</u>	<u>253,200</u>
			<u>1,164</u>				<u>\$1,163,400</u>

## PHYSICAL PLANT

About 500 buildings totaling about 1,633,000 gross square feet are on Fort MacArthur proper and the Nike sites; about 46 percent of these buildings are permanent, 20 percent semipermanent, and 34 percent temporary. About 33 percent of the buildings have a life expectancy of less than 5 years; the remaining buildings are expected to last less than 20 years.

Fort MacArthur has 74 sets of living quarters: 42 on post and 32 off post. Twelve of the on-post quarters are classified as inadequate. There are also single quarters for 680 enlisted men, 80 enlisted women, and 71 officers. The physical plant is valued at about \$51 million.

## DISPOSAL

Under the original closure announcement, all the fort's landholdings were excess to Army needs. As a result of the near-term modification of the closure, the Army plans to retain about 100 acres for use by Reserve components and the area support detachment. (See ch. 1.)

Under DOD regulations, excessed Army landholdings are screened by the other services. If the services do not need the land, it is reported as excess to GSA.

An Army official informed us in June 1974 that plans had not yet been developed for disposing of the landholdings but that various local governments were interested in obtaining portions of them.

ALTERNATIVE FACILITIES

There is a Navy commissary at Terminal Island, about 5 miles from the fort. It employs 95 civilian and 32 military personnel, is open 5 days a week, and has monthly sales averaging about \$1.3 million. The Navy commissary is the nearest commissary to Fort MacArthur. A Marine commissary at El Toro is about 40 miles away and an Air Force commissary at Riverside is about 65 miles away.

According to our recent surveys of commissary customers and discussions with the Army and Navy commissary managers, approximately 70 percent of the fort's workload will shift to the Navy commissary at Terminal Island. This will increase average monthly sales by \$640,000. Navy officials said the commissary is presently operating at maximum capacity. They believe that the additional workload from Fort MacArthur will require:

- Increasing the staff.
- Increasing the number of days a week that the store is open.
- Modifying and expanding the present store or building a new one.

Although the Navy has not developed official plans or cost estimates for the additional workload, a Navy official estimated that it will cost \$600,000 to alter the commissary. The commissary will also incur increased annual personnel and operating costs of \$749,000. (See ch. 2.)

Several other post exchanges are available for the patrons using Fort MacArthur's exchange.

<u>Location</u>	<u>Miles from fort</u>
Navy, Terminal Island	5
Los Angeles Air Force Station, El Segundo	22
Navy, Seal Beach	22
Air National Guard, Van Nuys	40

The general managers of the Navy, Army, and Air Force exchange systems in southern California advised us that the Navy exchange at Terminal Island will be able to accommodate the fort's patrons. Sales at the Terminal Island exchange are expected to drop by about \$300,000 a month because many unmarried Navy personnel have recently been transferred to San Diego. The exchanges at El Segundo and Van Nuys are being enlarged and can accommodate any customers who wish to use them.

The average cost to the Government in 1974 for an out-patient visit on CHAMPUS in the Fort MacArthur area was \$28.45, while the national average cost for a pharmacy prescription was \$3.93. During fiscal years 1972-73 an average of 64,000 visits were made to the clinic by retired military personnel and their dependents and dependents of active-duty personnel and about 83,300 prescriptions were filled. If all of these individuals become beneficiaries under CHAMPUS once the fort closes and if the level of visits and prescriptions remain the same, the annual cost to the Government would be about \$2,149,000.<sup>1</sup>

Active-duty military personnel who received services at the fort's health clinic and all personnel (active duty, retired, and dependents) who received services at the dental clinic would have to be served by other military facilities at a continuing cost to the Government of about \$815,000. (See ch. 2.)

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<sup>1</sup>In addition, the beneficiaries will have out-of-pocket expenses of the first \$50 and between 20 and 25 percent of the balance of their medical costs.

## CHAPTER 6

### AVAILABILITY OF OTHER GOVERNMENT SERVICES

In addition to medical and dental services (see ch. 5), Fort MacArthur has a post exchange, a commissary, service clubs, shops, a teen club, a theater, and boating and recreation facilities.

The commissary and post exchange are of particular interest to the local military retirees and their dependents. Approximately 42,600 retired military personnel and their dependents live within the San Pedro-Los Angeles support area, as shown below.

<u>Retirees</u>	<u>Number</u>	<u>Dependents</u>	<u>Total</u>
Army	7,200	9,600	16,800
Other services	<u>11,100</u>	<u>14,700</u>	<u>25,800</u>
Total	<u>18,300</u>	<u>24,300</u>	<u>42,600</u>

The commissary provides a full line of groceries, meats, and fresh vegetables at prices averaging 20 percent below the local markets. It is open 6 days a week and employs about 95 people. Its monthly sales average about \$900,000.

Approximately 55 percent of the commissary's sales are made to retired military personnel and their dependents. We estimate that about 10,000 retired military personnel and their dependents use the commissary regularly, averaging about 2 visits per month.

The post exchange complex contains a general store, a clothing store, a country store, a service station, and the following concessions: cafeteria, barber shop, beauty shop, optical shop, and laundry and drycleaning shop. The exchange has about 80 employees, and its sales average \$300,000 a month. Like the commissary, about 55 percent of the exchange sales are made to retired military personnel and their dependents.

	<u>Number of visits</u>	<u>Percent of total</u>
<b>Active duty:</b>		
Army	15,061	
Other services	<u>2,200</u>	
	<u>17,261</u>	24
<b>Dependents of active duty:</b>		
Army	11,710	
Other services	<u>10,980</u>	
	<u>22,690</u>	32
Total	39,951	56
<b>Retirees:</b>		
Army	7,145	
Other services	<u>4,470</u>	
	<u>11,615</u>	16
<b>Dependents of retirees:</b>		
Army	10,408	
Other services	<u>9,688</u>	
	<u>20,096</u>	28
Total	<u>31,711</u>	44
Total	<u>71,662</u>	<u>100</u>

#### ALTERNATIVE FACILITIES

The Government operates 16 outpatient clinics within a 40-mile radius of Fort MacArthur:

- 8 outpatient facilities operated by the Naval Regional Medical Center.
- 1 Air Force clinic at El Segundo.
- 1 Public Health Service clinic at San Pedro.
- 1 naval dental clinic at Terminal Island.
- 5 Veterans Administration outpatient facilities--1 in Long Beach and 4 in Los Angeles.

An Army official said all of these facilities were operating at or near full capacity. He believes that, for most patients currently using Fort MacArthur, especially the retired personnel and their dependents, CHAMPUS will be the only rational alternative once the fort closes.

### CHAMPUS

Persons eligible for CHAMPUS benefits are (1) retired members of the uniformed services and spouses and children of retired or deceased members not entitled to hospital benefits under Medicare<sup>1</sup> and (2) spouses and children of active-duty members of the uniformed services, regardless of whether they, in their own right, are entitled to hospital insurance benefits under Medicare. Active-duty personnel are not eligible to use CHAMPUS.

CHAMPUS is funded through a cost-sharing plan whereby the Government pays a share of the "reasonable" charges for the authorized health benefits. Charges are considered reasonable when they are the same as those charges to the general public. The proportion of the cost borne by the Government varies with the type of beneficiary using the program.

For authorized outpatient care, active-duty dependents pay a deductible each fiscal year. The deductible is \$50 for one and \$100 for two or more beneficiaries. The Government pays 80 percent of the remaining reasonable charges for all authorized care.

The deductible formula is the same for all other persons eligible to use CHAMPUS for authorized outpatient care. However, the Government will only pay 75 percent of the remaining reasonable charges. Retirees and dependents of other than active-duty personnel having other insurance must use those benefits before CHAMPUS can make any payment.

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<sup>1</sup>All beneficiaries other than dependents of active-duty personnel, who at the age of 65 become eligible for Medicare, lose their eligibility for CHAMPUS benefits.

<u>Type of personnel</u>	<u>Number</u>
Active-duty military (stationed in the area)	2,400
Dependents of active duty	<sup>a</sup> 21,400
Retired military (Army)	7,200
Dependents of retired (Army)	9,600
Other retired military and their dependents	<u>25,800</u>
	<u>66,400</u>

<sup>a</sup>The active-duty members related to most of these dependents are stationed out of the area.

Dental care and treatment are provided to active-duty and retired military personnel, but only emergency dental care is provided to their dependents.

As of June 10, 1974, the clinic's work force totaled 161 persons.

<u>Function</u>	<u>Personnel</u>		
	<u>Military</u>	<u>Civilian</u>	<u>Total</u>
Direct patient care	77	23	100
Administrative and management	9	3	12
Medical supply support	3	10	13
Medical service support	3	3	6
Dental laboratory support	0	2	2
Clerical	<u>5</u>	<u>23</u>	<u>28</u>
	<u>97</u>	<u>64</u>	<u>161</u>

#### WORKLOAD

During the 12 months ended March 31, 1974, 71,662 visits were made to the clinic for medical services and 17,133 for dental services. The table below shows the medical service workload.

Number of visits

General	44,138
Specialty:	
Pediatrics	7,934
Optometry	5,882
Gynecology	3,891
Mental hygiene	3,874
Physical examinations	2,423
Dermatology	638
Internal medicine	587
Well-baby care	580
Physical therapy	550
Neuropsychiatry	537
Orthopedic	537
Social work	66
Psychiatry	<u>25</u>
Total	<u>71,662</u>

Approximately 56 percent of the visits were made by active duty military and their dependents and 44 percent by retired military and their dependents.

3. Obtain command support and emphasis for making all in-house resources available to crosstrain personnel whose placement outlook shows a need for retraining.
4. Work with area representatives of California State Department of Human Resources and Development and similar organizations, as needed, to secure their interest and participation in preparing employees with placement problems for new jobs.

At the time of our fieldwork, the program to assist employees was not yet implemented. From February through June 1974, 71 employees obtained jobs with military and Federal agencies. About 65 percent of the new jobs were in the Los Angeles area, and most of them were obtained primarily through the efforts of individual employees.

## CHAPTER 5

### ALTERNATIVE MEDICAL AND DENTAL FACILITIES

At the time of the closure announcement, Fort MacArthur contained a health clinic that provided medical and dental services to active-duty and retired military personnel and their dependents.

A hospital was constructed at the fort in 1917 and was last enlarged in 1942. It operated a 60-bed facility with the capability to expand to 100 under emergency conditions.

On December 31, 1972, the hospital was reduced to clinic status because DOD designated the Long Beach Naval Hospital (now the Naval Regional Medical Center) to provide all in-patient services in the Los Angeles area. The health clinic is authorized 20 beds for holding and/or observing military patients awaiting transfer to a hospital or expecting to return to active duty within 72 hours.

Improvements to the clinic in fiscal years 1973 and 1974 included new buildings to house radiology and pharmacy services; four examination rooms with two physician offices; expansion of the physical examination, immunization, and laboratory facilities; and the modernization of the administration building's interior. These improvements cost over \$517,000.

About 66,400 military personnel (active duty and retired and their dependents) reside within the San Pedro-Los Angeles area and are eligible for treatment at the clinic.

## CHAPTER 4

### PLANS FOR RETRAINING AND RELOCATING

#### CIVILIAN EMPLOYEES

On February 4, 1974, 941 civilian positions were authorized at Fort MacArthur. Of these, 835 were actually filled. The Army estimated in the original closure plan that 620 of the positions would be eliminated. Most of the remaining 321 positions would be relocated to Fort Ord, with some positions being transferred to Los Alamitos and other locations in the Los Angeles area. Under the revised closure plan, the Army estimates that 637 positions will be eliminated (17 more than under the original plan) and 304<sup>1</sup> will be retained for the near term.

The following schedule summarizes the effect of the original and revised closure plans on the authorized positions.

Activity	Authorized positions	To be eliminated			To be retained		
		Original	Revised	Increase or decrease (-)	Original	Revised	Increase or decrease (-)
Garrison (headquarters)	747	485	537	52	262	210	-52
Medical activities	113	94	92	- 2	19	21	2
Communications Command	41	41	8	- 33	-	33	33
Los Angeles Readiness Group	16	-	-	-	16	16	-
63d Army Reserve Command	15	-	-	-	15	15	-
306th Psychological Operations Branch	6	-	-	-	6	6	-
Los Angeles District Engineer	2	-	-	-	2	2	-
Intelligence Unit	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Total	<u>941</u>	<u>620</u>	<u>637</u>	<u>17</u>	<u>321</u>	<u>304</u>	<u>-17</u>

<sup>1</sup>233 positions will remain at Fort MacArthur; fort officials estimate that 72 additional positions will be abolished when the fort is completely closed.

DOD regulations require that employees whose jobs are eliminated as a result of base closures be given priority rights to other vacant positions in DOD and in other Federal agencies. The regulations also require that employees be given assistance in locating jobs in private industry. For employees whose jobs are transferred to other locations, DOD regulations require that they be given the opportunity to transfer with their jobs. The costs of transporting the employees, their families, and household goods are borne by the Government.

#### PROGRAM PLANNED FOR FORT MACARTHUR

Pursuant to the regulations, Fort MacArthur officials will have to develop and implement a placement assistance program, including retraining, as needed, to help civilian personnel obtain employment. Fort officials plan to help employees affected by the closure by:

- Determining personal plans and desires.
- Counseling those planning to retire.
- Identifying those persons who are interested in further employment.
- Conducting an intensive placement assistance program.

The intensive placement assistance program would:

1. Concentrate on helping employees who do not appear to have skills which are in demand, including working with the U.S. Civil Service Commission, the Department of Labor, and other agencies to produce the skills these employees need in the labor market in which they are located.
2. Encourage other DOD activities to waive the full qualification requirements to facilitate the placement of Fort MacArthur personnel.

Each of the proposed plans would decrease support effectiveness because:

- Fewer personnel would be used to perform the same tasks, and a smaller percent of the personnel would be physically located within the support area.
- Most of the management personnel would be located at Fort Ord, 360 miles away rather than at the point of implementation of the support.
- The Army would have less control over the quality and responsiveness of those support services that would have to be contracted out.
- Response time for some services would increase because the service would have to be provided from Fort Ord.

Many key civilian personnel who probably would have been used in the area support detachment are leaving Fort MacArthur because of the uncertainty involved in planning the closure. The Army may have a difficult time in recruiting and training new people for these positions, and the support effectiveness could suffer until replacements can be hired and adequately trained.

#### CONCLUSIONS

The Department of the Army, in its decision to close Fort MacArthur, acknowledged that any alternative to the status quo support situation would be less effective in supporting personnel, units, and activities in southern California. However, the Army justified the decreased support effectiveness on the basis of the savings resulting from closure. Most of these savings do not appear valid.

Under complete closure, support effectiveness would have

decreased by about 50 percent. Support effectiveness under the revised closure plan is expected to decrease by about 25 percent. When the limited portion of Fort MacArthur remaining open for the near term expires and relocates to Los Alamitos, support effectiveness could be further decreased. In view of the apparently minimal savings involved in the revised closure plan, the decreased support effectiveness takes on a new perspective.

- Part of the fort (approximately 100 acres) would be retained and used for the detachment, a Reserve center, remaining tenants, and the National Guard.
- About 220 personnel in the detachment would provide most of the support with Fort Ord providing the management guidance and policymaking (an additional 52 personnel).
- Some support services would be provided by contract and some by Fort Ord personnel on a temporary-duty basis.

In this plan it would not be necessary to lease any off-post facilities, and there would be less contracted services and less travel required than under the original closure plan.

If the detachment were at Los Alamitos:

- A small portion of the fort would be retained and leased to the National Guard.
- Tenants at the fort would be relocated to leased facilities.
- Facilities would be constructed at Los Alamitos to accommodate the Reserve units stationed at Fort MacArthur and the detachment.
- About 142 personnel in the detachment would serve as focal points for functional missions. Fort Ord would provide most of the management guidance and policymaking (an additional 56 personnel).

In this plan the detachment at Los Alamitos would provide less direct support than if it were stationed at Fort MacArthur. More of the support (communications, facilities engineering, etc.) would be provided by contract agreements with other military services and by Ford Ord.

On June 18, 1974, the Secretary of the Army reaffirmed

the initial decision to close Fort MacArthur, but he also decided to keep part of the fort open for the near term and use it for an area support detachment, the tenants, Reserve units at the fort, and National Guard units.

COMPARISON OF SUPPORT PLANS

Support effectiveness under the various plans would be decreased, as shown below:

<u>Method of support</u>	<u>Number of personnel used</u>	<u>Percent of people needed</u>	<u>Percent of work force in Los Angeles area</u>	<u>Range effectiveness</u>	<u>Rank by effectiveness of support</u>
Present method	<sup>a</sup> 450	<sup>b</sup> 100	100	<sup>b</sup> 100	1st
Detachment at Fort MacArthur	272	60	81	75	2d
Detachment at Los Alamitos (note c)	198	44	72	75-50	3d
Complete closure (note d)	276	61	32	50	4th

<sup>a</sup>Personnel who are presently supporting those activities which will continue after the closure of Fort MacArthur.

<sup>b</sup>Since none of the proposed changes increases the level of support effectiveness, the present method of support was ranked 100 percent for purposes of quantitatively ranking the other methods.

<sup>c</sup>Considered by the Army as not feasible at present because of the lack of adequate space.

<sup>d</sup>In the original study calling for support primarily from Fort Ord, the Army stated in part that the decrease in the quality of service and support was considered secondary to the savings that would be realized by closing the fort.

### CHAPTER 3

#### CLOSURE'S IMPACT ON SUPPORT EFFECTIVENESS

Since World War II, Fort MacArthur's mission has been to provide administrative and logistical support and related services to the Army Air Defense Command, DOD and Army tenants, Reserve components, and Active Army and designated governmental units and agencies within an eight-county area of southern California. Most of the activities rely directly on the fort for support, such as maintenance, supply, medical, and personnel and financial services. Fort MacArthur also provides administrative, morale, and welfare services to retired military personnel and their dependents.

After the Air Defense Command was terminated, the fort was providing support to about 72,900 active and retired military personnel, their dependents, and civilian personnel.

Garrison	1,000
Tenants	700
Satellites	2,100
U.S. Army Reserve (note a)	8,400
National Guard	9,800
ROTC	4,400
Retired military	18,300
Dependents (active and retired military)	<u>28,200</u>
Total	<u>72,900</u>

<sup>a</sup>Approximately 1,200 reservists are stationed at the fort.

The fort's revised closure plan will decrease the support population by about 2,100.

## SUPPORT PLANS CONSIDERED

To compensate for the change in Fort MacArthur's status, the Army considered several methods for supporting the continuing needs of Army activities in southern California. Each plan involved more contract services, fewer support personnel, and less direct support than the fort was providing. Since the Army does not feel legally obligated to provide continued support to Army retirees and their dependents, the subject plans did not address their support. None of the plans provided for retaining medical, commissary, post exchange, and recreation facilities. These plans are briefly explained below.

### Original closure plan

- The fort's tenants would be moved into leased space.
- Army Reserve units stationed at the fort would be relocated to Los Alamitos.
- About 276 personnel (most of them stationed at Fort Ord) would be required for continued support.
- Facilities would be leased in the Los Angeles area for some of the supply and maintenance support; some support would be provided by contracted services; and Fort Ord personnel would travel to southern California to accomplish other support functions.

### Area support detachment plans

After the announced closure, the Army decided that support would be more effective if an area support detachment were established in southern California. Two such plans were considered. One plan would establish the detachment at Fort MacArthur; the other would establish the detachment at Los Alamitos.

If the detachment were at the fort:

--The remainder of the difference (\$269,600) between our estimate and the Army's estimate consisted of the cost to other DOD installations to absorb the fort's drug and alcohol program (\$95,600) and its tuition assistance program (\$51,000), a mathematical error in the Army's calculations (\$6,600), lost taxes to the Federal Government resulting from CHAMPUS medical deductions (\$94,000), and two civilian positions that the Army improperly considered eliminated (\$22,400).

Using estimates based on the actual workload at the fort's clinic and the average cost of a CHAMPUS visit, we determined that closing the clinic would increase CHAMPUS costs by \$2,149,000,<sup>1</sup> compared to the Army's estimate of \$1,500,000.

#### ONE-TIME COST AVOIDANCES

The Army estimated that the revised closure plan would produce \$9.38 million in one-time cost avoidances by eliminating construction projects at Fort MacArthur. Our analysis of the Army's estimate showed that one project for \$5 million should not have been included. The project was not in the programmed military construction in the Army's supporting workpapers and officials at the fort said it was not a validated project.

We discussed our estimates of one-time costs, annual recurring savings, and one-time cost avoidances with fort officials who had no major objections to any of our estimates.

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<sup>1</sup> Estimate based on assumption that eligible personnel use CHAMPUS to the same degree they used the fort's medical services.

## ORIGINAL CLOSURE ESTIMATE

When the Army announced the original closure of Fort MacArthur, it estimated annual savings of about \$9.22 million and one-time costs of about \$9.36 million. However, on the basis of our calculations, the original plan for closure would have resulted in an increase in annual costs of about \$62,000 and produced one-time costs of about \$5.6 million.

## CONCLUSION

In its original and revised closure announcements, the Army justified the closure of Fort MacArthur on the basis that it would result in large annual savings. But in our opinion, the revised closure plan will produce very minimal annual savings and the original closure plan would have increased annual costs to the Government.

The Army's estimates for relocation costs of military personnel and relocation costs, severance pay, and terminal leave for civilian personnel were projections based on experience from other closures. Our estimates were based on data obtained from personnel records at Fort MacArthur.

In calculating its preservation costs, the Army incorrectly included \$293,200 involved in the deactivation of the missile sites. These costs were unrelated to the announced closure of the fort.

The Army's estimate for homeowners assistance was a projection based on historical data. Our estimate was based on data directly related to the fort's personnel and discussions with the Corps of Engineers, which has responsibility for the homeowners assistance program.

The Army only estimated the costs to modify facilities at the fort to accommodate the area support detachment. It did not consider the costs to modify the Navy's Terminal Island commissary to handle the fort's workload (\$600,000), or the facilities at Fort Ord (\$7,500).

ESTIMATED ANNUAL SAVINGS

	<u>Army</u>	<u>GAO</u>	<u>GAO over or under (-)</u>
Savings resulting from elimination of Fort MacArthur operating costs	\$19,368,700	\$17,868,900	-\$1,499,800
Less:			
Increased operating costs to Fort Ord	\$6,836,100	\$7,747,700	\$ 911,600
Increased operating costs to other DOD installations and Federal activities	2,424,300	7,752,000	5,327,700
Increased CHAMPUS costs (note a)	<u>1,500,000</u>	<u>2,149,000</u>	<u>649,000</u>
Total estimated increase in recurring costs	<u>10,760,400</u>	<u>17,648,700</u>	<u>6,888,300</u>
Estimated annual savings	<u>\$ 8,608,300</u>	<u>\$ 220,200</u>	<u>-\$8,388,100</u>

<sup>a</sup>Civilian Health and Medical Program of the Uniformed Services.

The Army's estimate of savings resulting from elimination of the fort's operating costs should have excluded \$1,499,800 in operating costs related to the deactivation of the missile sites.

In calculating increased operating costs to Fort Ord, the Army underestimated additional costs for travel, communication, supply, and contract services (\$207,300) and did not consider the increase to Fort Ord's overhead costs resulting from absorbing Fort MacArthur's functions (\$704,300).

The Army's estimate of increased operating costs to other DOD installations and Federal activities was understated by \$5,327,700 because:

- The Army estimated that 335 military positions (\$3,125,300) would be eliminated. We could not find support for these eliminations and discussed the situation with Army officials who said the positions were being transferred to other DOD installations.
- The Army did not consider that other DOD installations would have to provide medical services to active-duty personnel, and dental services to active-duty, retired, and dependent personnel that had been serviced by the fort (\$815,300).
- The Army did not include the increased personnel and operating costs (\$749,000) to the Navy's Terminal Island commissary.
- Fort MacArthur had annual costs of \$368,500 related to transporting personnel and household goods. The Army did not consider that other DOD installations would incur these costs.

We reviewed the Army's plans to retrain and relocate civilian employees affected by the closure. We met with Army, Navy, and Air Force officials and reviewed documents regarding alternative medical and other facilities to meet the needs of active-duty and retired military personnel and their dependents. We also discussed the planned disposition of the property with Army and General Services Administration (GSA) representatives.

## CHAPTER 2

### SAVINGS AND COSTS RELATED TO CLOSURE

Army officials said the revised closure plan for Fort MacArthur announced by the Secretary of the Army on June 18, 1974, would result in one-time costs of about \$7.03 million, annual savings of about \$8.61 million, and one-time cost avoidances of about \$9.38 million.<sup>1</sup> We believe the Army has overestimated its one-time costs by about \$1.86 million, overestimated its annual recurring savings by about \$8.39 million, and overestimated its one-time cost avoidances by about \$5 million. We estimate that the revised closure plan will result in one-time costs of about \$5.17 million, annual recurring savings of about \$220,000, and one-time cost avoidances of about \$4.38 million.

Presented below is a comparison of the Army's and GAO's estimates for one-time costs, annual recurring savings, and one-time cost avoidances.

#### ESTIMATED ONE-TIME COSTS

	<u>Army</u>	<u>GAO</u>	<u>GAO over or under (-)</u>
Relocation costs of military personnel	\$ 151,000	\$ 377,100	\$ 226,100
Relocation costs, severance pay, and terminal leave for civilian personnel	2,552,100	2,172,800	-379,300
Transportation of supplies and equipment	71,800	71,800	-
Preservation of Fort MacArthur until GSA takes over	1,652,800	1,359,600	-293,200
Homeowners assistance	2,450,000	426,600	-2,023,400
Facilities modification	156,000	763,500	607,500
Estimated one-time costs	<u>\$7,033,700</u>	<u>\$5,171,400</u>	<u>-\$1,862,300</u>

<sup>1</sup>This figure was taken from the original closure study, since the Army had not changed it in the revised plan at the time of our review.

Preliminary data from the Army indicates that ultimately the remaining activities at the fort will be transferred to other locations in southern California, primarily to the Los Alamitos Armed Forces Center, and the fort will close completely. Officials at the fort estimate that the eventual move to Los Alamitos will increase annual recurring savings by about \$166,000, increase one-time costs an additional \$7.56 to \$11 million, and eliminate 72 additional positions.

PHASEOUT OF MISSILES

On the same date he announced closure of Fort MacArthur, the Secretary of Defense directed that 48 Nike Hercules missile batteries be deactivated as part of an overall realignment of air defense priorities. DOD estimated that \$147 million would be saved annually by deactivating the batteries and closing various related installations. Annual recurring savings from the phaseout of the six missile batteries supported by Fort MacArthur were estimated at about \$11.44 million, with one-time costs to deactivate of about \$4.39 million.

Fort MacArthur was one of four forts the Army announced would be closed as a result of the missile phaseout.<sup>1</sup> About 23 percent (13 percent direct and 10 percent indirect) of the fort's budget was related to support of the missile batteries. As shown below, Fort MacArthur spent the smallest percentage of its budget on missile support activities.

	<u>Percent of budget related to missile support</u>
Fort Hancock, N.J.	80
Fort Tilden, N.Y.	60
Fort Lawton, Wash.	48
Fort MacArthur, Calif.	23

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<sup>1</sup>The phaseout also caused other Army activities to be terminated.

## HISTORY OF FORT MACARTHUR

Fort MacArthur dates back to the days of Spanish colonization along the southern California coast. In 1841, a decree by the Mexican Governor established a tract to be used as a Government reservation. President Cleveland signed an Executive order to set aside the reservation as public domain in 1888. The properties were named in honor of Lieutenant General Arthur MacArthur, father of General Douglas MacArthur. Actual construction of the fort began in 1914.

From 1939 to 1941, the fort's facilities and land areas were greatly expanded. It was a major recruiting and training center during World War II and afterward was used as a separation center for returning veterans. It later became a reservist training center and by 1949 was training about 8,000 reservists a month. In 1952, the Headquarters, 47th Artillery Brigade, went to Fort MacArthur to assume command of antiaircraft defenses for the southern California area. The 47th Brigade was redesignated the 19th Artillery Group (Air Defense) in 1968.

The major link to the defense communication system in southern California was added to the fort in 1963. Arizona's Reserve and ROTC units were added to the fort's responsibility in 1965. The 670th Radar Squadron recently was located at the fort.

Today, Fort MacArthur is the only Army installation in the populous southern California area. Its mission at the time of the closure announcement was to provide command, administration, and logistical support to assigned and controlled units, tenants, and satellite units in southern California.

### SCOPE OF REVIEW

We made our review primarily at Fort MacArthur, San Pedro, California; Fort Ord, Monterey, California; and at the Department of the Army, Washington, D. C. We discussed with Army officials the economic and logistical impact resulting from the fort's closure and examined records and documents supporting the Army's economic analyses.

## CHAPTER 1

### INTRODUCTION

On February 4, 1974, the Secretary of Defense announced the closure of Fort MacArthur, San Pedro, California, effective June 30, 1975. The Army attributed the closure of the fort primarily to the phaseout of Nike Hercules missile batteries. The Army estimated that the closure would save about \$9.22 million annually<sup>1</sup> and result in one-time costs of about \$9.36 million. It also estimated one-time cost avoidances of about \$9.38 million by canceling planned construction projects at the fort.

At the time of the closure announcement, Fort MacArthur consisted primarily of the Army Garrison, including the 72d Army Band and the 103d Military Police Company, as well as a health clinic, a commissary, a post exchange, and one explosive ordnance disposal detachment. The fort also included 13 ~~Army~~ Reserve units, the 19th Artillery Group which had responsibility for the missile batteries, and 6 other tenants. The fort supported 236 off-post satellite units throughout southern California, including the National Guard, Army Reserve, Reserve Officer Training Corps (ROTC), and other Army and Department of Defense (DOD) activities.

At February 4, 1974, the fort was authorized 553 military and 941 civilian positions. With respect to the authorized levels, the Army estimated that the closure would eliminate 290 military and 620 civilian positions.<sup>2</sup> The remaining 263 military and 321 civilian positions would be relocated.

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<sup>1</sup>The Army revised its estimated annual recurring savings to \$8,361,000.

<sup>2</sup>Does not include 94 authorized civilian positions related to the missile batteries. The savings resulting from eliminating these positions are included under the missile phaseout calculations. (See pp. 2 and 3.)

The Army said the fort's continuing functions would be transferred to Fort Ord, California, and the tenant activities would be relocated to the Los Alamitos Armed Forces Reserve Center (about 45 miles from the fort) and to leased facilities in the Los Angeles area. The fort's property would be excessed once the closure was completed.

REVISED CLOSURE PLAN

On June 18, 1974, the Secretary of the Army announced a modification to the original closure plan. The Secretary stated that, for the "near term," part of the fort would be retained for use by the Reserve components and an area support detachment. Although the Secretary gave no indication as to how long such a modification would be in effect, Army representatives advised us that the planning is for at least 2 years.

As shown below, the revised closure plan would, according to the Army estimates, increase annual recurring savings, reduce one-time costs, and increase the number of authorized positions eliminated.

	<u>Revised plan</u>	<u>Complete closure</u>	<u>Difference</u>
Estimated annual re- curring savings	\$8,608,300	<sup>a</sup> \$8,361,100	\$ 247,200
Estimated one-time costs	7,033,700	9,356,500	-2,480,000
Civilian positions eliminated	637	620	17
Military positions eliminated	335	290	45

<sup>a</sup>The reduction in the annual savings (see p. 1) results from adjustments Army officials made during the revised study analysis.



<p>ORGANIZATION</p> <p>-----</p> <p>TELEPHONE</p>	<p>NAME</p>

B-172707

Nov. 7, 1974