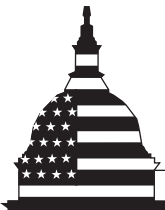


February 2011

DEFENSE MANAGEMENT

Additional Cost Information and Stakeholder Input Needed to Assess Military Posture in Europe



G A O

Accountability * Integrity * Reliability

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

| | | | | | |
|---|------------------------------------|-------------------------------------|----------------------------|---|---------------------------------|
| 1. REPORT DATE FEB 2011 | | 2. REPORT TYPE | | 3. DATES COVERED 00-00-2011 to 00-00-2011 | |
| 4. TITLE AND SUBTITLE Defense Management: Additional Cost Information and Stakeholder Input Needed to Assess Military Posture in Europe | | | | 5a. CONTRACT NUMBER | |
| | | | | 5b. GRANT NUMBER | |
| | | | | 5c. PROGRAM ELEMENT NUMBER | |
| 6. AUTHOR(S) | | | | 5d. PROJECT NUMBER | |
| | | | | 5e. TASK NUMBER | |
| | | | | 5f. WORK UNIT NUMBER | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548 | | | | 8. PERFORMING ORGANIZATION REPORT NUMBER | |
| 9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) | | | | 10. SPONSOR/MONITOR'S ACRONYM(S) | |
| | | | | 11. SPONSOR/MONITOR'S REPORT NUMBER(S) | |
| 12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited | | | | | |
| 13. SUPPLEMENTARY NOTES | | | | | |
| 14. ABSTRACT | | | | | |
| 15. SUBJECT TERMS | | | | | |
| 16. SECURITY CLASSIFICATION OF: | | | 17. LIMITATION OF ABSTRACT | 18. NUMBER OF PAGES | 19a. NAME OF RESPONSIBLE PERSON |
| a. REPORT unclassified | b. ABSTRACT unclassified | c. THIS PAGE unclassified | | | |

Why GAO Did This Study

In 2004, the Department of Defense (DOD) announced sweeping changes to restructure U.S. military presence overseas and reduce military posture in Europe. In August, 2010, the Secretary of Defense called for a review of DOD operations and activities to identify opportunities to decrease costs in order to free funds to support other DOD priorities. The Senate Appropriations Subcommittee on Military Construction and Veterans' Affairs asked GAO to determine the extent to which the European Command (EUCOM) (1) estimates and reports the total cost of DOD's installations in Europe and (2) has defined methods for evaluating posture alternatives and including the views of interagency stakeholders in its posture planning process. To address these objectives, GAO assessed DOD plans and guidance, reviewed planning efforts in EUCOM, and collected obligations data from the military services for the military construction, family housing, and operation and maintenance appropriations.

What GAO Recommends

GAO recommends that DOD revise posture planning guidance to require comprehensive estimates of posture costs and provide for consistent analysis of posture alternatives, and that EUCOM clarify its posture planning process and methods to regularly obtain interagency perspectives. DOD agreed with GAO's recommendations and identified corrective actions, but additional steps are needed to fully address the recommendations.

View [GAO-11-131](#) or key components. For more information, contact John Pendleton at (404) 679-1816 or pendletonj@gao.gov.

DEFENSE MANAGEMENT

Additional Cost Information and Stakeholder Input Needed to Assess Military Posture in Europe

What GAO Found

DOD posture planning guidance does not require EUCOM to include comprehensive cost data in its theater posture plan and, as a result, DOD lacks critical information that could be used by decision makers as they deliberate posture requirements. DOD guidance requires that theater posture plans provide specific information on, and estimate the military construction costs for, installations in a combatant commander's area of responsibility. However, this guidance does not require EUCOM to report the total cost to operate and maintain installations in Europe. GAO analysis shows that of the approximately \$17.2 billion obligated by the services to support installations in Europe from 2006 through 2009, approximately \$13 billion (78 percent) was for operation and maintenance costs. Several factors—such as the possibility of keeping four Army brigades in Europe instead of two—could impact future costs. DOD is drafting guidance to require more comprehensive cost estimates for posture initiatives; however, these revisions will not require commanders to report costs, unrelated to posture initiatives, for DOD installations. GAO's prior work has demonstrated that comprehensive cost information is critical to support decisions on funding and affordability. Until DOD requires the combatant commands to compile and report comprehensive cost data in their posture plans, DOD and Congress will be limited in their abilities to make fully informed decisions regarding DOD's posture in Europe.

EUCOM has developed an approach to compile posture requirements, but it does not have clearly defined methods for evaluating posture alternatives or routinely incorporating the views of interagency stakeholders. EUCOM has taken several steps to assign responsibilities for developing its posture plan and established an Executive Council to deliberate posture issues and work with the service component commands, but the process of developing a theater posture plan is relatively new and is not yet clearly defined and codified in command guidance. While EUCOM's steps to date have improved its ability to communicate with stakeholders and resolve conflicting views on posture issues, it has not been clearly defined and codified in command guidance. Furthermore, it does not provide for the analysis of costs and benefits, because the combatant commander has not been required to include such analysis in developing the theater posture plan. In addition, the Interagency Partnering Directorate—which was established by the EUCOM commander to improve interagency coordination within the command—has been included in the Executive Council, but EUCOM has not defined how interagency representatives can regularly participate in ongoing posture planning activities. As a result of these weaknesses in EUCOM's posture planning approach, the command is limited in its ability to consider and evaluate the cost of posture in conjunction with the strategic benefits it provides, and it may not be fully leveraging interagency perspectives as it defines future posture requirements.

Contents

| | | |
|-----------------------------|--|-----------|
| Letter | | 1 |
| | Background | 3 |
| | DOD Guidance Does Not Require EUCOM to Estimate or Report the Total Cost of Posture | 7 |
| | EUCOM Lacks a Systematic Process to Evaluate Posture Alternatives and Routinely Incorporate Interagency Views in Posture Planning | 14 |
| | Conclusions | 20 |
| | Recommendations for Executive Action | 21 |
| | Agency Comments and Our Evaluation | 21 |
| Appendix I | Scope and Methodology | 25 |
| Appendix II | Total Cost of DOD's Installations in EUCOM's Area of Responsibility | 27 |
| Appendix III | Comments from the Department of Defense | 31 |
| Appendix IV | GAO Contact and Staff Acknowledgments | 34 |
| Related GAO Products | | 35 |
| Figures | | |
| | Figure 1: EUCOM Area of Responsibility | 5 |
| | Figure 2: National and DOD Guidance, Strategies, and Plans Related to Global Defense Posture | 7 |
| | Figure 3: Service Obligations for DOD Installations in EUCOM's Area of Responsibility (Fiscal Years 2006-2009) | 10 |
| | Figure 4: Military Construction, Family Housing, and Operation and Maintenance Obligations: Fiscal Years 2006-2009 (Then Year Dollars), EUCOM Area of Responsibility | 28 |
| | Figure 5: Army, Navy, and Air Force Obligations: Fiscal Years 2006-2009 (Then Year Dollars), EUCOM Area of Responsibility | 29 |

Figure 6: Obligations by Appropriation Category: Fiscal Years 2006-2009 (Then Year Dollars), EUCOM Area of Responsibility

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

February 3, 2011

The Honorable Daniel K. Inouye
Chairman
The Honorable Thad Cochran
Vice Chairman
Committee on Appropriations
United States Senate

In 2004, the Department of Defense (DOD) announced sweeping changes to restructure U.S. military presence overseas and reduce military posture in Europe. As part of this restructuring, DOD planned to return up to 70,000 service members and 100,000 family members and civilian employees living overseas to the United States. Since that time, DOD has adjusted its global posture plans. For example, in February, 2010, DOD announced in the Quadrennial Defense Review (QDR) that it would halt a planned move of two Army brigades out of Europe while the North Atlantic Treaty Organization Strategic Concept is being reviewed.

In addition, the 2010 QDR highlights the importance of periodically assessing and tailoring global defense posture in light of continued globalization and enduring transnational threats. In it DOD indicates that defense posture will continuously adapt to the dynamic world environment, and ongoing assessments of national interests, military requirements, and the strategic environment should guide U.S. global defense posture planning. In addition, in August 2010, amid growing budgetary pressures, the Secretary of Defense called on military leaders to consider the affordability of programs in developing future plans, with particular emphasis on reducing overhead costs. The Secretary of Defense seeks a \$100 billion reduction in overhead costs over the next 5 years and froze the size of combatant commands and required zero-based reviews of their staffing and organizations.

In the 2010 QDR, DOD identified global posture as consisting of (1) forces (forward-stationed and rotationally deployed), capabilities, and equipment; (2) overseas infrastructure and facilities; and (3) international agreements with allies and key partners that may address issues such as access, transit, and the framework under which U.S. military personnel operate in a foreign country. This report focuses on one of these three elements—DOD's network of overseas facilities, which can vary widely in size and complexity.

Given the cost of DOD's efforts to realign its global posture and the criticality of the U.S. force structure and infrastructure abroad to national security, you asked us to examine the costs associated with current and planned changes to DOD's facilities in Europe and U.S. European Command's (EUCOM) method for analyzing posture alternatives. This report examines the extent to which EUCOM (1) estimates and reports the total cost of DOD's installations in Europe and (2) has defined methods for evaluating posture alternatives and including the views of interagency stakeholders in its posture planning process.¹

This report is one of a series of GAO reports on DOD's global posture. Since 2006, we have reported on issues related to DOD's overall posture strategy and management practices, the military buildup on Guam, the transformation of Army posture in Europe, and the establishment of the U.S. Africa Command. Those reports contain a number of recommendations to improve DOD's management of these efforts and the information that is made available about them to the executive branch and congressional committees. In many cases, DOD has agreed with our recommendations and has taken actions to implement them. A list of these related products is included at the end of this report.

For each of our objectives, we contacted and interviewed appropriate officials at various offices within the Office of the Secretary of Defense; Headquarters offices in the Departments of the Army, Navy, and Air Force; Headquarters, U.S. European Command; and related Army, Navy, and Air Force service component commands. In addition, to determine the extent to which EUCOM estimates and reports the total cost of posture in Europe, we assessed the information included in the 2009 DOD Global Defense Posture Report to Congress and the 2009 and 2010 EUCOM theater posture plans. We requested and obtained data from the Departments of the Army, Navy, and Air Force and their EUCOM service component commands,² on posture funding requirements and obligations for fiscal years 2006-2015. To assess the reliability of the cost data, we reviewed data system documentation and obtained information on internal controls for those systems. We determined that the cost data we received

¹ In 2011 we plan to report separately on DOD's global posture initiatives in the U.S. Pacific Command area of responsibility.

² We did not request data from U.S. Marine Corps Europe as this service component is not identified as the lead sponsor for any approved posture initiatives in the European Command area of responsibility.

were reliable for the purposes of this report. To determine the extent to which EUCOM has clearly defined methods for evaluating posture alternatives and included the views of interagency stakeholders, we reviewed management practices established by the GAO *Cost Estimating and Assessment Guide*³ and DOD and military service guidance to inform our audit. Additionally, we reviewed DOD and service guidance on completing economic analyses and analyses of alternatives, and DOD guidance on collaborating with other government agencies. We conducted this performance audit from September 2009 through December 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I provides a more detailed description of our scope and methodology.

Background

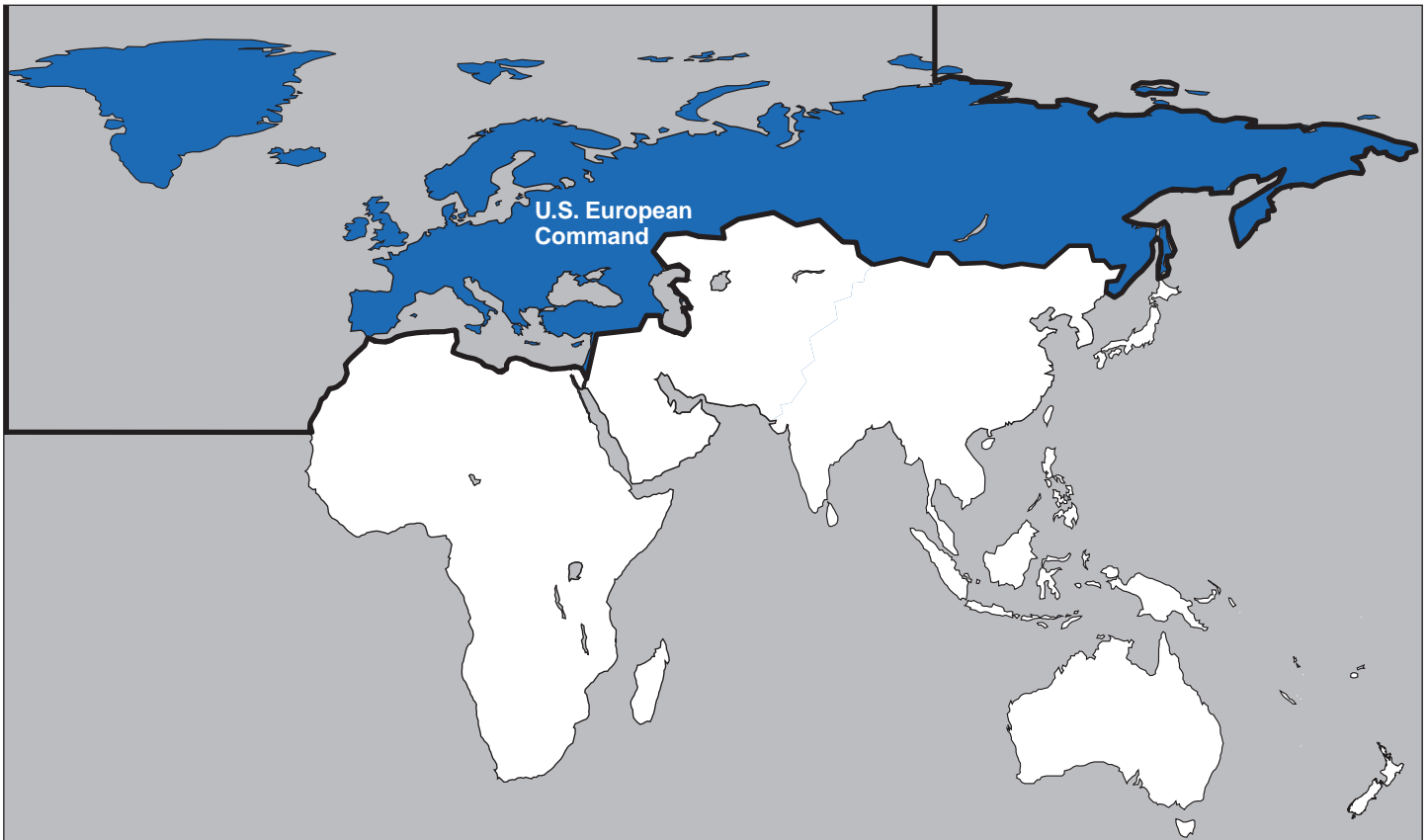
DOD operates six geographic combatant commands, each with an assigned area of responsibility. Each geographic combatant command carries out a variety of missions and activities, including humanitarian assistance and combat operations, and assigns functions to subordinate commanders. Each command is supported by a service component command from each of the services, as well as a theater special operations command. The Departments of the Army, Navy, and Air Force have key roles in making decisions on where to locate their forces when they are not otherwise employed or deployed by order of the Secretary of Defense or assigned to a combatant command. In addition, the military departments allocate budgetary resources to construct, maintain, and repair buildings, structures, and utilities and to acquire the real property or interests in real property necessary to carry out their responsibilities. All of these entities play significant roles in preparing the detailed plans and providing the resources that the combatant commands need to execute operations in support of their missions and goals.

³ GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

EUCOM's area of responsibility covers all of Europe, large portions of Asia, parts of the Middle East, and the Arctic and Atlantic Oceans.⁴ The command is responsible for U.S. military relations with NATO and 51 countries. EUCOM also supports the activities of more than 100,000 military and civilian personnel across 10.7 million square miles of land and 13 million square miles of ocean (see fig. 1).

⁴ On February 6, 2007, the President directed the Secretary of Defense to establish a new geographic combatant command to consolidate the responsibility for DOD activities in Africa that had been shared by U.S. Central Command, U.S. Pacific Command, and U.S. European Command. The U.S. Africa Command was established as a subunified command subordinate to the European Command in October 2007, and designated fully operational as a separate, independent geographic combatant command on October 1, 2008.

Figure 1: EUCOM Area of Responsibility



Source: DOD, Map Resources (map).

DOD's facilities are located in a variety of sites that vary widely in size and complexity; some sites are large complexes containing many facilities to support military operations, housing, and other support facilities while other sites can be as small as a single radar site. DOD also organizes multiple sites under a single installation. For example, the Air Force base in Kaiserslautern, Germany is comprised of 45 sites that vary in terms of the number of personnel, number of buildings, and square footage. This base includes large sites like Ramstein Air Base and smaller sites like the Breitenbach radar site. To develop common terminology for posture planning, DOD has identified three types of installations that reflect the large-to-small scale of DOD's enduring overseas posture—main operating bases, forward operating sites, and cooperative security locations.

-
- Main operating bases are defined as overseas installations with relatively large numbers of permanently stationed operating forces and robust infrastructure that provide enduring family support facilities.
 - DOD defines forward operating sites as scaleable installations intended for rotational use by operating forces, rather than supporting permanently stationed forces. Because they are scaleable, they may have a large capacity that can be adapted to provide support for combat operations, and therefore, DOD populations at these locations can vary greatly, depending on how they are used at any given time.
 - Cooperative security locations are overseas installations with little or no permanent U.S. military presence, maintained with periodic service, contractor, or host-nation support. As with forward operating sites, DOD populations at these locations can vary greatly, depending on how they are used at any given time.

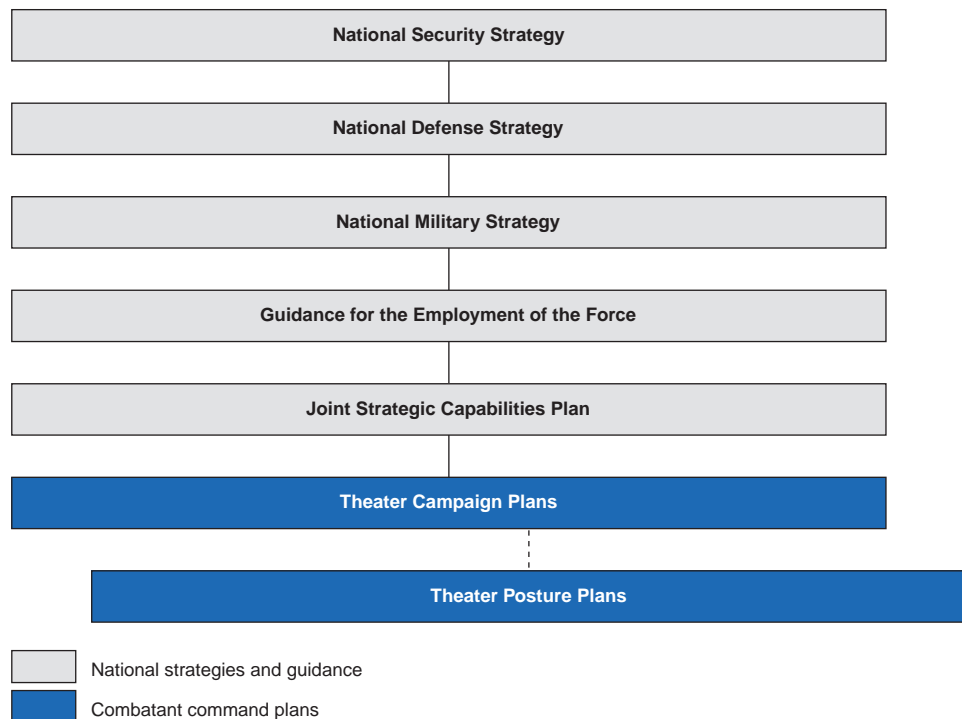
The number of sites located in EUCOM's area of responsibility has decreased as the post-Cold War security environment has changed; in 1990, the Army alone had over 850 sites throughout Europe. In the past decade, the total number of sites in EUCOM's area of responsibility continued to decline, falling to 350 for all services in 2009.

A hierarchy of national and defense guidance informs the development of DOD's global posture. The National Security Strategy, issued by the President at the beginning of each new Administration and annually thereafter, describes and discusses the worldwide interests, goals, and objectives of the United States that are vital to its national security, among other topics. The Secretary of Defense then provides corresponding strategic direction through the National Defense Strategy. Furthermore, the Chairman of the Joint Chiefs of Staff provides guidance to the military through the National Military Strategy. On specific matters, such as global defense posture, DOD has developed new guidance in numerous documents, principally the 2008 Guidance for Employment of the Force and the 2008 Joint Strategic Capabilities Plan.⁵ The Guidance for Employment of the Force consolidates and integrates planning guidance related to operations and other military activities, while the Joint Strategic Capabilities Plan implements the strategic policy direction provided in the Guidance for the Employment of the Force and tasks combatant commanders with developing theater campaign, contingency, and posture plans that are consistent with the Guidance for Employment of the Force.

⁵ As we discuss later in this report, the 2008 Joint Strategic Capabilities Plan is currently under revision.

The theater campaign plan translates strategic objectives to facilitate the development of operational and contingency plans, while the theater posture plan provides an overview of posture requirements to support those plans and identifies major ongoing and new posture initiatives, including current and planned military construction requirements. Figure 2 illustrates the relationships between these national and DOD strategic guidance documents.

Figure 2: National and DOD Guidance, Strategies, and Plans Related to Global Defense Posture



Source: GAO analysis of National Strategies and Defense guidance.

DOD Guidance Does Not Require EUCOM to Estimate or Report the Total Cost of Posture

DOD guidance does not require EUCOM to include comprehensive information on posture costs in its theater posture plan and, as a result, DOD lacks critical information that could be used by decision makers and congressional committees as they deliberate posture requirements and the associated allocation of resources. DOD guidance requires that the theater posture plans prepared by each combatant command provide information on the inventory of installations in a combatant commander's area of responsibility and estimates of the funding required for military

construction projects in their theater posture plans, such as the \$1.2 billion in military construction funding projected to build a new hospital in Landstuhl, Germany. However, this guidance does not specifically require, and therefore EUCOM does not report the total cost to operate and maintain DOD's posture in Europe. Our analysis shows that operation and maintenance costs are significant. Of the approximately \$17.2 billion obligated by the services to support DOD's posture in Europe from 2006 through 2009, approximately \$13 billion (78 percent) was for operation and maintenance costs.⁶ The military services project that operation and maintenance funding requirements will continue at about \$3.2 billion annually for fiscal years 2011-2015. However, DOD has several efforts underway in areas such as planning for missile defense sites and determining the number and composition of Army brigades in Europe that could impact estimates of these future costs. DOD is drafting guidance to require more comprehensive cost estimates for ongoing, current, or planned initiatives and rough order of magnitude costs for newly proposed posture initiatives. These proposed revisions, however, will not require commanders to report operation and maintenance costs unrelated to posture initiatives at existing installations in the theater posture plan. Our prior work has demonstrated that comprehensive cost information—including accurate cost estimates—is a key component that enables decision makers to make funding decisions, develop annual budget requests, and to evaluate resource requirements at key decision points. Until DOD requires the combatant commands to compile and report comprehensive cost data DOD and Congress will have limited visibility into the cost of posture in Europe, which may impact their ability to make fully informed funding and affordability decisions.

EUCOM's Posture Plan Does Not Report Operation and Maintenance Costs

The 2008 Joint Strategic Capabilities Plan requires that theater posture plans prepared by each combatant command provide information on each installation in a combatant commander's area of responsibility, to include identifying the service responsible for each installation, the number of military personnel at the installation, and estimates of the funding required for military construction projects.⁷ In accordance with these reporting

⁶ The estimated \$17.2 billion obligated by the services to build, operate, and maintain military installations in Europe does not include funds obligated by tenant organizations—such as Air Mobility Command at Ramstein Air Force Base—at those locations that can contribute significant funding to operate and maintain infrastructure. See app. I for more details on our scope and methodology to collect and analyze posture costs.

⁷ The Joint Strategic Capabilities Plan defined an installation as any one of three types of locations: main operating base, forward operating site, or cooperative security location.

requirements, EUCOM's 2009 and 2010 theater posture plans provided personnel numbers, identified service responsibilities, and specified posture initiatives on installations within EUCOM's area of responsibility, and estimated the funding required for proposed military construction projects for the current year and projected military construction costs over the next 5 years.

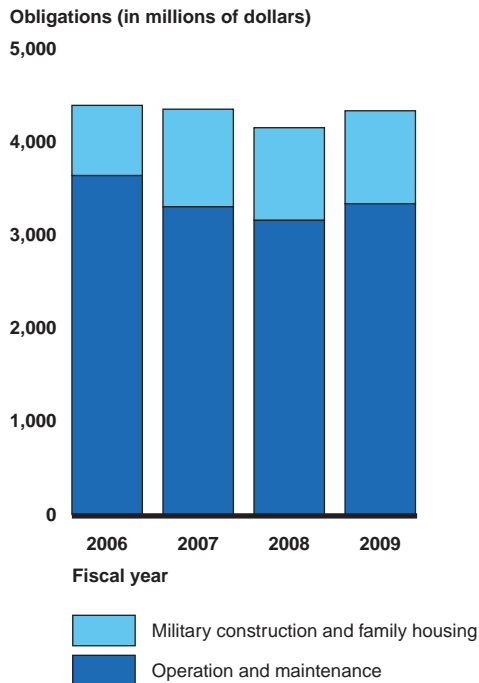
However, the Joint Strategic Capabilities Plan does not specifically require the combatant commands to report estimates for other types of costs, such as costs associated with the operation and maintenance of DOD installations, in the theater posture plan. DOD's operation and maintenance funding provides for a large number of expenses. With respect to DOD installations it provides for base operations support and sustainment, restoration, and modernization of DOD's buildings and infrastructure. Base operations support funding can be used to pay for expenses such as recurring maintenance and repair, utilities, and janitorial expenses. Sustainment, restoration, and modernization funding is used to provide resources for maintenance and repair activities necessary to keep facilities in good working order. According to EUCOM officials, since operation and maintenance costs are not required to be reported by the Joint Strategic Capabilities Plan, EUCOM's 2009 and 2010 theater posture plans do not contain estimates for the funding required to operate and maintain DOD's installations or the approximately 310 other sites that comprise the services' posture in EUCOM's area of responsibility.

To obtain a more comprehensive estimate of the cost of DOD's posture in Europe we gathered obligations data from the Army, Navy, and Air Force related to military construction, family housing, and operation and maintenance appropriations for installations in the EUCOM area of responsibility and found that military construction and family housing obligations accounted for about one-fifth of the services' total obligations against those appropriations from fiscal years 2006 through 2009.⁸ In total, over the period, the military services obligated about \$17.2 billion to build, operate, and maintain installations in Europe, of which \$3.8 billion (22 percent) was for military construction and \$13.4 billion (78 percent) was

⁸ These data do not include (1) supplementary funding provided to support ongoing operations; (2) costs reimbursed by tenant organizations, such as the Defense Logistics Agency, at installations in EUCOM's area of responsibility; (3) personnel costs for troops stationed at installations in EUCOM's area of responsibility; and (4) costs stemming from the presence of U.S. Africa Command. See app. II for more details on EUCOM posture obligations and estimated requirements.

for operation and maintenance of these installations. Of this \$13.4 billion more than 50 percent was obligated for base operations support services which include hiring security forces to protect Army bases and obtaining utilities and janitorial services for installations (for a more detailed breakdown of costs at installations in Europe see fig. 6 in app. II). On average, the services reported they obligated approximately \$4.3 billion annually for installations in EUCOM's area of responsibility (see fig. 3).

Figure 3: Service Obligations for DOD Installations in EUCOM's Area of Responsibility (Fiscal Years 2006-2009)



Source: GAO analysis of Army, Navy, and Air Force obligations data.

Note: This figure reflects obligations data. We did not include supplemental funding provided to support ongoing combat operations or the obligations made by tenant organizations, such as the Defense Logistics Agency. See app. II for information about data limitations.

Ongoing Efforts May Influence the Cost of DOD's Posture in Europe

Our analysis of the data provided by the military services projects that operation and maintenance funding requirements will continue at about \$3.2 billion annually for fiscal years 2011-2015.⁹ However, DOD has several efforts underway—in areas such as reviewing posture requirements and reducing overhead costs, planning for missile defense sites, and determining the number and composition of Army brigades in Europe—that may affect the precision of these projections.

- **Reviewing Posture and Other Initiatives:** DOD is reviewing its posture worldwide and has begun a series of efficiency initiatives focused on reducing overhead costs. These efforts include an examination of headquarters like those in Europe. Specifically, the Secretary of Defense has questioned why the Army, Navy, and Air Force service components in EUCOM are commanded by four-star general or flag officers, which can increase costs, given the support generally required for a 4-star command. Also, the Army is continuing its efforts to consolidate its posture in Europe, including an estimated \$240 million requested for further upgrades to its facilities in Wiesbaden, Germany. Depending on the results of the DOD-wide global posture study and efficiency reviews, EUCOM and the services may have to revise their posture plans.
- **Planning for European Ballistic Missile Defense:** DOD has altered its plan to build missile defense sites in Poland and the Czech Republic in favor of a phased approach that relies on a combination of land- and sea-based defenses. DOD anticipates implementing this approach through 2020; however, DOD has not estimated the life-cycle cost of the phased adaptive approach for Europe.
- **Keeping Army Brigades in Europe:** In September 2010, we reported that delays in decisions associated with the number and composition of U.S. Army forces in Europe will impact posture costs. Prior to the 2010 Quadrennial Defense Review, the Army had planned to return two of four brigade combat teams stationed in Europe to the United States in fiscal years 2012 and 2013, which would have saved millions annually in overseas stationing costs by allowing the closure of two installations in Germany. However, these plans are on hold pending the results of ongoing DOD assessments of defense posture. Army analysis has concluded that the long-term incremental costs for keeping four brigades in Europe

⁹ Our data call was for requirements data included in individual military services budget submissions for fiscal year 2010. These data are currently the best available as the requirements data underlying the military requirements put forward in EUCOM's 2010 Theater Posture Plan are derived from the Program of Record as of the fiscal year 2011 President's budget request.

(rather than two) will be between \$1 billion and \$2 billion for fiscal years 2012 through 2021 depending on the assumptions used.¹⁰

DOD Posture Planning Guidance Does Not Require EUCOM to Estimate and Report Total Posture Costs

To improve DOD's reporting on global posture costs, we recommended, in July 2009, that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to develop a requirement and appropriate guidance for constructing an estimate of total global defense posture costs that reflects the basic characteristics of a credible cost estimate as defined in GAO's *Cost Estimating and Assessment Guide*.¹¹ In response to our recommendation DOD officials told us they are revising the Joint Strategic Capabilities Plan to require additional cost information in future theater posture plans. According to officials in the Office of the Under Secretary of Defense (Comptroller) and Joint Staff, the revised guidance would require the combatant commands to provide (1) current and projected full posture project costs for the next 5 years for planned posture initiatives (including construction, furniture, fixtures, equipment, and any operation and maintenance costs) and (2) the rough order-of-magnitude cost (including one-time and recurring costs, and cost to complete) for posture change proposals. As of November 2010, the revisions to this guidance had not been completed or approved within DOD.

Although these proposed revisions would provide more comprehensive information on the cost to complete posture initiatives, they do not fully address our recommendation to compile total costs because they will not require the combatant commands to report, for each installation, the operation and maintenance costs unrelated to posture initiatives in conjunction with military construction costs by installation. These operation and maintenance costs comprise much of the financial obligations to support DOD's overseas installations. By focusing this new guidance only on posture initiatives, DOD is overlooking operation and maintenance costs of installations and does not consider them when making posture decisions. However, these costs have been substantial, with DOD obligating about \$3.4 billion annually in EUCOM's area of responsibility, as shown in figure 3.

¹⁰ GAO, *Defense Planning: DOD Needs to Review the Costs and Benefits of Basing Alternatives for Army Forces in Europe*, [GAO-10-745R](#) (Washington, D.C.: September 2010).

¹¹ GAO, *Force Structure: Actions Needed to Improve DOD's Ability to Manage, Assess, and Report on Global Defense Posture Initiatives*, [GAO-09-706R](#) (Washington, D.C.: July 2009).

Comprehensive Cost Estimates Are Critical to Support Decisions on Funding and Affordability

Our prior work has demonstrated that comprehensive cost information is a key component in enabling decision makers to set funding priorities, develop annual budget requests, and evaluate resource requirements at key decision points. We have developed a cost estimation process that, when followed, should result in reliable and valid cost estimates that management can use to make informed decisions.¹² Furthermore, guidance from the Office of Management and Budget has highlighted the importance of developing accurate cost estimates for all agencies, including DOD.¹³

DOD and EUCOM officials acknowledge that the provision of more comprehensive cost data in the theater posture plans could be beneficial; EUCOM officials told us that having more comprehensive cost information would provide a better context for evaluating posture requirements. However, EUCOM officials said that they would have to rely on the service component commands to provide this information for inclusion in future theater posture plans. Until DOD requires the combatant commands to compile and report on comprehensive costs for established locations, DOD and Congress will be limited in their ability to weigh the costs and benefits of existing posture and posture initiatives and to make fully informed decisions on funding DOD's posture in Europe.

¹² In March 2009 GAO published its *Cost Estimating and Assessment Guide* that identifies best practices for developing and managing capital program costs. Agencies can follow the 12-step process which addresses best practices, including defining the program's purpose, developing the estimating plan, defining the program's characteristics, determining the estimating approach, identifying ground rules and assumptions, obtaining data, developing the point estimate, conducting sensitivity analysis, performing a risk or uncertainty analysis, documenting the estimate, presenting it to management for approval, and updating it to reflect actual costs and changes. Following these steps ensures that realistic cost estimates are developed and presented to management, enabling them to make informed decisions about whether the program is affordable within the portfolio plan. GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: March 2009).

¹³ Office of Management and Budget, *Capital Programming Guide V2.0*, Supplement to OMB Circular A-11, Part 7 (Washington, D.C.: June 2006).

EUCOM Lacks a Systematic Process to Evaluate Posture Alternatives and Routinely Incorporate Interagency Views in Posture Planning

EUCOM has developed an approach to compile posture requirements and prepare annual theater posture plans, but does not have clearly defined methods for evaluating posture alternatives or routinely incorporating the views of interagency stakeholders. To support posture planning, EUCOM assigned primary responsibility for developing its theater posture plan to its Strategy Implementation Branch and established an Executive Council and supporting Integration Team. The council and integration team provide a forum for discussing posture issues that may cross service lines, such as issues concerning sites that are used by multiple services but supported by funding from a single service. In addition, EUCOM has undertaken a series of actions to work with the service component commands in developing its theater posture plan, such as holding a posture planning conference. Although the approach EUCOM has taken to determine posture requirements has fostered greater communication between key stakeholders and improved its ability to resolve conflicting views on posture issues, it has not been clearly defined and codified in command guidance, and it does not specifically provide for the comprehensive analysis of costs and benefits, because the combatant commander has not been required to include such analysis in developing the theater posture plan. In addition, the Interagency Partnering Directorate, which was established by the EUCOM commander to improve interagency coordination for the command, did not fully participate in developing the 2010 posture plan, because its role in posture planning has not been defined. As a result of these weaknesses in EUCOM's posture planning approach, the command is limited in its ability to consider and evaluate the cost of posture in conjunction with the strategic benefits it provides and may not be fully leveraging interagency perspectives as it defines future posture requirements.

EUCOM's Approach to Compile Posture Requirements and Develop Its Posture Plan Is Not Formalized

In response to planning guidance established in the 2008 Guidance for Employment of the Force, EUCOM assigned primary responsibility to its Strategy Implementation Branch for developing the command's theater posture plan and for coordinating outreach to the service components. In January 2009, the command also established the European Posture Executive Council—which includes one-star flag officer representatives from the command directorates, the service component commands, and the services' installation management organizations—to focus on posture issues, including assessing strategy, prioritizing posture requirements, and determining the feasibility of implementing planned posture. According to EUCOM officials, the European Posture Executive Council has provided a forum for coordinating input from the service component commands and discussing and adjudicating posture issues that may cross service lines,

such as issues concerning sites that are used by multiple services but supported by funding from a single service. To support the Executive Council, EUCOM established the European Posture Integration Team, a group of action officers that functions as a steering group for the council.

The EUCOM Deputy Commander has also requested that the Strategy Implementation Branch develop a process to provide the component commands with a long-term vision for sites and functional capabilities needed to build partner capacity and other operational requirements for the next 10-15 years. According to EUCOM officials, the Deputy Commander wanted a method to provide the military services and the service component commands with a foundation to develop specific military construction programs and projects and to assist in the service component's long-term plans to gain efficiencies by consolidating existing sites. The Strategy Implementation Branch identified the development of the theater posture plan as the best vehicle through which EUCOM's vision for its posture could be communicated and coordinated with the service component commands.¹⁴

According to EUCOM officials, the development of the 2010 Theater Posture Plan began with a February 2010 EUCOM Posture Conference, which provided a forum for the EUCOM staff, the service components, and DOD organizations outside of EUCOM (such as other combatant commands, the Office of the Secretary of Defense, and the Joint Staff) to discuss EUCOM posture and EUCOM's role in supporting national and regional strategic objectives. This conference was followed by a meeting of the European Posture Integration Team, discussions with other DOD organizations, and small group meetings among EUCOM staff. These meetings culminated in a Long Term Theater Posture Strategy conference, chaired by the EUCOM Deputy Commander, which included the EUCOM staff and service component deputy commanders. This conference included discussions of EUCOM's posture planning assumptions—such as the status of the defense budget—and posture planning tenets—such as the need to develop posture plans in collaboration with other Geographic Combatant Commands. Additional steps taken to refine the posture plan included discussions with the Executive Council, and reviews by various directorates within the command.

¹⁴ EUCOM prepared its first posture plan in 2008, and its most recent plan was signed by the Combatant Commander in October 2010.

The resulting 2010 EUCOM theater posture plan presents a long-term posture view which will facilitate near-term posture discussions amongst the EUCOM staff and service components. Specifically, it details the force structure and infrastructure capabilities and requirements EUCOM needs to accomplish the programs, activities, and tasks as outlined within the Theater, Regional, and Functional Campaign Plans; Contingency Plans; and EUCOM Directorate, Component, and Special Operations Command Europe supporting plans. Included in the plan are overarching posture planning assumptions and tenets which are to be used as the basis for discussions held by the EUCOM Posture Executive Council. The theater posture plan also describes the current strategic context and conveys how EUCOM posture is linked to and supports strategic objectives. The theater posture plan informs the development of military service plans, the budgeting process, and DOD's internal global defense posture planning efforts as well as external reports on DOD's posture.

Although EUCOM and the service components have taken these positive steps to identify posture requirements and develop the theater posture plan, the process being used to develop the plan has been ad hoc, and EUCOM officials stated they have not yet codified this process in command guidance. In addition, the roles of the Executive Council and Integration Team have not been clearly laid out in guidance. To provide some clarity regarding the roles of the Executive Council and Integration Team, the command is currently drafting an instruction that would assign the European Posture Executive Council primary responsibility for facilitating consensus on posture issues among EUCOM and the service components. We were provided an early draft of this instruction, and found it included criteria for selecting posture issues that should be deliberated within the Executive Council and established a process for service components to submit posture issues to the European Posture Executive Council and the European Posture Integration Team.

While these are positive steps, the draft instruction did not provide comprehensive guidance on the process or steps involved in developing the theater posture plan. During the course of our work, EUCOM officials acknowledged that more comprehensive guidance describing the planning process, key steps involved, and roles and responsibilities of stakeholders would be necessary to institutionalize and ensure consistency in annual planning activities. They stated they were considering expanding the draft guidance to address these issues. As of December 2010, however, the instruction was still in draft and had not been approved.

EUCOM Posture Planning Lacks Steps for Analyzing Alternatives

While EUCOM's steps to date have improved its ability to obtain service component command input to the theater posture plan and provided a forum to consider posture issues, it has not yet developed a method to routinely analyze the costs and benefits of posture alternatives at the combatant command level as posture requirements are developed. As discussed earlier, current DOD guidance on theater posture plans does not require EUCOM to collect or report the total costs associated with DOD installations in Europe. Furthermore, this guidance does not require the combatant commands to analyze the costs of alternative courses of action when developing the theater posture plan or provide guidance on the types of cost analysis that should be completed. As for benefit analysis, the EUCOM theater posture plan makes reference to benefits gained from existing posture or those that may result from implementing proposed posture requirements. However, these benefits are often based on qualitative judgments on how requirements may assure allies, build partner capacity, or support operations in neighboring commands. The theater posture plan does not identify quantitatively comparable benefits or ways to measure those benefits, such as logistical improvements or shorter flying distances, nor does it apply operational metrics, such as specific measures of EUCOM's ability to move forces through the region. Without comprehensive cost data and an objective way to measure benefits EUCOM does not yet have the data needed to routinely analyze the costs and benefits of posture alternatives.

Since EUCOM has not developed a method to routinely analyze the costs and benefits of posture alternatives the Command may be missing opportunities to gain efficiencies in DOD's posture. For example, U.S. Navy Europe officials told us they had identified excess capacity in some of their current posture locations, and were considering alternative courses of action to reduce posture costs. However, before they took steps to reduce their posture to gain greater efficiencies, Navy officials wanted to determine if other military services could use that excess Navy capacity to meet another service's posture requirements. Only through their specific outreach efforts to other services were they able to identify a potential Air Force requirement that could be satisfied with the Navy's location. These Navy officials commented that evaluations of posture at the combatant command level could potentially lead to further opportunities to gain greater efficiencies in posture investments made by the military services.

Our work has shown that decision makers should complete comparative analysis of competing options that considers not only the life-cycle costs but also quantifiable and unquantifiable benefits. This evaluative

information helps them make decisions about the programs they oversee—information that tells them whether, and in what important ways, a program is working or not working, and why.¹⁵ In addition, DOD and Army guidance related to economic analyses to support military construction projects or the acquisition of real property indicates that reasonable alternatives should be considered when contemplating such new projects. For example, DOD Instruction 7041.3, which applies to decisions about acquisition of real property, indicates that such analyses should address alternatives that consider the availability of existing facilities and the estimated costs and benefits of the alternatives, among other factors.¹⁶

Officials from EUCOM's Strategy Implementation Branch stated that the theater posture planning process is a new and emerging process driven by recent changes to the Guidance for Employment of the Force and the Joint Strategic Capabilities Plan. While they agreed with our assessment that total posture costs should be part of any analysis of alternative courses of action, they stated the EUCOM command staff would have to rely on the service component commands to complete this type of analysis. EUCOM officials stated that, unless the Joint Strategic Capabilities Plan were to require this additional cost information, EUCOM would have difficulty obtaining it from the military services.

EUCOM Has Not Defined Steps for Obtaining Input from Interagency Stakeholders

Although the EUCOM Commander has identified building partner capacity as his top priority—activities that generally require close coordination with other U.S. government agencies—the command has not clearly defined specific steps to obtain input from interagency stakeholders as posture plans are developed. The 2010 Quadrennial Defense Review suggests that building partner capacity with efforts to improve the collective capabilities and performance of DOD and its partners will be a key mission area to support the objective of rebalancing the force. In March 2010, the EUCOM commander, in written testimony provided to the House and the Senate Armed Services Committees, indicated that building partnership and partner capacity is the command's highest priority. DOD recognizes that building partner capacities and developing global defense

¹⁵ GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-05-739SP](#) (Washington, D.C.: May 2005).

¹⁶ Department of Defense Instruction 7041.3, *Economic Analysis for Decisionmaking* (Nov. 7, 1995).

posture require close collaboration with allies and partners abroad and with key counterparts at home, principally the civilian departments responsible for diplomacy and development. In addition, our prior work demonstrates that leading organizations involve stakeholders as they develop plans and requirements. The inclusion of stakeholders early and often can test and provide critical feedback on the validity of the assumptions made during a planning process.

To enhance EUCOM's ability to coordinate with other government agencies, the EUCOM commander established the Interagency Partnering Directorate in October 2009. As of November 2010, the directorate was comprised of approximately 30 staff—6 of whom were representatives from the Departments of State, Energy, and Treasury; Immigration and Customs Enforcement; Customs and Border Protection; and the Drug Enforcement Agency. According to the Deputy Director, discussions are underway to add representatives from the Department of Justice and the U.S. Agency for International Development.

Despite the priority given to building partner capacity, and the recognized need to closely collaborate with non-DOD agencies and organizations to plan for and conduct those missions, the Interagency Partnering Directorate was not integral in the development of the 2010 EUCOM Theater Posture Plan. According to a senior directorate official, the directorate was not fully involved in the development of the theater posture plan because the organization was relatively new, and they are still trying to determine how this directorate can best plug into the various planning and other functions within the command.

Similarly, a Strategy Implementation Branch official involved in the development of the theater posture plans commented that although EUCOM has been successful in bringing in interagency officials to the command, and has included the Interagency Partnering Directorate on the Executive Council, it has not defined how the interagency representatives can best participate in ongoing posture planning activities. According to that Strategy Implementation Branch official, EUCOM has not defined how it will routinely coordinate with the interagency community or how the interagency representatives can best support ongoing posture planning efforts. As a result, EUCOM officials involved in posture planning may not have full visibility into the activities of non-DOD agencies and organizations that could utilize DOD infrastructure and the interagency community may not be fully aware of the opportunities to leverage existing DOD facilities.

Without guidance from the EUCOM Commander that clarifies the roles and responsibilities of the Interagency Partnering Directorate related to posture planning, and establishes a process through which interagency perspectives can be routinely obtained as posture plans are developed, EUCOM is limited in its ability to leverage DOD's interagency partners' expertise when developing its posture plans and may miss opportunities to fully leverage its posture investments to support a whole-of-government approach to missions and activities for building partner capacities.

Conclusions

The nation's long-term fiscal challenges have led DOD to examine the cost of its operations, including costs associated with its overseas network of infrastructure and facilities. DOD and EUCOM officials are taking positive steps to improve their posture planning efforts, but actions to date do not fully address posture cost and interagency issues. DOD is in the process of revising its Joint Strategic Capabilities Plan, but the draft revisions do not require combatant commanders to include comprehensive information on the cost to maintain existing locations, or to address the need for analyzing the cost and benefits of posture alternatives. Without further revisions to the Joint Strategic Capabilities Plan to address this lack of focus on the total cost of posture and analysis of alternatives, DOD's posture planning process and reports will continue to lack complete information on the financial commitments and funding liabilities associated with DOD's posture, and potential opportunities to obtain greater cost efficiencies may not be identified. In addition, since EUCOM is taking steps to address posture matters and is developing guidance for identifying and resolving posture issues within the command, it has an opportunity to use this guidance to clearly define and codify a process for how the theater posture plan is to be drafted, to establish approaches to collect and analyze comprehensive cost information and address affordability issues, and to regularly obtain the perspectives of relevant agencies throughout the posture planning process. Without such guidance, EUCOM will remain limited in its ability to analyze posture alternatives and collaborate with interagency partners when developing its posture requirements. Such guidance would allow EUCOM to develop a more informed understanding of the potential impacts of posture requirements and to set priorities among competing investments before asking the department to expend resources or Congress to appropriate needed funds.

Recommendations for Executive Action

To provide for more comprehensive information on the cost of posture and analysis of posture alternatives as future theater posture plans are developed, we recommend that the Secretary of Defense direct the Chairman, Joint Chiefs of Staff, to revise the Joint Strategic Capabilities Plan to

- require the theater posture plan to include the cost of operating and maintaining existing installations and estimate the costs associated with initiatives that would alter future posture and
- provide guidance on how the combatant commands should analyze the costs and benefits of alternative courses of action when considering proposed changes to posture.

To ensure that EUCOM clearly defines a process for developing its theater posture plan, including compiling posture costs, considering affordability, and regularly obtaining the perspectives of relevant agencies throughout the posture planning process, we recommend that the Secretary of Defense, through the Chairman of the Joint Chiefs of Staff, direct the EUCOM Commander to take the following three actions:

- Define the roles and responsibilities of the European Posture Executive Council and Integration Team in the posture planning process and development of the theater posture plan.
- Develop a process through which interagency perspectives can be obtained throughout the posture planning process and the development of the theater posture plan.
- Issue guidance to codify the EUCOM posture planning process once the above steps have been taken.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD generally agreed with all of our recommendations. DOD's response appeared to acknowledge that understanding the full cost of posture is an important consideration as DOD deliberates decisions on current and future posture requirements, and the actions it has taken or plans to take should provide a greater understanding of DOD posture costs. However, we believe some additional steps are warranted to fully address our recommendations. Technical comments were provided separately and incorporated as appropriate. The department's written comments are reprinted in appendix III.

DOD agreed with our recommendation that the Joint Strategic Capabilities Plan be revised to require the combatant commanders to include the cost

of operating and maintaining existing installations and estimate the costs of its initiatives in future theater posture plans, but its proposed actions are not fully responsive to our recommendation. In its response, the department stated that it recognizes that the costs associated with operating and maintaining overseas facilities are an important consideration in the decision-making process, and that the current draft 2011 Joint Strategic Capabilities Plan requires that theater posture plans include operation and maintenance costs for current and planned posture initiatives. The department also indicated that the combatant command should include in the theater posture plan operation and maintenance costs when they are known. In instances where operation and maintenance costs are not known but required for oversight and decision making, DOD stated that it will require the military services to provide the needed data. While the proposed actions would be positive steps, the department's plan to include operation and maintenance costs when they are known—or require additional data only when needed for decision making—could result in fragmented cost information. Therefore, we continue to believe that DOD should revise the Joint Strategic Capabilities Plan to require posture plans to include the cost of operating and maintaining existing installations, even when those costs are unrelated to a specific posture initiative.

In response to our recommendation that the Joint Strategic Capabilities Plan be revised to provide guidance on how the combatant commands should analyze the costs and benefits of alternative courses of action when considering proposed changes to posture, DOD agreed, stating that the department uses four cost/benefit criteria in evaluating posture change proposals and that these four criteria should be used by the combatant commanders in analyzing alternative courses of action. Identifying the criteria that should be used in analyzing alternative courses of action is important, but the absence of detailed guidance within the Joint Strategic Capabilities Plan itself on how those criteria should be applied by the combatant commanders could lead to inconsistent application of the criteria, making it difficult for decision makers to evaluate alternatives. Therefore, we believe that DOD needs to take the additional step to revise the Joint Strategic Capabilities Plan to provide guidance on how the combatant commands should apply the criteria to analyze the costs and benefits of alternative courses of action.

Regarding our recommendation that the EUCOM Commander define the roles and responsibilities of the European Posture Executive Council and European Posture Integration Team in the posture planning process and development of the theater posture plan, DOD agreed, stating that

EUCOM's Theater Posture Plan defines the roles and responsibilities of the Posture Executive Council and Posture Integration Team, and provided additional specifics, which were consistent with the information contained in our report. In addition, in response to our fifth recommendation, DOD agreed to incorporate those roles and responsibilities in command guidance. Therefore, if fully implemented, we believe DOD's actions should meet the intent of our recommendation.

DOD agreed with our recommendation that the Secretary of Defense, through the Chairman of the Joint Chiefs of Staff, direct the EUCOM Commander to develop a process to obtain interagency perspectives throughout the posture planning process and development of the theater posture plan. DOD stated that such a process currently exists and is documented in EUCOM's Theater Posture Plan, which states that the EUCOM Posture Executive Council coordinates with interagency partners through the Interagency Partnering Directorate and the EUCOM Civilian Deputy to the Commander. As discussed in this report, we acknowledge the EUCOM initiative to establish the Interagency Partnering Directorate, and modified the report to clarify that the EUCOM Posture Executive Council includes the Interagency Partnering Directorate. However, as we also point out in the report, this coordination approach was not fully effective in the development of the 2010 Theater Posture Plan, directorate officials were still trying to determine how best to participate in various planning activities, and a EUCOM Strategy Implementation Branch official believed the command has not defined how the interagency representatives can best support ongoing posture planning efforts and routinely coordinate with the interagency community. Therefore, we believe that EUCOM needs to take the additional steps to establish a process through which interagency perspectives can be routinely obtained throughout the posture planning process, and institutionalize that approach in the posture planning guidance that as of December 2010 was still in draft form.

DOD also agreed with our recommendation that the Secretary of Defense, through the Chairman of the Joint Chiefs of Staff, direct the EUCOM Commander to issue guidance to codify the EUCOM posture planning process. In its comments, DOD noted that the EUCOM Theater Posture Plan and draft command directive provide roles, responsibilities, and guidance for posture development while also identifying EUCOM-specific procedures that enable EUCOM to complete a variety of tasks. As we reported, we reviewed EUCOM's 2010 Theater Posture Plan as well as an early draft of EUCOM's Directive 56-24 and found that they included criteria for selecting posture issues that should be deliberated within the

executive council and established a process for service components to submit posture issues to the executive council and the integration team. However, neither document provided comprehensive guidance on the process or steps involved in developing the theater posture plan and EUCOM's posture requirements or a process through which interagency perspectives can be routinely obtained. Consequently, we believe that EUCOM needs to take the additional steps to finalize this guidance and modify its contents so that it addresses these weaknesses.

As we agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 19 days from the date of this letter. In addition, this report will be available at no charge on our Web site at <http://www.gao.gov>.

If you or your staff has any questions about this report, please contact me at (404) 679-1816 or pendletonj@gao.gov. Contact points for our Offices of Congressional Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.



John Pendleton, Director
Defense Capabilities and Management

Appendix I: Scope and Methodology

To determine the extent to which U.S. European Command (EUCOM) estimates and reports the total cost of the Department of Defense's (DOD) installations in its theater posture plan, we collected information by interviewing and communicating with officials in the Office of the Under Secretary of Defense for Policy, the Under Secretary of Defense (Comptroller), the Deputy Under Secretary of Defense (Installations and Environment), and the Joint Staff; Department of the Army, Department of the Navy, and Department of the Air Force; EUCOM; and the Army, Navy, and Air Force component commands and installation management entities for the Army and Navy service components within EUCOM. Additionally, we reviewed documentation including the 2009 and 2010 DOD Global Defense Posture Reports to Congress including the sections addressing posture costs, sections of the 2008 EUCOM Theater Campaign Plan; sections of the 2009 and 2010 EUCOM Theater Posture Plans; and departmental guidance and directives on command functions, campaign planning, overseas force structure changes, and global defense posture management. We also reviewed budget documentation including the military construction appropriations component of the President's Budget request for fiscal years 2006-2011. Furthermore, we issued three separate data requests asking for obligations and requirements data on military construction appropriations and operation and maintenance appropriations for fiscal years 2006-2015. We submitted the first data request to each of three military services (Army, Navy, and Air Force) and the second and third data requests to three service component commands in EUCOM's area of responsibility asking them to review and validate the data received through prior data requests. The first and second data requests were transmitted prior to the release of the Fiscal Year 2011 President's Budget request and the third was transmitted following the release of the Fiscal Year 2011 budget. When we received these data, we aggregated and assessed them. To assess the reliability of received cost data, we reviewed data system documentation and obtained written responses to questions regarding the internal controls on the systems. We determined that the cost data we received were sufficiently reliable for the purposes of this report. To ensure the accuracy of our analysis, we used Statistical Analysis Software (SAS) when analyzing the data and had the programming code used to complete those analyses verified for logic and accuracy by an independent reviewer. Furthermore, we reviewed previous GAO reporting on overseas basing, military construction, the uses of cost information when making decisions about programs, and guidance on cost estimating and the basic characteristics of credible cost estimates.

To determine the extent to which EUCOM has clearly defined methods for evaluating posture alternatives and including the views of interagency

stakeholders, we reviewed departmental guidance and directives on command functions, campaign planning, overseas force structure changes, and global defense posture management. Additionally, we reviewed the 2008 EUCOM Theater Campaign Plan; the 2009 and 2010 EUCOM Theater Posture Plans; and the section of the 2010 Quadrennial Defense Review Report that addresses global defense posture matters. We also reviewed management practices established by the GAO *Cost Estimating and Assessment Guide* and DOD and military service guidance to inform our audit. Furthermore, we collected information by interviewing officials in the Office of the Under Secretary of Defense for Policy, the Under Secretary of Defense (Comptroller), the Deputy Under Secretary of Defense (Installations and Environment), and the Joint Staff; Department of the Army, Department of the Navy, and Department of the Air Force; EUCOM; the Army, Navy, and Air Force component commands and installation management entities for the Army and Navy service components within EUCOM; and Department of State. We reviewed DOD and service guidance on completing economic analyses and analyses of alternatives, and DOD guidance on collaborating with other government agencies. We also reviewed previous GAO reporting related to performance measurement and evaluation and challenges to interagency collaboration.

We conducted this performance audit from October 2009 through December 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Total Cost of DOD's Installations in EUCOM's Area of Responsibility

To obtain a more comprehensive estimate of the cost of the Department of Defense's (DOD) posture in Europe, we requested information from the Army, Navy, and Air Force¹ on military construction, family housing, and operation and maintenance appropriations for installations under their responsibility. The three service components responded with obligation figures for the three appropriation categories for the period fiscal year 2006 through fiscal year 2009. Additionally, the three service components provided estimated requirements for the three appropriation categories for the period fiscal year 2011 through fiscal year 2015.² There are limitations associated with our data call including (1) the omission of supplementary funding provided to support ongoing operations; (2) the omission of costs reimbursed by tenant organizations, such as the Defense Logistics Agency, at installations in EUCOM's area of responsibility; (3) the omission of personnel costs for troops stationed at installations in EUCOM's area of responsibility; and (4) the omission of costs stemming from the presence of U.S. Africa Command. However, we discussed these limitations with officials in the Office of the Under Secretary of Defense for Policy, the Office of the Under Secretary of Defense (Comptroller), and the Office of the Under Secretary of Defense (Installations and Environment) and EUCOM officials and determined that the cost data we received were sufficiently reliable for the purposes of this report.

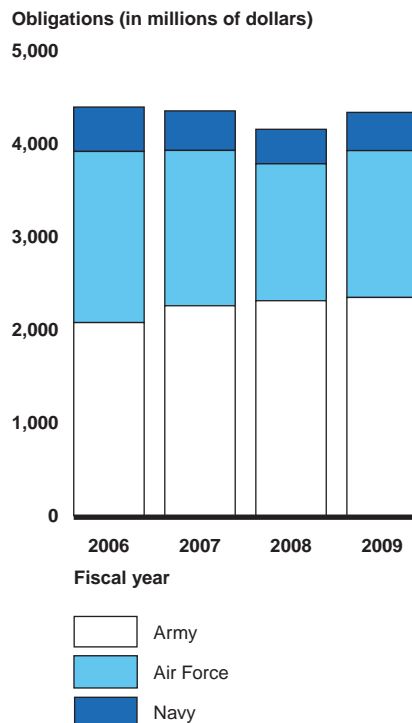
Our analysis of obligations data indicates the Army constituted 52.2 percent of all obligations for the period fiscal year 2006 through fiscal year 2009, the largest proportion of the three service components. However, the Army has been faced with a significant challenge to meet the facility needs associated with several recent initiatives, such as the transformation of the Army's force structure, the permanent relocation of thousands of overseas military personnel back to the United States, the implementation of base realignment and closure actions, and the planned increase in the Army's active-duty end strength. Taken together, the Army estimated that these initiatives would result in a threefold increase in the Army's military

¹ We did not request data from U.S. Marine Corps Europe as this service component is not identified as the lead sponsor for any approved posture initiatives in the European Command area of responsibility.

² Officials explained information on future years appropriations should be characterized as estimated requirements as the data have not been reviewed and endorsed by DOD and may change.

construction program for fiscal years 2006 through 2009.³ The Air Force and Navy comprised 38.1 percent and 9.8 percent of obligations, respectively. (See fig. 4.)

Figure 4: Military Construction, Family Housing, and Operation and Maintenance Obligations: Fiscal Years 2006-2009 (Then Year Dollars), EUCOM Area of Responsibility

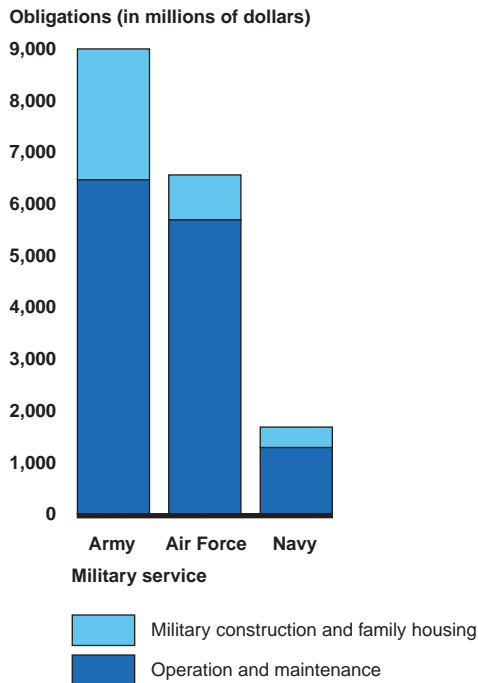


Source: GAO analysis of Army, Navy, and Air Force obligations data.

Furthermore, our analysis shows that Army operation and maintenance obligations for the same period totaled \$6.5 billion, or 48.1 percent, of the approximately \$13.4 billion in total operation and maintenance obligations. The Air Force and Navy comprised 42.3 percent and 9.6 percent of obligations, respectively. (See fig. 5.)

³ GAO, *Defense Infrastructure: DOD Needs to Determine and Use the Most Economical Building Materials and Methods When Acquiring New Permanent Facilities*, GAO-10-436 (Washington, D.C.: April 2010).

Figure 5: Army, Navy, and Air Force Obligations: Fiscal Years 2006-2009 (Then Year Dollars), EUCOM Area of Responsibility



Source: GAO analysis of Army, Navy, and Air Force obligations data.

Figure 6 provides a more detailed breakout of military construction, family housing, and operation and maintenance appropriation obligations data provided to us by the military services for the period fiscal year 2006 through fiscal year 2009. Based on conversations with the military services regarding the data we requested, we divided the operation and maintenance appropriation category into three obligations categories including (1) base operations support obligations, which include recurring maintenance and repair, utilities, and janitorial and roads/grounds expenses; (2) sustainment, restoration, and modernization obligations, which include the maintenance and repair activities necessary to keep facilities in good working order; and (3) other expenditures, which include obligations from the operation and maintenance appropriation that do not fall into either of the preceding categories. Figure 6 shows that the three services combined obligated the most money for base operations support in each fiscal year.

**Appendix II: Total Cost of DOD's
Installations in EUCOM's Area of
Responsibility**

Figure 6: Obligations by Appropriation Category: Fiscal Years 2006-2009 (Then Year Dollars), EUCOM Area of Responsibility

| Appropriation category | Obligations | Service | FY 2006 | FY 2007 | FY 2008 | FY 2009 | Total |
|----------------------------------|---|--------------|------------------|------------------|------------------|------------------|-------------------|
| Military Construction | | Air Force | 65,831 | 52,216 | 99,211 | — | 217,257 |
| | | Army | 103,031 | 395,532 | 307,565 | 299,081 | 1,105,209 |
| | | Navy | 796 | 31,720 | 1,680 | 9,210 | 43,406 |
| | | Total | 169,658 | 479,468 | 408,456 | 308,291 | 1,365,872 |
| Family Housing | | Air Force | 157,085 | 162,101 | 166,515 | 166,344 | 652,044 |
| | | Army | 327,388 | 316,952 | 339,090 | 441,713 | 1,425,142 |
| | | Navy | 99,764 | 89,636 | 81,433 | 82,103 | 352,936 |
| | | Total | 584,237 | 568,688 | 587,037 | 690,160 | 2,430,122 |
| Operation and Maintenance | Base Operations Support | Air Force | 594,168 | 591,552 | 618,077 | 679,264 | 2,483,061 |
| | | Army | 984,452 | 885,835 | 868,771 | 813,755 | 3,552,813 |
| | | Navy | 318,699 | 249,575 | 260,879 | 277,452 | 1,106,605 |
| | | Total | 1,897,319 | 1,726,962 | 1,747,727 | 1,770,471 | 7,142,479 |
| | Sustainment, Restoration, and Modernization | Air Force | 187,992 | 256,270 | 259,479 | 329,439 | 1,033,180 |
| | | Army | 308,042 | 297,688 | 434,898 | 427,493 | 1,468,121 |
| | | Navy | 58,071 | 54,307 | 26,388 | 41,498 | 180,264 |
| | | Total | 554,105 | 608,265 | 720,765 | 798,430 | 2,681,565 |
| | Other | Air Force | 834,526 | 607,699 | 328,418 | 403,483 | 2,174,126 |
| | | Army | 354,344 | 362,453 | 362,100 | 364,857 | 1,443,755 |
| | | Navy | — | — | 225 | 789 | 1,014 |
| | | Total | 1,188,871 | 970,152 | 690,743 | 769,129 | 3,618,894 |
| Total | | | 4,394,189 | 4,353,535 | 4,154,727 | 4,336,481 | 17,238,932 |

Source: GAO analysis of Army, Navy, and Air Force obligations data.

Appendix III: Comments from the Department of Defense



POLICY

UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000

JAN 26 2011

Mr. John Pendleton
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Pendleton:

This is the Department of Defense's (DoD) response to the Government Accountability Office's (GAO) draft report, "DEFENSE MANAGEMENT: Additional Cost Information and Stakeholder Input Needed to Assess Military Posture in Europe," dated December 10, 2010 (GAO code 351396/GAO-11-131).

The Department concurs with all five of GAO's recommendations. Clarification and further information are included for each recommendation on the accompanying pages.

We will work with DoD components to implement these recommendations and look forward to further dialogue with GAO on costing posture initiatives.

Sincerely,

A handwritten signature in black ink that reads "Michèle A. Flournoy".

Michèle A. Flournoy

**GAO DRAFT REPORT DATED DECEMBER 10, 2010
GAO-11-131 (GAO CODE 351396)**

**“DEFENSE MANAGEMENT: ADDITIONAL COST INFORMATION AND
STAKEHOLDER INPUT NEEDED TO ASSESS MILITARY POSTURE IN
EUROPE”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Chairman, Joint Chiefs of Staff to revise the Joint Strategic Capabilities Plan to require the Theater Posture Plan to include the cost of operating and maintaining existing installations and estimate the costs associated with initiatives that would alter future posture.

DoD RESPONSE: Concur. The Department recognizes that the costs associated with operating and maintaining overseas facilities (O&M costs) are an important consideration in the posture decision-making process. The current draft 2011 JSCP requires that Theater Posture Plans include O&M costs for current and planned posture initiatives. DoD notes that there are limits to combatant commands' abilities to include this information, as these costing efforts are inherently a Service function. Where O&M costs are known, combatant commands should include them in their Theater Posture Plans. When O&M costs are not known, but required for the purposes of posture oversight and decision-making, the Department will require the Services to provide appropriate O&M cost detail.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Chairman, Joint Chiefs of Staff to revise the Joint Strategic Capabilities Plan (JSCP) to provide guidance on how the combatant commands should analyze the costs and benefits of alternative courses of action when considering proposed changes to posture.

DoD RESPONSE: Concur. The Department uses four cost/benefit criteria in evaluating posture change proposals: political-military; operational; force structure/force management; and cost. These same criteria should be used by the combatant commanders in analyzing alternative courses of action.

RECOMMENDATION 3: The GAO recommends that the Secretary of Defense, through the Chairman, Joint Chiefs of Staff, direct the European Command (EUCOM) Commander to define the roles and responsibilities of the European Posture Executive Council (EPEC) and Implementation Team (EPIT) in the posture planning process and development of the theater posture plan.

DoD RESPONSE: Concur. EUCOM's current Theater Posture Plan now defines the roles and responsibilities of EUCOM's Posture Executive Council (EPEC) and its Posture Integration Team (EPIT). The EPEC is EUCOM's principal outreach and integration tool for posture development. This General Officer/Flag Officer level body is comprised of a cross section of EUCOM Directorate leadership as well as key posture stakeholders from EUCOM Service Components. The EPEC focuses on the strategic assessment, implementation feasibility, and theater prioritization of force posture issues for the Commander, USEUCOM. Its continuing charter is to synchronize near-term force posture decisions within the 5-year Strategy of Active Security window, in addition to maintaining a long-range vision for posture within the EUCOM theater. The EPIT is an 0-6/action officer staff-level forum that provides direct support to the EPEC.

RECOMMENDATION 4: The GAO recommends that the Secretary of Defense through the Chairman, Joint Chiefs of Staff, direct the EUCOM Commander to develop a process through which interagency perspectives can be obtained throughout the posture planning process and the development of the theater posture plan.

DoD RESPONSE: Concur. This process currently exists. As described in EUCOM's Theater Posture Plan, the Interagency Directorate is a member of both EUCOM's Posture Executive Council (EPEC) and its Posture Integration Team (EPIT). The EPEC coordinates with the interagency through the EUCOM J9 Interagency Partnering Directorate and the EUCOM Civilian Deputy to the Commander. Organizations that could offer coordination or strategic analysis for posture issues are invited as appropriate for participation in EPEC review. These organizations may include Other Government Agencies (OGAs), Supreme Headquarters Allied Powers Europe (SHAPE)/NATO, FCCs, the other GCCs, and Defense Agencies (e.g. Missile Defense Agency (MDA)).

RECOMMENDATION 5: The GAO recommends that the Secretary of Defense through the Chairman, Joint Chiefs of Staff, direct the EUCOM Commander to issue guidance to codify the EUCOM posture planning process once the above steps have been taken.

DoD RESPONSE: Concur. The EUCOM Theater Posture Plan, along with EUCOM Directive 56-24, Theater Basing Planning, provides the roles, responsibilities, and guidance for posture development. This directive identifies HQ USEUCOM-specific procedures that enable EUCOM to accomplish the following: ensure comprehensive coordination of component basing plans; define the interface between basing, operational planning, and execution; and assess the theater environment to determine/validate long-term basing requirements.

As stated in the accompanying GAO report, EUCOM is updating its Directive 56-24 to a Command Instruction (ECI) to incorporate both EUCOM and DoD's Posture Integration Team (EPIT and GPIT) and Posture Executive Council (EPEC and GPEC) roles, responsibilities, and also include DoD's Global Posture Steering Group (GPSSG), along with its accompanying business rules proposal.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

John Pendleton, (404) 679-1816 or pendletonj@gao.gov

Staff Acknowledgments

In addition to the contact named above, Robert L. Repasky, Assistant Director; Brian Hackney; Joanne Landesman; Ying Long; Greg Marchand; Charles Perdue; Terry Richardson; Ophelia Robinson; Michael Shaughnessy; Amie Steele; Alex Winograd; and Ricardo Marquez made key contributions to this report.

Related GAO Products

Defense Management: Improved Planning, Training, and Interagency Collaboration Could Strengthen DOD's Efforts in Africa. [GAO-10-794](#). Washington, D.C.: July 28, 2010.

Defense Management: U.S Southern Command Demonstrates Interagency Collaboration, but Its Haiti Disaster Response Revealed Challenges Conducting a Large Military Operation. [GAO-10-801](#). Washington, D.C.: July 28, 2010.

Defense Planning: DOD Needs to Review the Costs and Benefits of Basing Alternatives for Army Forces in Europe. [GAO-10-745R](#). Washington, D.C.: September 13, 2010.

National Security: Interagency Collaboration Practices and Challenges at DOD's Southern and Africa Commands. [GAO-10-962T](#). Washington, D.C.: July 28, 2010.

Defense Infrastructure: Planning Challenges Could Increase Risks for DOD in Providing Utility Services When Needed to Support the Military Buildup on Guam. [GAO-09-653](#). Washington, D.C.: June 30, 2009.

Force Structure: Actions Needed to Improve DOD's Ability to Manage, Assess, and Report on Global Defense Posture Initiatives. [GAO-09-706R](#), July 2, 2009.

Military Operations: Actions Needed to Improve DOD's Stability Operations Approach and Enhance Interagency Planning. [GAO-07-549](#). Washington, D.C.: May 31, 2007.

Defense Management: Comprehensive Strategy and Annual Reporting Are Needed to Measure Progress and Costs of DOD's Global Posture Restructuring. [GAO-06-852](#). Washington, D.C.: September 13, 2006.

Defense Infrastructure: Guam Needs Timely Information from DOD to Meet Challenges in Planning and Financing Off-Base Projects and Programs to Support a Larger Military Presence. [GAO-10-90R](#). Washington, D.C.: November 13, 2009.

Defense Infrastructure: DOD Needs to Provide Updated Labor Requirements to Help Guam Adequately Develop Its Labor Force for the Military Buildup. [GAO-10-72](#). Washington, D.C.: October 14, 2009.

Ballistic Missile Defense: Actions Needed to Improve Planning and Information on Construction and Support Costs for Proposed European Sites. [GAO-09-771](#). Washington, D.C.: August 6, 2009.

Defense Management: Actions Needed to Address Stakeholder Concerns, Improve Interagency Collaboration, and Determine Full Costs Associated with the U.S. Africa Command. [GAO-09-181](#). Washington, D.C.: February 20, 2009.

Defense Infrastructure: Opportunity to Improve the Timeliness of Future Overseas Planning Reports and Factors Affecting the Master Planning Effort for the Military Buildup on Guam. [GAO-08-1005](#). Washington, D.C.: September 17, 2008.

Force Structure: Preliminary Observations on the Progress and Challenges Associated with Establishing the U.S. Africa Command. [GAO-08-947T](#). Washington, D.C.: July 15, 2008.

Defense Infrastructure: Planning Efforts for the Proposed Military Buildup on Guam Are in Their Initial Stages, with Many Challenges Yet to Be Addressed. [GAO-08-722T](#). Washington, D.C.: May 1, 2008.

Defense Infrastructure: Overseas Master Plans Are Improving, but DOD Needs to Provide Congress Additional Information about the Military Buildup on Guam. [GAO-07-1015](#). Washington, D.C.: September 12, 2007.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

