

[H.A.S.C. No. 113-18]

**IS BASE REALIGNMENT AND CLOSURE
(BRAC) APPROPRIATE AT THIS TIME?**

HEARING

BEFORE THE

SUBCOMMITTEE ON READINESS

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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**IS BASE REALIGNMENT AND CLOSURE (BRAC)
APPROPRIATE AT THIS TIME?**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON READINESS,
Washington, DC, Thursday, March 14, 2013.

The subcommittee met, pursuant to call, at 3:30 p.m., in room 2118, Rayburn House Office Building, Hon. Robert J. Wittman (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. ROBERT J. WITTMAN, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, SUBCOMMITTEE ON READINESS

Mr. WITTMAN. I want to call to order the House Armed Services Subcommittee on Readiness and today's hearing concerning the need for a BRAC [Base Realignment and Closure]. And I want to welcome this afternoon's panel members to our hearing. And I would like to thank you for being here to address whether BRAC is appropriate at this time. And after reading your opening statements, I understand that one of the principal reasons why the Department requested a BRAC round last year was because of the imbalance between infrastructure and future force structure. This imbalance was caused by reduced force structure levels imposed by the Budget Control Act. Unfortunately, this is a very good example of a poor plan. Whenever budgets drive strategy, poor decisions result, which in this case includes a reduced force structure.

I categorically reject this notion that presumes to balance the Federal budget on the backs of our service members. Having budget decisions driven by strategy is both immoral, and only increases the likelihood of service men and women not returning from future combat. I believe that the Department of Defense needs a robust military capacity, and that any diminution of this capacity should be staunchly opposed. Furthermore, this assertion that a reduction of 100,000 service members is a principal reason to have a BRAC round is shortsighted. I compared the BRAC 2005 force structure numbers to the 2017 future force structure proposed by the Department. While it is true that we will have reduced the Active force structure by 130,000 service members, this is almost completely offset by the increase in civilian personnel of 120,000 over the same time period. Where is the excess infrastructure? I have yet to see any empirical evidence that would provide even the slightest degree of support for another round of BRAC.

As to the BRAC process itself, BRAC 2005 was an absolute failure. Cost estimates to implement BRAC 2005 recommendations have increased from \$21 billion to \$35 billion, a 66-percent in-

crease. Compared to the commission's reported estimates, GAO [Government Accountability Office] determined that the BRAC 2005 payback would not occur for over 13 years. Even more efficient BRAC initiatives of the 1990s did not pay back until a few years after BRAC implementation was finalized.

At a time when there is significant variability in the budget and the ensuing force structure, would a BRAC round be effective in providing rapid savings? Unfortunately, history has emphatically told us, "no." I believe that the Department should pursue a multipronged strategy that fully utilizes the available capacity on hand. Leveraging the private sector to support military and use excess infrastructure provides a valuable revenue stream in a time of diminishing resources. Furthermore, the Army and the Marine Corps heavily relied on temporary facilities to support the Grow the Force initiatives. I think that we need to reduce this temporary infrastructure first before we move forward with eliminating entire bases and other permanent infrastructure.

While I look forward to the discussion today with our esteemed group of witnesses to see if there is a compelling argument to change my position, I continue to have significant reservations with authorizing another BRAC round because of critical flaws in terms of both the process and the underlying assumptions. I believe that aggressively moving forward with a BRAC round could significantly harm our military power and their ability to project power.

With that, I will move now to our ranking member, Ms. Bordallo. [The prepared statement of Mr. Wittman can be found in the Appendix on page 33.]

STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE FROM GUAM, RANKING MEMBER, SUBCOMMITTEE ON READINESS

Ms. BORDALLO. I thank you, Mr. Chairman, and I want to thank all of the witnesses here today to discuss this important matter with the Readiness Subcommittee. Today our subcommittee is going to receive testimony on an issue that evokes a lot of emotion for our members as well as defense communities. Many of us remember BRAC 2005, and some even previous BRAC rounds. As the former Lieutenant Governor of Guam, I remember working hard to protect the bases on Guam. Based on that experience, I found it very ironic that despite BRAC rounds on Guam, the Department of Navy continues to seek private or Government of Guam land to meet training requirements on the island. I think this serves to highlight how shortsighted the BRAC process can be given the dynamic nature of our military requirements, particularly given the new strategic guidance.

Our subcommittee held a hearing on this same topic last year, and many members expressed concerns about the costs of the 2005 BRAC round and how that round has not yet achieved the estimated savings. Members cited a GAO report that highlighted a greater than 66-percent increase in the cost of the 2005 BRAC round, and a 58-percent decrease in savings across a 20-year period. Further, a GAO report released last week indicates that while the COBRA [Cost of Base Realignment Actions] Model is accurate for assessing the impact of BRAC, the Department needs to better

develop a process for ensuring the data provided to the COBRA Model. And we are not understated and accurately capture requirements such as military construction or information technology. This report goes on to indicate that other processes focusing on reduction of excess infrastructure are not even developed yet. Given that BRAC 2005 ended up costing more and saving less than expected, and based on our current budget environment, I remain skeptical about the value of a new BRAC round at this juncture.

So I hope that our witnesses can comment on what, if any, procedures have been put in place to ensure better oversight of the data that would be provided to the COBRA Model. Also, what assurance do members have that the focus of this BRAC would be on excess capacity and not on realigning missions, as was the case in 2005, which did not lead to significant savings in the near term?

I am also perplexed as to the need for a BRAC round when we do not know the total extents of force structure or end strength changes from all the Services. For example, Army has just initiated a programmatic environment assessment to determine the basing for a two- to three-battalion BCT [Brigade Combat Team] construct. So I hope that the witnesses can comment on whether it is wise to reduce our infrastructure and footprint when we do not know what the ultimate end state is for our force structure or our end strength.

I am also concerned that the economic impact to local jurisdictions is not quantified or adequately considered for areas surrounding the bases that are closed or realigned. In a time where our economy is struggling to recover, I question the wisdom of a BRAC round that may negatively impact communities that are struggling to put people back to work. This is an important consideration for this committee and Congress to consider if we are to authorize a BRAC round.

Furthermore, I would encourage our witnesses to discuss the U.S. overseas basing structure, where we might find excess capacity abroad, and how a divesting of excess infrastructure abroad would impact the Department's request for a BRAC at home.

That said, I believe it is important for our Nation to maintain an intelligent, well-balanced, forward presence of forces in overseas locations. It is important for us to find the right balance between permanent presence in some locations, as well as reliance on host nation support and rotational forces. But the risks associated with finding balances must be weighed carefully. I am concerned that these risks have not been clearly weighed, and I am also concerned about proposed reductions in Europe and the message that sends to our allies in NATO, especially Germany.

So I look forward, ladies and gentlemen, to the testimony that you are going to give, and to our question and answer period. Mr. Chairman, I yield back.

Mr. WITTMAN. Thank you, Ranking Member Bordallo. I want to introduce our witnesses. Joining us today are Mr. John Conger, Acting Deputy Under Secretary of Defense for Installations and Environment; the Honorable Katherine Hammack, Assistant Secretary of the Army for Installations, Energy, and Environment; Mr. Roger Natsuhara, Principal Deputy Assistant Secretary of the Navy for Energy, Installations, and Environment; and Mrs. Kath-

leen Ferguson, Acting Assistant Secretary of the Air Force for Installations, Environment, and Logistics.

Ladies and gentlemen, thank you very much for being with us today. I appreciate your thoughtful statements and your insights into this complex topic, and I am looking forward to those. While I understand that we are in challenging budget times, it is a matter of record that this Administration has been unable to deliver a timely budget request for the fourth consecutive year. Considering this late submission, I understand that our witnesses will not be able to comment on the record as to whether the Administration will support a request for another round of BRAC in the fiscal year 2014 budget request. However, the Administration did request two additional rounds of BRAC in last year's budget request, and former Secretary of Defense Panetta indicated his support for additional infrastructure consolidations earlier this year. I expect our witnesses to be able to discuss their thoughts as to the applicability of BRAC with the current force structure and overseas force posture. With that being said, we will begin with Mr. Conger.

STATEMENT OF JOHN CONGER, ACTING DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT

Mr. CONGER. Thank you very much. This is my first testimony ever, and I am really happy to be here on this topic in front of this subcommittee.

Mr. WITTMAN. We are glad to have you here. Just take a deep breath.

Mr. CONGER. That is the press talk in order to start. All right. Chairman Wittman, Ranking Member Bordallo, distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss Base Realignment and Closure. First, let me highlight up front, as the chairman mentioned, that the Administration has not yet delivered its fiscal year 2014 budget request, and that means my colleagues and I are not in a position to comment on the possibility of a future—

Mr. WITTMAN. Mr. Conger, if I could ask you to pause for just a second. If you will take the microphone and pull it a little bit closer to you so we can—there you go. That will work. Very good. Thank you. Perfect.

Mr. CONGER. All right. Am I on?

Mr. WITTMAN. You are good.

Mr. CONGER. Okay. All right. So because we don't have a fiscal year 2014 request, we are not going to be in a position to comment on the possibility of a future request for BRAC authority. It is true we asked for BRAC authority last year, and our constraints have only magnified. But we will be treating the Administration position on future BRAC rounds to be predecisional. This may make some of our Q and A a little awkward, and I hope you will have patience with us. Still, I expect to have a robust discussion about BRAC process and problems facing the Department.

In order to frame the discussion ahead, I want to offer three points. First, the Department is facing a serious problem created by the tension caused by declining resources, reductions in force structure, and limited flexibility to adapt to the first two. We have

many must-pay bills in the Department, from operations in Afghanistan to defined salary and benefit costs associated with each service member and civilian employee. Our facilities, for example, we have utility bills that we have to pay. So when across-the-board cuts come down, they weigh more heavily on a smaller, more concentrated part of the budget. We need to find a way to strike the right balance so infrastructure does not drain too many resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the U.S., our warfighters can't do their job without bases from which to fight, on which to train, or on which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs, from depot maintenance, to training, to bullets and bombs. So as we talk today, let's keep in mind that together we need to figure out how to strike that balance.

Second, our problem is smaller today than it would have been due to the fact that we have conducted five rounds of BRAC in the last 25 years. We have about \$12 billion in recurring savings that we can spend on people, on ships, on aircraft, on training, on depot maintenance, on bullets and bombs. Those savings are real. They have been validated by GAO. Previous Congresses and previous administrations have done us all a favor by conducting those rounds and leaving the savings for us.

The third point I wanted to make is that my goal here is to work with this committee and this Congress as a whole to find solutions to the problems we have got and to ensure we appropriately support the installations that we all agree we need. I don't have a fiscal year 2014 request to discuss today. But let me ask for your moral support on something that doesn't require legislative authority; namely, our effort to consolidate infrastructure overseas. Base closure in the U.S. requires BRAC authority. Closing bases overseas, while it requires us to work closely with the State Department and our international partners, doesn't require any legislation. So on January 25, Secretary Panetta kicked off a BRAC-like process to review our infrastructure in Europe. If I could provide one short quote from his kickoff memo just to give you a little bit of context on why we focused on Europe specifically, "Consolidation of our footprint in Europe will take into account the shift in strategic focus to the Pacific, the planned inactivation of two Brigade Combat Teams and associated support forces, reductions in Air Force units, and decreasing requirements for support to the ongoing conflict in Afghanistan." So when we discussed last year's BRAC request, many Members of Congress said they wanted to see just this kind of holistic effort focused overseas. I hope I can count on your strong support for that initiative.

And so this concludes my opening statement. I appreciate your attention and your partnership, and I look forward to your questions.

Mr. WITTMAN. Thank you, Mr. Conger.

[The prepared statement of Mr. Conger can be found in the Appendix on page 35.]

Mr. WITTMAN. Ms. Hammack.

STATEMENT OF HON. KATHERINE HAMMACK, ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS, ENERGY, AND THE ENVIRONMENT

Secretary HAMMACK. Thank you, Chairman Wittman and Ranking Member Bordallo, other distinguished members of the committee. Thank you for allowing us the opportunity to discuss the need for infrastructure realignments and perhaps to clarify a little about the 2005 BRAC round from an Army perspective. First of all, the Budget Control Act of 2011 significantly reduced future Army budgets. These reductions, placed alongside lower demand for Army forces in Afghanistan and a new national defense strategy, have placed the Army on a path to reduce its Active Duty end strength from 570,000 in fiscal year 2010 to 490,000 by fiscal year 2017. And this is a reduction of 80,000 soldiers, or approximately 14 percent from the Active Component. These end-strength and force-structure reductions will affect every installation in the Army. And these reductions are already programmed into the Army budgets. Additional reductions to the Army budget of a magnitude associated with sequestration may drive our Active Component end strength down below 490,000. And just as a piece of information, the only time the Army has been lower than 480,000 was prior to World War II in 1940. And frankly, I don't believe the world has gotten any smaller or any safer since that point in time.

As a first step in the process of major force-structure reductions, the Army published a Programmatic Environmental Assessment, or a PEA, as part of the National Environmental Policy Act on January 19, 2013. That PEA [Programmatic Environmental Assessment] identified 21 installations that have the potential to be impacted by our force-structure reductions. A PEA analyzes both environmental and socioeconomic factors that could impact those 21 installations. Due to the responses that we got both from Members of Congress and from those communities, instead of that PEA closing on February 19, we have extended the comment period by another 30 days, and currently it is scheduled to close on March 21, 2013.

To your point, Chairman Wittman, the Army has not yet conducted any capacity analysis to determine the level of excess infrastructure that would be created as a result of our force-structure reductions. That would begin with a comprehensive installation inventory once we determine where we are going to take these force structure changes. The Army will conduct a rigorous analysis to identify the excess infrastructure and prudently align supporting civilian personnel with reduced force structure and our reduced industrial base design. We will inactivate at least eight Brigade Combat Teams, and possibly more. While the U.S.-based BCT decisions and locations have not yet been made, two of these BCT inactivation decisions have already been announced in Europe, and are in the process of being implemented. Putting force-structure reductions into a facility context, I want you to consider that a Brigade Combat Team takes up about 1.4 million square feet of space. And in today's dollars, it costs about \$350 million to build. Inactivating six or more Brigade Combat Teams in the United States, depending upon several variables, but inevitably that will generate excess infrastructure measured in hundreds of thousands of square feet.

At our overseas installations, as Mr. Conger mentioned, the Army has already made strides in consolidating our facilities. Since 2001, we have reduced our end strength and force structure in Europe by over 45 percent. Correspondingly, that resulted in a 51-percent reduction in infrastructure, 58-percent reduction in civilian staffing, and 57-percent reduction in base operations. These are our projections that will be in effect by the end of fiscal year 2017.

The story in Korea is similar. Significant declines in soldiers supported a consolidation of garrisons and sites, and resulted in thousands of acres of property returned to host nation. And although elimination of infrastructure was one objective of the BRAC 2005 round, the Army focus was aligning our infrastructure with our military strategy to enhance warfighting capacity and efficiency. So in 2011, when—or before the 9/11 attacks, the Army end strength was 480,000, with 62,000 soldiers in Europe, or 13 percent in Europe. And by the end of fiscal year 2017, forces in Europe will be 30,000, which is less than 6 percent of the Army's end strength. The Army used the BRAC 2005 round as a vehicle to meet our war-time needs, to move soldiers home from overseas, and to maximize military value and capability. But given those stated goals, the BRAC 2005 round was a success to the Army. It produced reoccurring savings for the Army of more than a billion dollars annually.

The 2005 round was also very successful for our Guard and our Reserve units, which used the BRAC 2005 process to consolidate into areas of growing populations, where recruiting and demographic needs are greater. They are now realizing benefits of consolidation, recapitalization, more jointness, and enhanced operational readiness.

I want to bring to light two additional areas of concern that we have right now, and I am sure are on your minds too, one of which is the continuing resolution, where currently the Army's operations and maintenance account is underfunded by \$6 billion. This account directly supports our worldwide operations, base operating support, and facility sustainment at all of our posts and stations. Compounding this \$6 billion problem is the cost of the war in Afghanistan, which actually increases at the end of a war as you spend money to bring home equipment and reset or fix that materiel. If you look at both Korea and Vietnam, you will see that the cost increased at the end of the war. The same is true of Afghanistan. Afghanistan is a land-locked country, and ground transportation out of that country is currently limited. That means we have to airlift the equipment there to bring it back home. And the cost of airlift is exceeding our budget expectations. This \$6 billion incremental cost this year is necessary to enable us to wind down operations.

Sequestration is on top of that. And I don't need to tell you how devastating that is. I have met with many of you individually and helped you to understand the impact that has to the Army.

As the Army force structure declines in the U.S., we do have facility overheads and infrastructure and civilian support staff that remains constant. Our investments in equipment, training, and maintenance then become distorted. Over time, these distortions in investments and spending will contribute to a hollow Army. Unless we have relief from the defense budget cuts of 2011 and sequestra-

tion, we have no other choice but to reduce our infrastructure in line with force reductions.

Thank you for your attention, and I look forward to your questions.

Mr. WITTMAN. Thank you so much, Ms. Hammack.

[The prepared statement of Secretary Hammack can be found in the Appendix on page 46.]

Mr. WITTMAN. Mr. Natsuhara.

STATEMENT OF ROGER NATSUHARA, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR ENERGY, INSTALLATIONS AND ENVIRONMENT

Mr. NATSUHARA. Thank you, Chairman Wittman, Ranking Member Bordallo, and distinguished members of the subcommittee. I welcome this opportunity to appear before you today to discuss the Department of Navy's position on efforts to optimize its infrastructure both at home and abroad. As mentioned by Mr. Conger, Secretary Panetta directed the Department of Defense to conduct a European capacity analysis to reduce long-term expenses through footprint consolidations. In the last 8 years, the Navy relocated its European headquarters from London to Naples and closed three additional bases: Naval Air Station Keflavik, Iceland; Naval Support Activities Gaeta and La Maddalena, Italy. The Department has four installations and one prepositioning site remaining in Europe. They are located in Rota, Spain; Naples and Sigonella, Italy; Souda Bay, Greece, and central Norway. We are undertaking preliminary capacity assessments of these locations that will inform a defensewide path forward.

With respect to consolidating our domestic infrastructure, the Base Realignment and Closure, BRAC process, offers the best opportunity to assess and evaluate opportunities to properly realign our domestic infrastructure with our evolving force structure and laydown. Although the Department's force structure has remained relatively constant since fiscal year 2005 when the last round of BRAC began, a new assessment will allow us to take into account changes to the shore platform interface as our weapons systems capabilities, testing, and how we employ them have evolved over time. Since the first round of BRAC in 1988, the Department has closed 186 domestic installations activities, including 52 major installations. By the end of fiscal year 2012, we had disposed of 91 percent of our excess property through a variety of conveyance mechanisms, with less than 17,000 acres remaining on 23 installations. We anticipate reducing this number by six installations this year, with the remainder to be disposed as we complete our environmental remediation efforts. The past support Congress has given to our prior BRAC efforts resulted in an annual recurring savings of approximately \$4.4 billion a year, which the Department applies to higher priority programs to support the warfighter.

Thank you for the opportunity to testify before you today. I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world. This concludes my remarks, and I welcome your questions.

Mr. WITTMAN. Thank you, Mr. Natsuhara.

[The prepared statement of Mr. Natsuhara can be found in the Appendix on page 60.]

Mr. WITTMAN. Ms. Ferguson.

STATEMENT OF KATHLEEN FERGUSON, ACTING ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS, ENVIRONMENT AND LOGISTICS

Ms. FERGUSON. Chairman Wittman, Ranking Member Bordallo, and distinguished members of the subcommittee. I appreciate the opportunity to appear before you today to discuss Base Realignment and Closure. As you are aware, the United States Air Force takes great care to protect the distinctive capabilities of air power. Those capabilities are enabled and reinforced by our global network of Air Force installations, and managing those installations involves understanding and balancing mission requirements, risk, market dynamics, budget, and the condition of our assets. Within the portfolio of installations, environment, and energy we continually evaluate how to reduce costs, while improving the way we manage our real estate, housing, and energy demand. We focus our investments on critical facilities, reduce our footprint by demolishing old energy-inefficient buildings, upgrade heating and cooling systems and other energy-intense building systems, and leverage third-party financing through public-public and public-private partnerships and through the lease of underutilized portions of the portfolio where those opportunities exist. We do all this while recognizing that we are carrying infrastructure that is excess to our needs. While we have no recent excess infrastructure capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of Air Force basing infrastructure was excess to our mission needs. While BRAC 2005 did not make major reductions to the Air Force, since that time we have reduced our force structure by more than 500 aircraft, and reduced our Active Duty military end strength by nearly 8 percent. So intuitively we know that we still have excess infrastructure. We have limited authority under current public law to effectively consolidate military units or functions and divest real property no longer needed. Put plainly, we continue to spend money maintaining excess infrastructure that would be better spent recapitalizing and sustaining our weapons systems, training for readiness, and investing in the quality of life needs of our airmen. Divestiture of excess property is a must. We stand ready to partner with the members of this committee and your staffs.

Thank you for your strong support of the men and women of the Department of the Air Force. That concludes my statement, and I welcome your questions.

Mr. WITTMAN. Thank you, Ms. Ferguson.

[The prepared statement of Ms. Ferguson can be found in the Appendix on page 65.]

Mr. WITTMAN. We appreciate our witnesses today and your opening testimony. We look forward to questions. And with that, I am going to begin with Mr. Conger. Just ask basically has the Secretary of Defense undertaken an assessment of the current infrastructure within DOD [Department of Defense]? And secondly, has there been any effort to identify if there is excess infrastructure?

Mr. CONGER. So two questions there. And let me take them in order. Has the Secretary undertaken a capacity analysis, basically is what I am hearing you ask. That is a part of the BRAC process. It was part of the BRAC process authorized for the 2005 round. And we have not undertaken that explicit process as part of—because it is part of the BRAC process. And I don't expect you to want us to jump-start that per se without direction from the committee.

Are we looking at excess infrastructure? We are always looking at excess infrastructure. We are always looking at ways to consolidate within the rules. So, sure, we are doing that. And there is lots of smaller examples. It is just that you don't have the ability to do larger-scale examples without specific authority. And I am sure the subcommittee is well aware of the constraints that we have under the BRAC law.

Mr. WITTMAN. So am I safe to assume from that then you are saying there is no empirical evidence that has been put together to support additional rounds of BRAC?

Mr. CONGER. The empirical evidence that we have comes from a couple of different sources. We have a study that was done in 2004 that was mentioned earlier in the opening statements that identified 24-percent excess capacity inside the DOD. That study was followed by the BRAC 2005 round. In BRAC 2005, the data that we have implies that 3- to 4-percent PRV reduction, plant replacement value reduction. So under that simple math, and under that original study's data, we can conclude that there is space. Now, we also have additional information. We have information implying we have plans to reduce the number of Army soldiers, the number of marines, the number of Air Force aircraft since that study was done. So all of that, if you assume that—even if you assumed we had no excess at that point in time, we are opening up space following that point. So the deduction that we have is that it is at least worth following down this path. That was the conclusion that we reached last year.

Mr. WITTMAN. You spoke about the 2005 BRAC and the element of savings there. And as we have seen, we are not even at the point of accruing any of those savings. We are talking about a 13-year-old window with that particular realignment, which is essentially what that was. We have heard other witnesses talk about the exacerbating effects of the current CR [Continuing Resolution] structure and how it could come about without direct elements to be able to move money around and the sequester.

My question is this. We know under any scenario of BRAC taking place historically that it takes years to accrue those savings. Can we afford to exacerbate an already challenging budget condition with further expenditures to pursue a BRAC in the near future?

Mr. CONGER. That is a great question. And let me be very careful about how I answer it, because obviously I am not here to defend any future request for BRAC. But I do want to address the first point. We are doing nothing but saving at this point from previous BRAC rounds. There was an investment made. It was larger than anticipated. But it is done now. We are doing nothing but saving from this point on. For the BRAC 2005 round, we are saving \$4 bil-

lion a year. If you look out 20 years from today as opposed to from when we started the round, that implies tens of billions of dollars that we are saving from the 2005 round from here on out. Now, people look at 2018 as the break-even point. And that is valid. But that is based on sunk costs. The cost is sunk. This committee already authorized those expenditures, and they have been made. So then to your point, which is can you afford to make expenditures, can you spend some money to save money essentially? Do you have the money available? And in the same way that, you know, an investor can only put money in the stock market, for example, if they have it, if they are not, you know, that is doing better than breaking even, that is how they are going to make money. Even if they have the best opportunity, if somebody has no money they can't spend it, can't invest it. So that is the question we have before us. Can we make the room to have that kind of recurring savings? Thank God that the folks before us authorized the rounds that they did, because otherwise we would have a \$12 billion bigger hole than we have today.

Mr. WITTMAN. Looking at the savings and the costs from the 2005 BRAC, if you were to take the \$35 billion cost of that particular BRAC and play it out over the period of time, that would have bought the United States three additional aircraft carriers. So you can see prospectively the question then becomes strategically what is our focus? Is it the budget driving strategy or strategy driving the budget? And I think that is a fundamental element that has to be answered with this. I know the GAO came out recently with a study looking at what should be the selection criteria for actually pursuing a BRAC. Going back to the 2005 BRAC, that BRAC stated at that time that there was a 24 percent overage in capacity. That BRAC effort, though, only reduced that capacity by 5 percent. DOD's response is, hey, listen, you can't really tell us to use selection criteria because that makes our decisionmaking suboptimal. Which brings me back to the question of what is really the purpose behind the previous words within DOD to want to pursue a BRAC and DOD's resistance to saying, well, you can't really use selection criteria because that necessarily fences us in and we don't think we can make good decisions within that realm.

Mr. CONGER. We do have selection criteria. There are eight of them. They were published in the law. And they are focused on military value. Those are the top ones. We don't want to make a decision that is solely based on money. We want to make it based on how does this optimize the military footprint. So that is part one. What the GAO suggested, which I would take issue with, is to make the cuts paramount. You have to cut this amount of stuff. And so what I don't want is for us to be put in a position at any future time under any future construct where somebody says you have to close, you know, 20 bases or eliminate 20,000 jobs. That is an artificial and arbitrary construct that compels us to do things that are suboptimal for the sake of reaching that goal. And unfortunately, even when a goal is not mandated people work very hard to get to it, and sometimes they make suboptimal decisions. So that is why we resist that kind of a construct.

Mr. WITTMAN. Well, what the GAO recommended was selecting targets for reducing capacity there as part of the selection criteria.

So essentially saying where do you want to go? You know, putting those objectives out there, whether it is cost reductions or whether it is realignment, whatever it may be, but that needs to be part of the criterion.

But with that, I want to go to our ranking member, Ms. Bordallo, to have her pursue her questions.

Ms. BORDALLO. Thank you very much, Mr. Chairman. I guess my first question would be to you, Mr. Secretary, Secretary Conger. Could you address how the Department would ensure the next round of BRAC, if proposed and approved by Congress, would be better evaluated for its financial viability and implemented to ensure that there are not cost overruns?

Mr. CONGER. Well, there is a couple ways I can answer that question. Let me run through a couple of thoughts. One, once again I don't want to say that we are requiring the BRAC round to achieve a certain amount of savings. We are just not. Intuitively, you have a BRAC round in order to save, you have a BRAC round when you have excess. But the individual decisions have to be sub-optimized for military value. That is the construct that we have set up. And it has worked, right? We have saved a considerable amount of money over the years. How do we ensure that the costs don't go up? That is an interesting question, because when we conducted the last round, and GAO pointed this out, the costs went up in a very small number of recommendations. There were decisions that were made at specific places. And those recommendations had their costs go up. And they fall into a couple different categories. But one of the significant ones was when Congress said that hospitals have to meet world-class status, for example. You know, they have to reach certain requirements. And that added the costs. It added to the costs of the hospital at Belvoir, at Bethesda. That drove up a bill. And, you know, what are we going to do? Tell Congress, no, we are not going to do that? Of course we are going to do what Congress tells us to do.

The second is on the MILCON [Military Construction] increases. There were several recommendations where we decided to construct rather than renovate. Those decisions were made after the costing, the original costing was done. And those requests came to Congress, and said here is exactly what we are proposing to do. Congress said okay. So there is an oversight mechanism that we each have to participate in in order to regulate that. I think that significant pushback from Congress on changing the scope would have had a significant impact on what we chose to do.

Ms. BORDALLO. Thank you. Thank you. I have another question. I guess this would be for any one of our witnesses. As I stated in my opening comments, I am curious how a BRAC review would be adequately evaluated while the force structure is still very fluid. Would it be wise to reduce our infrastructure and footprint when we do not know the ultimate end state for our force structure or our end strength?

Mr. CONGER. Let me take that one real briefly. Part of the process requires the joint staff to put together a 20-year force structure plan. So we are not making this up on the fly. The Joint Staff has to put together a projection of what we are mapping to. We are infrastructure folks. Right? I mean it is not our job to say we need

one brigade or one more or one less. We are working with the numbers that the warfighters give us in order to figure out what the optimal structure is. So we would rely on the Joint Staff to make those calls for us.

Ms. BORDALLO. Yes, Ms. Hammack.

Secretary HAMMACK. Thank you. One of the examples is what we are doing in Europe currently. We are scheduling and staging and planning our infrastructure reduction side by side with the inactivation of the Brigade Combat Teams. And so we are able to do it in a very systematic, programmatic manner to keep our costs in line as those brigades are inactivated. So we have the ability, we have the manpower to do it very systematically and programmatically. And that is the authority we are looking for here, to do the same in the United States as we reduce the number of Brigade Combat Teams in the Army.

Ms. BORDALLO. Good. Thank you. Secretary Ferguson, the question is it seems that the Air Force has been the most vocal in a request for another round of BRAC. Can you tell me what aspect of the Air Force mission differs from other Services that would demand base closures? And how has your Department reviewed the long-term effects to ensure hidden costs do not put additional taxpayer money in jeopardy?

Ms. FERGUSON. Thank you for the question. I think I would go back to some of what I said in the opening statement. As we executed through, as we entered into BRAC 2005, the Air Force determined we had 24-percent excess capacity across our installations in the United States. BRAC 2005 really—

Ms. BORDALLO. Is that just the U.S.?

Ms. FERGUSON. That is just the U.S. In BRAC 2005 we really only closed eight minor locations that accounted for just .8 percent of our plant replacement value, so a very small amount. And since that time we have taken down force structure by over 500 airplanes. So we do believe we have excess capacity still out there that we would like to address to begin to save some costs.

Ms. BORDALLO. Thank you. One other final question, Mr. Chairman. As Lieutenant Governor of Guam at the time, I was in charge of BRAC 1995 and closing down the Naval Air Station. And I remember that after they closed down we were on a list for cleanup. Maybe Mr. Natsuhara can answer this. I remember we were very far down on the list of cleanup because it was an air base before, commercial—or rather a military. And we were very far down on the list of priorities. So I am wondering, I am curious with all the closures across the United States and wherever, what is the status of our cleanup now? Are we up to date, or do you still have a lot of areas that need cleaning up? And it is very costly.

Mr. NATSUHARA. For the Navy, like I mentioned in my statement, 91 percent of our property authority has been disposed of, turned over to other uses. We still have 26 installations that we are working on as far as cleaning up. The funding, we are on schedule with our funding. We are working with all the local reuse authorities on their timelines. So we believe we are properly funding the cleanups to match our remaining bases.

Ms. BORDALLO. So you still have 26, and so they are not being utilized, is that correct?

Mr. NATSUHARA. Correct. They are not full installations, most of them. Most of them are just partial installations that are left.

Ms. BORDALLO. Do we have the funding for this?

Mr. NATSUHARA. We do have funding in our budgets. We are matching the development plans of the local use authorities. We work very closely with them.

Ms. BORDALLO. Mr. Secretary Conger, did you want to—

Mr. CONGER. Yeah. I appreciate it. I did want to talk a little bit about cleanup, because this is important. And people often think of cleanup as a bill that we are hiding. All right? And we are not. And what is interesting is if you look at the earlier BRAC rounds, there was a bigger cleanup burden. Pardon me for just a second. There was a bigger cleanup burden because as a whole the Department had a bigger cleanup burden. We have had a very active cleanup program at all of our active sites for the last 20 or 25 years. We have in fact—allow me to quote some statistics. From the 1988 round, we have 92 percent of the sites either with a remedy in place or a response complete. 1991 BRAC round it is 96 percent. 1993 round it is 93 percent. 1995 round we are at 74 percent, and 2005 we are at 58 percent. But one of the interesting things is in the 2005 round, after many years of cleaning up our Active Duty bases, we had an order of magnitude almost of fewer sites that needed cleanup. So digest that for a second. We have been cleaning up all of our active bases in parallel with this very aggressively for the last 20 years. That means that if you close a base today, or say in the 2005 round, it is far less likely to have cleanup problems because we have been cleaning up those active bases. These are things—we should have been cleaning up those bases that closed anyway, and we would have been spending that money anyway because it is important for the people who are working and living on that base.

Ms. BORDALLO. So what is your list today that remain to be cleaned up?

Mr. CONGER. Yeah. If you look at the Department's plans, we have a fairly aggressive projection that by 2018 we will have 90 percent of the sites in the Department on all of our active bases, all the BRAC bases, cleaned up, response complete. By 2021, we project 95 percent. This is not the same situation we were in in 1988 or 1995, for example. It is just a different world that we are in right now.

Ms. BORDALLO. All right. Thank you, Mr. Chairman. I yield back.

Mr. WITTMAN. Thank you, Ranking Member Bordallo.

We will now go to Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. And I guess each of you in your testimony you seem to believe very adamantly that there is excess capacity. Is that an accurate statement? Could you give us a list of where that excess capacity is?

Mr. CONGER. No. That is why we have a BRAC analysis.

Mr. SCOTT. Sir, how can you be so convinced that there is excess capacity if you don't know where it is?

Mr. CONGER. Because we did a study in 2004 that identified parametrically, because you don't want to prejudge the BRAC process, because then people say you have a list of winners and losers. We don't have that. So we did it parametrically. We did it in 2004.

We got a result of about 24-percent excess capacity. And we can map out what we actually closed in the 2005 round. And it is a lot less than that. And so that is why we think we have excess capacity. Plus the fact that we know how many people fewer that we are going to have. Moreover, in addition to the fact that we have force-structure reductions, Congress asked us to reduce the number of civilians that we have got. And so that is going to create excess capacity too.

Mr. SCOTT. Can I ask you, I am sorry, I am limited, how many of those came actually from the Pentagon?

Mr. CONGER. The reduction in personnel?

Mr. SCOTT. Yes.

Mr. CONGER. I don't have that information, but we can get it for the record.

Mr. SCOTT. I would like to have that. I would like to know what the reduction in personnel has been at the Pentagon. And since you think it is necessary to do a 20-percent reduction in our uniformed soldiers in the Army, I would like to know if there is going to be a corresponding decrease in the bureaucracy at the Pentagon.

[The information referred to can be found in the Appendix on page 75.]

Mr. CONGER. Well, two things. One, I didn't advocate, I am articulating, because we are the installations guys. We don't decide how many fewer military we have. All right. The numbers that we are given imply an excess in infrastructure, and that is why we are thinking what we are thinking. But I get your point.

Mr. SCOTT. Let me interrupt you right there, because I am sorry, I am just limited to 5 minutes. And you talked about energy costs.

Mr. CONGER. Yeah. Utility bills.

Mr. SCOTT. Absolutely. What do we pay for a gallon of jet fuel in the Air Force and the Navy?

Mr. CONGER. I am going to defer to my Service colleagues to answer that question. I don't know the answer.

Ms. FERGUSON. I will have to take that and bring that back. I don't have the current cost.

[The information referred to can be found in the Appendix on page 75.]

Mr. SCOTT. I would appreciate that. I would appreciate if we could just get the average cost per gallon for jet fuel from the Air Force and the Navy. It is my understanding that we paid up to 100 times as much as the private sector pays for fuel. And so when you talk about the fiscal constraints that we have that you report as one of the reasons that we need the BRAC, I guess my question would be couldn't the Pentagon go back and look at some of the things that they have mandated on the bases, especially with regard to energy, where we are forcing our bases to spend more per kilowatt of energy, more per gallon of fuel, more per anything and everything that they do on our bases, quite honestly as a result of what seems to be a political agenda. Why can't we relieve our bases from some of those mandates while we are in these times of such fiscal distress?

Mr. CONGER. It is a fair question to ask why can't we look for other ways—what restrictions, goals, can you ease up on to help save money. That is a good question. Now, two things. One, the jet

fuel is not in our—not in my bailiwick. I will have to defer that one. But when we think about energy projects on the bases, I tell you what, I am not—I am not urging anybody to spend extra money for a dream purpose, but for a green purpose. In other words, they need to have a business case if they are going to spend this money. They need to have a business case if—they need to show that they are going to reduce their utility bills. They are not doing this to—

Mr. SCOTT. Mr. Conger, I apologize. I am down to 1 minute. But you would acknowledge that there is an anti-fossil fuel, or a mandate to reduce the consumption of fossil fuels in the DOD.

Mr. CONGER. No, sir.

Mr. SCOTT. Yes, sir, I think there is.

Mr. CONGER. There is no mandate that I am familiar with. But I would be happy to—

[The information referred to can be found in the Appendix on page 75.]

Mr. SCOTT. We will take that for the record. I am down to 45 seconds. But I would tell you this. We have a very serious situation with regard to the finances today in this country. And the bottom line is if we go through a BRAC today, it is going to increase spending for the next couple of years. And so while I don't necessarily agree with you that we have excess capacity, what I will tell you is that I am absolutely convinced that now is not the time when we can afford a BRAC. So would you at least agree that if we had a BRAC today it would increase spending short term?

Mr. CONGER. I would agree that any BRAC is going to have spending up front and savings later.

Mr. SCOTT. Thank you.

Mr. WITTMAN. Thank you, Mr. Scott.

We will now go to Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. I feel like we are kind of shadow boxing here because we are trying to get our arms around obviously critical issues like Mr. Scott just asked about. And because we don't have a budget and we don't have an actual request officially for a BRAC, we I guess have to sort of speculate here a little bit. And so one way of trying to frame a question today is to go back a year ago, when Dr. Robyn was sitting across from us and was answering questions. She was peppered with a lot of questions about the 13-year breakpoint on the 2005 BRAC, which again a lot of us who have been on this committee for the last 7 or 8 years have lived with it. And it is I think a question this Administration has to be ready to answer if it is going to come back later with a BRAC request. But her answer at that time was, well, you know, if you look at the prior BRACs, they actually achieved savings at a quicker pace, and therefore it was justified. So our office actually went back and looked at the 1985 through early 2000 BRACs, and even in those cases it was quicker, but it was still 6 years on average before, you know, you went from spending money to showing any kind of net savings. And, you know, we are in a situation right now where the Budget Control Act was passed in August of 2011. If your request for BRAC does materialize and it moves at mach speed through the Congress, which is, you know, we can't agree on the day of the week around here, but in 2015 the

BRAC is actually carried out, again, using Dr. Robyn's prediction of a better payout, we are still hitting 2021, which really doesn't help us. I mean we are going to be living with budget caps through this entire period of time under the Budget Control Act. So Mr. Scott's question still, you know, has to be answered, which is that this costs money. And if you are going to justify it within the context of the budget structure that we are living in here, you can't make it work for the numbers. I mean to me it seems like a better question ought to be asked about what we are realigning in Afghanistan and Europe, which you talked about earlier here today. Secretary Carter appeared before this committee a few weeks ago and confirmed that we are still spending \$2 billion a week in Afghanistan. I mean we are clearly rolling up a lot of facilities over there. It is going to be a challenge, as Ms. Hammack said, in terms of getting equipment and installations out of there. I mean why don't we focus on that right now, which is frankly where I think the American people would feel a lot better about if we are going to start consolidating Pentagon infrastructure, it is in Afghanistan. And I mean if you are starting a new initiative in Europe, great. But, you know, can you share something with us on that? I mean what is the savings that this European initiative is going to be taking place? And in the meantime, I just feel like based on even the best case scenarios that Dr. Robyn presented, you know, this just doesn't work within the Budget Control Act structure that we are all going to have to live with through 2021.

Mr. CONGER. All right. So a couple different points. First, it is a fair thing to say that you have to spend money to make money in these kind of situations. You are investing—in the 2005 round, I will use that as an example, or previous ones, you are investing in infrastructure to move folks around—I apologize—you are investing in infrastructure to move folks around, and so therefore if you have a budget problem, this committee, the Appropriations Committee, the House and the Senate, everybody has to figure out whether any investment makes sense. Of course that makes sense. And so you have to prioritize, the Department has to prioritize, the Administration has to prioritize where they are going to allocate resources. We are not here making a specific request. But any investment—let me take an energy-efficiency project for an example, just because it is innocuous here. If we are going to make an investment in a building that will save money in utility bills and it pays back in, oh, I don't know, 5 years or so, we have to decide whether to spend that money right now because we don't have any money right now. Okay. And so that is part of the dynamic we are dealing with. If it is deemed that the investment in any sort of realignment or whatever that is going to yield significant savings out in the out-years, that this is something you can't do right now, that is something for the principals, for—sorry. That is something for you all to work through. And if I missed any parts of your question I will get you on the second round.

Mr. WITTMAN. Thank you, Mr. Courtney.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman, Ranking Member, for holding this hearing. And thank all of you for being here. Mr. Con-

ger, you are doing a good job. We are glad to have you here. We appreciate your testimony and——

Mr. CONGER. Appreciate it.

Mr. FORBES [continuing]. To all of you, we appreciate your service. And Ms. Hammack, I am always glad to get your opinion on things. And I just want to go back to a comment I think you made, but I want to make sure that I heard it. You said based on the force structure that we are having now, that down to that 490,000 in the Army was based on the Budget Control Act and sequestration. And I want to take sequestration off the table just a minute, because General Odierno sat pretty close to where you sat, took up a little more space, but he sat there, and the testimony that I recalled him giving with all of this force structure before sequestration, they were still going to cut 80,000 people. I mean, that wasn't based on sequestration.

And what we were told over and over again by the Department of Defense was that all of these cuts was based upon the fact that there was this new strategic analysis that had been done for the country and that these cuts were made in alignment with that, and as the chairman alluded to earlier, that they weren't done based on budget driving that, it was based on strategic needs. Am I misinterpreting either what you said or what General Odierno said?

Secretary HAMMACK. I think we are saying the same thing, but in different ways, sir.

Mr. FORBES. Okay. Help me with it, then.

Secretary HAMMACK. The strategic realignment was done at a time where we were strategically reducing the size of our force, bringing forces back from overseas and facing cuts in budget. So everything——

Mr. FORBES. But can I——

Secretary HAMMACK [continuing]. Came together——

Mr. FORBES. I don't want to interrupt you. I want you to be able to answer it, but that is—the cuts in budget, we specifically asked over and over and over again, are these cuts being driven by the budget or are they being driven by the new defense strategy? And we were told over and over again they are being driven by the new strategy.

So is it your testimony today that this force structure was driven down based on budget cuts and budget numbers that were given, or was it based on the defense strategy?

Secretary HAMMACK. I am saying it came from three things. It came from realigning forces coming out of Afghanistan, it came from the new national defense strategy, and it came from working to live within a declining budget from the Budget Control Act of 2011.

Mr. FORBES. If it came from the declining budget and the Budget Control Act, were those numbers lower than what would be necessary to meet the defense strategy?

Secretary HAMMACK. I am not sure I can answer that at this point in time.

Mr. FORBES. And the reason I raise it is because for the last 4 years, if we take sequestration, which we are hearing so much about now and the amount which is going to be cut this year, the Administration has already cut 19 times that amount out of de-

fense the last 4 years, and we have been pleading with folks from Mr. Conger's office to come over here and tell us, that is too much, that is—we can't do it, and we have heard crickets, you know, we have heard nothing. "It is okay. It is okay. It is okay."

And now my question would come back to the facilities part of this, which is your bailiwick. If, in fact, we knew that these numbers were going down to the figures that they were going down to, do you have enough money to operate the facilities and the installations without a BRAC, because, as Mr. Courtney pointed out and the chairman pointed out, you all knew, I know you did last year, you saw this committee, you knew we weren't budging on BRAC, so the Army couldn't figure on that. Do you have enough money to operate those facilities if you take sequestration off the table?

Secretary HAMMACK. No.

Mr. FORBES. Then why didn't you guys tell us that when we were making these \$800 billion in cuts?

Secretary HAMMACK. Those comments were made in January and February.

Mr. FORBES. Of what year?

Secretary HAMMACK. Of this year.

Mr. FORBES. The cuts were made in 2011 and before. Why didn't you make any of those comments when those cuts were actually being made? And why did you wait until January, when the Budget Control Act was passed in 2011?

Secretary HAMMACK. Okay. And I think maybe we may be talking two different things. For the Budget Control Act, that—

Mr. FORBES. That is all I am talking about. Not sequestration.

Secretary HAMMACK. Okay.

Mr. FORBES. Take sequestration off the table.

Secretary HAMMACK. All right. Based upon the Budget Control Act that is returning the size of the Army back to the size we were pre-9/11, so pre-9/11 we were at 480 [480,000]. The Army plussed-up, the Army grew, the Army built additional infrastructure and moved forces back from overseas to the United States to handle the load that we had in responding to the war on terror.

Now as that war ceases and we withdraw combat forces from Afghanistan and reduce the size of our force back to pre-9/11, it is expected the budget will reduce. It is also expected that our need for infrastructure will shrink.

Mr. FORBES. Okay. Thank you, Mr. Chairman.

Mr. WITTMAN. Thank you, Mr. Forbes.

Mr. Loeb sack.

Mr. LOEB SACK. Thank you, Mr. Chairman. I want to thank the ranking member, too, both of you, for holding this hearing, very important hearing. It is good to see you folks here today. I appreciate your service to our country. I do have very significant concerns, of course, regarding reports, I think all of us do, that the budget request will include a request for two new rounds of BRAC. And I think, probably like maybe all of my colleagues, I do fundamentally question the wisdom behind the proposal at a time of significant budget uncertainty.

I just want to reiterate, I think, a point that has been made by just about everyone. We know the significant upfront costs of BRAC and the savings that have not materialized in the prior

BRAC rounds. We have been over that already a little bit. I don't think we should brush those numbers off, especially, as Mr. Courtney said, even if we are looking at a 6-year timeframe here for things to start paying off, if you will.

I do think we should be looking at our basing structure overseas before looking at closing installations here at home. As a matter of a record, I want to put that on the record. That is what I believe.

Ms. Hammack, I have a question for you. I was pleased to see in your written testimony that you refer to the Army's organic industrial base as, "a national strategic asset," to the joint force. I agree with you, as you know, that we must work to ensure our arsenals, our ammunition plants and our depots remain effective and efficient. And we all, I think, have the same view that that ought to be the case in the event of another contingency down the road, an unforeseen contingency.

Can you elaborate on your statement in your written testimony that, "the Army must assess its current infrastructure in terms of capacity and capability to ensure that the organic industrial base is shaped properly"? And how would the Army define an optimally-sized industrial base? What criterion strategy would be used to determine that size and whether the organic industrial base footprint does need to be reduced, and, of course, the ways to reduce it?

I know that is more than one question, but I think you get the gist of what I am asking. Thank you.

Secretary HAMMACK. Thank you for the question. One of the great things that occurred as a result of the war in Afghanistan is we made significant investments in our industrial base. And as a mechanical engineer, I have enjoyed going to the facilities and looking at the equipment that has enabled us to respond to the needs of the warfight. And advanced technology and advanced equipment has increased our capability to produce the materiel needed for the warfight.

As we size down, we are taking a look at those increased capabilities. And those increased capabilities that technology has given us is enabling us to work in a reduced footprint. So as we look at capacity, as we look at requirements, we are looking at what the footprint is that we need. And, again, coming from a manufacturing background, I had the unfortunate responsibility of consolidating four manufacturing facilities into one, because technology enabled us to have increased production in a smaller footprint.

That is the advantage of technology, that is the advantage of the investments that we have made, is that we have increased our abilities, and it is time to look at our industrial base to ensure that we can reap those efficiencies for the long term.

Mr. LOEBSACK. And, of course, we have to be thinking about it strategically, too, and I think this—you know, I can—I would reiterate some of the things that were already said here, especially by Mr. Forbes about certainly the concern is it budget, is it strategy, what is driving these decisions? And certainly when we are talking about organic industrial base, we have to keep in mind that we may very well have contingencies down the road and we have to make sure that we have an industrial base that is going to be there, that is going to be ready, that is going to be warm, that could be utilized in the event of another contingency or series of

contingencies down the road. We all hope we are not going to have those, but in the event that we do, we have really got to be ready. That is why we are doing this, you know, on the Readiness Subcommittee in that sense. And I appreciate your efforts along those lines.

I want to stay in touch going forward as co-chair of the Depot Caucus, obviously. And ammunitions and ammunition plants arsenals as well, it is very, very important.

I would like now to move to Mr. Conger. As you know, many installations have multiple organizations based at them. These complement each other's missions as well, yet decisions regarding the location of organizations during past BRAC rounds have been made sometimes without consideration of the mission and cost efficiencies created by their collocation.

Would the Department look at installations as a whole moving forward to ensure that a transfer of one organization doesn't make another more inefficient in that sense?

Mr. CONGER. I think it is an important point, and it is part of the calculation for military value, which is the paramount criteria we measure. Now, there is some subjectivity there, but what you are characterizing is a subjective kind of a thing, and those are, by all means, included. And this is not the only kind of subjective element of military value that is evaluated.

Mr. LOEBSACK. I think it is important along these lines, I know that folks are able—who make these decisions are able to visit different locations, but I think it is really important to keep in mind that there are bases, there are locations, there are facilities around this country that have empty spaces, for example, that could be utilized. And I think we have to be very, very careful moving forward that we take into consideration those installations where there might be tens of thousands of feet that could be utilized on a collocation basis, to make sure that the mission is, in fact, able to be carried out in the future. So it is just a suggestion, more than anything else, for you to take back with you.

Thanks very much to all four of you. I appreciate your service. And thank you, Mr. Chair. And I yield back.

Mr. WITTMAN. Thank you, Mr. Loeb sack.

Ms. Noem.

Mrs. NOEM. Thank you, Mr. Chairman. Mr. Conger, a question for you. If dollars haven't been appropriated for a BRAC process and there hasn't been excess funds that have been dedicated towards that, what do you plan to use in order to fund the BRAC process? Have funds been diverted from another area of your budget? What are the plans that have gone into making sure that it is actually paid for and accounted for?

Mr. CONGER. Well, two answers to that question. First, we haven't asked for a BRAC round, and so we don't have dollars appropriated for a BRAC round.

Mrs. NOEM. Correct.

Mr. CONGER. If—

Mrs. NOEM. Would you agree—

Mr. CONGER. I would imagine that any time one would request such a thing, that we would have to have dollars associated with the analysis.

Mrs. NOEM. And do you agree that in the current environment, more than likely those funds would have to be diverted from another area of the Department of Defense's current funding levels, considering that we are in a bit of a fiscal situation?

Mr. CONGER. I would imagine that in any case we are talking about a zero-sum game when it comes to the budget, that there has to be a prioritization for anything.

Mrs. NOEM. And there could be the possibility of shortchanging our men and women that defend this country.

Mr. CONGER. I would hope that anybody who puts together the defense budget that comes over here wouldn't dream of short-changing the men and women who serve the country in any prioritization that they make.

Mrs. NOEM. Thank you.

Ms. Ferguson, I have a couple questions for you. In a future BRAC process, will the Air Force be focusing on eliminating any particular category of excess base infrastructure?

Ms. FERGUSON. At this time, we have not done any type of analysis. As Mr. Conger pointed out earlier, as we would get the legislation passed from the Congress along with the criteria of military value, we would look at all installations across the United States Air Force, but we have not done anything so far.

Mrs. NOEM. So the 24-percent excess is just in general across the Air Force, not specifically identified at this time?

Ms. FERGUSON. That is correct.

Mrs. NOEM. Do you believe that the most—or least disruptive way to approach this from a national security level would be, and national readiness, would to first focus on support systems such as military schools and—rather than going after seeking to close bases that house bombers or fighter wings?

Ms. FERGUSON. I think I will defer that to Mr. Conger to answer that one from a more strategic perspective.

Mr. CONGER. Okay. Thanks. I think that it would be—two things. One, we haven't asked for a BRAC round, but let us talk in the abstract for a second. In advance of any BRAC round, we do our best not to prejudge, to imply any sort of a result. So we don't have a list of what is likely to happen if there was a BRAC round; that we would wait until the actual authorization from Congress, because it would be inappropriate for us to start that kind of thing ahead of time.

Mrs. NOEM. Okay. Well, I do want to thank you for your service, and I do look forward to helping all branches of our military look for efficiencies that we can find and agreement that we can find, whether or not there is another BRAC round or if one would potentially be requested throughout in the future. So thank you.

Mr. WITTMAN. Thank you, Mrs. Noem.

We will now go to Mrs. Shea-Porter.

Ms. SHEA-PORTER. Thank you very much. A year ago when the budget hearings were held for the Services, General Odierno stated, "I don't think you will see a big Army installation being asked to close. We think we have the right footprint." And that is a quote. And Admiral Greenert said regarding a Navy BRAC, "nothing jumps out at this point to me about installations that should close."

This was just a year ago, and really nothing has changed substantially between then and now except for the implementation of sequestration. Would you still stand by these statements from the views from last year? If not, what has happened in the past 12 months to military requirements, leaving aside the budgetary considerations, to change your views?

Secretary HAMMACK. In reference to the comment made by General Odierno, he doesn't envision a big Army installation that would close and he doesn't have in his mind—as Mr. Conger stated, none of us have in our mind right now, because the analysis has not been done.

When we look at a military value analysis, we take a look at the training capabilities, and so when we talk about a big Army installation, quite often those are the ones that have very large training lands or very large training areas, and they have a high military value and would bear differently in an evaluation of capabilities than maybe a smaller base would be. So he accurately portrayed that in his mind right now, he cannot name one.

As we said, we have not done the capacity analysis to determine where the excess infrastructure is, nor have we done the military value analysis that determines if our bases are in the right locations or where that we need to be located.

Mr. NATSUHARA. And to be consistent with Admiral Greenert, I believe on the second part of that, to paraphrase him, that he also said that he thought doing an analysis would be good to look at our infrastructure. So I think we are still remaining consistent on that.

Ms. SHEA-PORTER. Okay. Thank you. I also would like to ask you specifically about the Portsmouth Naval Shipyard, which was on the list, as you all know, in 2005. And my concern is losing ever, and almost lost at that time, a public yard where the cost of repairing nuclear subs is less, and the availability, having a 24/7 yard like that, how do you calculate the cost of closing, or when you even look at a public yard, versus transferring the work elsewhere and how heavily do you weigh that into the considerations?

Mr. NATSUHARA. Since a BRAC round hasn't been requested, when we—if we do do another BRAC round, the selection criteria will have to be established in the military value. So as we have all stated, you know, there is nothing, then, that has been decided, there is no predecisional selections.

Going forward on the next analysis, depending on the criteria, we will do a thorough analysis, and based on that analysis and the public—and your inputs, we will make a decision, but we don't have a predecision on any of the bases right now.

Ms. SHEA-PORTER. Okay. Thank you. I would like to thank you all for being here. I realize this is a difficult moment for you, as well as for us, as we look at this, but I do want to express my concerns and what you have heard from my colleagues as well about the ability to actually carry out any of this, given the budgetary considerations and the ultimate costs, especially at this time.

Thank you. And I yield back.

Mr. WITTMAN. Thank you, Mrs. Shea-Porter.

We will now go to Mrs. Hartzler.

Mrs. HARTZLER. Thank you, Mr. Chairman. Good to be here and to visit with you about this very important issue. And Secretary

Hammack, I wanted to say hello again from Fort Leonard Wood and thank you for coming and visiting. And we appreciate that and your efforts to get out on the installations. And I wanted to try to get this clarified in my mind about the force structure and the installation footprint that we have. It seems like pre-9/11, you said we had 480,000 and—okay. And then there was a BRAC in 2005. How many installations were closed with that?

Secretary HAMMACK. Overall, I think there were 24 installations. And of the Army—I think there were 13 installations. If I can think of—some of them were depots or Army ammunition plants.

Mrs. HARTZLER. Okay. So 13 total. But now you are saying that with the drawdown back from Afghanistan, our force structure will be somewhere around 480,000 again? Okay. Then how come there is a thinking that we need to close more installations, because it seems like we have the same number of troops, the same force structure at actually less installations than they had pre-9/11?

Secretary HAMMACK. Certainly. And thank you for that question. You know, I pulled numbers on the Army end strength going back to 1919. It was very interesting to look at the ebb and flow in the size of the Army.

At its peak in 1945, the Army had 8,267,000 soldiers. At that point in time, the Army built a lot of infrastructure. And in the lexicon of the infrastructure environment, we call a lot of this World War II wood. Much of that remains today: some of it in excess, waiting for demolition dollars; some of it has transferred to the Guard and Reserve, but we have a lot of infrastructure.

If you look at the next high point, the next high point was in 1968 with 1,570,000 soldiers. We have declined since that time to 1989, when there was an infrastructure analysis as part of BRAC process. We were at 769,000 soldiers. We reached a low in 1999 of 479,700, which is at about that 480,000 I mentioned, and that was the lowest point since before World War II.

The Army has a lot of infrastructure. The Army has had a lot of infrastructure. And through the years, we have worked to refine it, we have worked to transfer it, we have worked to shrink it, and these BRAC rounds have assisted us to right-size the infrastructure along with the size of our force.

As Mr. Conger stated, the analysis done by OSD [Office of the Secretary of Defense] identified that the military services overall had 24-percent excess infrastructure, and the BRAC 2005 round shrunk that by about 5 or 6 percent. That means there is still excess infrastructure. And I know on many of the bases I go to, even on some of the industrial bases—I was just on one that had 800 buildings, and we were utilizing 300 of them.

The Army does have excess infrastructure, we continue to have excess infrastructure. And in the United States, it takes authorization from Congress for us to significantly reduce it.

Mrs. HARTZLER. I just wanted to make sure that our troops coming back that will still be there in the force still have adequate facilities to train and to be housed in and things.

And I know votes are occurring, but I wanted to ask real quick, your comment about the CR problem, \$6 billion short in operation and maintenance. Question: We passed a CR last week attaching

the DOD approps [appropriations] bill to it. Will that help with that problem?

Secretary HAMMACK. And thank you very much. That helps. It does not completely fix our problem. We remain having a problem, especially on operations and maintenance, but our OCO [Overseas Contingency Operations] problem is a big problem on how do we retrograde that equipment from theater.

Mrs. HARTZLER. Yes. Thank you. Thank you.

Mr. WITTMAN. Thank you, Mrs. Hartzler.

We will now go to Mr. Barber.

Mr. BARBER. Thank you, Mr. Chairman and Ranking Member. And thank you for coming today to testify on this very important topic. My first question, and I may only get one in, because we are going to be going to vote shortly, is for you, Secretary Ferguson. It has to do with the F-35 [Lightning II Joint Strike Fighter] and the basing of the F-35s and the decisions that will be made in the next year or two. How do you think, if it isn't, in fact, likely, that the BRAC could impact on the timing of those basing decisions?

I know that the Air Force is currently engaged in site surveys, they have had some in my community as well, but I am interested in knowing how BRAC may impact on that. And secondly, how will the Air Force weigh the information that you have gleaned from the site surveys as you consider possible BRAC procedures?

Ms. FERGUSON. Thank you for the question. F-35 is—as you likely know right now, we are in the middle of finalizing the environmental impact statements for the first operational locations. The first operational locations have been identified as Hill Air Force Base, as the preferred and reasonable alternative for the first Active Duty location, and Burlington, Vermont, as the first operational location for the Air National Guard. We are completing the environmental impact statement for those right now. Those will then be presented to our chief and secretary for final decision, and then a final decision will be made on that later this year.

The next time we anticipate needing to make a decision for F-35 will be some time in fiscal year 2017, and so the timing of that decision will be—or let me—it will depend on the timing of BRAC also, but certainly any basing decision, whether it is F-35 or any other basing decision, would potentially get linked up with a BRAC, but as you look at the bed-down for the F-35, the bed-down for the F-35 is going to go on for many, many years to come, and we will work through the processes as it falls out.

Mr. BARBER. I think, Mr. Chairman, I better yield back. It is time for us to go to vote. I appreciate the opportunity. Thank you all for coming and for your service.

Mr. WITTMAN. Thank you, Mr. Barber.

I want to go down to Mr. Palazzo so we can finish up.

Mr. PALAZZO. Thank you, Mr. Chairman. And I also want to thank our witnesses for being here today and for your testimony. And I will keep my remarks fairly brief. I don't really have questions, but I do just want to bring up something. I noticed your bios, that pretty much all four of you are engineers by trade or your training and your education. Well, I am a CPA [Certified Public Accountant], I am a certified public accountant, and I come from industry and I have also worked in quasigovernment agencies and

things of that nature. And the one thing that I know most successful businesses and most successful government agencies have always relied upon is reliable financial statements, financial statements that are typically audited by independent public audits through other CPA firms and things of that nature.

The House Armed Services Committee under Chairman McKeon actually set up a panel in 2011, and it was the Financial Independence Audit Readiness Panel, and we had over eight meetings very early in the morning, Congressman Courtney was a member of the panel as well as Congressman Andrews and a few others, myself, and the one thing was that, you know, we had Robert Hale, we had a lot of people come in and tell us that it was important that we could provide reliable financial statements for DOD, and they set September 30th, 2017, as the deadline.

And it is so important, because when you make any type of business decision, you just don't make business decisions, especially in the real world, you don't make, you know, across-the-board cuts like, you know, we did in sequestration. That is just not the smart way of doing business, or you won't be in business for long.

But we have an oversight function in Congress, and I am very—I am a strong believer in being able to rely on financial statements that have been audited by an independent group. So, I mean, I am not going to say I ever want to hear the words “BRAC,” but I definitely don't want to hear them until I can—you know, I have reliable financial information that I can depend and make value-based decisions, and that I can go back and not only tell my constituents, but the American people can see that these are wise decisions, this is what the decisions were based upon.

I think it is extremely important to have those kind of financial statements so Congress can fulfill its oversight mission, you know, for the American taxpayer. And it is with that I will yield back.

Mr. CONGER. Can I have 15 seconds—

Mr. PALAZZO. Thank you.

Mr. CONGER [continuing]. To respond to that?

Mr. WITTMAN. Please. Quickly.

Mr. CONGER. One, the Secretary is committed to having such a statement; and, two, we are deeply integrated with GAO when we do this process, and they are our auditors, for lack of a better description. So they are a big part of this, and I would recommend you talk to them about their opinion about how we do it.

Mr. WITTMAN. Well, I would like to wrap up with thanking our witnesses for coming today. Thank you for answering our questions.

I do want to close with a pretty direct statement. I haven't heard anything today that indicates that there is a rational basis to pursue a BRAC, nor are there dollars available during these very austere times by which to pursue a BRAC. And with that, I want you to know that I am adamantly opposed to the pursuit of a BRAC at this particular time. I think that we have many, many other issues that we have to deal with with budgeting and strategy within the military. This is not the time to pursue a BRAC.

And I will go to my ranking member to see if she has any closing comments before we leave.

Ms. BORDALLO. Thank you, Mr. Chairman. And I guess I will have to concur with your thoughts.

Mr. WITTMAN. Thank you. Thank you, Ranking Member Bordallo. And with that, the Subcommittee on Readiness is adjourned.

[Whereupon, at 5:00 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 14, 2013

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 14, 2013

Statement of Hon. Robert J. Wittman
Chairman, House Subcommittee on Readiness
Hearing on

**Is Base Realignment and Closure (BRAC) Appropriate
at This Time?**

March 14, 2013

Welcome to this afternoon's hearing. I'd like to thank our panel of experts for being here today to address "whether BRAC is appropriate at this time."

After reading your opening statements, I understand one of the principal reasons why the Department requested a BRAC round last year was because of the imbalance between infrastructure and future force structure. This imbalance was caused by reduced force structure level imposed by the Budget Control Act. Unfortunately, this is a very good example of a poor plan. Whenever budget drives strategy, poor decisions result which in this case includes a reduced force structure.

I categorically reject this notion that presumes to balance the Federal budget on the backs of our service members. Having budget decisions driving strategy is both immoral and only increases the likelihood of service men and women not returning from future combat. I believe that the Department of Defense needs a robust military capacity and that any diminution of this capacity should be staunchly opposed.

Furthermore, this assertion that a reduction of 100,000 service members is a principal reason to have a BRAC round today is shortsighted. I compared the BRAC 2005 force structure numbers with the 2017 future force structure proposed by the Department. While it is true that we will have reduced the Active force structure by 130,000 service members, this is almost completely offset by the increase in civilian personnel of 120,000 over the same period. Where is the excess infrastructure? I have yet to see any empirical evidence that would provide even the slightest degree of support for another round of BRAC.

As to the BRAC process itself, BRAC 2005 was an absolute failure. Cost estimates to implement BRAC 2005 recommendations have increased from \$21 billion to \$35 billion (66 percent) compared to the Commission's reported estimates. GAO determined that BRAC 2005 payback would not occur for 13 years (until 2018). Even more efficient BRAC initiatives of the 1990s did not pay back until a few years after the BRAC implementation was finalized. At a time when there is significant variability in the budget and the ensuing force structure, would a BRAC round be effective in pro-

viding rapid savings? Unfortunately, history has emphatically told us, “NO.”

I believe that the Department should pursue a multiprong strategy that fully utilizes the available capacity. Leveraging the private sector to support the military and use excess infrastructure provides a valuable revenue stream in a time of diminishing resources. Furthermore, the Army and the Marine Corps heavily relied on temporary facilities to support the Grow the Force initiatives. I think that we need to reduce this temporary infrastructure first before we move forward with eliminating entire bases and other permanent infrastructure.

While I look forward to the discussion today with our esteemed group of witnesses to see if there is a compelling argument to change my position, I continue to have significant reservations with authorizing another BRAC round because of critical flaws in terms of both the process and the underlying assumptions. I believe that aggressively moving forward with a BRAC round could significantly harm our military and their ability to project power.

Joining us today are:

- Mr. John Conger, Acting Deputy Under Secretary of Defense for Installations and Environment;
- Honorable Katherine Hammack, Assistant Secretary of the Army for Installations, Energy and Environment;
- Mr. Roger Natsuhara, Principal Deputy Assistant Secretary of the Navy for Energy, Installations and Environment; and
- Mrs. Kathleen Ferguson, Acting Assistant Secretary of the Air Force for Installations, Environment and Logistics.

Ladies and Gentlemen, thank you all very much for being here. I appreciated your thoughtful statements and your insights into this complex topic.

While I understand that we are in challenging budget times, it is a matter of record that this Administration has been unable to deliver a timely budget request for the fourth consecutive year. Considering this late submission, I understand that our witnesses will not be able to comment on the record as to whether the Administration will support a request for another round of BRAC in the fiscal year 2014 budget request. However, the Administration did request two additional rounds of BRAC in last year’s budget request and former Secretary of Defense Panetta indicated his support for additional infrastructure consolidations earlier this year. I expect our witnesses to be able to discuss their thoughts as to the applicability of BRAC with the current force structure and overseas force posture.

HOLD UNTIL RELEASED

BY THE COMMITTEE

Statement of
Mr. John Conger
Acting Deputy Under Secretary Of Defense
(Installations and Environment)

Before the House Armed Services Committee
Subcommittee on Readiness

March 14, 2013

Chairman Wittman, Representative Bordallo and distinguished members of the subcommittee: I appreciate the opportunity to appear before you to discuss Base Realignment and Closure (BRAC).

As you know, the Administration has not delivered its FY14 Budget Request, and I will not be commenting on the possibility of a future request for BRAC authority. It is true that we asked for BRAC authority last year and the current budget situation and declining forces make it even more important to reduce overhead. Reducing excess allows us to apply our resources to supporting our troops instead of wasting funds maintaining unnecessary facilities. However, it would be inappropriate to speculate on the contents of the President's budget until it has been released.

As such, I will be focusing my remarks on a discussion of the BRAC process. I will discuss the elements of the statutory BRAC process that make it fair, objective, and a proven approach to aligning our force and base structures. I will review the factors that lead the Department to believe we have excess capacity, highlight our efforts to eliminate some of that excess in our overseas bases, and discuss the savings that BRAC provides and has already provided. These savings are significant and are being spent on enhancing readiness and providing capability to the warfighter. Finally, I'll address criticisms of the process. I know Congress has concerns about how the BRAC process worked in 2005, and I'm committed to work with you to address your concerns on any future BRAC round.

The fundamental rationale for the BRAC process is to enable DoD, an independent commission, the public, and Congress to engage in a comprehensive and transparent process to facilitate the proper alignment of our infrastructure with our mission. As we witnessed last year, piecemeal attempts to improve the alignment of installations to mission are generally met with skepticism and resistance from Congress and state and local officials who question DoD's rationale to the extent that the proposed changes are effectively stopped. Absent BRAC, the Department is effectively locked into a status quo configuration. BRAC, therefore, should be an essential part of any overall reshaping strategy. Indeed, recent statutory changes have further restricted the Department's ability to realign its installations. I think this shows that we will not be able to reach consensus on how to move forward on achieving necessary changes. I want to work with you in a collaborative manner to that end.

I am struck by the fact the last time Congress and DoD agreed to pursue BRAC, the effort was bipartisan and occurred in the shadow of 9-11. At that time, leaders with strategic vision and experience recognized the helpfulness of using the process. In October 2001, eight former Secretaries of Defense from both parties wrote to urge authorization of BRAC:

"While we understand the sensitivity of this [BRAC] effort, our support for another round is unequivocal in light of the terrorist attacks of September 11, 2001. The Defense Department must be allowed to review its existing infrastructure to ensure

it is positioned to support our current and evolving force structure and our war fighting plans. We are concerned that the reluctance to close unneeded facilities is a drag on our military forces, particularly in an era when homeland security is being discussed as never before. The forces needed to defend bases that would perhaps otherwise be closed are forces unavailable for the campaign on terrorism. Further, money spent on a redundant facility is money not spent on the latest technology we'll need to win this campaign."

Elements of BRAC

BRAC provides for a sound analytical process. It has at its foundation a look forward using a 20-year force structure plan developed by the Joint Staff; a comprehensive installation inventory to ensure a thorough capacity analysis; and defined selection criteria that place priority on military value (with the flexibility to express that in both a quantitative and qualitative way).

The BRAC process is comprehensive and thorough. Examining all installations using certified data to conduct thorough capacity and military value analyses enables a holistic rationalization of our infrastructure to align it with the strategic imperatives detailed in the 20-year force structure plan.

The merits of the BRAC approach are twofold. First, a comprehensive analysis ensures that the Department considers a broad spectrum of approaches beyond the existing configuration to increase military value and align infrastructure with strategy. Second, the process is logical, well documented, and auditable which enables independent review by the Commission and affected communities. GAO has repeatedly recognized this; for example, its 2005 report described the process as "generally logical, well documented, and reasoned. DOD established a structured and largely sequential process for obtaining and analyzing data that provided an informed basis for identifying and evaluating BRAC options."

Additionally, and most important, BRAC requires an "All or None" review by the President and Congress, which prevents either from picking and choosing individual recommendations. Together with the provision for an independent commission, this all-or-none element insulates BRAC from politics, making it non-partisan with a clear demonstration that all installations were treated equally and fairly. It is worth noting that the process validates the importance of those bases that remain and are then deserving of continued investment of scarce taxpayer resources.

The Department's legal obligation to close and realign installations as recommended by the Commission by a date certain, ensures that all actions will be completed instead of being endlessly reconsidered. That certainty also facilitates economic reuse planning by impacted communities.

Finally, after closure, the Department has a sophisticated and collaborative process to transition the property for reuse. The Department is mindful of the significant toll Base Realignment and Closure (BRAC) has on our host locations. Our Office of Economic Adjustment (OEA) provides technical and financial support to help these communities through closure, disposal, and redevelopment with a program tailored to their specific planning and implementation requirements. The former installation is often the single greatest asset for impacted communities to redevelop and restore a lessened tax base and the lost jobs from closure. One of the most important disposal authorities available to help impacted communities with job creation is the Economic Development Conveyance (EDC). The Department is using the full breath of this authority to structure conveyances into win-win agreements wherein communities can create jobs and bolster their local tax base, and the Department sees increased savings through reduced property maintenance costs and participation in the cash flows from successful local redevelopment efforts.

Assessment of Aggregate Excess Capacity

A fair question to ask and one that comes up in any discussion about BRAC is: how does the Department know that it has excess capacity? Parametric techniques such as those DoD used in 1998 and 2004 provide the Department a sense at the aggregate level that there is excess capacity; as do changes in plant replacement value (PRV) which is the cost to replace an inventory of facilities in today's dollars at today's standards. Both methods of looking at excess capacity at the aggregate level provide a sense of how physical capacity changes over time. As explained below, the Department believes that excess in the aggregate exists.

In 1998 and 2004 the Department looked at a series of metrics that measured the ratio of base loading at two points in time. In both cases, 1989 was used as a baseline. For the 1998 report 2003 was used as the end date and 2009 was used for the 2004 report. In both cases, DoD chose to use the 1989 baseline as a conservative estimate that assumed that the ratio of base loading at that point was properly sized to support the assigned missions and forces at a high point in DoD's force structure and installation portfolio. This technique is conservative because it assumes that the base loading in 1989 was ideal when in reality it is likely that even then, base capacity exceeded force structure. Examples of base loading metrics used in the parametric analyses were maneuver brigades to maneuver acres, cruisers to cruiser equivalent berths, and aircraft to apron space. The comparison of the base loading ratios indicates whether a certain category of base had excess capacity. DoD aggregated the results by Military Department and in turn across DoD as a whole. Our 2004 report found that the Department had 24 percent aggregate excess capacity.

However, the Commission's BRAC 2005 recommendations reduced capacity by only 3.4 percent (the Secretary's recommendations would have reduced it by 5.1 percent as measured by PRV). Therefore, the Department believes excess capacity at the aggregate level remains today.

Additionally, force structure is declining relative to that which existed in 2005, thereby continuing to add to aggregate excess capacity. For example, the Army plans to reduce its active duty end strength from 570,000 (2010) to 490,000 (by 2020) and has asserted that this reduction would be accompanied by a reduction in civil servants who support these forces. Our aggregate analysis includes a parameter that measures the ratio of administrative space to military and civilian personnel. After this drawdown, the Army will – by definition – have considerably more admin space per soldier. In addition, the Army will be inactivating a minimum of 8 Brigade Combat Teams (BCTs). This will – again, by definition – increase the number of training acres per BCT. Reductions in the Marine Corps from a peak of about 202,000 to 182,000 will affect similar ratios.

The Air Force is dealing with reductions as well. While BRAC 2005 did not make major reductions to the Air Force, they have reduced their force structure by more than 500 aircraft and active duty end-strength has been reduced by more than 8 percent. The significant aircraft reductions will drive down the parameter that measures aircraft per apron space. In other words, our Air Force bases will have at least enough excess space to accommodate the aircraft they have removed from the force structure.

If we assume our bases were either appropriately loaded or were carrying excess capacity, these force reductions will increase that surplus.

If future BRAC rounds use a process similar to that which was used in the 2005 round, the process will begin with a requirement to confirm the existence of excess capacity and the need for BRAC. Based on the statute, the Department prepares a 20-year force structure plan and a comprehensive installation inventory. Using those, it prepares a report for Congress in which it must describe the infrastructure necessary to support the force structure, identify areas of excess, analyze the effect of closures and realignments on the excess capacity, and certify that BRAC is needed and that it will produce savings. Only after providing that certification is the Department authorized to proceed with the BRAC round.

The parametric analytical approach is helpful in making a broad assessment in determining whether an additional BRAC round is justified. However, this approach cannot identify specific installations or functional configurations for realignment or closure. This was purposeful and is critical to understanding the difference between how a capacity assessment based on parametric techniques differs from the process used within the actual BRAC analysis. Ultimately, the specific capacity analysis that is an integral part of the BRAC process is preferable to aggregate metrics. Only through the BRAC process is the Department able to determine excess capacity by installation and by mission or function in a process that is thorough and fair.

The process is thorough because capacity analyses conducted within BRAC are a key element that underpins specific base realignment and closure recommendations. In BRAC, details of capacity

will be determined through extensive data calls. It is the capacity analysis combined with military value (assessed both quantitatively and qualitatively) that leads to scenarios of alternative infrastructure configurations. An assessment of these scenarios leads ultimately to recommendations which seek to maximize military value and reduce capacity.

The process is fair because in BRAC appropriate command authorities certify the data as it moves up the chain and this certification process is reviewed by audit agencies (including GAO). Equally important, the BRAC process collects detailed information from each base in DoD. This ensures that DoD meets the requirement to treat all bases equally providing confidence to Congress and communities about the integrity of the BRAC process. Finally, the Commission reviews all of the data DoD used to develop the recommendations and combines its review with input from the potentially affected communities (who have access to all of DoD's data) to make its final recommendations. It is this thorough, fair, and transparent process that differentiates a top level capacity assessment from the BRAC process.

Excess Capacity and European Consolidation

While we clearly have excess capacity, many in Congress have asserted that we should look first at our overseas infrastructure for reductions. To be clear, we have been reducing our infrastructure overseas for years. Since 2003, the Department has returned more than 100 sites in Europe to their respective host nations, and we have reduced our personnel by one-third. In South Korea, we have made significant reductions and are on a path to consolidate our footprint at Camp Humphreys.

Still, given recent announcements to further reduce our forces in Europe, we decided it was appropriate to build on our past successes in BRAC and use a similar approach to review our European infrastructure. While no statutory authority is required, the process serves as an excellent template. The Army already has plans to close 33 additional sites between FY13 and FY16, to include those associated with the announced decision to reduce our presence from four to two Brigade Combat Teams. However, ongoing force structure changes and a focus on greater joint utilization of assets should produce additional opportunities for reducing infrastructure while preserving required capabilities.

Our effort will be comprehensive, analyzing what we expect to be a wide array of scenarios. We are developing business case analyses for each scenario, taking military value, operational impacts, and return on investment into consideration. By the end of this year we plan to conclude with a fully vetted list of options from which the Secretary can make strategic decisions for eliminating excess, preserving and even enhancing our ability to meet strategic and operational commitments, and providing and ultimately validating our enduring European infrastructure requirements which will provide an analytical basis to support sustainment funding and future

recapitalization. Affordability will be an issue – it may take investment to make some changes. However, because recommendations will be based on sound business case analyses that take return on investment into account, paybacks will exceed investments.

Financial Benefits of BRAC

While the primary reason for BRAC is to match infrastructure to missions, it is also about trimming excess so that resources otherwise wasted on unnecessary facilities can be re-applied to higher priorities. The fact is the overhead cost of maintaining bases is substantial. As a conservative estimate, our recent expenditures related to facilities, including military construction, have averaged around \$40 billion annually; so even a small decrease can save a substantial amount. Other costs associated with operating our installations (e.g., payroll support; personnel management; morale, welfare, and recreation services; and physical security) average about \$15 billion annually. That should require a periodic review of our infrastructure to ensure that it is effectively and efficiently configured. BRAC has served this purpose well over the last 20 years, particularly where reduced budgets push us towards sustaining our infrastructure at lower levels, which will eventually affect readiness and quality of life.

Savings from BRAC are real. The first four rounds of BRAC (1988, 1991, 1993 and 1995) are producing a total of about \$8 billion in annual recurring savings, and BRAC 2005 is producing an additional \$4 billion in annual recurring savings. While some have questioned BRAC savings, the GAO has written in reference to the 1990's BRAC rounds that in "addition to our analyses, studies by other federal agencies, such as CBO, the DoD Inspector General, and the Army Audit Agency, have shown that BRAC savings are real and substantial and are related to cost reductions in key operational areas as a result of BRAC actions."

Savings from BRAC are substantial. The \$12 billion in annual savings results from operating costs that are avoided. This funding can and is applied toward other requirements such as weapons systems procurement, readiness training, and quality of life improvements. Putting that in warfighting terms, using the FY13 budget request, annual BRAC savings amount to:

- Twice the \$6B request for 29 F-35 aircraft;
- 3.5 times the \$3.5B request for 2 DDG-51 AEGIS Destroyers;
- 3 times the \$4B request for 2 Virginia Class Submarines;
- More than the \$11B that DoD requested for all Army and Marine Corps ground systems;
- More than the entire \$10B request for Ballistic Missile Defense; and
- More than the entire \$10B request for Military Construction.

BRAC 2005 and Lessons Learned

For most people, the BRAC experience that is freshest in their memories is the 2005 Round. As mentioned in the previous section, BRAC 2005 resulted in recurring savings of \$4 billion annually, but often it is the uncharacteristically high cost of this round, and the fact that the cost increased beyond the initial estimates, that prompts the most questions. GAO recently published a report on lessons learned in BRAC 2005, and this was a point they highlighted.

Unfortunately, as GAO reviewed this issue, they came to two conclusions with which we disagree: 1) savings goals rather than military value should guide the BRAC process; and 2) the difference between the actual and projected costs are a fault of modeling rather than the imposition of subsequent requirements.

First, I am concerned with GAO's emphasis on establishing goals, measurements of effectiveness, and capacity reduction targets. The premise that we should be required to close a particular number of bases or eliminate a particular number of civilian jobs is arbitrary, counterproductive, and would undermine military capability – in short, this would subordinate military value to savings goals and, in turn, subvert the BRAC process. While the necessity for BRAC is driven by the presence of excess infrastructure and the desire to eliminate waste, individual recommendations must be based on optimizing military value.

BRAC 2005, unlike every other BRAC round, was conducted during a time of growth, a fact that constrained our options for reductions. The Department's focus was more squarely on realignment than it had been in previous rounds, and that resulted in larger construction requirements.

Given the force structure reductions on the horizon and the budget constraints we face, we have every expectation that future rounds would have more in common with the first four BRAC rounds than the most recent round did.

Second, the GAO points to the increase from the Department's initial cost estimate to the cost of execution to imply that the mismatch between the actual cost and initial estimates reflects flaws in the cost estimating model rather than the impact of subsequent decisions. While any process could benefit from improvement, the GAO itself indicated in a report last year that the drivers of increased cost were dominated by new military construction requirements within a small subset of the recommendations.

That recent (2012) GAO report found that most of the cost increase could be tied to only 14 of 182 recommendations. Those increases were largely due to deliberate and subsequent decisions to expand the originally-envisioned scope of construction and recapitalization to address deficiencies in our enduring facilities or to expand the capabilities they provide. That narrow list of sources means that the increase was based on specifics at particular bases rather than a systemic problem

with the model. Otherwise the increase would have been evident throughout all of the recommendations.

With military construction accounting for 70 percent of BRAC 2005 costs (in previous rounds, it was only 33 percent), BRAC 2005 has served as an engine of recapitalization for our enduring military facilities. This is an important point to consider – BRAC’s recapitalization helped revitalize our infrastructure and reflected a deliberate effort by leadership (principally the Army) to improve or provide robust training capabilities such as the move to consolidate the Armor and Infantry centers into a Maneuver Center of Excellence at Fort Benning and to ensure the troops have good support facilities such as clinics and child care centers.

Additionally, there were two other significant reasons for the increase in projected implementation costs: the Department’s decision to delay the implementation of BRAC 2005 because of competing budgetary priorities during the wars (delay adds to the cost of inflation) and the steep rise in construction costs that occurred in 2007 and early 2008, when many of the large MilCon contracts were being competed. Increases are also attributable to new requirements imposed after the initial estimates (e.g. requiring all medical facilities to meet “world class” standards which dramatically increased the costs of recommendations which included hospital construction).

BRAC 2005 focused more on transformation than the elimination of excess capacity. It achieved its intended result. An example of this is joint basing, where the Department consolidated 26 geographically proximate installations into 12 Joint Bases with one designated Service providing all installation support for the base. This action responded to persistent internal and external criticism that base support was duplicative at these sites. Despite the significant challenge of merging large organizations to provide installation support to new, commonly agreed to standards, the joint bases have achieved cost reductions. The joint bases are providing a higher level of service in a manner that is proving more cost effective and efficient. We also look at these installations as ‘incubators of innovation’ for the Department.

So while we view a future BRAC effort being along the lines of the earlier rounds given the force reductions now planned or underway, BRAC’s ability to act as a catalyst for business process re-engineering, changing the way we do business from status quo approaches, and increasing the joint utilization of our assets should not be overlooked.

Conclusion

Thank you for the opportunity to appear before you today and I look forward to continuing our work together on issues related to maintaining the infrastructure necessary to support the men and women who defend our nation. While our plans for using BRAC in the future have not yet been

decided, I hope this discussion has proven to be informative on this significant and effective process.

John Conger
Acting Deputy Under Secretary of Defense
Installations & Environment



Mr. John Conger is the Acting Deputy Under Secretary of Defense for Installations and Environment. In this position, he provides management and oversight for military installations world wide and manages environmental, safety, and occupational health programs for the Department.

Until June 2009, Mr. Conger served on the staff of Representative Chet Edwards, Chairman of the House Appropriations Subcommittee on Military Construction and Veterans Affairs, where he served as Legislative Director and principal defense advisor for 8 ½ years. In addition to his work supporting Rep. Edwards' military construction initiatives, Mr. Conger focused on Rep. Edwards' efforts to improve military quality of life, increase military retiree benefits, pass record levels of veterans health care funding, and advance nuclear nonproliferation efforts. He also served as staff for the House Army Caucus, which Edwards co-chairs.

In his previous tenure on Capitol Hill, he served as Professional Staff for the House International Relations Committee and as defense staff for Representatives Jane Harman and Sam Gejdenson.

From 1993 to 1997, he was employed by Adroit Systems, Inc. in support of the Defense Airborne Reconnaissance Office, then a part of the Office of the Under Secretary of Defense for Acquisition and Technology.

He holds a B.S. and an M.S. in Aerospace Engineering from the Massachusetts Institute of Technology and an M.A. in Science, Technology and Public Policy from the George Washington University.

Current as of September 21, 2012.

Record Version

**Statement By
The Honorable Katherine Hammack
Assistant Secretary of the Army
(Installations, Energy, and Environment)**

**Before the
U.S. House Representatives
House Armed Services Committee
Subcommittee on Readiness**

First Session, 113th Congress

March 14, 2013

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House Armed Services Committee**

Thank you, Chairman Wittman, Congresswoman Bordallo, and Members of the Committee. The Army appreciates the opportunity to meet with you today.

The US is at a strategic turning point after a decade of intense land-based war. As the national focus changes, the Army has been ordered to reduce its Active Component (AC) end strength, which requires significant force structure changes. These will result in a smaller and leaner, but more agile, flexible, ready, and technologically advanced Army.

In line with the Budget Control Act of 2011 and the new defense strategy announced in January 2012, the FY 2013 Budget significantly reduced the Army's future funding projections. Along with the end of the wars in Iraq and Afghanistan, these changes have put the Army on a path to shrink its active duty end strength from its peak of 570,000 in Fiscal Year 2010, to 490,000 by Fiscal Year 2017. This is a reduction of 80,000 Soldiers, or approximately 14%, from the Active Component. Former Defense Secretary Leon Panetta stated, "you can't have a huge infrastructure supporting a reduced force" when speaking about force reductions.

These reductions will affect every installation in the Army. Further, these reductions are already programmed into the Army budget baseline. Additional cuts to the Army's budget, of the magnitude associated with sequestration, may drive our end strength down below 490,000.

The Army's Chief of Staff, General Odierno, testified to the House Armed Services Committee that the full cumulative impact of sequestration across multiple years, coupled with a year-long Continuing Resolution, would force an additional 100,000 Soldiers to be reduced out of the Active Duty, National Guard, and US Army Reserve. This would create even greater pressure to bring infrastructure and civilian staffing into proper alignment with force structure demands.

The supporting infrastructure, as well as the civilian positions at our installations, should be reviewed to determine whether they are in line with reductions in end-strength and force structure. The alternative is an installations budget that spends tens or even hundreds of millions of dollars to maintain unused facilities. This scenario would divert the Army's shrinking resources away from much needed investments in readiness, equipment, and training. Failure to properly resource programs supporting Army Families and Soldier readiness will lead to an all-volunteer military that is hollowed out and weakened.

What does a "hollow" Army mean? How does the Army become "hollow?"

If Army force structure declines, but the facility overhead and civilian support staff remain constant, then our investments in equipment, training, and maintenance will become distorted.

General Odierno recently said in Congressional testimony that "a hollow force is one in which there is prolonged and disproportionate investment across manpower, operations and maintenance, modernization, and procurement without corresponding adjustments to strategy. The Army, without adequate funding, would be forced to make resourcing decisions that would

only accelerate and compound inequalities and risk in the force to other operational plans in the future.”

Examples of the kinds of readiness impacts that could occur if the Army were forced to divert resources away from other valid requirements over time in order to maintain excessive overhead and infrastructure can include:

- Shortages of repair parts that would drive cannibalization and reduced training events that will significantly impact our ability to build readiness. This would have a compounding effect on the capability of Army equipment and the effectiveness of units.
- Diversion of resources away from training accounts that would impair the Army's ability to fully train our Soldiers, whether through individual professional military education or collective unit training. This would disable our Soldiers from operating successfully in a joint, interagency environment across the range of military operations (from stability operations to decisive action).
- A deficit in properly trained forces will place the Army in jeopardy of being unable to meet the requirements of its higher-end war plans. Such a force will grow in “hollowness” each month or year the Army is forced to re-distribute resources, funding, and training of Soldiers from non-deployed forces to support current operations without the necessary resources to prepare for contingency operations.

At our installations, excess infrastructure will force the Army to spread its remaining resources so thinly that the ability of our installation services to support for the force will suffer. We will have more buildings in our inventory that require maintenance than we have force structure to validate a requirement. Eventually, excess infrastructure and staff overhead will increase the risk of either spending a disproportionate share of scarce budget resources on sustainment, or not being able to perform the most basic services correctly. For instance, Army civilian and contractor staff that run our digitized training ranges could be spread so thinly that the scheduling and throughput of training events at home station could suffer. As these negative effects accumulate, the remaining Soldiers and Families will be more likely to vote with their feet and leave the Army in an unplanned manner.

Army 2020 Force Structure.

The Army is already in the process of reducing its force structure and end strength. We have begun by steadily consolidating and reducing our overseas force structure. In Fiscal Year 2013, the Army announced that two Brigades in Europe would be deactivated, and that V Corps would not be returning to Europe upon the completion of its deployment to Afghanistan.

In coordination with the Office of the Secretary of Defense, the Army is also examining cost-effective opportunities to facilitate Joint and/or multi-service stationing options at our overseas installations, with a specific focus in Europe.

On January 19, 2013, the Army published a Programmatic Environmental Assessment (PEA), prepared in accordance with the National Environmental Policy Act (NEPA). The PEA analyzes the environmental and socio-economic impacts associated with two alternative approaches to reducing our force structure. The Army has extended the public comment period for 30 days to allow communities more time to provide comments on environmental or socioeconomic issues. The public comment deadline is now March 21, 2013.

The Army's ongoing force structure reduction efforts are proceeding in a 'BRAC neutral' manner. The Army 2020 Force Structure process is not being used to set any installations up for potential closure by removing all of their assigned units. In the PEA, the Army set a 'stop loss' threshold so that no multi-BCT installation would lose more than two Brigade Combat Teams or 8,000 total personnel under the worst case scenario. By applying force structure reductions more thinly and broadly, we avoid triggering any of the civilian personnel thresholds in 10 USC 2687. Indeed the Army does not anticipate coming close to triggering those statutory closure or realignment thresholds.

However, there is a price for proceeding in this manner. The force structure reduction is likely to create excess capacity at several installations. If an installation's assigned military forces are reduced significantly, it logically follows that some number of civilian personnel functions may no longer be required to support our Soldiers and Families. The Army has not yet initiated any capacity analysis to determine the level of excess infrastructure. That would begin with a 20-year force structure plan and a comprehensive installation inventory.

Reducing Overseas Infrastructure.

We have been asked to make sure that the Department appropriately sizes its infrastructure overseas.

The Army agrees. Over the past several years, the Army has aggressively moved to reduce costs and shrink its facility footprint in Europe and Korea.

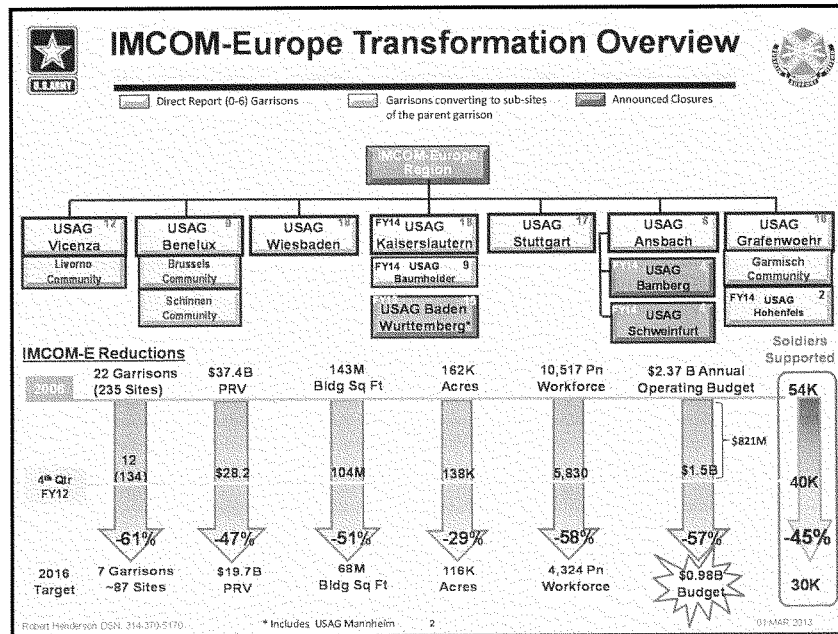
For example, in 2001, the Army had approximately 62,000 Soldiers stationed in Europe (See Chart #1). By 2006, that number declined to 54,000 Soldiers. By the end of 2017, we project it will decline to approximately 30,000 Soldiers. That is a 55% reduction in end strength since 2001, and a 45% reduction in end strength for the US Army in Europe since 2006.

Our total facility square footage in Europe is declining from 143 million gross square feet (GSF) to 68 million GSF by 2017. This decline amounts to an infrastructure reduction of 54%, which corresponds closely with the reduced end strength and force structure.

Our real property footprint has shrunk as well. In Europe over the last six years, we have closed over 100 sites and returned 24,000 acres to the host nation. In the next four years, we plan to close another 47 sites and return 22,000 acres, primarily in Germany.

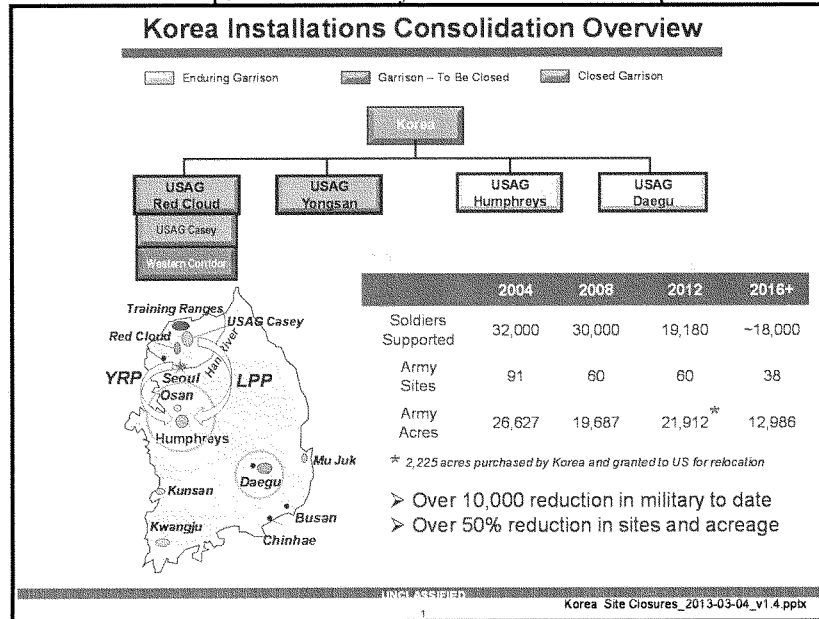
As previously stated, the Army fully supports the efforts of the Office of the Secretary of Defense to evaluate further opportunities to facilitate Joint and/or multi-service stationing options at our overseas installations, with a specific focus in Europe.

[Chart 1: US Army Consolidation in Europe]



In Korea over the last six years, we have closed 31 sites, with 7,300 acres returned. Over the next four years, we plan to close another 22 sites and return 9,400 acres to the host nation (See chart #2).

[Chart 2: US Army Consolidation in Korea]



The BRAC 2005 Process in Context.

The BRAC process is an important mechanism to reduce not just cost, but excess capacity. The BRAC 2005 process was an anomaly in many ways, and it deserves serious, in-depth consideration.

Four of the prior rounds of BRAC were implemented as the Cold War was winding down and the Army's force structure was rapidly declining. The combined 1988, 1991, 1993, and 1995 rounds (i.e., "prior BRAC") produced 21 major base closures, 27 significant realignments, \$5B in implementation costs, with over \$3B in one-time savings, and almost \$1B in annual reoccurring savings. Among them was the closure of Fort Ord, California. Fort Ord was the first and only divisional post closed under BRAC, which reflected the Army's reduction of its active duty strength from 12 to 10 Divisions.

By comparison, BRAC 2005 was different in that it took place during a protracted war with increased force structure requirements and thereby reflected the goals and needs of that time. Congress approved the 2005 BRAC round just months after September 11, 2001, and the objectives were set out the following year.

Although the elimination of excess capacity was one objective, which lead to the closure of 11 installations and 387 reserve component sites (211 Army National Guard and 176 US Army Reserve), the focus of the 2005 BRAC round was on aligning our infrastructure with our military strategy so as to enhance war fighting capacity and efficiency. The Army used the BRAC 2005 round as a vehicle to meet wartime needs and maximize military value and capability above all other factors.

BRAC 2005 was integrated with Army Transformation and enabled the Army to reset its infrastructure to accommodate the return of forces from Europe and Korea, accommodate the Modularization and Grow the Army initiatives, and revitalize the Army's Reserve and Guard infrastructure. These efforts were needed, and they have contributed significantly to the Department's effectiveness. However, these objectives were different from previous BRAC rounds and required substantial investments.

Because the focus of the BRAC 2005 round was on realigning installations to better support forces, as opposed to saving money and space exclusively, it is a less accurate gauge of the savings the Department can achieve through another BRAC round. The prior BRAC rounds were conducted as manning levels decreased and was primarily used to reduce installation capacity. Using the net savings method, the 1988, 1991, 1993, and 1995 prior BRAC rounds had overall payback periods of fewer than 3.5 years.

The 2005 BRAC round, which was conducted as force structure was increasing, and which was used to maximize military value and transform the Army into modular Brigades, had much wider payback period variation amongst BRAC recommendations than prior rounds. Overall, DoD spent \$35B in net implementation costs and is realizing about \$4B in net annual recurring savings, for an overall payback period of 8.8 years. The Army specifically spent about \$13.1B in

BRAC 2005 net implementation costs, and is realizing about \$1B in net recurring savings, for an overall Army payback period of 12.6 years.

Implementation of the BRAC 2005 closures and realignments by September 2011 allowed the Army to declare over 70,000 acres excess to our needs, and have already transferred over 40,000 acres of that property to enable communities to benefit from a wide range of future productive uses. This is a remarkable accomplishment considering that we are only 18 months removed from the completion of the BRAC 2005 closures and realignments. By law, the Department is required to transfer all BRAC-directed functions by the end of the six-year implementation period, but property disposal cannot begin until the functions have been transferred and the recommendations completed.

BRAC 2005 generated \$4.8B in one-time savings and provides over \$1B in net annual recurring savings for the Army. These savings were generated with an implementation period investment of about \$18B. The Army accounted for BRAC savings when developing its fiscal year 2007 and subsequent budget requests. This downward budget adjustment was beneficial to the installation program overall; it resulted in real savings.

Yet despite these savings, and the reduction in our facility footprint and real property inventory, BRAC 2005 also coincided with significant re-stationing of forces from overseas back to the US. This initiative was called the Global Defense Posture Realignment and it was deliberately linked to the BRAC process by both Congress and the Executive Branch.

Because it was executed while the Army's total end strength and force structure was either stable or increasing, it required the US installations that were increasing in size to build millions of square feet of additional infrastructure to host and properly support these returning units. These actions significantly increased total CONUS BRAC constructed square footage without a corresponding BRAC-specific reduction as the resulting excess facilities were OCONUS. Examples include Forts Benning, Bliss, Bragg, Carson, Knox, and Riley, which received approximately 7 million square feet of new facilities funded by Army BRAC.

The logic and validity of returning forces from overseas and building the needed infrastructure here at home according to the Army facility standards in effect at the time was fully supported by Congress. It was a prudent investment, and the right thing to do.

Similarly, starting in Fiscal Year 2007, the Army embarked on a 70,000+ Soldier "Grow the Army" initiative because the demands for rotational depth of Army units in Iraq and Afghanistan far outstripped the supply. Soldier deployment times exceeded the time Soldiers spent in their home stations, creating massive personal, social, and family challenges. Additional infrastructure had to be built here in the US to accommodate that growth and training capability. In addition to the BRAC-funded construction in support of the 1st Armor Division's move to Fort Bliss, four additional Brigade Combat Team (BCT) complexes were funded by the BRAC program. Fort Bliss, Fort Carson, and Fort Stewart collectively received non-BRAC funded Military Construction (MILCON) investments associated with Grow the Army, although several other installations also benefited.

National Guard and Reserves.

One of the biggest success stories of the 2005 BRAC round was the successful use of BRAC to consolidate our Reserve Components into modern and efficient locations that offer better recruiting results and better access to the communities they serve. The Army used BRAC to close or realign 387 Reserve Component facilities that were aging and located in communities whose populations had declined or where recruiting prospects had faded. BRAC 2005 was the first BRAC round to affect consolidations and closures at the Readiness Center level. More consolidation and efficiency opportunities exist within the Reserve Components.

For the National Guard in particular, BRAC helped the US close over 200 state-owned facilities, totaling just over 4.6M square feet (SF). The US Army Reserve closed an additional 176 facilities totaling more than 5.9M SF. Because the original state facilities closed were not part of the Army's federally-owned real property inventory, closing these state-owned facilities helped reduce operational expenses for both DoD and the states, even though their closure did not reduce the quantity of federally-owned facilities.

In their place, the Army built 125 multi-component Armed Force Reserve Centers (AFRCs) and supporting facilities across the country totaling approximately 14.8M square feet. The AFRCs and other facilities built through BRAC are right sized, modern, and already being used to support ARNG operational reserve missions and help respond to local emergencies, state missions, and homeland security and defense missions. The Army National Guard (ARNG) and Army Reserve used the BRAC 2005 process to identify areas of growing population, where recruiting and demographic prospects are better. They are now realizing the benefits of this consolidation and recapitalization of Reserve Component facilities and enhanced operational readiness. The new BRAC 2005 funded AFRCs have also increased joint training opportunities for the Reserve Components with co-located units from the US Marine Corps Reserve, US Navy Reserve, US Army Reserve, and Air National Guard.

Armed Forces Reserve Centers are the accessible windows to the American citizens. These facilities are vital to the Reserve Components' ability to recruit, retain, train and equip soldiers for both federal and state missions. Both the ARNG and the USAR conduct extensive analyses to examine their facility locations and consolidation opportunities.

The Reserve Components have readiness challenges resulting from failing, undersized, improperly sited, and costly infrastructure. Consolidation into fewer, modern, properly located, energy efficient, Armed Forces Reserve Centers will result in base operations cost savings for many years to come.

The Industrial Base.

Although the Army serves as its steward, the organic industrial base is a national strategic asset that provides combat readiness to the Joint Force. The Army's industrial capability has been

tested by over more than a decade of sustained, worldwide combat operations and has proven its worth by keeping our forces properly equipped, sustained and ready.

The equipment manufactured, modified and repaired has saved lives on the battlefield. While our focus necessarily has been on providing combat readiness to our joint war-fighters, as Army involvement drew to a close in Iraq and continues to wind down in Afghanistan, we must look for ways to remain both effective and efficient, maintain a viable industrial base and ensure we are capable of supporting the next contingency -- whenever and wherever it may arise.

As requirements continue to decrease at our ammunition plants, maintenance depots and manufacturing arsenals, the Army must assess its current infrastructure in terms of capacity and capability to ensure that the organic industrial base is shaped properly to meet future Army and Joint requirements -- to include surge capacity. The Army strategy, as defense resources decline, is to ensure the organic sources of repair and manufacturing remain a ready, responsive, efficient and flexible source of sustainment support.

Industrial capabilities are not static. Investments in new technology, and improvements to manufacturing processes, provide opportunities for greater efficiency. Industrial capacity can be enhanced without an increase in square footage, and in many cases, workload capacity can increase with a reduced facility footprint. After a dozen years of wartime support, including two major deployment surges, the Army better understands the capabilities of the industrial base during a time of heavy usage, and has a better idea of the capabilities that must be preserved for the future. Retaining robust capability affords greater flexibility and allows for increased production with minimal construction and very limited production ramp-up time. Nevertheless, the Army's newly published Organic Industrial Base Strategy calls for the Army to maintain an efficient and optimally sized industrial base for the future, necessitating a review of our industrial facilities in conjunction with the other Military Departments.

BRAC Property Disposal and Reuse.

BRAC property conveyance remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, has never been more important than it is today.

During the last five BRAC rounds, the Army identified almost 380,000 excess acres. Of these, over 279,000 acres, or 78%, have been transferred to states, local communities or other federal agencies for beneficial reuse. Over 57% of the 70,311 total excess acres of the recently completed BRAC 2005 round has already been transferred.

The Army's continuing focus during the property disposal process is to protect human health and the environment by cleaning up contaminated sites as expeditiously as possible to facilitate appropriate redevelopment of former military property. New or more stringent environmental compliance requirements can impact the pace of property conveyance.

The current goal is for all of the remaining excess property (22%) to be conveyed by 2021. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue and most importantly replace lost jobs.

The Army's approach to property conveyance is: (1) protect human health and implement redevelopment that is compatible with current land uses, (2) get property back into re-use quickly, (3) receive a fair and reasonable return on taxpayer investment to help finance environmental restoration costs, and (4) avoid unnecessary caretaker costs.

BRAC law contains special property conveyance authority for Economic Development Conveyances (EDCs). The Army seeks to negotiate EDCs that are relatively simple, executed quickly, and with security provisions that ensure the taxpayers are actually paid the consideration it has negotiated.

Since Congress amended to the EDC authority in Fiscal Year 2010, the Army has successfully negotiated EDCs at places as diverse as Fort Monmouth, New Jersey and the Kansas Army Ammunition Plant in Parsons, Kansas. In each case, we structured the transactions so that the taxpayers will receive a portion of future redevelopment revenues as consideration for the conveyance. At other locations, the Army is negotiating EDCs that would contain structured payments, to allow communities a chance to attract private sector financing and build some economic momentum before they had to fully pay for the property. In most cases, the Army has discounted the sale of the property to account for the unique market challenges associated with BRAC property.

While it is very difficult for communities to envision life after BRAC, there are several examples of BRAC property that have been successfully put to new uses:

- In response to a request from the Federal Emergency Management Agency (FEMA), the Army licensed 115 housing units at Fort Monmouth, NJ to FEMA for up to 18 months to house families displaced by Super Storm Sandy. The units have remained at 98% occupancy.
- The Houston, Texas US Army Reserve Center #2, a closed six acre site containing more than 15,000 square feet, was conveyed in August 2012 to the City of Houston under a Department of Justice Public Benefit Conveyance (PBC) for use as a police department. This type of re-use is not unique to Texas – it is fairly common across the country whenever the Army closes a Reserve Center.
- Newport Chemical Depot (NECD) was the first Army property to be conveyed under the new EDC authority enacted in the Fiscal Year 2010 NDAA. This authority created a “win – win” situation for both the Army and Community through the flexibilities provided by Congress. As a result, the community was able to put its redevelopment plans into motion much earlier, and the Army greatly reduced its caretaking costs. In December 2012 Scott Pet Products, Inc., pet supply manufacturer, announced plans to open a manufacturing and distribution warehouse, creating new jobs.

- Although the property has not yet conveyed, the Army achieved another win – win at Riverbank Army Ammunition Plant in Modesto, CA. The Army leased the facility to the Riverbank City Local Redevelopment Authority, allowing retention of existing tenants and generation of new jobs in a community where unemployment was over 20 percent. The Army benefited by avoiding substantial caretaker cost for the closed facility.
- At Kansas Army Ammunition Plant (KSAAP), the Army conveyed 6,113 acres of real property and improvements to the local redevelopment authority in 2012. This agreement facilitated early redevelopment by the community while quickly reducing the Army's caretaking costs.
- Also at KSAAP, the Army first used the Army Compatible Use Buffer (ACUB) authority in transferring a 1,000 acre parcel to the Kansas Department of Fish and Wildlife while gaining buffer space to protect training activities at Fort Riley, Kansas.
- Vancouver Barracks, Washington, was originally established in 1850 in support of the Hudson Bay Company. BRAC 2005 closed Vancouver Barracks, and the Army turned it over to the National Park Service in order to preserve the history of the historical site.

When the Army programs its overall installation investments across its Five Year Defense Plan (FYDP) and through its Program Objective Memorandum (POM), the BRAC program competes with other programs such as MILCON, Base Operations Support, and Facility Sustainment, Restoration and Modernization (FSRM) funding for the Army's limited resources. Current active and reserve installations that support existing Army missions will always be prioritized above closed installations, unless environmental contamination at a closed installation poses an imminent danger to human health and the environment. Opportunities to accelerate environmental restoration exist at several closed sites, but programming the necessary funds to speed restoration and allow quicker community redevelopment is extremely challenging. Indeed, the only real way to accelerate restoration is through the BRAC property sales proceeds that the Army realizes.

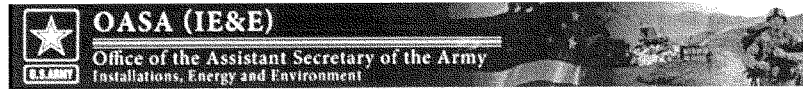
It is precisely for that reason that the Army supports Section 2711 in the Fiscal Year 2013 National Defense Authorization Act that combined the 2005 and Legacy BRAC accounts. The Army will use this streamlined account structure starting in Fiscal Year 2014, to apply property conveyance proceeds at BRAC sites with opportunities to accelerate environmental cleanup efforts at other BRAC sites.

Conclusion.

In line with the Budget Control Act of 2011 and the new defense strategy announced in January 2012, the FY 2013 Budget significantly reduced the Army's future funding projections. Along with the end of the wars in Iraq and Afghanistan, these changes have put the Army on a sustainable path to shrink its active duty end strength. Excess infrastructure and civilian staffing will divert funding away from critical readiness, equipment, and training priorities. Over time, these distortions in Army investments and spending will contribute to a "hollow" Army.

At overseas installations (i.e., Europe and Asia), the Army is already consolidating facilities. Since 2001, the Army has reduced its end strength and force structure in Europe by over 45%, which has resulted in a 51% reduction in infrastructure, a 58% reduction in civilian staffing, and a 57% reduction in base operating costs. The story in Korea is similar. Significant declines in Soldiers supported a consolidation of garrisons and sites, and thousands of acres of property disposed.

With a reduced end-strength and force structure in the US, it is essential to assess the supporting infrastructure in the US.



Honorable Katherine Hammack
Assistant Secretary of the Army
(Installations & Environment)
Office of the Assistant Secretary of the Army
Washington, DC



Ms. Katherine Hammack was appointed as the Assistant Secretary of the Army for Installations and Environment (ASA I&E) by President Obama on 28 June 2010. She is the primary advisor to the Secretary of the Army and Chief of Staff of the Army on all Army matters related to Installation policy, oversight and coordination of energy security and management. She is also responsible for policy and oversight of sustainability and environmental initiatives; resource management including design, military construction, operations and maintenance; base realignment and closure (BRAC); privatization of Army family housing, lodging, real estate, utilities; and the Army's installations safety and occupational health programs.

Prior to her appointment, Ms. Hammack was a leader in Ernst & Young LLP's Climate Change and Sustainability Services practice. In that capacity she assisted clients with obtaining Leadership in Energy and Environmental Design (LEED) green building certification for their buildings and identification of sustainability strategies. She was the key LEED advisor to the largest LEED for new construction building in the world (8.3 million sq ft) which received LEED-NC Silver certification. She was also the key LEED advisor on the largest existing green building certification for building operation and maintenance (9.6 million sq ft) which received LEED-EB Gold level certification.

Ms. Hammack has over 30 years of experience in energy and sustainability advisory services. She has experience in the evaluation of energy conservation projects, including ventilation upgrades, air distribution, indoor air quality, lighting efficiency, cogeneration, sustainable design, solar energy and building operation.

Ms. Hammack has a bachelor's degree in mechanical engineering from Oregon State University and an M.B.A. from University of Hartford. She is a Certified Energy Manager, LEED Accredited Professional and a Certified Indoor Air Quality Manager. She has been an active member of ASHRAE, where she has been on the 90.1 Energy Efficiency Standard Committee and on the Standard 189 High Performance Green Buildings Standard Committee. Ms. Hammack is a founding member of U.S. Green Building Council in Washington, D.C.

NOT FOR PUBLICATION
UNTIL RELEASED BY THE HOUSE
SUBCOMMITTEE ON READINESS
COMMITTEE ON ARMED SERVICES

STATEMENT OF

ROGER M. NATSUHARA

PRINCIPAL DEPUTY ASSISTANT SECRETARY of the NAVY
(ENERGY, INSTALLATIONS, AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON READINESS

OF THE

COMMITTEE ON ARMED SERVICES

14 MARCH 2013

NOT FOR PUBLICATION
UNTIL RELEASED BY THE HOUSE
SUBCOMMITTEE ON READINESS
COMMITTEE ON ARMED SERVICES

Chairman Wittman , Congresswoman Bordallo, and distinguished members of the subcommittee, I welcome this opportunity to appear before you today to discuss the Department of the Navy's position on efforts to reduce its infrastructure, both at home and abroad.

The American public expects its military to spend wisely the resources entrusted to us. The fiscal uncertainty we now face as a nation only heightens the need to make prudent investments that ensure our Navy and Marine Corps team remains ready to respond to crises wherever they may occur. We must, therefore, conserve our resources and properly align our infrastructure with our evolving force structure. In this regard, the Department is ready to conduct a capacity analysis that will provide the basis for consolidating military infrastructure in Europe. It should be noted the Navy has a limited footprint in the European theater, relocating its European headquarters from London to Naples in 2005 and closing Naval Air Station Keflavik in 2007 and Naval Support Activities Gaeta and La Maddalena in 2006 and 2008, respectively. We are undertaking preliminary capacity assessments of our remaining bases at Naval Station Rota, Naval Air Station Sigonella, and the Naval Support Activities in Naples and Souda Bay that will inform a Defense-wide path forward. Our assessment will also include, in partnership with NATO and Norway, a review of the Marine Corps' prepositioning site in central Norway,

With respect to consolidating our domestic infrastructure, the Base Realignment and Closure (BRAC) process offers the best opportunity to assess and evaluate opportunities to properly align our domestic infrastructure with our evolving force structure and laydown. Since the first round of BRAC in 1988, the Department has closed 186 domestic installations and activities, including 52 major installations. Figure 1 demonstrates the evolution of the Department's force structure since 2005:

Year	Service	Battle Force Ships	Primary Authorized Aircraft-Active	Personnel- Active	Installations
PB 2005	Navy	290	1402	365900	94
	USMC		995	175000	26
	Total		2397	540900	120
PB 2013	Navy	284	2012	322700	83
	USMC		1041	197300	25
	Total		3053	520000	108

Figure 1: Force Structure vs. Number of Installations

I will now briefly highlight our accomplishments regarding the prior BRAC rounds. First, I want to assure you that our BRAC program will be properly funded in Fiscal Year (FY) 2014 to continue environmental cleanup, caretaker operations, and meet property disposal plans. By the end of FY 2012, we had disposed 91% of our excess property through a variety of conveyance mechanisms with less than 17,000 acres remaining. Here are several examples of what we were able to achieve in the past year.

Since the former Naval Air Station Brunswick in Maine closed in 2011, the Navy has disposed of 79% of the surplus property. The community is experiencing success in creating short-term and long-term jobs as it continues to implement its redevelopment plan for the property.

In FY2012, the Navy completed the last disposal action at the former Naval Station Ingleside, Texas, with the public sale of 155 acres on October 7, 2011 to Kiewitt Offshore Services, LTD for \$2,010,100.

And at the end of 2012, the Navy and South Shore Tri-Town Development Council reached agreement on an EDC amendment that resulted in the disposal of 556 acres of the former Naval Air Station South Weymouth in Massachusetts. This agreement brought the total percentage disposed to 93%, with less than 150 acres pending disposal upon completion of environmental remediation actions.

Overall, the Navy continues to reduce its inventory of properties closed under BRAC. Of the original 131 installations with excess property, the Navy only has 23 installations remaining with property to dispose. We anticipate reducing this number by six installations this year, with the remainder to be disposed as we complete our environmental remediation efforts.

Under the previous BRAC efforts, the Navy has been able to realize approximately \$4.4 billion in annual recurring savings. The efforts alone during BRAC 2005, resulted in approximately \$863 million in annual recurring savings. Although the remaining BRAC installations present cleanup and disposal challenges, we continue to work with regulators and communities to tackle complex environmental issues, such as low-level radiological contamination, and provide creative solutions to support redevelopment priorities, such as Economic Development Conveyances with revenue sharing.

In closing, the Department of the Navy's shore infrastructure serves as the foundation from which we re-supply, re-equip, train, and shelter our forces. However, given the increasingly constrained fiscal environment we must navigate, we can no longer afford to sustain infrastructure that is beyond our needs or ability to maintain.

Thank you for the opportunity to testify before you today. I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Roger M. Natsuhara



Principal Deputy Assistant Secretary of the Navy (Installations and Environment)



Roger M. Natsuhara was appointed Principal Deputy Assistant Secretary of the Navy (Installations and Environment) in August 2009 and reports as the principal advisor to the Assistant Secretary of the Navy (Installations and Environment), ASN (I&E). Mr. Natsuhara participates in the formation and management of Navy and Marine Corps installation and environment policies related to construction management; sustainment, restoration and modernization of facilities; acquisition, utilization and disposal of real property and facilities; environmental protection, planning, restoration and natural resources conservation; and Safety and Occupational Health. He also serves as the senior installations and facilities program expert, and assists in discharging the responsibilities of the ASN (I&E).

Mr. Natsuhara first worked for the Boeing Commercial Airplane Company in Renton, Washington as a senior engineer in the 757 Flight Test Integration Group. He entered the Navy through Officer Candidate School in Newport, Rhode Island and was commissioned an Ensign, U.S. Navy in 1982.

His first assignment in the Navy was as a Surface Warfare Officer aboard USS HAROLD E. HOLT (FF1074), where he served as the Gunnery and Missile Officer and the Anti-Submarine Warfare Officer. During this assignment, Mr. Natsuhara was selected to the U.S. Navy, Civil Engineer Corps, where he served in a variety of assignments for over 22 years.

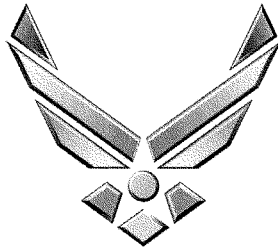
After retiring from the Navy, Mr. Natsuhara worked at Battelle Memorial Institute as a Navy Market Sector Senior Market Manager. He was then the Director of the Real Property, Facilities and Logistics Office for the National Oceanic and Atmospheric Administration (NOAA), with responsibility for the management and policies of all real property, facilities and logistics programs for NOAA.

Mr. Natsuhara was born and raised in Stockton, CA and received a Bachelor of Science in Civil Engineering from the University of California, Berkeley. He is a registered professional Civil and Environmental Engineer. He later earned a Master of Science in Financial Management from the Naval Postgraduate School, Monterey, California and completed the University of Michigan Executive Program in 2003.

United States Air Force

Presentation

Before the House Armed Services
Committee, Subcommittee on
Readiness



Base Realignment and Closure (BRAC)

Witness Statement of Kathleen I.
Ferguson, Acting Assistant
Secretary of the Air Force
(Installations, Environment &
Logistics)

March 14, 2013

Base Realignment and Closure (BRAC)

March 14, 2013



BIOGRAPHY

UNITED STATES AIR FORCE

KATHLEEN I. FERGUSON

Kathleen I. Ferguson, is the Acting Assistant Secretary of the Air Force for Installations, Environment and Logistics, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C. She is responsible for the formulation, review, and execution of plans, policies, programs and budgets for installations, energy, environment, safety and occupational health as well as weapon system logistics support.

Ms. Ferguson began her career in 1981 as a design civil engineer at Plattsburgh Air Force Base, N.Y. She transferred to Langley AFB, Va. in 1983, and held a variety of positions with the 1st Fighter Wing, Headquarters Tactical Air Command and Headquarters Air Combat Command until 1993. In 1994, she moved to the Pentagon where she worked with environmental and civil engineering programs.



Ms. Ferguson became Chief of the Installation Support Panel with the Office of the Deputy Chief of Staff for Installations and Logistics when the Air Force corporate structure stood up in 1995. From 1997 to 1999 she served on the headquarters staff for the U.S. Air Forces in Europe Command at Ramstein Air Base, Germany. She returned to the Pentagon and the IL office as Chief of the Installation Support Panel with the Office of the Civil Engineer. From 2000 to 2002, she worked for IL as the Combat Support Division Chief for the Directorate of Supply. Prior to assuming her current position, she was the Deputy Air Force Civil Engineer. Ms. Ferguson is a registered professional engineer in Virginia.

EDUCATION

1980 Bachelor of Science degree in civil engineering, University of New Hampshire

1989 Air Command and Staff College, Maxwell AFB, Ala.

1989 Master's degree in public administration, Auburn University

2001 Program for Senior Managers in Government, John F. Kennedy School of Government, Harvard University

Base Realignment and Closure (BRAC)

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CAREER CHRONOLOGY

1. 1981 - 1983, design engineer, 380th Civil Engineering Squadron, Plattsburgh AFB, N.Y.
2. 1983 - 1988, Chief, Engineering Branch; Chief, Contract and Environmental Planning Section; and Contract Programmer, 1st Civil Engineering Squadron, Langley AFB, Va.
3. 1988 - 1989, student, Air Command and Staff College, Maxwell AFB, Ala.
4. 1989 - 1994, Deputy Chief, Programs Division, Headquarters Air Combat Command Civil Engineering; Chief, Military Construction Programs Branch, Headquarters Tactical Air Command Civil Engineering; later, Project Manager for MILCON Design and Construction, Headquarters Tactical Air Command Civil Engineering, Langley AFB, Va.
5. 1994 - 1997, Chief, Civil Engineer Programs and Analysis Branch; Chief, Installation Support Panel; and Environmental Program Manager, Civil Engineer Legislative Affairs Analyst and resource allocation team member, Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
6. 1997 - 1999, Chief, Programs and Resources Division, Civil Engineer Directorate, Headquarters U.S. Air Forces in Europe, Ramstein Air Base, Germany
7. 1999 - June 2000, Chief, Civil Engineer Programs and Analysis Branch and Chief, Installation Support Panel, Office of the Civil Engineer, Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
8. June 2000 - April 2002, Chief, Combat Support Division, Directorate of Supply, Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
9. April 2002 - October 2007, Deputy Air Force Civil Engineer, Headquarters U.S. Air Force, Washington, D.C.
10. October 2007 - September 2012, Deputy Assistant Secretary of the Air Force for Installations, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C.
11. September 2012 - February 2012, Principal Deputy Assistant Secretary of the Air Force for Installations, Environment and Logistics, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C.
12. March 2012 - Present, Acting Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C.

AWARDS AND HONORS

- 2005 Meritorious Executive Presidential Rank Award
 2010 Distinguished Executive Presidential Rank Award

(Current as of March 2013)

Base Realignment and Closure (BRAC)

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Chairman Wittman, Representative Bordallo and distinguished members of the subcommittee, I appreciate the opportunity to appear before you today to discuss Base Realignment and Closure (BRAC).

As you are aware, the United States Air Force takes great care to protect the distinctive capabilities of airpower. From air and space superiority—enabling joint and coalition forces to operate unhindered in the air domain while denying our adversaries the same—to global strike—holding any target on the planet at risk with either conventional or nuclear forces—to rapid global mobility, global intelligence, surveillance, and reconnaissance, and the command and control architecture to integrate full-spectrum joint military operations, the Nation expects our Air Force to provide and employ these enduring contributions from a position of continuing advantage over potential adversaries.

Those contributions are enabled and reinforced by our global network of Air Force installations, and managing those installations involves understanding and balancing mission requirements, risk, market dynamics, budgets, and the condition of our assets. Within the portfolio of installations, environment, and energy, we continually evaluate how to reduce costs while improving the way we manage our real estate, housing and energy demand. We focus our investments on critical facilities; reduce our footprint by demolishing old, energy inefficient buildings; upgrade heating and cooling systems and other energy-intensive building systems; and leverage third-party financing through public-public and public-private partnerships and the lease of under-utilized portions of the portfolio, where those opportunities exist.

We do all of this while recognizing that we are carrying infrastructure that is excess to our needs. While we have no recent excess infrastructure capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of Air Force basing infrastructure was excess to our mission needs. While BRAC 2005 did not make major reductions to the Air Force, since that time we have reduced our force structure by more than 500 aircraft and reduced our active-duty military end strength by nearly 8 percent. So, intuitively we know that we still have excess infrastructure, while we spend considerable time optimizing the use of our facilities and carefully and frugally managing those facilities we know to be excess.

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Closures and Realignments

Physical infrastructure is expensive. The Air Force spends more than \$6.5 billion operating, sustaining, recapitalizing, and modernizing our physical plant each year. When you account for the additional costs of running our installations, that number nearly doubles. Since the last BRAC round, we have strived to identify new opportunities and initiatives that enable us to maximize the impact of every dollar we spend. Our efforts to demolish excess infrastructure, recapitalize our housing through privatization, unlock the fiscal potential of under-utilized resources through leasing, and reduce our energy costs have paid considerable dividends.

Since 2006, we have demolished 38.5 million square feet of aging building space that was excess to our needs. We estimate the resultant savings to be more than \$300 million. To be more specific, we have demolished antiquated administrative facilities, ill-suited for today's technological age and excess to our needs. We have eliminated aircraft operational and maintenance facilities that we no longer need based on reductions to the size of our aircraft fleet. We have demolished old and energy-inefficient warehouse facilities no longer needed due to rapidly evolving supply chains that reduce the need for localized storage.

Like our sister services, the Air Force is committed to providing quality housing for Airmen and their families. Through housing privatization, we have invested \$500 million to leverage \$7.5 billion in private-sector funding and provide quality homes for Airmen much more quickly than we could have done with traditional military construction processes. In a similar vein, we have continually sought to improve the stewardship of our real property by leveraging appropriated dollars for private-sector investment. With the authorities provided to execute enhanced-use leases in the FY2012 National Defense Authorization Act, we are pursuing innovative ways to leverage our underutilized real estate to return value to our installations. As a result of our energy conservation efforts, we have cumulatively avoided more than \$1 billion in facility energy costs since 2003, the funds for which have been redirected to better enable warfighters to complete their missions. We will continue to invest in all of these strategies.

However, the Air Force has limited authority under current public law to effectively

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consolidate military units or functions and divest real property no longer needed. Put plainly—despite our best efforts and the innovative programs we’ve just mentioned, we continue to spend money maintaining excess infrastructure that would be better spent recapitalizing and sustaining our weapons systems, training for readiness, and investing in the quality of life needs of Airmen. Divestiture of excess property on a grander scale is a must.

Prior Rounds of Base Realignment and Closure

The Air Force has closed 40 installations through 5 rounds of BRAC. Whole base transfer has occurred at 30 of these installations, providing local communities opportunities for commercial redevelopment and new job creation. These BRAC conveyances created more than 48,000 jobs, 13 public airports, as well as college expansions, new hospitals, commercial retail developments, aerospace maintenance and a host of other services and industries.

The former Bergstrom Air Force Base, in Austin, Texas, is now Austin-Bergstrom International Airport. Today, 89 employers occupy 3.8 million square feet and employ more than 5,900 people – a 214 percent recovery of civilian jobs. This reuse has created over \$4 billion in gross economic impact. The former England Air Force Base, Louisiana, is now the Alexandria International Airport, where 268 percent of civilian jobs have been recovered. Former President Clinton remarked “there is no place in the entire United States that has done a better job at base conversion than Alexandria has.” The former Lowry Air Force Base, Colorado, through aggressive redevelopment, has been transformed into a mixed-use urban community of 4,500 homes and apartments with approximately 9,500 residents. In addition, more than 140 firms have been established and employ over 8,000 people.

The total one-time implementation cost to the Air Force for 5 rounds of BRAC was \$9.4 billion. During the implementation phases, the savings garnered were \$10.7 billion—a net savings of \$1.4 billion. Post implementation, the Air Force realizes \$2.9 billion in annual savings from closure and realignment actions. The subject matter experts on the independent 2005 Defense Base Realignment and Closure Commission offered an assessment of the potential need for and benefits of using the BRAC process again. The

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report stated, "The Defense Base Closure and Realignment Act of 1990 is a viable, proven, practical, and effective mechanism to achieve difficult but necessary goals, and the Commission strongly recommends future BRACs every 8 to 12 years, immediately following a Quadrennial Defense Review (QDR). The Commission recommends that the next round of BRAC formally begin in 2015".

European Infrastructure Consolidation

Since 1990, the Air Force has reduced both aircraft and forces stationed in Europe by 75 percent. We operate from five main operating bases that remain critical to our NATO commitments and provide throughput and global access for three unified combatant commands. Having said that, we recognize that in light of recent evolutions in the national security strategy, there may be further opportunities for consolidation. The Secretary of Defense has directed a capacity analysis to explore additional opportunities for reducing long-term expenses through footprint consolidation in Europe, and the Air Force fully supports this effort. We already plan to draw down A-10s in Europe in Fiscal Year 2013 and to reduce operations at Lajes Field, Azores, to better match infrastructure requirements to mission demand. Through the OSD-led study, we will look for additional opportunities for operations and support cost savings through consolidation and closure.

Conclusion

As we work our way through the current fiscal challenges, the Air Force is committed to charting a path that fulfills promises made to the American people while staying true to our Airmen and their families. My office takes seriously our mission to sustain and strengthen our infrastructure backbone – the installations that serve as power projection platforms to train, deploy and support our warfighters. Our emphasis on continued efficiencies, providing the correct number of right-sized installations aligned with a properly sized force structure, will enable us to provide our trademark support to the Joint fight without imposing fiscal hardship on the nation. To that end, we stand ready to partner with the members of this committee, and your staffs, to make these necessary changes.

Thank you for your strong support of the men and women of the Department of the Air Force. That concludes my statement, and I welcome your questions.

**WITNESS RESPONSES TO QUESTIONS ASKED DURING
THE HEARING**

MARCH 14, 2013

RESPONSES TO QUESTIONS SUBMITTED BY MR. SCOTT

Mr. CONGER. BRAC 2005 eliminated 1,490 civilians positions in the National Capital Region which includes the Pentagon. In implementing these reductions we utilized government-owned office space like the Pentagon in order to minimize leasing costs. As such, the Pentagon's population remains constant commensurate with its designed capacity. [See page 15.]

Mr. CONGER. Section 142 of the Energy Independence and Security Act of 2007 and Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management, requires Federal agencies to achieve a 20 percent reduction in non-tactical fleet vehicle petroleum consumption by FY 2015 compared to a FY 2005 baseline. Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance extends the reduction goal to 30 percent by FY 2020. In FY 2012, DOD's non-tactical vehicle petroleum consumption was 19.5 percent below the baseline compared to a goal of 14%. The DOD continues to pursue replacement of fleet vehicles with more efficient models, Alternative Fuel Vehicles, and hybrid electric vehicles to decrease petroleum consumption. [See page 16.]

Ms. FERGUSON. In Fiscal Year 2012 (FY12), the Air Force consumed 2.24 billion gallons of aviation fuel at a total cost of \$7.92 billion, which results in an average cost of \$3.53 a gallon. [See page 15.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

MARCH 14, 2013

QUESTIONS SUBMITTED BY MR. WITTMAN

Mr. WITTMAN. Has the Secretary of Defense assessed whether excess infrastructure exists in the Department? What empirical support can the Department provide to support a request for additional BRAC rounds?

Mr. CONGER. Parametric techniques used to analyze aggregate assessment of excess capacity in 2004 indicated that the Department had 24 percent excess overall relative to the force-structure plan developed by the Joint Staff. Because BRAC 2005 eliminated only about three percent of the Department's capacity, we believe we have significant excess at the aggregate level today. In addition, force-structure reductions in the Army (from 570,000 to 490,000 Active Duty personnel), in the Marine Corps (from 202,000 to 182,000 Active Duty personnel), and in the Air Force (reduced by 500 aircrafts) subsequent to the 2004 analysis point to additional excess.

We believe the only fair and thorough way to determine whether there is excess capacity within the Department is to conduct the analysis in BRAC using certified data that collects detailed information from each base across a broad array of many metrics and compares this information to force structure.

Mr. WITTMAN. Considering BRAC 2005 will not realize a payback on the \$35 billion investment until 2018, 13 years after the start of the initial investment, can we afford to exacerbate the budget constraints placed on the Department of Defense by sequestration by undertaking an additional round of BRAC?

Mr. CONGER. BRAC is a key priority to the Department and we will apply the resources necessary to support both a robust and thorough BRAC analysis and an efficient and effective implementation process. BRAC is expensive, to be sure, but it begins generating savings almost immediately, and those savings will partially offset its initial costs. Moreover, BRAC will generate recurring savings far in excess of the upfront investment. Furthermore, because BRAC 2005 was conducted during a period of growth and focused more on transformation than elimination of excess capacity, it was significantly more costly than prior rounds. The first four rounds of BRAC, which cost (in today's dollars) \$3.9B, \$6.5B, \$10.2B, and \$8.5B, respectively, are a better gauge of what a capacity reduction round might cost.

Mr. WITTMAN. GAO recommended that targets for eliminating excess capacity be provided as a selection criterion. This is particularly relevant considering the Department estimated 24% excess capacity in BRAC 2005 but closed less than 5% of the DOD infrastructure. DOD opposes this GAO recommendation because it "may lead the Department to pursue suboptimal recommendations that maximize square footage reductions." Can you explain why infrastructure reductions are not the pre-eminent requirement?

Mr. CONGER. We agree that the existence of excess infrastructure capacity underlies the need for BRAC. What concerns the Department about GAO's report is its emphasis on establishing goals, measurements of effectiveness, and capacity reduction targets rather than on optimizing military value. The premise that we should be required to close a particular number of bases or eliminate a particular number of civilian jobs is arbitrary, counterproductive, and would undermine military capability. Again, the overall rationale for BRAC is driven by the presence of excess infrastructure and the need to optimize the allocation of infrastructure to support military forces, individual recommendations should be based primarily on optimizing military value. Goals or targets would subvert that process.

Mr. WITTMAN. Considering the significant variability associated with the budget and the resulting force structure, is it premature to initiate a BRAC round? In terms of force structure and budget, what planning factors would the Department use to determine the appropriate infrastructure requirements?

Mr. CONGER. The current budget situation and declining forces make it even more important to reduce overhead. The Department believes we have excess capacity in our infrastructure. Parametric techniques used to analyze aggregate assessment of excess capacity in 2004 indicated that the Department had 24 percent excess overall relative to force structure plans developed by the Joint Staff. Because BRAC 2005 eliminated only about three percent of the Department's capacity, we believe we have significant excess today.

A BRAC round would be based on a 20-year Force structure plan and a 20-year threat assessment.

Mr. WITTMAN. Please provide an update as to when the Department is expected to complete the Study on Overseas Basing Presence of United States Forces required in Section 347 of the National Defense Authorization Act for Fiscal Year 2012. As a foundational document, shouldn't the Department complete the overseas basing assessment before an authorization for an additional round of BRAC is provided?

Mr. CONGER. An independent assessment of the Department's overseas basing of military forces, as required by Section 347 of the FY12 NDAA, was completed by the RAND Corporation on December 31st. The Department delivered the assessment and the Deputy Secretary's comments in response to the assessment to the congressional defense committees on April 18. Generally speaking, it is beneficial to undertake reviews of overseas and domestic infrastructure in tandem, so each can inform the other.

We believe the only fair and thorough way to determine whether there is excess capacity within the Department is to conduct the analysis in BRAC using certified data that collects detailed information from each base across a broad array of many metrics and compares this information to force structure.

Mr. WITTMAN. The difference between the commissions cost estimates and the actual costs identified by GAO varied significantly in BRAC 2005, with a 66% increase over the commission's estimate. . In the March 2013 report, GAO recommended that DOD "improve the process for fully identifying recommendation-specific military construction requirements." DOD disagreed with this finding. If an additional round of BRAC was authorized, how would the Department ensure a greater deal of accuracy in cost estimates and cost stability when executing the BRAC recommendations?

Mr. CONGER. As I indicated in my written statement, GAO's 2012 report found that most of the cost increase could be tied to only 14 of 182 recommendations. Those increases were largely due to deliberate and subsequent decisions to expand the originally-envisioned scope of construction and recapitalization to address deficiencies in our enduring facilities or to expand the capabilities they provide as opposed to issues of accuracy. Second, BRAC 2005 occurred during a time of growth (both personnel and resources) and as such contributed to scope increases. A future BRAC round would be similar to in terms of cost and savings to that of the 1993 and 1995 rounds which had quicker payback (two to three years). Third, we will incorporate our own lessons learned and the findings of GAO to improve our cost estimating particularly for areas such as information technology.

Mr. WITTMAN. With the exception of the Army and Air Force, the other Service Chiefs generally indicated last year that they did not anticipate any major closures or realignments as a result of a future BRAC authorization. Why would the Department request broad authority for an additional BRAC authorization when significant excess infrastructure does not appear to exist across the Department?

Mr. CONGER. Parametric techniques used to analyze aggregate assessment of excess capacity in 2004 indicated that the Department had 24 percent excess overall relative to force structure plans developed by the Joint Staff. Because BRAC 2005 eliminated only about three percent of the Department's capacity, we believe we have significant excess at the aggregate level today. In addition, force-structure reductions in the Army (from 570,000 to 490,000 Active Duty personnel), in the Marine Corps (from 202,000 to 182,000 Active Duty personnel), and in the Air Force (reduced by 500 aircrafts) subsequent to the 2004 analysis point to additional excess. We believe the only fair and thorough way to determine whether there is excess capacity within the Department is to conduct the analysis in BRAC using certified data that collects detailed information from each base across a broad array of many metrics and compares this information to force structure.

Mr. WITTMAN. What is the purpose of BRAC? Is it to enhance military value or is it to close installations and reap savings? What are the advantages to retaining the existing selection criteria that includes military value as the principal criterion?

Mr. CONGER. BRAC is a statutory process by which the Department can comprehensively examine how well its infrastructure supports its force structure, and close and realign installations to improve that relationship. As such, the purpose of BRAC is to both optimize military value and reduce excess capacity through closing installations and that process reaps savings. The advantage of giving the military value criteria primary consideration is that when coupled with a 20-year force structure plan, the DOD and the Commission's decisions are based on a rational analytical process. This is why we welcomed Congress' decision in BRAC 2005 to make DOD's practice of placing primary consideration on military value a legal requirement, and why our proposal last year contained the same provision.

Mr. WITTMAN. The Army has prepared a Programmatic Environmental Assessment to study the force-structure reductions from 562,000 to 490,000 soldiers. Is this assessment a method to obviate a BRAC assessment? What inefficiencies will be created without using the BRAC process to reduce the force structure? Can you provide a better understanding of the timing associated with this effort? How are communities best able to provide input into this process?

Secretary HAMMACK. The Army's reduction in force structure and end strength analyzed in the Programmatic Environmental Assessment (PEA) is not an attempt to obviate a BRAC assessment. The Army has an obligation to comply with the National Environmental Policy Act (NEPA), which requires an assessment of the environmental impacts of proposed actions prior to making irretrievable commitments of Federal resources. The Army conducted the PEA to comply with NEPA and consider the environmental and socioeconomic impacts of its force structure actions and proposed alternatives.

The Army's mandated force-structure reductions will create excess capacity at several installations. If an installation's assigned military forces are reduced significantly, it logically follows that some civilian personnel functions may no longer be required to support our Soldiers and Families. The Army has not yet initiated any capacity analysis to determine the level of civilian personnel and infrastructure necessary to support a reduced force level. Determining whether excess capacity will exist across many installations, or will be concentrated in a few installations, cannot occur until after force structure and associated stationing decisions are made.

Under current and foreseeable budget constraints, the Army will not be able to maintain that excess capacity without negatively impacting military readiness and other critical investments. The restrictions currently imposed by 10 USC § 2687 and Title 40 real property disposal authorities make it difficult for the Army to efficiently eliminate excess capacity once it has been identified. That process also results in attempting to eliminate excess infrastructure at each installation piecemeal rather than using the holistic and Joint/cross-service approach facilitated by the BRAC Commission process.

BRAC's proven decision making approach promotes efficiencies by optimizing military and civilian moves and excess property disposal in conjunction with current and future mission capabilities. It is for this reason that the Army supports authorization for additional BRAC authority to ensure that personnel and infrastructure capacity is properly aligned with planned force structure changes.

The PEA was released for public comment on January 18, 2013. On February 19, 2013, the mandatory 30-day public comment period was extended to March 21, 2013. A Finding of No Significant Impact (FNSI) was signed on April 4, 2013, and a Notice of Availability (NOA) was published in the Federal Register on April 12, 2013. The Army must reduce and reorganize its force structure in order to achieve the fiscal reductions required by the Budget Control Act of 2011, consistent with the reduction of commitments in Iraq and Afghanistan, and the National Military Strategy. The Secretary of Defense issued guidance in January 2012 that the Army will reduce its Active Component end strength to 490,000 by the end of FY2017, and inactivate at least eight Brigade Combat Teams. The process has already started. Overseas forces are being reduced first, with two Brigade Combat Teams inactivating in Europe. To accomplish the remaining reductions inside the United States, the Army is currently analyzing all available options. At this time, no decisions have been made.

The Army welcomes community input, and has taken steps to afford affected communities multiple opportunities to provide input into this process. First, the PEA for Army 2020 Force Structure Realignment and the draft FNSI were released for 60 days of public comment. After signing the FNSI on April 4, 2013, the Army began holding "community listening sessions" at 30 installations that have a combined permanent party Army military and Army civilian population of 5,000 or greater.

Listening sessions give the public and community leaders (e.g., Local, State, and Federal officials and staff; Chamber of Commerce, etc.) an opportunity to provide direct input and key community-unique points of interest they believe the Army should consider in its stationing decision process. The primary focus of these sessions is to capture community input for Senior Leaders to consider as part of the Army's overall process, before final decisions are made. The first session was held on April 12, 2013, and the sessions ran throughout the month of April.

Mr. WITTMAN. How will the decision to withdraw two BCTs from Europe impact the realignment decisions in the United States?

Secretary HAMMACK. The decision to inactivate two BCTs in Europe was part of a larger effort to reduce Active Component end strength to 490,000 Soldiers by the end of FY17 in order to achieve the fiscal reductions required by the Budget Control

Act of 2011. To achieve the reductions, the Army analyzed the stationing of all units within the US and overseas. Inactivating two BCTs in Europe accomplishes multiple objectives. It preserves more units inside the US. As a result, the Army will adjust and consolidate units in Europe to its enduring bases and close smaller, less modernized bases.

Mr. WITTMAN. Has the Army participated in the overseas posture review and does the Army believe that the overseas force structure is correct in terms of position and size? How can Congress move forward with considering a BRAC if the Department has not concluded this analysis?

Secretary HAMMACK. The Army is a member of the Global Posture Process and participates at all levels of the overall Department discussion of overseas posture and prioritization each year. The Army coordinates and provides input to each Global Posture Executive Council (GPEC) deliberation. Although Army forward stationed forces in Europe and Korea have decreased over the past decade, the current plan focuses on the right locations and structure, adequate to meet requirements of Combatant Commanders and to assure our Allies.

The decline in force structure inside the United States will require the Army to bring infrastructure and civilian staffing into proper alignment with force structure demands. An independent assessment of the Department's overseas basing of military forces, as required by Section 347 of the FY12 NDAA, was completed by the RAND Corporation on December 31st. The Department delivered the assessment and the Deputy Secretary's comments in response to the assessment to the Congressional Defense Committees on April 18th. Generally speaking, it is beneficial to undertake reviews of overseas and domestic infrastructure in tandem, so each can inform the other.

Mr. WITTMAN. During the Navy Posture Hearing of February 16, 2012, the Chief of Naval Operations Admiral Jonathan Greenert and Commandant of the Marine Corps General James Amos said they did not see any bases they needed to close. Admiral Greenert said when he looks at his current bases, "Nothing jumps out at me." But he said he would support the process because it might reveal something. General Amos noted he did not see any bases he would offer to cut. "My sense is, we're pretty lean," he said. Does Navy and Marine Corps seek another round of BRAC? Has the Navy assessed its overall infrastructure enterprise to determine whether excess infrastructure exists? What is the rationale to support such a request?

Mr. NATSUHARA. The Department of Navy fully supports another round of BRAC.

The American public expects the military to spend wisely the resources entrusted to us. The fiscal uncertainty we now face as a nation only heightens the need to make prudent investments that ensure our Navy and Marine Corps team remains ready to respond to crises wherever they may occur. Therefore, we must ensure the continuous alignment of our infrastructure with our evolving force structure. The BRAC process offers the best opportunity to assess and evaluate opportunities to properly align our domestic infrastructure with our evolving force structure and laydown, and the Department is making plans for another round of BRAC should one be authorized by Congress.

Mr. WITTMAN. In light of the expected growth in Navy force structure and the shift to the Pacific, how is the Navy reevaluating its infrastructure capacity and requirements?

Mr. NATSUHARA. The Navy and Marine Corps team has had a significant forward presence in the Pacific for many decades, and we are continually evaluating our requirements there. These theater requirements, along with other Service priorities, are considered during the Planning, Programming, Budgeting and Execution (PPBE) process.

Mr. WITTMAN. The Government of Japan has transferred to the United States \$834.0 million toward the agreed total contribution of \$3.1 billion for construction activities to support the relocation of 4,700 Marines from Okinawa to Guam. What is the plan for expending these monies?

Mr. NATSUHARA. The Government of Japan (GOJ) has transferred \$948.3 million toward the agreed total contribution of \$3.1 billion for construction activities to support the relocation of 4,700 Marines from Okinawa to Guam. This includes a recent transfer of \$114.3 million, for which formal notification is forthcoming. To date, we have obligated \$109 million in GOJ contributions for Utilities and Site Improvements (U&SI) at Apra Harbor and Andersen AFB gate improvements and design.

Future planned obligations include \$10.8M for U&SI planning and design at Andersen AFB in FY13 and \$114.3M for construction in FY14 (if the FY14 NDAA permits). The remainder of the balance of GOJ funds is primarily dependent on the in progress Supplemental Environmental Impact Statement (SEIS). The SEIS is being

prepared to evaluate potential alternatives for construction and operation of a main cantonment area, including family housing, and a live-fire training range complex to support the relocation of a substantially reduced number of Marines than previously analyzed under the National Environmental Policy Act (NEPA). Decision on Preferred Alternative is targeted for July 2013.

Mr. WITTMAN. The Air Force has been rather consistent in seeking another round of BRAC. Most recently, Air Force Chief of Staff General Welsh indicated "During BRAC 2005, I know the Air Force fell short of its goal to reduce excess capacity. Since then, we've lost approximately 500 aircraft through force-structure reductions. Although I haven't been involved in the related studies, I would assume that we still have excess infrastructure. The only way I know to effectively eliminate excess infrastructure is to close installations. Therefore, if confirmed, I would fully support the Department of Defense's request for additional rounds of BRAC." Has the Air Force assessed its overall infrastructure enterprise to determine whether excess infrastructure exists? What are the results of this analysis?

Ms. FERGUSON. The Air Force has not conducted a detailed capacity analysis since the March 2004 Department of Defense Report to Congress, as required by Section 2912 of the Defense Base Closure and Realignment Act of 1990. This report confirmed the Air Force had 24 percent excess installation capacity prior to implementing BRAC 2005. The Air Force still has excess infrastructure as BRAC 2005 did not contain any major infrastructure reductions and since that time we've further reduced our force structure by more than 500 aircraft and reduced our Active Duty military end strength by nearly eight percent.

The Air Force supports the Defense Departments position that the only fair and thorough way to determine whether there is excess capacity within the Department is to conduct the analysis in BRAC using certified data that collects detailed information from each base across a broad array of many metrics and compares this information to force structure.

Mr. WITTMAN. Has the Air Force participated in the overseas posture review and does the Air Force believe that our overseas force structure is correct in terms of position and size? How can Congress move forward with considering a BRAC if the Department has not concluded this analysis?

Ms. FERGUSON. The Air Force has reduced both mission and manpower in Europe by 75 percent since 1990. We currently operate from only six main operating bases on the continent, and they remain critical to commitments to NATO and provide throughput and global access to three unified combatant commands. Even so, there may be further opportunities for consolidation. The Secretary of Defense directed a capacity analysis to provide the basis for reducing the long-term expenses through footprint consolidation in Europe and the Air Force fully supports this effort. The Air Force believes we need to look at reducing our footprint in Europe as well as domestically.

QUESTION SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. I understand that there has been a substantial amount of litigation surrounding the housing management firm at Fort Benning and allegations of corruption that have led to the dismissal of the property manager. Specifically, I understand that Clark and Pinnacle initially jointly managed military privatized housing projects at several locations including Fort Benning, Fort Belvoir, Presidio of Monterey and Fort Irwin. Because of the alleged fraud and mismanagement, Pinnacle has been or is being removed as property manager, which has led to substantial litigation.

1. What is the status of the litigation between the Army, Clark, and Pinnacle?
2. How much legal costs have been generated in these matters?
3. I understand that some of the legal costs are being funded out of accounts designated for housing improvement. How much legal costs have been funded out of these reserve accounts? Which exact accounts have been used?
4. What if Clark and the Army lose the cases against Pinnacle and these funds are not reimbursed? Is there a potential that housing improvement funds will not be reimbursed? What impact would that lack of funding have on the ability of the housing improvement funds to accomplish their goals?
5. Is there any ongoing effort to resolve and settle this litigation in order to limit the amount of litigation costs and potential exposure to the military privatized housing program?

Secretary HAMMACK. The Project Companies (Fort Benning Family Communities LLC, Fort Belvoir Residential Communities LLC, California Military Communities LLC, and Monterey Bay Military Housing LLC) (collectively, "the Project Compa-

nies”) have filed lawsuits naming Pinnacle and others as defendants in both Georgia and California state courts. The Army is not a party to the litigation in either Georgia or California.

The Army has not expended any funds on legal costs.

All litigation and audit costs are funded out of the Projects’ collective operating cash flows as extraordinary expenses.

While the loss of any resource to fund out year development is undesirable, it is not expected that a loss of funds used to fund the litigation will have a material adverse impact on the Project Companies’ ability to recapitalize their housing.

There are no current settlement discussions ongoing between the Project Companies and Pinnacle. The Project Companies are engaged in preliminary settlement discussions with the Lockton Companies, one of the named defendants in the Georgia litigation.

QUESTIONS SUBMITTED BY MS. SPEIER

Ms. SPEIER. The Government Accountability Office has made a number of recommendations for achieving cost savings in any future BRAC round, including requiring OSD to establish official goals to be achieved by the process. But I am particularly concerned about the level of cost growth in military construction that occurred in the last BRAC round, and the significant information technology costs and overlapping costs across the Department. GAO identified 31 potentially duplicative IT investments at DOD, totaling approximately \$1.2 billion. How will you incorporate military construction and information technology requirements in developing the initial cost estimates for a future BRAC?

Mr. CONGER. As I indicated in my written statement, GAO’s 2012 report found that most of the cost increase could be tied to only 14 of 182 recommendations. Those increases were largely due to deliberate and subsequent decisions to expand the originally-envisioned scope of construction and recapitalization to address deficiencies in our enduring facilities or to expand the capabilities they provide as opposed to issues of accuracy. Second, BRAC 2005 occurred during a time of growth (both personnel and resources) and as such contributed to scope increases. A future BRAC round would be similar to in terms of cost and savings to that of the 1993 and 1995 rounds which had quicker payback (two to three years). Third, we will incorporate our own lessons learned and the findings of GAO to improve our cost estimating particularly for areas such as information technology.

Ms. SPEIER. I think many of our concerns about another BRAC round is the lack of transparency in the process, and uncertainty about how DOD and the services weigh fiscal, environmental, strategic, and operational consequences of these decisions. What steps will the Department take to make this process more transparent? Would you consider submitting comments you receive or the thorough DOD data you consider to brac.gov as it is received?

Mr. CONGER. The statutory commission process created by past BRAC legislation is a fair, objective, and proven method for eliminating excess domestic infrastructure and realigning what remains.

The details of the BRAC decision making process must remain internal to the Department of Defense until the Secretary issues his closure and realignment recommendations in order to protect the integrity of the BRAC process. This is necessary to follow the statutory BRAC direction to treat all installations equally, preserve the deliberative process, and prevent public confusion and unnecessary alarm.

Revealing details of the decision making process through the release of such things as data call questions, criteria weights, or any attributes before the Secretary has made his closure and realignment recommendations could:

- Taint the integrity of the BRAC process by opening it up to external (and unequal) influences;
- Inhibit open and frank discussions necessary to produce quality decisions; and
- Create public confusion from the disclosure of reasons and rationales that were not in fact ultimately the grounds for a decision or from the disclosure of proposed decisions that were not in fact adopted.

However, all of this information is provided to the Commission and the Congress upon submission of the Secretary’s recommendations. At this point, communities and members of Congress can engage in the Commission process which is anchored by public hearings.

Ms. SPEIER. The last BRAC Commission raised concerns that that the BRAC process is divorced from the other strategic decisions the Department of Defense is making, and specifically recommended the next BRAC round should be after the Quadrennial Defense Review. What do you think of this recommendation?

Mr. CONGER, Secretary HAMMACK, and Ms. FERGUSON. Similar to how Integrated Global Presence and Basing Strategy informed BRAC 2005, the 2014 Quadrennial Defense Review will be used to inform a future BRAC round.

Ms. SPEIER. The last BRAC Commission raised concerns that that the BRAC process is divorced from the other strategic decisions the Department of Defense is making, and specifically recommended the next BRAC round should be after the Quadrennial Defense Review. What do you think of this recommendation?

Mr. NATSUHARA. There are many sources of information that are used to inform the assessment and evaluation of opportunities to properly align our domestic infrastructure with evolving force structure. If a BRAC round is authorized, we would anticipate using the 2014 Quadrennial Defense Review to inform the future round in a manner similar to how Integrated Global Presence and Basing Strategy informed BRAC 2005.

QUESTIONS SUBMITTED BY MR. BARBER

Mr. BARBER. Secretary Conger, you mention in your testimony that given the current budget situation and drawdown of forces that a BRAC is much more important so that military overhead can be reduced. I understand we need to find the waste, and cut the fat. But I want to shine a light on the importance of base installations to the communities that live around them, and the families and local businesses that support their local military. In my district, we have two installations, Davis-Monthan Air Force Base and Fort Huachuca, with the 162nd Fighter Wing just across the district line in Tucson. Any base closure in Southern Arizona would have a destructive economic impact. Fort Huachuca, for example, is the number one economic driver for Cochise County. I was just talking yesterday with local officials from Sierra Vista who are already reporting a loss in revenue for community businesses with the uncertainty around sequester. If the Fort were to close completely, the economy in Cochise County would be severely impacted. I understand the need to eliminate inefficiencies at our facilities, but take the example I just laid out, and amplify it nationally. In a memorandum from the Secretary of Defense in 2005, the last time we had a round of BRAC, the Department did not weigh heavily the possible negative impacts a base closure would have on local or national economic growth. If we were to see a new round of BRACs today as our economy is still recovering and the full effects of sequestration are setting in, communities nationwide would be devastated. Is this the right time to conducting another round of BRAC when our economy is anemic? Would it not make more sense to first determine the effects that our budget uncertainty and sequestration are having on force structure, and our local economies, before we begin discussing the necessity of a new round of BRAC?

Mr. CONGER. The Department is mindful of the significant impact a BRAC decision can have on a host community. In many places, a military base is an economic engine, and the closure of the base can lead to reduced local tax revenues, decreased student impact aid, falling housing prices and loss of retail and business revenue. Most important, a base closure can mean the loss of jobs.

Defense employees, through the service and defense agency human resources offices can access a variety of priority placement, referral, and retirement programs that are designed to minimize involuntary separations. These services have worked in the past and we will use them in the future. These programs are complemented by Department of Labor's Employment and Training Administration's reemployment and retraining initiatives.

As the Armed Services Committee recognized (when it first enacted section 2687): "Military bases cannot be maintained to support other than national defense requirements." "The committee feels strongly that the Defense Department should do everything possible to protect existing jobs that meet national defense requirements. At the same time, the committee is concerned that in the desire to protect jobs, any inclusion of an unemployment rate threshold in the limitations placed upon the Defense Department could undermine the careful balance that has been achieved."

Mr. BARBER. Secretary Hammack, so good to see you again. I really enjoyed our meeting a couple weeks ago. I wanted to go back to that meeting if I might. In our meeting we talked about the Electronic Proving Ground at Fort Huachuca in my district. EPG, as you know, has the cleanest electromagnetic spectrum in the country and assets that can't be duplicated nor found anywhere in the world. We also discussed how the Army is now in the process of reducing its force structure overseas, and that with the plans here at home, the Army is planning to reduce personnel outside of the BRAC process. But as you said in your testimony, there will be a price to the consolidation that will likely occur over the next few years. During

the last round of BRAC, the military weighed more heavily the ability of a location to support training, mobilization, and surge forces. This speaks to a time when we were surging large ground forces in Baghdad and subsequently Afghanistan. We now operate in a different environment with a smaller, more agile force. My question is when the Army looks over the next few years at base and mission realignment, shouldn't the Army place a high priority on maintaining unique capabilities essential to national security at its testing and evaluation facilities, like the unique assets we have at EPG?

Secretary HAMMACK. If a future BRAC round is authorized, and as the Army makes decisions on base closures and mission realignments, unique or specialized capabilities at an installation will be accounted for in a broad application of Military Value.

QUESTIONS SUBMITTED BY MS. SHEA-PORTER

Ms. SHEA-PORTER. How will BRAC data be normalized across DOD when Commands, Agencies, and Activities will be impacted differently under sequestration? For example, at Portsmouth Naval Shipyard, sequester furloughs are going to place the Shipyard a month behind its schedule for every submarine availability subsequent to imposition of sequester furloughs. Would that kind of impact be taken into account as a delay not of the Shipyard's making, and not counted against the Shipyard as an inefficiency? And the same with other impacts on other DOD Commands, Agencies and Activities.

Mr. CONGER. The BRAC statute specifies that the analysis must consider all bases equally; that the data submitted for use in the analysis must be certified as accurate and complete; that the recommendations must be based on a force structure plan (looking out 20 years) and statutory selection criteria that make military value the primary consideration.

Ms. SHEA-PORTER. As the 2005 BRAC round demonstrated, upfront costs for BRAC are extremely high. In fact, I don't know why we are even considering a BRAC because, in this constrained budget environment, it is unaffordable. According to the GAO, the 2005 BRAC will not begin to show ANY savings until 2018, more than a dozen years after the closures started. Furthermore the savings in the 2005 BRAC round are 67% lower than predicted, which proves the untrustworthiness of these predictions. If Congress and the BRAC Commission had realized how little the BRAC would actually save, they might have closed or realigned fewer bases. Why do you think that you can do a better job of predicting future costs now than in 2005?

Mr. CONGER. Savings from prior BRACs are real and substantial. The first four rounds of BRAC (1988, 1991, 1993 and 1995) are producing a total of about \$8 billion in annual recurring savings, and the comparable figure for BRAC 2005 is \$4 billion. These figures have been validated by GAO.

The real issue is one of up-front cost to achieve those savings. That up-front cost was inflated during the 2005 round, largely due to deliberate and subsequent decisions to expand the originally-envisioned scope of construction and recapitalization to address deficiencies in our enduring facilities or to expand the capabilities they provide as opposed to issues of accuracy. Second, BRAC 2005 occurred during a time of growth (both personnel and resources) and as such contributed to scope increases. A future BRAC round would be similar to in terms of cost and savings to that of the 1993 and 1995 rounds which had quicker payback (two to three years). Third, we will incorporate our own lessons learned and the findings of GAO to improve our cost estimating particularly for areas such as information technology.

Ms. SHEA-PORTER. I'd like to know how the costs compare should another shipyard be closed through BRAC (meaning that no public shipyards would remain on the East Coast) and the repair/refueling work transferred to private shipyards. Also, in addition to costs, can you compare public versus private shipyards in terms of efficiency, availability for emergency surges in work load, personnel productivity, or any other differences not directly related to costs?

Mr. CONGER. BRAC is a process that does not have a predetermined outcome and we will collect certified data as a part of that process. Using statutory selection criteria that emphasize military value and a force structure plan looking out 20 years, DOD must complete a comprehensive review before it can determine which installations should be realigned or closed. The list of closures is then reviewed by an independent Commission that can (and has in the past) altered the list. Its review includes holding public hearings and visiting various sites. The commission's review results in a list of closures and realignments that are sent to the President and are subject to review by Congress. It is this thorough process that produces the list of

installations that DOD will close or realign, and the estimate of the costs and savings associated therewith.

Ms. SHEA-PORTER. How will BRAC data be normalized across DOD when Commands, Agencies, and Activities will be impacted differently under sequestration? For example, at Portsmouth Naval Shipyard, sequester furloughs are going to place the Shipyard a month behind its schedule for every submarine availability subsequent to imposition of sequester furloughs. Would that kind of impact be taken into account as a delay not of the Shipyard's making, and not counted against the Shipyard as an inefficiency? And the same with other impacts on other DOD Commands, Agencies and Activities.

Mr. NATSUHARA. Base Realignment and Closure (BRAC) assessments document existing military infrastructure requirements and capacities and the potential cost of realigning workload, from both a manpower and infrastructure perspective. Any scenario evaluating the transfer of work to private shipyards and closing or otherwise realigning public shipyards would need to consider the capacity of the receiving private/public shipyards in terms of facilities, dry dock availability, skills, infrastructure, and the difference between new ship constructions versus maintenance overhauls.

In addition to evaluating workload and supporting infrastructure requirements, transferring work from public shipyards to private shipyards would need to consider the requirements of 10 U.S.C. 2464. Specifically, the law mandates the retention of certain critical core capabilities in the public shipyard that are not replicated in private shipyards. Often, certain unique public shipyard skills are considered inherently governmental and core capabilities under the law. In addition, 10 U.S.C. 2466 requires that no more than 50 percent of the funds made available in a fiscal year to a military department for depot-level maintenance and repair workload may be used to contract for performance by non-federal government personnel, and this must be considered when public and private depot maintenance workload is assigned. There are additional performance attributes to be considered, such as emergent requirements, and workload surge capacity. Workload at both public and private shipyards varies cyclically. Private shipyards are more dependent on the combination of ship construction and repair cycles. All these attributes and considerations would need to be carefully and fully evaluated as part of any BRAC scenario that evaluated a realignment of work at the Naval Shipyards.

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QUESTIONS SUBMITTED BY MR. ENYART

Mr. ENYART. Scott Air Force Base in my district is home to a number of critical missions important to our national defense. Scott serves as headquarters to the Air Mobility Command and USTRANSCOM. We have a significant National Guard and Reserve presence and growing cybersecurity mission to meet the needs of 21st century threats and challenges. My question to the Under Secretary centers on scope and criteria. When you are determining the factors to label a base "excess" what would make a base "not excessive"?

Mr. CONGER. We believe the only fair and thorough way to determine whether there is excess capacity within the Department is to conduct the analysis in BRAC using certified data that collects detailed information from each base across a broad array of many metrics and compares this information to force structure.

As such, BRAC is a process that does not have a predetermined outcome such as determining that a base is "not excessive." Using statutory selection criteria that emphasize military value and a force structure plan looking out 20 years, DOD must complete a comprehensive review before it can determine which installations should be realigned or closed. The essence of the comprehensive process is that each base is evaluated on a host of capacity and military value factors. DOD leadership evaluates various closure and realignment scenarios as part of a holistic examination of installations across the United States. It is this process that the list of closures which is then reviewed by an independent Commission that can (and has in the past) altered the list. Its review includes holding public hearings and visiting various sites. The commission's review results in a list of closures and realignments that are sent to the President and are subject to review by Congress. It is this thorough process that produces the list of installations that DOD will close.

Mr. ENYART. In regards to equipment in Afghanistan, what is the cost to return and repair versus buying new?

Mr. CONGER. Equipment in Afghanistan that provides future military utility to U.S. Armed Forces will be returned to maintain readiness. Where equipment is excess to the Department's needs and/or the transportation cost to return exceeds the cost of the equipment, the equipment will be donated or disposed under existing authorities for disposition of Foreign Excess Personal Property, Foreign Military Sales, and Excess Defense Articles.

Mr. ENYART. There was 24% excess capacity in 2004. How much of this capacity was reduced during the 2005 BRAC?

Mr. CONGER. The 2005 BRAC round focused principally on reconfiguring capacity to maximize war fighting capability and efficiency as opposed to eliminating excess capacity. BRAC 2005 only eliminated about 3 percent of the Department's capacity.

Mr. ENYART. Is the drawdown of forces equal to the forces deployed to Iraq and Afghanistan during the timeframe of 2005–2012?

Mr. CONGER. The drawdown of forces is independent of the withdrawal of forces deployed to Iraq and Afghanistan. The withdrawal of forces deployed in Iraq and Afghanistan will have little to no impact on our excess infrastructure in the United States because when troops deploy from bases in the United States those bases are not backfilled with additional forces.

The Department will still have excess infrastructure regardless of the return of forces from Iraq and Afghanistan. The parametric techniques used to analyze aggregate assessment of excess capacity in 2004 indicated that the Department had 24 percent excess overall relative to the force-structure plan developed by the Joint Staff. Because BRAC 2005 eliminated only about three percent of the Department's capacity, we believe we have significant excess at the aggregate level today. In addition, force-structure reductions in the Army (from 570,000 to 490,000 Active Duty personnel), in the Marine Corps (from 202,000 to 182,000 Active Duty personnel), and in the Air Force (reduced by 500 aircrafts) subsequent to the 2004 analysis point to additional excess.

Mr. ENYART. What will happen with deactivated A–10s from Europe?

Mr. CONGER and Secretary HAMMACK. The Air Force is deactivating the A–10 squadron at Spangdahlem and, after fleet management, will place the 20 worst A–10s from the fleet into our inactive inventory. Most of these aircraft will be put in Type 2000 storage at the 309th Aerospace Maintenance and Regeneration Group at Davis-Monthan AFB for parts harvesting and a handful will be used as ground trainers.

Mr. ENYART. What will happen with deactivated A-10s from Europe?

Mr. NATSUHARA. The Navy does not manage A-10 aircraft. This question would be best answered by the U.S. Air Force.

Mr. ENYART. What will happen with deactivated A-10s from Europe?

Ms. FERGUSON. The 21 A-10s stationed at Spangdahlem Air Base will depart no-later-than 31 May 13 to comply with the FY 13 NDAA direction requiring unit deactivation before the end of FY 13. All A-10s will transfer to the 354 Fighter Squadron at Davis-Monthan Air Force Base, Arizona. This transfer involves no manpower gains.

