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BY THE COMMITTEE

**STATEMENT OF**

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**(INSTALLATIONS AND ENVIRONMENT)**

**BEFORE THE SUBCOMMITTEE ON**  
**READINESS AND MANAGEMENT SUPPORT**  
**OF THE SENATE ARMED SERVICES COMMITTEE**

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Mr. Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to discuss the President's Budget request for fiscal year 2005 and the plan of the Department of Defense for improving its infrastructure and facilities. The Department is continuing with its efforts to transform the force structure to meet new security challenges and the way we do business. In Installations and Environment, this translates into a renewed emphasis on taking care of our people, providing facilities to support the warfighter by eliminating facilities we no longer need and improving those that we do, and modernizing our business practices – all while protecting the environment and those assets for which we have stewardship responsibility.

At the outset, I want to express the Department's appreciation for the strong support of this Subcommittee for our initiatives. With regard to infrastructure, the Department has a defined strategy to address the condition of our installations and facilities. These issues are an integral component of readiness. Installations are the "platforms" from which our forces successfully deploy to execute their diverse missions. Over many years, our facilities declined due to competing priorities and poor understanding of funding requirements, but we are significantly improving our military infrastructure through focused attention to best practices drawn from standard business models. Continuing to improve our facilities and military readiness is a priority of the Secretary of Defense.

The Department currently manages nearly 600,000 buildings and structures with a plant replacement value of \$630 billion, and over 46,000 square miles of real estate. As you know, we have developed models and metrics to predict funding needs and have

established goals and performance measurements that place the management of Defense infrastructure on a more data driven business basis. We accelerated our goal to eliminate nearly all inadequate housing from fiscal year 2010 to 2007. By the end of FY 2005, we will reduce the number of inadequate housing units by 66% (61,000) from our FY 2001 level of 180,000 inadequates. The Department's facilities sustainment budget funds annual maintenance, predictable repairs and normal component replacements. We have increased funding for facilities sustainment consistently since fiscal year 2002, sustaining facilities at an average of 89 percent, and this year's budget request raises that rate to 95 percent for each of the Military Services, TRICARE Management Activity and the Department of Defense Education Activity.

Restoration and modernization – i.e. recapitalization – funds unpredictable repairs, improvements and total facility replacements. We have continued to improve our management of the recapitalization of the inventory. The budget request improves the recapitalization rate to 107 years and we anticipate achieving our 67 year recapitalization goal in FY 2008.

## **INFRASTRUCTURE INVESTMENT STRATEGY**

The Department's recent successes were made possible through effective management and prudent budgeting. Our investment strategy links the asset management plan to actual funding.

The traditional view of the Military Construction and Family Housing appropriation funding requests for fiscal years 2004 and 2005 shows a slight increase in

this year's request. The Military Construction and Family Housing top-line is but one indicator of the health of our program. However, it does not represent a comprehensive approach to our management practices for the infrastructure as a whole.

**Comparison of Military Construction and Family Housing Requests**

(President's Budget in \$ Millions – Budget Authority)

	Fiscal Year 2004 Request	Fiscal Year 2005 Request
<b>Military Construction</b>	4,574	4,877
<b>NATO Security Investment Program</b>	169	166
<b>Base Realignment and Closure</b>	370	246
<b>Chemical Demilitarization</b>	0*	82
<b>Family Housing Construction/Improvements</b>	1,251	1,625
<b>Family Housing Operations &amp; Maintenance</b>	2,780	2,547
<b>Homeowners Assistance</b>	0	0
<b>Family Housing Improvement Fund</b>	0.3	0.3
<b>TOTAL</b>	<b>9,144</b>	<b>9,460</b>

Note: FY 2004 Request column represents the FY 2004 Amended Budget Submission

\*Chem-Demil included in Military Construction totals for FY 2004. For FY 2005 Chem-Demil has a separate Treasury code.

**Facilities Support Investment and Operating Expenses**

Managing our facilities assets is an integral part of asset management. Facilities are the “platforms” from which our forces deploy and execute their missions. The quality of our infrastructure directly affects training and readiness. In addition, from a purely financial perspective, it is more cost effective in the long term to fully fund the general upkeep of facilities than to allow them to deteriorate and replace them when they are unusable.

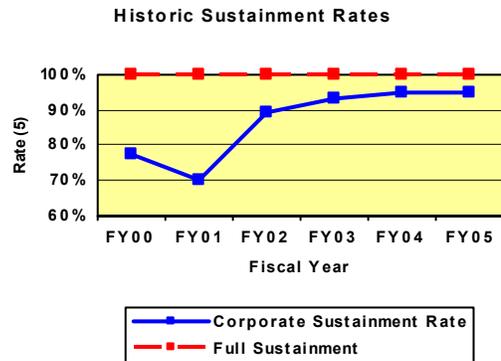
## Sustainment and Recapitalization Request

(President's Budget in \$ Millions)

	Fiscal Year 2004 Request	Fiscal Year 200: Request
<b>Sustainment (O&amp;M-like<sup>1</sup>)</b>	<b>6,382</b>	<b>6,531</b>
<b>Restoration and Modernization (O&amp;M-like)</b>	<b>1,012</b>	<b>1,243</b>
<b>Restoration and Modernization (MilCon)</b>	<b>2,350</b>	<b>3,161</b>
<b>TOTAL SRM</b>	<b>9,744</b>	<b>10,935</b>

Facilities sustainment, using operations and maintenance-like<sup>2</sup> appropriations, fund the maintenance and repair activities necessary to keep an inventory in good working order. It includes regularly scheduled maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Sustainment prevents deterioration and preserves performance over the life of a facility.

To forecast funding requirements for sustainment, we developed the Facilities Sustainment Model (FSM). FSM uses standard benchmarks drawn from the private and public sectors for sustainment costs by facility type and has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies beginning in fiscal year 2004.



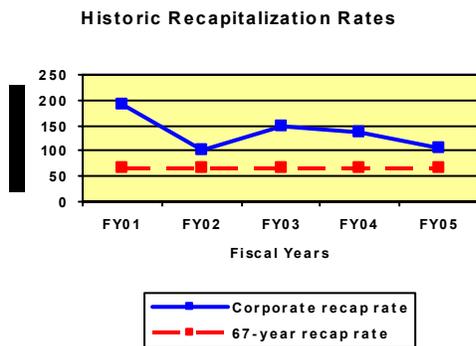
Full funding of sustainment is the foundation of our long-term facilities strategy, and we have made significant progress in achieving this goal. The fiscal year 2004 budget request funded sustainment at an average of 94 percent of the FSM benchmarks

<sup>1</sup> Includes O&M as well as related military personnel, host nation, and working capital funds.

across the Services, TRICARE Management Activity, and the Department of Defense Education Activity. The fiscal year 2005 budget request of \$6.5 billion improved this by standardizing sustainment funding at 95 percent for each of the Components, and we plan to achieve full sustainment in the near term.

Restoration and modernization, together called recapitalization, provides resources for improving facilities and is funded with either operations and maintenance or military construction appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident or other causes. Modernization includes alteration of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years.

Recapitalization is the second step in our strategy. Similar private sector



industries replace their facilities every 50 years, on average. With the types of facilities in the Defense Department, engineering experts estimate that our facilities should have a replacement cycle of about 67 years on average.

As with sustainment, we have improved the corporate recapitalization rate for the third straight year. The budget request includes funding of \$4.4 billion for fiscal year 2005. The request improves the recapitalization rate from 136 years last year to 107. When we began our focused attention on this matter, the Department's recapitalization

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<sup>2</sup> Includes O&M as well as related military personnel, host nation, and working capital funds.

rate stood at 192 years. Our out-year budget plan would realize the target rate of 67 years in fiscal year 2008.

Even with full sustainment and a 67-year recapitalization rate, it will take time to restore the readiness of our facilities from C-3 and C-4 status to C-2. Sustainment stops deterioration and a 67-year recapitalization rate stops obsolescence, but more is needed to restore readiness in the near term. Thus, the third step in our plan is to accelerate the recapitalization rate to restore existing facilities to at least C-2 readiness, on average, by the end of fiscal year 2010.

### **Improving Quality of Life**

One of our principal priorities is to support military personnel and their families and improve their quality of life. Our Service members deserve the best possible living and working conditions. At the outset of this Administration, the President and Secretary Rumsfeld identified military housing and privatization of that housing as a central priority for the Department. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale. To that end, the Department is committed to providing quality housing using our ongoing approach – increasing the basic allowance for housing and eliminating the out-of-pocket expense for off-base housing (where over 60% of our Service members live); increasing the number of, and accelerating the pace of, housing privatization projects; and maintaining military construction funding for family housing where necessary.

The FY 2005 budget keeps the Department on track to eliminate nearly all its inadequate military family housing units by FY 2007, with complete elimination of some inadequate housing overseas in FY 2009. The budget continues the Department's extensive use of privatization to advance this goal and to obtain maximum benefit from its housing budget.

As I noted earlier, in January 2001, the Department had about 180,000 inadequate family housing units (out of a total of 300,000 housing units worldwide). At the start of FY 2004, through traditional construction and improvement projects, housing privatization and demolition, we have reduced that number to roughly 120,000. The President's FY 2005 budget includes funding to allow us to reduce that number further – by the end of FY 2005, we will have reduced the number of inadequate housing units to roughly 61,000 inadequate.

The FY 2005 budget request will eliminate the out-of-pocket housing costs for the average military member through changes in the basic allowance for housing, a key component of the Department's approach to quality housing. The fiscal year 2005 budget request includes necessary funding to ensure that the typical Service member living in the private sector, where approximately two-thirds of our members live, will have zero out-of-pocket housing expenses. Eliminating out-of-pocket expenses is good for military personnel, but also serves to strengthen the financial profile of the housing privatization program by providing members the ability to pay appropriate market rents.

Privatizing military housing is a priority for the President and the Secretary and is an integral part of the Administration's Management Plan. The Department has skillfully

used privatization to advance this goal and obtain maximum benefit from its housing investment. Our housing privatization program is crucial to providing a decent quality of life for our service members.

We believe our housing privatization efforts have now achieved identified success, with installation commanders and Service members welcoming privatization efforts to revitalize their family housing. As of March 22, 2004, the Department has closed out awards on 29 projects, which include 58,503 military family housing units (a 50% increase over our privatized units as of January 2003). We project by the end of FY 2005 DoD will privatize more than 136,000 family housing units

We project 20 more privatization awards in fiscal year 2004, and over 25 in 2005 – bringing our cumulative total end of year FY 2005 to about 136,000 units privatized. We project by the end of FY 2007 that we will privatize over 160,000 units or more than 70% of our domestic family housing.

During fiscal year 2005, we expect several other bases to have their renovations and construction completed or close to completion, including those at Fort Carson, Colorado. Our policy requires that privatization projects yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. Recent projects have demonstrated that leveraging is normally much higher. The 29 projects awarded thus far reflect an average leverage ratio of over 10 to 1. Tapping this demonstrated leveraging potential through our 29 awarded projects to date has permitted the Department, in partnership with the private sector, to provide housing for about \$550 million of military construction funding that would otherwise

have required over \$6.7 billion for those awarded projects if the traditional military construction approach was utilized.

The Department has achieved privatization successes by simplifying the process, accelerating project execution, and institutionalizing best practices in the Services deals with the private sector. Many of our projects require use of appropriated funds when subsidies are provided to the projects, especially as investments, loans and limited loan guarantees. The amount of such appropriated funds was limited in Section 2883 of Title 10, United States Code, to \$850 Million for military accompanied (family) housing and \$150 Million for military unaccompanied housing. Due to the rapid acceleration of the program over the last three years, we are now in position where almost 70% (about \$600 M) of the \$850 million cap has been used. We project the remaining 30% of the cap will be used up by the beginning of FY 2005; thus impeding the full implementation of the President's Management Agenda initiative to eliminate all inadequate military family housing by 2007. The Administration has requested that our budget authority for privatized family housing be increased by \$1B so that we can continue to improve housing options for our military families. We ask your support for this proposal.

Military construction is another tool for resolving inadequate military housing. In fiscal year 2005, we are requesting \$4.1 billion in new budget authority for family housing construction and operations and maintenance. This funding will enable us to continue operating and maintaining the Department's family housing as well as meeting the goal to eliminate inadequate housing by 2007 – three years earlier than previously planned.

We recognize that a key element in maintaining the support of the Congress and of the private sector is the ability to define adequately the housing requirement. The Department's longstanding policy is to rely primarily on the private sector for its housing needs. Only when the private market demonstrates that it cannot provide sufficient levels or quality of housing should we consider the construction, operation, and maintenance of government-owned housing.

An improved housing requirements determination process, following the Deputy Secretary's January 2003 memorandum, combined with increased privatization, is allowing us to focus resources on maintaining the housing for which we have a verified need rather than wasting those resources duplicating private sector capabilities. The improved housing requirement process is being used by the Department to better determine the number of family housing units needed on installations to accommodate military families. It provides a solid basis for investing in housing for which there is a verified need – whether through direct investment with appropriated funds or through a privatization project.

By aligning the housing requirements determination process more closely with the analysis utilized to determine basic allowance for housing rates, the Department is better positioned to make sound investment decisions necessary to meet the Secretary's goal to eliminate nearly all inadequate housing by 2007. Further, as more military families opt to reside in the private sector as housing out-of-pocket expenses decrease for the average member, the Services on-base housing requirement should generally also decline. This

migration should permit the Services to better apply scarce resources to those housing units they truly need to retain.

### **Range Sustainment**

Another key initiative is our effort to ensure access to needed test and training ranges and installations to support both current and future requirements. This involves mitigating the effects of encroachment around these facilities, and posturing our test and training infrastructure for sustainable operations.

Training provides our soldiers, sailors, airmen and marines the combat skills they need to win and return safely to their families. Experience has taught us that realistic training saves lives. Training, however, requires substantial resources; air, land and water where military forces can train as they would fight – replicating the challenges, stress, discomfort, physical and psychological conditions of actual combat.

Encroachment at installations, training ranges and test sites, however, interferes with the ability of our military to train and execute their missions. Encroachment comes from many sources – environmental, urban and suburban sprawl, airspace restrictions, and the frequency spectrum. Endangered species and their critical habitats in or near gunnery or bombing ranges also can reduce test and training access. As access is restricted due to encroachment, training opportunities for our men and women in uniform become increasingly limited in terms of time, scope, or realism with cumulative impact on military readiness.

The Department deeply appreciates the action of Congress in adopting key provisions in both the fiscal year 2003 and fiscal year 2004 National Defense Authorization Acts that were part of the Administration's Readiness and Range Preservation Initiative (RRPI). These provisions are key enablers of range sustainability. For example, one of the most useful provisions for countering physical encroachment due to incompatible development is Section 2811 of the 2003 Act. This provision allows the Services to take a proactive role in developing programs to protect installations and ranges from urban sprawl by working with states and non-governmental organizations to promote sound land use.

To assist the Services in implementing this authority and forming compatible land use partnerships at the state and local level, the President's FY 2005 Budget request includes a new initiative of \$20 million targeted to our new authority – to assist in developing new policies, partnerships, and tools to assist communities and other interested stakeholders in executing compatible land use partnerships around our test and training ranges and installations. The new request is intended to build upon on-going efforts – innovative win/win partnerships with our neighbors to enhance conservation and compatible land use on a local and regional basis

Last year, the National Defense Authorization Act for Fiscal Year 2004 included important clarification of the Marine Mammal Protection Act's (MMPA) definition of harassment. This action allows the Navy to continue to test and train with active sonar, by clarifying regulatory criteria that were previously based on imprecise statutory language in the Act's definition of harassment. The Congress also added a national

security exemption to the MMPA for military activity in time of national emergency, an exemption provided in other major environmental legislation that was not present in the original and reauthorized versions of the act. The Fiscal Year 2004 National Defense Authorization Act also authorized the use of Integrated Natural Resource Management Plans (INRMPs) in lieu of Critical Habitat designation, if approved by the Secretary of the Interior, thereby allowing ranges and installations to effectively manage their natural resources while supporting military readiness.

Another significant environmental accomplishment is in the area of natural resources, where we are working to ensure continued access to our critical test and training ranges, supporting our readiness mission. The Department currently manages more than 30 million acres of lands which are important to military training and readiness. We have completed integrated natural resource management plans (INRMPs), as required by the Sikes Act, at 95% of our installations. INRMPs provide a management framework for our resources for no net loss of test and training opportunities. Legislation in The National Defense Authorization Act for Fiscal Year 2004 authorized the use of INRMPs to substitute for critical habitat designation under the Endangered Species Act, if those plans meet certain preparation and implementation requirements and the Secretary of the Interior determines that the DoD INRMP provides a benefit to the relevant species. DoD is preparing an INRMP strategic plan to ensure that its installations coordinate with all interested stakeholders, complete in a timely manner the next round of updates to our existing INRMPs due in 2006, and fund all required projects.

Clearly, to protect our military we must also protect our all important test and training ranges. Substantial urban growth and other “encroachment” around previously isolated ranges have strained our ability to conduct necessary testing and training essential to maintaining readiness. In response to this challenge, we are working to expand efforts to sustain our training mission and protect the valuable natural resources entrusted to our care. Both are required as we endeavor to ensure that our men and women in uniform get the best training available. Our troops deserve the best.

**Improving Environmental Management**

The Department continues to be a leader in every aspect of environmental management. We are proud of our environmental program at our military installations and are committed to pursuing a comprehensive environmental program.

**Environmental Program - Summary of Request<sup>3</sup>**

(President’s Budget in \$ Millions – Budget Authority)

	<b>Fiscal Year 2004 Request</b>	<b>Fiscal Year 2005 Request</b>
<b>Environmental Restoration</b>	1,273	1,305
<b>BRAC Environmental<sup>4</sup></b>	412	322
<b>Compliance</b>	1,603	1,665
<b>Pollution Prevention</b>	173	168
<b>Conservation</b>	153	169
<b>Technology</b>	190	186
<b>International</b>	3	4
<b>TOTAL</b>	<b>3,807</b>	<b>3,819</b>

In fiscal year 2005, the budget request includes \$3.8 billion for environmental programs. This includes \$1.3 billion for cleanup, \$0.3 billion for BRAC environmental,

<sup>3</sup> Includes operations and maintenance, procurement, RDT&E, and military construction funding.

<sup>4</sup> Funding levels reflect total BRAC environmental requirement planned for execution. Funding levels are higher than the PB request (see page 4 chart) as a portion will be financed with BRAC land sale revenues.

\$1.6 billion for compliance; about \$0.1 billion for pollution prevention, and about \$0.1 billion for conservation.

By the end of fiscal year 2003, we reduced the number of new federal and state Notices of Violations (NoVs) by 80% percent from the 1992 baseline. The Department's success is due to an aggressive self audit program, which includes root cause analysis and corrective action plans. While the number of new NoVs decreased, the number of regulatory inspections increased by 12 % in fiscal year 2003. Even as regulators are increasing their oversight, they are finding more installations in full compliance. In fiscal year 1994, every 100 inspections resulted in 37 new enforcement violations. In fiscal year 2003, every 100 inspections resulted in only 8 new enforcement violations.

In calendar year 2002, we provided drinking water for over 2 million people worldwide and less than 5% of the population received notices that the water exceeded a drinking water standard at some point during the year. To further protect people, assets, and mission, DoD is conducting vulnerability assessments and developing emergency response plans for all systems serving 25 consumers or more; far beyond the requirement in the Safe Drinking Water Act to assess systems serving a population greater than 3,300 persons.

We reduced the amount of hazardous waste we dispose of by over 68 percent since 1992, reducing the cost to manage these wastes. The Department diverted over 41% of all the solid waste generated from landfills to recycling; thereby avoiding over \$138 million in landfill costs. These pollution prevention techniques continue to save the Department needed funds as well as reduce pollution. We increased the number of

alternative fueled vehicles that we acquire to 77% of all non-tactical vehicles acquired, exceeding the requirement in the Energy Policy Act of 75%.

The Department's commitment to its restoration program remains strong as we reduce risk and restore property for productive use by future generations. We are exploring ways to improve and accelerate cleanup with our regulatory and community partners. Achieving site closure and ensuring long-term remedies are challenges we continue to face. Conducting environmental restoration activities at each site in the program requires accurate planning, funding, and execution of plan.

The Department must plan its activities years in advance to ensure that adequate funding is available and used efficiently. As an example, instead of waiting for federal and state regulation to determine cleanup standards before beginning planning for perchlorate restoration, in September 2003 the Department required the Military Components to assess the extent of perchlorate occurrence at active and closed installations, and Formerly Used Defense sites. We will use the data collected to determine priorities and funding requirements for our cleanup responsibilities. As soon as perchlorate standards are determined, the Department will be ready to request the appropriate funding and begin execution. In addition, the Department has invested \$27 million to research potential health effects, environmental impacts, and treatment processes for perchlorate. The remediation technologies we are testing in several states continue to increase the effectiveness of treatment. We are putting ourselves in the best possible position to respond to any new requirement established by regulatory agencies.

The Defense Environmental Restoration Program goals assist the Components in planning their programs and achieving funding for activities. We achieved our goal to reduce 50 percent of high risk sites at active installations by the end of fiscal year 2002 and are on track to achieve 100 percent by the end of fiscal year 2007. At the end of FY03, 83 percent of BRAC sites requiring hazardous waste remediation have a cleanup remedy constructed and in place, and 78 percent have had all necessary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) standards.

We also are working to mitigate unexploded ordnance (UXO) on our military ranges. Our operational ranges are designed to train and make combat-ready our nation's warfighters and prepare them for combat. UXO on ranges is a result of our military preparedness training activities. However, we are actively developing ways to minimize the amount of UXO on our operational test and training ranges. The Department is developing policies on the periodic clearance of UXO for personnel safety and to ensure chemical constituents do not contaminate groundwater.

To address UXO problems at locations other than operational ranges, Formerly Used Defense Sites, some BRAC installations, and closed ranges on active installations – we have the Military Munitions Response Program (MMRP). We are currently developing goals and metrics for the program to track our progress to completion and finishing the prioritization protocol that will allow us to sequence sites by risk. We have an inventory of our munitions response sites, which we shared with the states and EPA, and have made available to the public. This inventory is being updated as we reconcile

our list with the states. Even though the UXO cleanup program is in the early stages of development, considerable progress has been made in cleaning up MMRP sites at our BRAC installations and Formerly Used Defense Sites (FUDS). As of the end of FY2003, DoD has fulfilled its cleanup obligations at over 120 of the approximately 195 identified MMRP sites at BRAC installations, and has cleanup actions underway at 27 sites. These sites were identified prior to FY2001 as having UXO contamination and the Department has been making steady progress to eliminate their hazards—almost 65% of the BRAC MMRP inventory has been addressed. A similar situation can be found at FUDS sites, where 45% of the MMRP sites identified have had all cleanup actions completed. Over 790 of the 1,753 FUDS sites with currently identified UXO contamination have been addressed, and another 36 are undergoing cleanup actions.

In addition, we are developing new technologies and procedures through the Environmental Security Technology Certification Program and the Strategic Environmental Research and Development Program. Over 60% of the investments in these programs focus on projects to sustain ranges and range operations. These, along with the Army and Navy's Environmental Quality Technology Programs, have helped us make tremendous strides for realizing our goal to reduce current and future environmental liability.

Across the Department, we are actively implementing environmental management systems based on the “plan-do-check-act” framework of the international standard for environmental management systems (ISO 14000). Our objective is to transform environmental management in the Department of Defense from an activity external to the

mission to a systematic process that is fully integrated with mission planning and execution. This transformation is essential for the continued success of our operation at home and abroad. Our new management systems target reduction in our day-to-day compliance costs and long-term environmental liabilities by increasing environmental awareness and mobilizing all Defense organizations and employees to reduce environmental impacts through improved control of day-to-day mission activities. The Military Departments and Defense Logistics Agency reported plans to implement environmental management systems at roughly 625 installations. Over 50 percent of these installations have environmental management system policies in place – the first step toward full scale implementation. To date, 33 installations have fully implemented environmental management systems.

### **Utilities Privatization and Energy Management**

The Department seeks to reduce its energy consumption and the associated costs, while improving utility system reliability and safety. To accomplish this, the Department of Defense is developing a comprehensive energy strategy that will continue to optimize utility management by conserving energy and water usage, improve energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves and modernize our infrastructure by privatizing our deteriorated and outdated utilities infrastructure where economically feasible.

With approximately 2.2 billion square feet of facilities, the Department is the single largest energy user in the nation. Conserving energy in today's high-priced market will save the Department money - money that can be better invested in readiness,

facilities sustainment, and quality of life. Our efforts to conserve energy are paying off; in Fiscal Year 2003 military installations reduced consumption by 1 percent resulting in a 2.7 percent decrease in the cost of energy commodities from Fiscal Year 2002. With a 26.1 percent reduction in Fiscal Year 2003 from a 1985 baseline, the Department has, thus far, maintained a positive track to achieve the 2005 and 2010 facility energy reduction goals stipulated by Executive Order 13123.

The comprehensive energy strategy will support the use of meters to manage energy usage at locations where the monitoring justifies the cost of installing, maintaining and reading the meter. Metering in itself does not save energy, however use of meters can be beneficial to determine accurate billing, perform diagnostic maintenance, and enhance energy management by establishing baselines, developing demand profiles, ensuring accurate measurement for reporting, and providing feedback to users.

The Department has a balanced program for energy conservation—installing energy savings measures using appropriated funding and private-sector investment—combined with using the principles of sustainable design to reduce the resources used in our new construction. Energy conservation projects make business sense, historically obtaining about four dollars in life-cycle savings for every dollar invested. The Fiscal Year 2005 budget contains \$60 million for the Energy Conservation Investment Program (ECIP) to implement energy saving measures in our existing facilities. This is a 20 percent increase from the FY 2004 congressionally appropriated amount of \$50 million, partly because of the performance of the program to date and because of the focused

management effort for continued success. The Department will also continue to pursue renewable energy technologies such as fuel cells, geo-thermal, wind, solar, and purchase electricity from these renewable sources when it is life-cycle cost-effective. In Fiscal Year 2003 military installations used 3.2 trillion British Thermal Units of renewable energy, and project an increase in FY 2004. The pursuit of renewable energy technologies is critical to the Department's and Nation's efforts in achieving energy flexibility.

The Department has reaffirmed its preference to modernize military utility systems through privatization. Following on revised guidance signed by the Deputy Secretary of October 2002, the DoD Utilities Privatization Program has made solid progress. The Services have greatly simplified and standardized the solicitation process for obtaining industry proposals. The Request for Proposal templates have been clarified to improve industry's ability to obtain private sector financing and manage risks. Of 2,602 utility systems serving the DoD, 435 systems have been privatized and 739 were already owned by other entities. Over 900 systems are currently under solicitation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems by September 2005.

### **BASE REALIGNMENT AND CLOSURE**

In accordance with the authorizing legislation, the Secretary certified on March 23, 2004, that the need exists for the closure or realignment of additional military installations and that the additional round of closures and realignments authorized for 2005 will result in

annual net savings for each of the Military Departments, beginning not later than fiscal year 2011. This certification is contained in the report that was provided to Congress last week.

The Secretary's certification of the need for BRAC is a direct result of the changed world in which we live. The conclusion that an additional round of BRAC is needed is shared not just by the Department's civilian leadership but also by the Chairman and Joint Chiefs. Changes in the threats we face, how we prepare for those threats, and changes in technology require that we reconfigure our force structure to most effectively and efficiently support our forces. Our force structure and the way we employ it is already transforming and this will continue. BRAC has proven to be the most effective and comprehensive tool to position our base structure to accommodate and facilitate this transformation. Therefore, an additional base realignment and closure (BRAC) round is essential to the Department's efforts to transform the Armed Forces to meet the threats to our national security and to execute our national strategy.

The Secretary's certification that there is a need for BRAC also reflects the fact that the Department retains excess infrastructure capacity, even after the previous four BRAC rounds. Excess capacity diverts scarce resources from recapitalization. The report we have provided includes a "discussion of the categories of excess infrastructure and infrastructure capacity" as required by the legislation. Elimination of excess capacity is an important goal of BRAC because it is important to the Department's stewardship of the taxpayer's dollar and to its application of taxpayer resources to achieve their maximum effect. I must note, however, that the Department is focused on the

elimination only of truly excess capacity – that which is not important to preserving military value. The Secretary has not established any quantitative capacity reduction targets for BRAC and the Department will not eliminate assets, even if only used marginally, wherever these assets are important to the preservation of the capabilities the Department must retain and enhance. This was a key consideration in the previous rounds and is even more important now.

BRAC 2005 will be a capabilities-based analysis. The Department recognizes that the threats our Nation now faces are difficult or even impossible to forecast through conventional analysis. That realization compels us to review our facilities in BRAC within the context of the *capabilities* they offer instead of viewing our facilities against definitive requirements. Because it is critically important for the Department to retain the infrastructure necessary to accommodate its ability to “surge”, the Department is gauging its installations against the range of threats faced by our Nation so that it can differentiate among and capitalize on those that offer needed capabilities, and reconfigure, realign or close those that do not. The previous BRAC rounds demonstrated that DoD has, in fact, focused on the elimination of assets that are “reconstitutable,” that is, available through construction or purchase in the private sector, while retaining difficult to reconstitute assets like land maneuver areas and airspace for training.

The Secretary has directed that BRAC must: further transformation by rationalizing infrastructure to force structure; enhance joint capabilities by improving joint utilization; and convert waste to war fighting by eliminating excess capacity. I know that you share the Department’s goal that BRAC 2005 must result in a base

structure configured to most effectively and efficiently support the capabilities necessary to meet the threats of today and tomorrow. I also know that this Subcommittee appreciates the fact that every dollar wasted on unnecessary infrastructure is a dollar diverted from improving Defense capabilities. That is why Congress authorized BRAC 2005 –it is the only process that uses a rigorous, objective process rooted in military value to rationalize the Department’s infrastructure.

## **CONCLUSION**

The Department is transforming its installations and business practices through an asset management strategy, and we are beginning to see the results of that transformation. We are achieving the President’s goal to provide quality housing for our service members and their families, and we have made positive progress toward our goal to prevent deterioration and obsolescence and to restore the lost readiness of our facilities. We also are transforming our environmental management to become outcome oriented, focusing on results. We are responding vigorously to existing encroachment concerns and are putting a long-term installation and range sustainment strategy into effect.

The Base Realignment and Closure effort leading to the delivery of the Secretary’s recommendations to the independent Base Closure Commission in May 2005 is a key means to transform our infrastructure to be more flexible to quickly and efficiently respond the challenges of the future. Together with the Global Defense Posture Review,

BRAC 2005 will make a profound contribution to transforming the Department by rationalizing our infrastructure with Defense strategy.

In short – we have achieved significant accomplishments over the last three years, and we are well on our way to achieving our goals across the Installations and Environment Community.

In closing, Mr. Chairman, I sincerely thank you for this opportunity to highlight our successes and outline our plans for the future. I appreciate your continued support of our installations and environment portfolio, and I look forward to working with you as we transform our plans into actions.