



CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

May 8, 1987

MEMORANDUM

FROM: Bob Hale *[Signature]*
Jack Mayer *[Signature]*

SUBJECT: Costs of Withdrawing Army Troops from Europe

Provided at the request of the Chairman, House Committee on Armed Services, the attached paper analyzes the costs of withdrawing Army troops from Europe under three different approaches. The analysis was prepared by Fran Lussier and Bill Myers. If you have any questions about the paper, please call Fran at 226-2900.

Attachment

COSTS OF WITHDRAWING ARMY TROOPS FROM EUROPE

In response to your request for information on the budgetary impact of withdrawing U.S. troops from Europe, CBO has updated the costs contained in a 1982 unpublished CBO staff paper. The attached table summarizes our latest estimates for both the one-time costs and the annual recurring savings associated with withdrawing some of the troops that are currently stationed in Europe. Our results suggest that any troop withdrawals would involve one-time costs, but that only a withdrawal coupled with a reduction in the **size** of the military would generate enough recurring savings to repay those one-time costs quickly.

Since approximately two-thirds of the U.S. military personnel stationed in Europe are members of the Army, CBO focused on the costs of withdrawing Army troops. At your request, we examined three different levels of troop withdrawal: 5,000 **troops--roughly** the size of a brigade; 20,000 **troops--corresponding** to a heavy division plus some support personnel, and 100,000 **troops--equal** to almost half of the 217,000 total Army personnel that are currently permanently stationed in Europe.

The budgetary impact of troop withdrawals varies greatly depending on the nature of the withdrawal. One approach would withdraw troops from Europe and **base** them in the United States, leaving their equipment **prepositioned** in Europe and buying them another set of equipment for stateside training. This prepositioning approach results in the smallest reduction in the U.S. ability to reinforce NATO quickly in the event of war. Another approach would withdraw troops and their equipment from Europe and base them in the United States. A final approach would withdraw troops and eliminate them from the Army.

All three approaches require a one-time investment to move the withdrawn troops, perhaps with their equipment, back to the continental United States (CONUS). If the withdrawn troops were retained in the Army, additional facilities could be needed in CONUS to accommodate the larger number of soldiers stationed in the United States. Finally, a decision to preposition the withdrawn troops' equipment in Europe, in order to enhance their ability to reinforce NATO rapidly, would require the purchase of additional equipment.

Recurring savings would be large enough to offset these one-time costs rapidly only if the troops that were withdrawn from Europe were also eliminated from the **Army's endstrength**. For example, if 100,000 troops were withdrawn from Europe and the Army's strength was reduced accordingly, recurring savings for personnel and for operation and maintenance would equal \$4.6 billion a year (see Table 1). (All costs are in fiscal year

TABLE 1. COSTS(+) AND SAVINGS(-) OF WITHDRAWING TROOPS FROM EUROPE (In millions of fiscal year 1988 dollars)

	One-Time Costs			Recurring	
	Equipment	Basing	Operation & Support <u>a/</u>	Annual Savings Operation & Support <u>a/</u>	
<u>Withdraw 5,000</u>					
Move to CONUS; Preposition Equip.	+970	0 to + 140 <u>b/</u>	0	+ 1,110	-20
Move to CONUS; No Prepositioning	--	0 to + 140 <u>b/</u>	+20	+160	-30
Reduce Strength	--	--	+ 30	+ 30	-230
<u>Withdraw 20,000</u>					
Move to CONUS: Preposition Equip.	+ 2,910	+ 900 to + 970 <u>c/</u>	+10	+ 3,890	-100
Move to CONUS; No Prepositioning	--	+ 900 to + 970 <u>c/</u>	+70	+ 1,040	-110
Reduce Strength	--	--	+130	+130	-920
<u>Withdraw 100,000</u>					
Move to CONUS; Preposition Equip.	+6,320	+ 5,560 <u>d/</u>	+70	+ 11,950	-480
Move to CONUS; No Prepositioning	--	+ 5,560 <u>d/</u>	+360	+ 5,920	-540
Reduce Strength	--	--	+670	+670	-4,620

- a. No estimates of costs or savings are available for return of facilities to Germany without more detail on **specific** withdrawals.
- b. These costs assume that all existing facilities (including temporary structures) are used to station a **brigade-size** unit. The estimates include **some** additional new construction, and the rehabilitation of temporary structures.
- c. The lower end of the range assumes that all existing facilities (**including** temporary structures) are used to station a **brigade-size** unit. These costs include some additional new construction, and the rehabilitation of temporary structures. The higher end of the range assumes the use of permanent and semipermanent facilities **only**. The estimates assume that additional new construction is needed to station a division-size unit.
- d. These basing costs assume construction of new facilities for all withdrawn troops. Thus, they probably represent an upper bound on costs. **Costs** would be lower to the extent that space was available at existing facilities.

1988 dollars.) The one-time cost associated with this reduction would be \$670 million. Savings from a corresponding withdrawal of 5,000 troops and reduction in strength would be much more modest--\$230 million a year in recurring costs--but still large in relation to one-time costs of \$30 million. While reducing **endstrength** would offer the largest savings of any of the three approaches considered, this would also entail the greatest delay in reinforcing NATO in the event of war.

Recurring savings would be much smaller, and one-time costs larger, if the withdrawn troops were kept in the Army and based in the United States. If, for example, 100,000 troops were moved from Europe back to the United States, recurring savings could amount to \$540 million a year. But one-time costs, mostly to build new facilities, could equal \$5.9 billion. A much smaller withdrawal of 5,000 troops could save \$30 million a year and might require \$140 million for new facilities and \$20 million more to move the troops and their equipment to CONUS. On the other hand, there might be no added basing costs if only 5,000 troops were withdrawn, since enough spare facilities might be available at existing bases to accommodate this small number of additional personnel.

Recurring savings would be smaller still, and one-time costs much larger, if equipment for withdrawn troops was prepositioned in Europe to speed their redeployment in the event of war. Building new stateside facilities for 100,000 withdrawn troops, and buying extra equipment to allow for **prepositioning** of a little more than two division sets of equipment while also providing equipment for stateside training, could result in one-time costs of \$11.9 billion. ¹⁷ Recurring savings would amount to only \$480 million a year. A reduction of 5,000 troops under this scheme would result in one-time costs of \$1.1 billion compared to annual savings of \$20 million. Such large one-time costs and small recurring savings probably make this approach unappealing, since 25 to 50 years could be required to recoup the initial investment needed to withdraw the numbers of troops that CBO considered. Nonetheless, **prepositioning** of equipment would lessen the adverse effects on the U.S. ability to reinforce NATO in the event of war.

These estimates employed Army cost factors for personnel and operating costs. ^{2/} Army data on the costs of equipping a modern heavy division

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1. Since 100,000 troops represent approximately half of the Army personnel currently stationed in Europe, an equal **proportion** of the divisional structure (or slightly more than two divisions) was also removed, along with support units. Only divisional equipment was prepositioned, however.
 2. Cost factors were taken from the Army's **OMA and MPA Cost Factor Handbook**, published in December 1984 and were inflated to FY 1988 dollars. (OMA = Operational Maintenance, Army; MPA = Military Personnel, Army.) Although slightly **outdated**, this is the latest version of the Handbook that the Army has published.

were used to determine equipment costs. Army estimates provided for the 1982 study were updated to establish costs for additional facilities needed to base larger numbers of troops in CONUS.

We did not consider alternatives that placed withdrawn troops in the reserves, or that withdrew personnel from services other than the Army, even though the other services account for about one-third of U.S. personnel stationed in Europe. Nor did we consider the effects of year-by-year budgets. Finally, we did not analyze in any detail the effects of the troop withdrawals on military effectiveness, though it seems clear that the U.S. ability to aid in the defense of NATO would be diminished if substantial numbers of troops were withdrawn. The reduction in ability to reinforce NATO quickly in the event of war would be greatest under approaches that do not preposition equipment in Europe, since this analysis assumes no additional purchase of airlift or **sealift** to speed the return of heavy equipment to Europe in the event of war.