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NAVY SHORE ESTABLISHMENT REALIGNMENT (SER) --

A VERY, VERY, VERY EXPENSIVE "SAVINGS."

CAN WE AFFORD IT?

1. Philosophy. The SER proposed that all functions being performed by NCEL be transferred to other locations and continue to be performed. Some functions were directed to NCSL, Panama City, Florida, some to NUC, San Diego, and some to CBC, Port Hueneme.
2. Cost of Move. Non-recoverable one time moving cost is conservatively estimated at 2.8 million dollars. In addition, future MCON expenses in the amount of 1.6 million dollars for NUC, San Diego and 5.4 million dollars for CBC, Port Hueneme will be necessary in order to provide reasonably adequate facilities to perform the functions after physical moves have been completed. This results in a total cost of 9.8 million dollars to relocate certain R&D functions and dispose of one of the most efficient research and development laboratories in the Navy.
3. Purported Savings. The SER anticipates annual savings of 1.1 million dollars after transfer of functions and closing NCEL. These anticipated savings are based on faulty rationale and will never materialize. Example: Approximately 1/3 of NCEL work is scheduled for transfer to NUC, San Diego. Because of relative efficiency, each man hour of R&D work (1 man working one hour) performed at NUC, San Diego costs \$3.00 more than this same work performed at NCEL, Port Hueneme. There can be no savings. As a matter of fact, there will be a definite increase in costs for each and every man hour of work transferred from NCEL, Port Hueneme to NUC, San Diego.
4. Maintenance of R&D Capability. NCEL research engineers and scientists operate as a complete team. Their efforts can best be compared to that of a finely tuned instrument. Each man or each part complimenting and supporting each other. Dismemberment of this team by sending part to Florida, part to San Diego and part to CBC would result in a situation wherein the functions currently being performed could no longer be performed efficiently and effectively. That part transferred to CBC would rapidly degenerate to a point where it could no longer be performed at all. Reason: Top flight research engineers and scientists cannot be attracted to and will not remain in an atmosphere that is not research and development oriented. If quality research and development work is to continue, it must continue in the environment of a first-line R&D laboratory (see attached statement concerning personal feelings of one of the senior research engineers now at NCEL).
5. Combination of Activities. A proposed and logical way to accomplish the SER objectives (objectives being to save money while continuing to perform the necessary work) is by a consolidation of existing facilities. The most reasonable and advantageous method of doing this is to combine NCSL, Panama City and NCEL, Port Hueneme into a single Navy laboratory with an east coast and west coast facility. Obvious benefits of such a combination include:

A. Avoidance of approximately 9.8 million dollars in relocation and new facilities costs.

B. Realize actual dollar savings by combining certain overhead and support functions such as accounting, industrial relations, support, etc. This is quite feasible even though the two facilities are geographically separated.

C. Enhance the capability of the combined laboratory to perform the consolidated mission to a fuller degree. Example: NCSL can certainly do a more complete job of coastal systems engineering and research with an east and west coast facility than would be possible with a single east coast facility (different environment, different ocean conditions, etc.). Similarly the combined laboratory could do a more complete job of seafloor construction research.

D. Preserve the necessary expertise in a laboratory environment which is so critical to successful research and development.

E. Last but not least, avoid a very expensive and unnecessary disruption to the lives of many dedicated employees and their families.

1. Shore Establishment Realignment Plan Reasons for Closure. "All direct project in-house effort and associated personnel will be relocated or re-assigned to other Naval activities having related mission areas. Disciplines and skills at the receiving activities are complimentary resulting in the formation of integrated bases of expertise and knowledge and more effective utilization of resources. Reduction of 69 civilian and 2 military personnel will result in eventual annual savings of 1,104,000. One time costs to implement this action is 1,737,000."

2. Rationale of SER indicated savings. Since the SER emphasizes that all direct work continues, it can only be interpreted that the purported advantages and savings to the closure action will result from integration of expertise and reduction of support personnel. Regarding the former, I believe it has been clearly demonstrated that a disintegration rather than an integration of expertise will actually occur. The peculiar and unique mission of the Laboratory is currently performed on an integrated basis across department lines. The reassignments specifically directed by the SER Plan would emasculate certain relocated operations from currently available unique skills and expertise which are currently integrated under the present NCEL operation. Regarding the support personnel savings, I think the basic philosophy of the Industrial Funding system under which NCEL operates, and its implications in this closure action should be briefly reviewed. Some years ago, the Congress decided, through legislation, that it would be more efficient and effective to place certain government commercial-type operations on a commercial accounting and financial management system. The philosophy behind this legislation was one of placing authority commensurate with responsibility for efficient management of resources in the hands of the activity commanding officer. Important cost advantages to be gained were the elimination of the annual higher headquarters budget "guesses" on activity resources needs and elimination of year-end spending sprees to use up any excess dollars for purposes of maintaining the budget base. Under the industrial system the activity commanding officer is forced to determine his resources requirements, expenditures and constraints based on his funded work assignments and revenue to pay costs much the same as any business in the private sector. The Commanding Officer hires and fires according to his workload. His activity survives only as long as its customers are willing to pay for its product and overhead burden. The industrial system in government financial management has clearly demonstrated its cost effectiveness. To my knowledge, no solvent and busy industrial funded activity has ever before been closed. It would be tantamount to a Montgomery Wards decision to save money by closing one of its most profitable stores. That NCEL has been one of the most efficiently operated industrial funded laboratories has been attested to by its higher headquarters in NAVMAT and by private industry. Because of its effectiveness in producing sponsor work assignments, it has been sought after by all activities of the government to the extent that recently funded work assignments have, of necessity, been turned down because of arbitrary civilian ceiling constraints, which are also contrary to industrial accounting philosophy. The closure rationale argues that it would be even more efficient to send the NCEL

direct project personnel and their mission efforts to other larger activities, and thereby, reduce support or general overhead costs. Here is where the industrial system clearly proves the ridiculousness of the closure rationale. The NCEL general overhead rate averages less than \$4.00 for every hour of direct labor. The general overhead rates at two of the laboratories to which NCEL personnel are to be reassigned average over \$7.00 per hour. This means that the sponsor or customer will pay \$3.00 an hour more for general support services at the gaining activities than he was charged at NCEL. Where, then are the savings?

3. Other costs. Other tangible costs of relocating have been estimated elsewhere. However, it is considered that these are minimal in respect to losses that are less easily identified. NCEL is now a 15 million per year laboratory. The basic disruption and confusion already effected by the closure announcement is revealing itself in the industrial accounting operating results and productivity is obviously dropping far below par. It is estimated that by the time personnel and equipment and facilities and the complete working situation is set up at the gaining activities, tens of millions of dollars could be lost in productivity. Finally, it has been estimated by key personnel in all activities concerned with the relocation that it is doubtful that the same level of productivity could be achieved in the foreseeable future.

A Statement from one of the Senior Research Engineers at NCEL

Association with the Naval Civil Engineering Laboratory has, for most of the engineering and scientific professionals working there, meant being in the mainstream of military research on both a national and international scale. The satisfaction of being a part of NCEL, of working or of having the chance of working in research for a variety of sponsors on levels of national importance; of belonging to a professional-conscious group where excellence and creativity are recognized and rewarded, and of being given the chance to build a professional reputation on the highest levels, combine to create a career/professional environment which has been capable of attracting and keeping the highest caliber research professional.

The pending disestablishment of NCEL, however, with transfer of much of the research function to the command of the Construction Battalion Center, will inevitably result in a downgraded research effort. Instead of a research oriented chain of command, with a direct responsibility to the Chief of Naval Material, the new research group will become only one department of a command whose major interests are directed toward more routine efforts, with local rather than national influence. In addition the new group will lose the benefits of the present Naval Industrial Funding System, which is generally agreed to be a requisite for continued existence in the national research community, and will return to an appropriated funding existence which greatly restricts the possibility of attracting research from sources outside the Navy. This is a disadvantage which almost no other research within the DOD has to face.

The result of these changes is predictable. The new group will, gradually, lose its better-qualified researchers to organizations which offer more of the prerequisites of stimulating research work, and which offer the "upward mobility" environment previously offered by NCEL.