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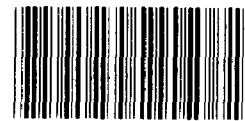
**Report To The Ranking Minority Member
Subcommittee On Military Construction
Committee On Appropriations
United States Senate**

Family Housing: Air Force Plans For Accompanied Tours In Korea

In 1984 the Air Force submitted, as part of its fiscal year 1985 military construction budget, a \$2.7 million utility expansion project to support 210 build-to-lease housing units at Osan Air Base, Korea.

The House Committee on Appropriations initially denied the funding because of its policy to continue unaccompanied tours. The Air Force subsequently provided additional information showing a savings could be achieved by adding 210 accompanied tours in Korea.

Air Force documents indicate the 210-unit project is the first phase of a plan to achieve full accompanied tour status in Korea.



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UNITED STATES GENERAL ACCOUNTING OFFICE
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NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-217908

The Honorable Jim Sasser
Ranking Minority Member
Subcommittee on Military
Construction
Committee on Appropriations
United States Senate

Dear Senator Sasser:

Your letter dated September 10, 1985, expressed an interest in our findings regarding accompanied tours in Korea. During our review of Department of Defense (DOD) family housing survey procedures, we noted an action taken by the Air Force which we believe is the first step in an Air Force plan to achieve full accompanied tour status in Korea.

BACKGROUND

In 1984 the Air Force submitted, as part of its fiscal year 1985 military construction budget, a plan for a utility extension project (sewer, water, electric, etc.) at Osan AB to support 210 build-to-lease housing units to be built by the Korean government and leased by the Air Force. When the project was initially presented, the House Committee on Appropriations denied funding and stated:

"The Committee has denied the \$2,700,000 requested to extend utilities at Osan AB, Korea in conjunction with its policy to continue unaccompanied tours."

The Air Force subsequently provided information to a conference committee showing a savings would be realized by adding 210 accompanied tours at Osan AB. The savings would result because accompanied tours would be 2 to 3 years in length rather than the current 1-year duration of unaccompanied tours. Extending the tours would require fewer permanent changes of station and a less frequent need to train pilots and technicians for specialized duty at Osan. The House and Senate conferees approved the project but inserted the following language in the conference report:

"The conferees have agreed to fund the utility extension at Osan but caution that it is not to be construed as an endorsement of accompanied tours at this location."

Air Force documents indicate the 210-unit project is the first phase of a plan to achieve full accompanied tour status in Korea which would include 1,610 units at Osan AB and a total of 1,000 units at Kunsan AB and Taegu AB.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to ascertain whether the justifications provided to the Congress for the \$2.7 million utility extension project accurately portrayed the housing situation at Osan AB and/or established intent as to Air Force policy on family housing in Korea. The audit was performed from August 20 through October 26, 1984, at Osan AB, Korea; Headquarters U.S. Forces, Korea; Yongsan Garrison, Korea; and Headquarters, PACAF, Hawaii. Additional information was obtained from Headquarters, Air Force Housing, Washington, D.C., from March to April 1985.

We analyzed and compared cost analyses prepared by the Air Force for both the initial justification for the project and the ramifications of full accompanied tour status in Korea. Our work was performed in accordance with generally accepted government audit standards.

AIR FORCE'S SUBMISSION

The initial justification for the Osan AB utility extension project submitted to the Congress demonstrated a housing shortfall of 2,500 housing units and stated that about 1,700 families were living in "grossly" inadequate off-base quarters. Subsequently, the Air Force provided information demonstrating the utility extension project would enable additional accompanied tours.

Air Force housing officials told us that the 2,500 units were the total number of units required to support full accompanied tour status at that location and did not represent an existing shortfall.

CURRENT PLANS

According to Air Force documents, the Air Force plans to achieve full accompanied tour status in Korea and has conducted an analysis to determine the associated costs. Current estimates show that no cost savings are anticipated. Rather, the analysis, dated February 21, 1985, shows that by adding a total of 2,610 units at Osan AB, Kunsan AB, and Taegu AB, nonrecurring investment costs of at least \$130 million¹ for

¹Costs stated in fiscal year 1985 constant dollars.

community support facilities, such as schools, hospitals, and nonappropriated fund activities, would be incurred. Further, there would be estimated annual recurring cost increases of either \$84.8 million (see note 1 on p. 2) or \$144 million (see note 1 on p. 2) depending on the outcome of a pending decision to maintain the current 48-hour workweek or to reduce it to 40 hours, which would require additional personnel.

In addition, the Air Force cost analysis also points out that Headquarters, Pacific Air Force (PACAF), has already submitted a fiscal year 1987 Program Objective Memorandum for leasing 400 units at Osan AB in 1990 at an anticipated annual cost of \$4.635 million. (See note 1 on p. 2.) Further, the analysis identifies a PACAF study that shows an anticipated lease cost of \$3.138 million (see note 1 on p. 2) in 1991 for 262 additional units.

In a March 25, 1985, memorandum to the Air Force Council, the Air Force Deputy Chief of Staff for Manpower and Personnel recommended that Korea be an accompanied tour location.

AGENCY COMMENTS

In our draft report we concluded that the Congress may have approved the utility extension project believing the 210 units were needed to satisfy a shortfall of existing requirements and to reduce dependency on inadequate off-base housing. DOD did not agree with this conclusion. DOD concurred in our conclusion that the initial justification for the utility extension project--about 1,700 families were living in grossly inadequate off-base quarters--was erroneous. However, DOD's position was that Congress had approved the project with the full knowledge that it would increase accompanied tours. It believed that the additional information provided to the conferees clearly had associated the additional family housing with an increase in accompanied tours, as did the cost comparison study supplied to support the claim of annual savings.

Furthermore, it stated that the Conference Committee report language ". . .that (funding for the utility support project) is not to be construed as an endorsement of accompanied tours at this location. . ." would not have been necessary had the conferees not recognized the increase in accompanied tours involved and, therefore, wished to ensure that DOD understood that the approval was in spite of the general policy against full accompanied tours.

We agree that the additional information supplied to the conferees demonstrated that the utility extension project would

increase accompanied tours. However, the Air Force did not indicate to the Congress that the 210 units were the first step of an Air Force plan for full accompanied tour status in Korea.

DOD concurred in our position that the utility extension project associated with the 210 additional leased units authorized at Osan AB is a step toward full accompanied tour status in Korea. DOD stated that the Air Force leadership favored accompanied tour status because of the intangible benefits of higher morale, better discipline, and improved readiness. DOD also stated that the 210-unit increment had been undertaken because it required only minor military construction support costs of the utility extension and would by itself result in a net annual savings. DOD stated that although additional increments were being programmed at an overall cost increase, no resources had been requested or committed for increasing family housing beyond the 210 units at Osan AB. DOD's comments appear in appendix I.

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We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations and on Armed Services, House Committee on Government Operations, and Senate Committee on Governmental Affairs; the Director, Office of Management and Budget; and the Secretaries of Defense and the Air Force.

Sincerely yours,



Frank C. Conahan
Director



Acquisition
and
Logistics

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D C 20301-4000

7 AUG 1985

Mr. Frank C. Conahan
Director, National Security and
International Affairs Division
U.S. General Accounting Office
441 G Street N.W.
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DOD) response to the General Accounting Office (GAO) draft report, "Impact of 210-Unit Expansion Project At Osan Air Base On Air Force Plans To Achieve Full Accompanied Tour Status In Korea," Dated June 6, 1985 (GAO Code 393013), OSD Case 6773-A.

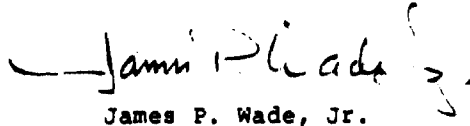
The DoD partially concurs with the GAO draft report. The DoD agrees that the information initially supplied to the Congress on Form 1391 to justify the additional 210 family housing units at Osan Air Base included an error and could have been misleading. Prior to the Conference Committee action on the request, however, the Congress was given a DoD written appeal without the error and clearly showing that the project involved an increase in accompanied tours. The appeal also demonstrated the potential annual savings of approximately \$5 million if the project were approved. The Conference Committee report language "...that (funding for the utility support project) is not to be construed as an endorsement of accompanied tours at this location..." would not have been necessary had the conferees not recognized the increase in accompanied tours involved and, therefore, wished to ensure that the DoD understood that the approval was in spite of the general policy against full accompanied tours. The GAO, therefore, is incorrect in concluding that this language indicated Congress may not have understood the increase in accompanied tours involved.

The DoD also concurs that the Air Force would like to provide for full accompanied tours in Korea, and has plans in line with that desire. The GAO is also correct that the expansion, beyond the 210 units already approved based on the potential savings involved, would be at higher costs. The Air Force believes that the increased cost would be more than offset by increased morale and other factors associated with the expansion. The DoD, however, is cognizant of the Congress' stated position on fully accompanied tours, and no resources have

been requested or committed for any expansion, beyond the 210 units specifically authorized by the Congress. In addition, the Congress will have the final decision should the DoD decide to seek funding to further expand accompanied tours in Korea.

Detailed comments on the GAO findings are enclosed. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in cursive script that reads "James P. Wade, Jr." with a flourish at the end.

James P. Wade, Jr.

Enclosure

GAO DRAFT REPORT - DATED JUNE 6, 1985
(GAO CODE 393013) - OSD CASE 6773-A

"IMPACT OF 210-UNIT EXPANSION PROJECT AT OSAN AIR BASE ON
AIR FORCE PLANS TO ACHIEVE FULL ACCOMPANIED TOUR STATUS IN KOREA"

SUMMARY OF FINDINGS TO BE ADDRESSED IN THE
DOD RESPONSE TO THE GAO DRAFT REPORT

* * * * *

FINDINGS

- o FINDING A. Funding For 210 Build-to-Lease Housing Units At Osan Air Base (AB), Korea. The GAO noted that in 1984, when the Air Force initially presented a plan for a utility expansion project at Osan AB to support 210 build-to-lease housing units as part of its FY 1985 military construction budget, the House Committee on Appropriations denied funding "in conjunction with its policy to continue unaccompanied tours." The GAO further noted that the Air Force then provided information showing savings would be realized by adding 210 accompanied tours at Osan AB, and the House and Senate conferees approved the project but cautioned in the conference report, "it is not to be construed as an endorsement of accompanied tours at this location." The GAO found that the initial justification for the utility expansion project submitted to the Congress demonstrated a housing shortfall of 2,500 housing units and stated that about 1,700 families were living in "grossly inadequate off-base quarters. The GAO further found that the 2,500 units were the total number of units that would be required to support full accompanied tour status at that location and did not represent a existing shortfall. The GAO also found that since the 210 units were to satisfy a new requirement and personnel residing off base would not be eligible for the units, the reference to 1,700 "grossly" inadequate off-base quarters should not have been part of the project justification. The GAO concluded that even though the Air Force provided information demonstrating the utility expansion project would increase accompanied tours, the Congress may have approved the utility expansion project believing the 210 units were needed to satisfy a shortfall of existing requirements for military-controlled housing and would reduce dependency on inadequate off-base housing.

GAO note: The matter discussed in the last sentence above has been dropped from the final report.

DoD Response: Partially concur. The DoD concurs that the justification initially submitted to the Congress on Form 1391 included an error and could have been misleading. Specifically, the justification erroneously stated that "...about 1700 families live in grossly inadequate private housing..." Prior to Conference Committee action on the request, however, the DoD submitted a written appeal without the error and showing that the project was warranted on the basis of the potential savings of approximately \$5 million per year. The appeal clearly showed that the request involved an increase in accompanied tours, as did the cost comparison study supplied to show the potential savings. The appeal was provided to the conferees in advance of their decision on the request, and language in their report indicates that they fully understood the basis for the request. The statement in the report "...that (funding for the utility support project) is not to be construed as an endorsement of accompanied tours at this location..." would not have been necessary had the conferees not wished to put the DoD on notice that it was approving the project in spite of the general policy on fully accompanied tours. The DoD therefore nonconcur with the GAO conclusion that this language indicates the conferees may not have understood an increase in accompanied tours was involved. Furthermore, based on the Congressional approval, the Korean Government has taken action to provide the land necessary to the housing project and negotiations are nearing completion with the Government Housing Authority to construct the additional 210 housing units at Osan Air Base. Therefore, not only does the DoD disagree that there was a misunderstanding, it has continued to take actions based on the Congressional approval.

- o FINDING B. Current Air Force Plans. The GAO found that the Air Force plans to achieve full accompanied tour status in Korea and has conducted an analysis to determine associated costs--current estimates show no anticipated cost savings. The GAO further found that the analysis, dated February 21, 1985, shows that by adding a total of 2,610 units at Osan AB, Kunsan AB, and Taegu AB, an investment cost of at least \$130 million for community support facilities will be needed and there would be estimated annual recurring cost increases of either \$84.4 million or \$144 million, depending on the outcome of a pending decision concerning the current 48 hour work week. The GAO also found that in addition to the 210 units that will be supported by the approved utility expansion project, the Air Force cost analysis indicated that Headquarters, Pacific Air Force (PACAF) has already submitted a fiscal year 1987 Program Objective Memorandum for leasing 400 units at Osan AB in 1990, at an anticipated annual cost of \$4.635 million. The analysis also identified

anticipated lease cost of \$3.138 million in 1991, for 262 additional units. The GAO noted that in a March 25, 1985, memorandum to the Air Force Council, the Air Force Deputy Chief of Staff for Manpower and Personnel recommended that Korea be an accompanied tour location. The GAO concluded that the utility expansion project for Osan Air Base is not to eliminate any current housing shortfall but is to permit an increase in accompanied tours. The GAO further concluded that this may be the first step in an effort by the Air Force to achieve full accompanied tour status in Korea.

(pp. 2 and 3, GAO report)

DoD Response: Concur. The GAO's conclusion that the utility expansion project associated with the 210 additional leased units authorized at Osan AB, Korea is a step toward full accompanied tour status in Korea is correct. The Air Force favors accompanied tours based on the intangible benefits of higher morale, better discipline and improved readiness. However, the DoD recognizes the large initial investment and increased annual expense that would be involved in a further expansion. The 210 unit increment was undertaken because it required only minor MILCON support costs and would result in a net annual savings through reduced unique training requirements. Although additional increments are currently being considered that would involve an overall cost increase, no resources have been requested or committed for increased family housing beyond the 210 units at Osan Air Base. The Congress will have the opportunity to approve or disapprove new lease points or MILCON funds requested in connection with a further expansion of fully accompanied tours in Korea.

RECOMMENDATIONS

o None

GAO note: The page reference above has been changed to correspond to the final report.

(393013)

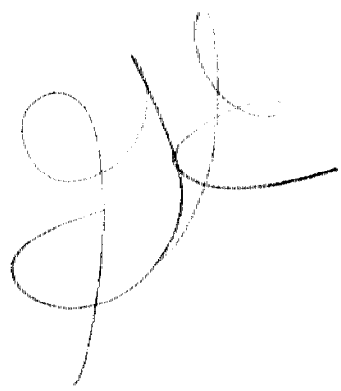
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