

STATEMENT OF

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OF THE SENATE ARMED SERVICES COMMITTEE**

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Introduction

Mr. Chairman and distinguished members of this Subcommittee, thank you for the opportunity to discuss the Department of Defense's Real Property Maintenance program.

Sustaining the Foundation

As members of this Subcommittee are acutely aware, military installations are critical to supporting America's national security and enhancing the quality of life for our military members and their families. Military installations are the foundation of a strong defense. Installations are the platforms from which our forces successfully execute their diverse strategies and missions. Installations are where we maintain and deploy weapons systems, and train and mobilize forces for combat. Finally, installations are where our military and civilian people live and work, where they become members of their community. Real Property Maintenance (RPM) is key to sustaining that foundation and we understand we must properly maintain that foundation so military facilities do not undermine readiness, compromise missions or reduce quality of life.

Today, my remarks will focus on the Department's RPM program, especially the steps we are taking to enhance our stewardship of defense facilities. I also will address the recent GAO report on real property management.

Real Property Maintenance

Maintenance and repair is important for two reasons. First, proper RPM sustains the facilities that support the military mission. Lack of proper maintenance and timely repairs leads to facility failures that jeopardize readiness. Keeping facilities operational enables them to contribute to high mission capability. A modern, well kept maintenance shop will reduce downtime for a tank or an airplane, and enable such weapon systems to continue operating at a fraction of the cost of buying additional weapons. Further, proper maintenance and repair extends a facility's life, thereby reducing the need for earlier facilities replacement through military construction. Further, proper maintenance and repair enhances worker safety.

Second, proper RPM preserves our investment in facilities. The Department's plant account is currently valued at about \$600 billion. Proper maintenance and repair saves money in the long run by preventing deterioration that often results in wasted utilities and emergency fixes, that are costly and disruptive. Good, well maintained places for our people to work and live helps build their pride and professionalism. And, pride and professionalism lead to higher productivity and greater contributions to the mission.

The importance of RPM to readiness and the need for proper facility maintenance and repair is clear. The key question we ask ourselves each and every year is how many resources are required for this function? What is the true requirement? In our struggle to answer these questions, we have started a number of initiatives to improve the Department's diligence in managing its real property.

Installation Policy Board

We have recently re-invigorated the Department's Installations Policy Board (IPB), which I chair. Members include the Services' secretariats and engineer chiefs in addition to representatives from the financial and programming communities. The charter of this Board is to approve development and implementation of Department-wide guidance and policy affecting installations and to function as a united advocate for properly resourcing installations and facilities. The Board monitors the progress of the ongoing strategic planning process for DoD facilities and provides guidance where needed. Working groups under the Board's jurisdiction include housing policy, utilities and energy, defense facilities strategic plan and competition and strategic sourcing. The Board has been instrumental in influencing DoD budgeting process with regard to real property maintenance funding as well as military construction and family housing.

To provide the tools the Military Services need for development of facility requirements and provide common definitions and metrics, the IPB is supporting a number of cross-service programs. The board also supports initiatives to eliminate excess facilities.

Facility Strategic Plan

An important DoD mission is to provide, operate and maintain, in a cost effective manner, the facilities necessary to support U.S. defense forces, in both peacetime and war. As such, we have a goal to determine the right size, quality, resources and information for maintaining our facilities. In the past, the Department lacked a consolidated long-range plan for its facilities, instead often relying on stand-alone programs oriented around specific appropriations, military services, facility types or locations.

To improve this situation, we created an initial Defense Facilities Strategic Plan as well as a process for reviewing and renewing the plan regularly. We formed an inter-Departmental working group to develop the plan and we use the DoD Installations Policy Board for review and oversight. Our goal is to establish a process where plans, programs and initiatives are integrated with a DoD vision, mission, goals, tools, resources and metrics.

Facility Sustainment Model

One of our most promising tools, which we are still developing, is the Facilities Sustainment Model (FSM). The FSM is designed to identify the funds required to keep facilities in good working order. In other words, to properly sustain the facilities we own. Sustainment is a major part of real property maintenance. Other elements of RPM include buying down the backlog of maintenance and repair, improving facilities, such as with the DoD barracks modernization program and funding needed minor construction projects. The model will establish a computerized inventory and cost database that will permit meaningful comparisons of facility sustainment spending by type of facility. It also will enable each Service to estimate its sustainment requirement based on validated maintenance costs for each type of facility and an accurate inventory of its real property. The validated maintenance costs are being obtained from recognized commercial sources whenever possible. As part of this effort, the Department will use newly developed facility analysis categories to create a uniform inventory of real property.

The FSM will allow the Department for the first time to compute a facility sustainment requirement that is applicable throughout the Department. The requirement is based on the planned

inventory and the best available unit costs taken from industry, and it will be analyzable by facility location and facility type. The FSM will give us the tool to project the results of our budget plans – to know whether those plans will sustain facilities or allow for degradation. The model can re-compute requirements based on targeting funds at certain locations or certain types of facilities. Changes in assumptions about the future real property inventory can be immediately reflected in a revised sustainment cost. The FSM, in short, will give the Department a new and much-improved tool for managing its real property.

Private Sector Validation of the Facility Sustainment Model and Strategic Plan

Department of Defense Installations are not dissimilar to private sector entities such as major universities, regional airport authorities and large port authorities. We can learn from these entities to validate and improve the Facilities Sustainment Model and to provide insight into how to develop an effective Facilities Strategic Plan. We can also learn a lot from Local Redevelopment Authorities who have recently received closing base property on how to develop facilities management and recapitalization plans. We plan to visit as many of these private sector entities as we can over the next year, and I am confident they will be eager to assist us.

Inventory of Real Property Assets

An important key in the Department's management of its real property is an accurate inventory of all its real property assets. Recognizing this, the Department in November 1998, began a concentrated effort to 1) validate its recorded costs of general property, plant and equipment real property assets, 2) verify historical costs, and 3) provide guidance on the accumulation of real property costs and computation of depreciation expenses to be reported on the fiscal year 1999 financial statements of the Military Departments and Defense Agencies. The first phase of this validation is complete and the second phase is underway. The results of the audit will give us an accurate accounting of our assets and their value. An accurate inventory is very important to our successful implementation of the Facility Strategic Plan and the Facility Sustainment Model.

Demolition of Excess Facilities

Installation commanders have repeatedly reported that they often are forced to divert scarce resources to operate and maintain obsolete and excess structures. Such O&M costs come at the expense of more important requirements, and could be avoided by investing in the demolition and disposal of these excess facilities. Without additional BRAC authority, the demolition/disposal program is an opportunity to eliminate some of our excess infrastructure.

In 1997, the Military Services surveyed their installations and identified over 80 million square feet of buildings, including more than 8,300 individual structures, which could be demolished in the near term. In May 1998, Secretary Cohen directed the Military Services to fund the elimination of the 80 million square feet by 2003. In fiscal year 1998, the Department eliminated about sixteen million square feet, exceeding the fiscal year 1998 goal of eleven million. For fiscal year 1999, when the final assessment is complete, the Department expects an additional 14 million square feet to have been demolished. At the same time, DoD continues to identify additional excess facilities with an eye on further savings. We have also expanded and extended this initiative to facilities other than buildings.

Base Closure and Realignment

The Department needs to reduce the base structure to match our force structure, but we have been unsuccessful in getting authorizing legislation. Hence, we continue to maintain excess base capacity. As we established last spring in testimony before Congress, the savings from two future BRAC rounds can better be spent on our forces, including properly maintaining and repairing facilities at the enduring bases. But, without authorizing legislation, our hands are tied.

Installation Readiness Report

The Installation Readiness Report is another mechanism the Department is developing to help us characterize the condition of our installations and facilities, and the effect facility condition has on military readiness. We are requiring each Service and the Defense Logistics Agency to report next year on the readiness of their installations and facilities. The Services and DLA have their own unique facility assessment processes in place. Nonetheless, we found there are many common outputs from each of their systems. We worked with the Services and DLA to optimize those common outputs and create a report that will provide a macro level assessment.

The installations will use nine facility classes and rate each facility class from C-1 through C-4, using the standard readiness definitions. The nine facility classes include operations and training; maintenance and production; mobility; research, development, test and evaluation; supply; medical; administrative; community and housing; and utilities and grounds. The installations will send the results to their major command or claimant, which will summarize the inputs from all its installation. When the major command or claimant rating for a facility class indicates significant or major deficiencies, then the command will provide a narrative to explain the causes of the low rating, the effects on readiness and remedial actions to improve readiness. Because facility conditions are relatively static over the short term, we will collect this information annually. The Installation Readiness Report is part of larger readiness assessment the Department will conduct. The Department will report the results of that assessment, including the Installation Readiness Report, to Congress on April 1 of each year, starting in 2000.

The Installation Readiness Report will provide the installations, major commands, Service headquarters and the Office of the Secretary of Defense with additional information about facility conditions and their impact on readiness. It also is another tool to help determine the priority of required facility maintenance and repair funding within the Department's many competing demands for resources.

Real Property Maintenance Budget

For fiscal year 2000, DoD requested \$5.3 billion for real property maintenance, a nine percent increase over the fiscal year 1999 request of \$4.6 billion. Thank you for your Committee support of our program. Despite the support, however, the Department's RPM requirements will exceed available resources. Facilities that are excess still require maintenance and repair. Getting the most from maintenance and repair funds requires that the Department manage its facilities in the most effective manner and eliminate unneeded facilities. Fencing or creating a floor for repair and maintenance funds is not the answer. The Military Services need the flexibility to respond to their individual needs and emerging requirements. The Department is moving toward more visibility of the true RPM requirements so the consequences of budget decisions are fully known to decision-

makers. This visibility will ensure they make informed choices when balancing RPM against other programs.

The Department's Competitive Sourcing and privatization plans will also assist in balancing funding. DoD's Competitive Sourcing Program is showing us ways to perform functions better, faster and cheaper, thereby freeing funds for higher priority uses such as RPM and MilCon funding shortfalls, readiness, and modernization. DoD's privatization programs for housing and utilities not only free up resources by reducing the size of the physical plant but also allow DoD leaders to focus on core competencies.

The Department is also pursuing initiatives such as joint and regional use of facilities or provision of services, expanded self help programs and enhanced outleasing of facilities that can reduce the need for RPM and MilCon resources and free them for other critical installation support needs.

DoD's Position on the GAO Report

In the panel preceding this one, you heard the representative from GAO discuss their report, Real Property Management Needs Improvement. This report provides us with a comprehensive review of the RPM program and addresses many of the issues noted above. As a result of working with draft reports during this GAO study the past two years, the Department has undertaken initiatives to address many of the problem areas identified in the report.

The foremost observation in the report is "Without an Overall Management Strategy, the Services' RPM Is in Disarray." The Department has undertaken two major initiatives to address this observation: formation of the Installation Policy Board and development of a facilities strategic plan, as described above. The Department is now identifying requirements and implementing actions to fully develop a comprehensive facilities management strategy.

An equally important observation is "Insufficient RPM Funding." The Department is aware of this and has addressed it in each annual DoD budgeting guidance since 1997. The final GAO report recognizes several key initiatives the Services have undertaken for determining RPM funds allocation. All four Services have been moving to consider the effect real property condition has on mission accomplishment and to use that judgement in the allocation of RPM resources. The Department is developing metrics that tie facility condition and their effect on mission accomplishment into a facilities readiness reporting system, which will further assist DoD decision-makers in allocating RPM resources. Finally, the Department and Services are continuing to improve the RPM requirement determination process, to better justify RPM funding in a constrained fiscal environment. In short, this GAO study and the ones preceding it have been the catalysts and guides for the Department to make necessary improvements in this critical area. I would at this time like to recognize the GAO for their important and professional work in this area.

Conclusion

This concludes my prepared testimony. In closing, Mr. Chairman, I sincerely thank you for giving me the opportunity to discuss our installations' and facilities' programs and for your very strong support for military construction and real property maintenance. I will be happy to answer any questions you might have.