Statement of

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Before the

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of the

SENATE ARMED SERVICES COMMITTEE

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Mr. Chairman and members of the committee, I am pleased to appear before you today to provide an overview of the Department of Navy's shore infrastructure.

The Navy-Marine Corps team continues to operate in a complex, uncertain, and threatening global security environment. We must capitalize on our strengths as a rotational, forward-deployed, surge-capable force if we are to meet the challenges of a new era. We demonstrated our capabilities last year as we continued efforts to win the Global War On Terror while responding to major natural disasters, the Indonesian Tsunami and Hurricane Katrina, while continuing recovery efforts from Hurricane Ivan in 2004. We have a well skilled, highly motivated military, civilian and contract workforce; with the help of this committee, we must provide them the necessary tools to accomplish the mission.

Hurricane Recovery Efforts

Hurricane Ivan

Ivan ravaged the Florida panhandle on mid September 2004, damaging 570 housing units, 850 structures, and destroying 100 buildings across Naval Air Station Pensacola and Naval Air Station Whiting Field. A facilities task force, led by RADM Shear, worked rapidly to restore critical mission capabilities and initiated the deliberate planning required to restore both bases.

As we look back, the Hurricane Ivan recovery is a tremendous success story. In parallel with initial recovery actions, we sought not simply to rebuild, but to reshape our facilities footprint to improve operational effectiveness, consolidate functions, and eliminate on-base excess capacity. Using the Navy Ashore Vision 2030 as a guiding vision and other strategic host and tenant planning documents, we project an overall 900,000 square foot reduction, along with reduced operating and maintenance costs, and efficiency improvements such as consolidating like functions from damaged facilities, and relocating destroyed facilities to more storm resistant locations.

The FY05 Disaster Supplemental provided $468 million in Operations and Maintenance and $139 million military construction funds for our recovery efforts. We have obligated all Operations and Maintenance funds, and five of the eight planned construction projects. We plan to award the remaining three construction projects by May 2006. Despite additional damage from Hurricane Katrina, NAS Pensacola and Whiting Field are fully mission capable.

Hurricane Katrina

Hurricane Katrina and subsequent storms severely impacted seven major bases, destroying buildings, rendering thousands homeless, and effectively shutting down operations for weeks while recovery began in earnest. Less than

20 percent of the 1,160 buildings across the seven affected bases escaped damage. Using techniques developed after Hurricane Ivan, we were prepared to promptly initiate recovery actions to ensure mission requirements were met while being good stewards of taxpayer funds.

The Department of Navy has received $1.5 billion in Operations and Maintenance funds, of which $853 million provided immediate facility and base support needs. Over 60% of these funds have been obligated to date. We have received an additional $411 million in military construction to support 34 construction projects. We expect to award all of these construction projects by the end of this fiscal year and I am confident that our facility execution is on pace to meet requirements and support recovery efforts.

The Administration recently requested a fourth Supplemental for Hurricane Recovery, which included $43 million in Operations and Maintenance and $78 million military construction. These funds will replace collateral equipment, complete facility repairs, and provide military construction funds at Naval Air Station Joint Reserve Base Belle Chase LA; Construction Battalion Center, Gulfport MS; and John C. Stennis Space Center, MS. This Supplemental request also includes important fund transfer authority that will allow us to more effectively use available funds as we continue recovery efforts.

Task Force Navy Family

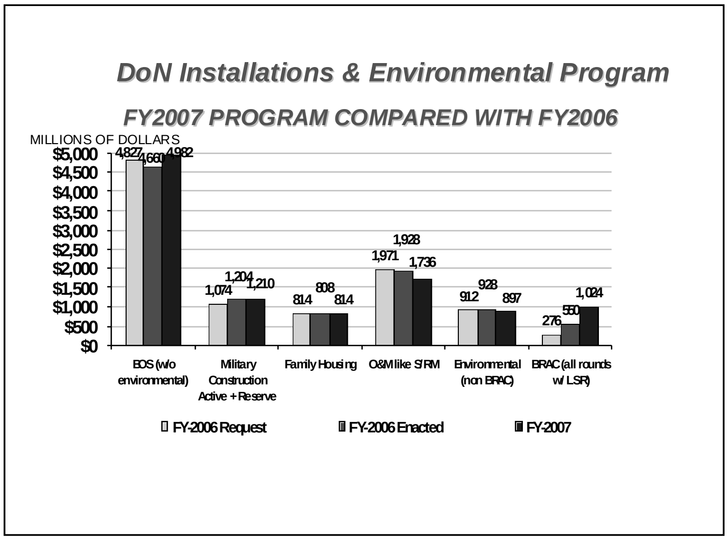
The devastation to our infrastructure wrought by the recent spate of hurricanes has also left a wide swath of devastation in the personal lives of our military, civilian, retirees and their families as they tackle their own recovery efforts. The Navy established Task Force Navy Family immediately after the hurricane to provide personalized assistance to help our Navy family members return to a sense of normalcy. A case manager helps family and service members on all aspects of personal recovery, from securing accommodations, replacing vital documents, filing insurance claims, or reuniting with their pets. As we transition Task Force Navy Family functions into our existing Navy personnel support architecture, we will continue to help each member and family through this time of crisis until all needs are met.

THE NAVY'S INVESTMENT IN FACILITIES

The Department of Navy's shore infrastructure is a critical factor in determining our operational capabilities and shaping our security posture. It's where we train and equip the world's finest Sailors and Marines, while developing the most sophisticated weapons and technologies. The Department of Navy manages a shore infrastructure with a plant replacement value of $180 billion on 4 million acres. Our FY-07 shore infrastructure budget totals $10.3

billion, representing about eight percent of the Department of Navy's FY-07 request of $127 billion.

The **Base Operating Support** request of $5.0 billion, excluding environmental, comprises the largest portion of the Navy's facilities budget request. This account funds the daily operations of a shore facility, e.g., utilities, fire and emergency services; air and port operations; community support services; and custodial costs.



Our request for FY-07 of $5.0 billion reflects a $321 million increase from the enacted FY-06 level. This change is due in part to pricing changes as well as transfer of Norfolk and Portsmouth Naval Shipyards to mission funding.

FY-07 **military construction** request of $1.2 billion is the same as the enacted FY-06 level. The request includes $48 million for Navy and Marine Corps reserve construction efforts. This level of funding keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training and mission enhancement projects.

While our FY-07 **Family Housing** request of $814 million is about the same as FY-06 enacted level of $808 million, there are substantial changes within the account: construction funds increase, including seed funds for Navy and Marine Corps privatization, and operations and maintenance funds decline as government owned inventory falls by 4,820 homes due to privatization.

Sustainment, Restoration and Modernization (S/RM) includes military construction and operation and maintenance funds. Our FY-07 request of $1.7 billion represents only the amount of S/RM funded with Operations and Maintenance, and is $192 million below the enacted FY-2006 level due to efficiencies.

Our $897 million **environmental program** at active and reserve bases is comprised of operating and investment appropriations, which combined are $31 million below the FY-2006 enacted level. Most of the reduction is due to reduced shipboard procurement needs and not continuing one-time Congressional adds in research and technology development.

Our BRAC program consists of environmental cleanup and caretaker costs at prior BRAC locations, and implementation of BRAC 2005 recommendations.

- Our **prior BRAC** request is $334 million, an increase of $31 million over our FY-06 program of $303 million. The entire prior BRAC effort is financed with revenue obtained from the sale of prior BRAC properties.
- This FY-07 budget continues to implement the **BRAC 2005** recommendations. The Department of Defense recently submitted the FY-06 plan to the Congress, including $247 million for the Department of Navy. The FY-07 request rises to $690 million.

Here are some of the highlights of these programs.

MILITARY CONSTRUCTION

Military Construction Projects

The Department of Navy's FY-2007 Military Construction program requests appropriations of $1.2 billion including $67.8 million for planning and design and $9 million for Unspecified Minor Construction. The authorization request totals $825.6 million. The Navy and Marine Corps Reserve Military Construction appropriation request is $48.4 million.

The active Navy program consists of:

- $85 million for four quality of life projects for Homeport Ashore, Great Lakes Recruit Training Command recapitalization and the Naval Academy.
- $348 million for ten waterfront and airfield projects. $207 million of this is for six projects supporting new weapons platforms such as H60R/S, SSGN, F/A 18 E/F/G, and T-AKE.
- $48 million for four special weapons protection projects.
- $88 million for 6 Operational Support projects such as the Joint Deployment Communications Center in Norfolk, VA.
- $29 million for two Research, Development, Testing and Evaluation (RDTE) projects supporting new VXX and MMA weapons platforms; and
- $30 million for three training facilities supporting simulators for MH60 and a Damage Control Wet Trainer.

The active Marine Corps program consists of:

- $180 million for five bachelor quarters, three dining facilities and a battle aid station;
- $85 million for seven operations and training facilities;
- $33 million for continuing an environmental compliance project at Marine Corps Base Camp Pendleton;
- $60 million to provide six maintenance facilities at Marine Corps Air Station New River, Camp Pendleton CA, and Marine Corps Air Ground Task Force Center Twentynine Palms CA;
- $51 million for a variety of projects including land acquisition, armories, a missile magazine, ammunition supply point upgrades, and a fire station;
- $62 million for the final settlement for acquiring Blount Island property

The Navy and Marine Corps Reserve program consists of two Administrative and Boat Storage Facilities for Inshore Boat Units, five Reserve Centers, and an Aviation Joint Ground Support Facility.

Incremental funding of Military Construction Projects

Military construction projects are said to be incrementally funded when full authorization and only partial appropriation is sought in the first year. None of the annual appropriation requests provide a "complete and usable" portion of the facility. The Office of Management and Budget directed a new policy beginning with the FY-07 budget submission that permits incremental funding of new construction projects only on an exception basis. Previously approved incrementally funded projects, and construction projects for BRAC are exempted. This new policy replaces the previous policy, which allowed incremented projects in part if the cost exceeded $50 million and construction was expected to exceed two years. Our FY-07 budget request includes only one new incrementally funded project, the National Maritime Intelligence Center.

Marine Corps Special Operations Command (MARSOC)

On 28 October 2005, the Secretary of Defense approved a Marine component within the Special Operations Command. The new Marine component will provide approximately 2,600 Marine and Navy billets within U.S. Special Operations Command (SOCOM), led by a Marine Brigadier General. The MARSOC will conduct direct action, special reconnaissance, counterterrorism and foreign internal defense. MARSOC will have an initial operational capability this fall and full operational capability by 2010. The budget request includes $152 million for construction projects at Camp Lejeune and Camp Pendleton for the standup of MARSOC.

Certification of FY-07 construction costs

The Conference Report accompanying the Military Quality of Life and Veterans Affairs Appropriations Act of 2006 directed each Assistant Secretary with responsibility for installations to certify that the impact of natural disasters on project costs had been considered in preparing the budget submission. Our FY-07 military construction request includes a directed 3.1% inflation cost adjustment. While we have been experiencing up to a 30 percent cost increase for construction costs in the Southeast and Gulf Coast, our FY-07 request contains relatively few projects in this area. We expect that labor and material costs will stabilize by the time these projects are ready to be executed in FY-07.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of building and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts are used to maintain facilities in their current condition. The funds also provide for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems) that have reached the end of their service life. Both the Navy and the Marine Corps are budgeting and nearly achieving the Department of Defense goal of 95 percent sustainment.

% Sustainment	FY-05	FY-06	FY-07
USN Budget	95%	95%	95%
USN Actual/Plan	90%	92%	
USMC Budget	95%	94%	93%
USMC Actual/Plan	94%	92%	

Restoration and modernization provides major recapitalization of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel funds. The "recap" metric is calculated by dividing the plant replacement value by the annual investment of funds and it is expressed as numbers of years. The Department of Defense goal is to attain a 67-year rate by FY-2008. This is a relatively coarse metric, as demonstrated by the dramatic improvement in

Recap years	FY-05	FY-06	FY-07
USN Budget	136	105	83
USN Actual/Plan	78	56	
USMC Budget	95	102	112
USMC Actual/Plan	72	94	

execution from the substantial investment of the FY-05/06 Hurricane Supplemental, which substantially improved only those bases affected by the storm. We are working with the Office of the Secretary of Defense and the other Components to develop a recap model similar to the Sustainment model.

Base Operating Support Models

The Navy uses business-based models and capabilities based approach to budget for Base Operating Support costs. The models use defined metrics and unit costs that are benchmarked against historic performance and industry standards, and link resources to definable, variable levels of outputs. Funding requirements are identified for at least three levels of output (or capability level) for each major shore service and support function, and the cost and risk of each output level. This new CBB process allows us to set funding levels on needed output levels, deliverables, and associated risks rather than prior funding levels. In a resource-constrained environment, it is imperative that we program, budget and execute the right resources at the right time for the right service.

Naval Safety

Navy Secretary Winter has continued former Navy Secretary England's commitment to making mishap reduction one of the top five Department of Navy performance objectives. We want safety to be an active—not passive—aspect of our work and play. In addition to keeping our people safe, there are substantial cost avoidance through robust risk management. FY-05 produced solid progress in Navy and Marine Corps mishap reduction. At the end of FY-05, we performed better than the five-year average in two-thirds of the mishap categories.

One very successful effort has been the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which focuses on management leadership and employee involvement teaming together to improve safety. Portsmouth VA , Norfolk VA, and Puget Sound WA Naval Shipyards have successfully achieved VPP STAR recognition from OSHA, while Pearl Harbor Naval Shipyard's application is under review. Lost workday rates due to injury have been reduced by 50% at Norfolk and 60% at Puget Sound in three years, 37% at Pearl Harbor in two years, and Portsmouth has consistently exceeded the Department of Defense 50% mishap reduction goal.

Facilities Management Consolidation

Commander, Navy Installations (CNI) has now successfully completed its second year and has made significant improvements to Navy shore services. Among the many significant CNI efforts this year was the hurricane disaster recovery response in the Gulf Coast Region. Recovery and assessment teams responded promptly to restore infrastructure, make immediate repairs and capture critical data to plan for long term rebuilding of devastated bases like the Seabee Base in Gulfport, MS; Stennis Space Center in Bay St. Louis, MS; Naval Bases in New Orleans as well as several Reserve Centers in the Gulf Region.

Similarly, the **Marine Corps** is transforming its bases from singularly managed and resourced entities to ones strategically managed in geographic regions. Our bases and stations (except recruit training depots) will fall under the direction of five Marine Corps Installation Commands with the majority of the installations under the oversight of Marine Corps Installation Command—East and Marine Corps Installation Command—West. Regionalization will enhance warfighter support, improve alignment, enhance the use of regional assets, return Marines to the Operating Forces, and reduce costs.

Encroachment mitigation

We are successfully applying the recent authority to enter into agreements with state and local governments and eligible non-government organizations to address potential development near our installations and ranges that could limit our ability to operate and train. In the past two years we have acquired restrictive easements from willing sellers covering over 3,360 acres in the vicinity of Marine Corps Base Camp Lejeune NC, Marine Corps Air Station Beaufort SC, Mountain Warfare Training Facility La Posta CA, Naval Air Station Pensacola FL, and Outlying Landing Field Whitehouse FL. We have used our Operation and Maintenance funds and Department of Defense Readiness and Environmental Protection Initiative (REPI) funds. Our partners have used our contributions together with their own resources to acquire property interests from willing sellers and re-conveyed restrictive easements to us.

We expect that this program will continue to grow. Navy and Marine Corps are developing service-wide encroachment management programs to guide future priorities. Marine Corps is participating in conservation forums across the country with a variety of state and local governments and conservation organizations. The FY-07 President's budget includes $8.5 million for Navy and $5 million for Marine Corps encroachment protection initiatives, and we expect allocation of a share of the FY-07 $20 million REPI funds

Energy

Through the end of FY05 the Department of Navy reduced its energy consumption, compared to a FY85 baseline, by nearly 30%, thus meeting Executive Order 13123 goals.

Last year the Navy opened a wind/diesel power plant at Naval Station Guantanamo Bay, Cuba. The four -- 950 KW windmills generate 30 percent of the base's electrical needs. The Navy also awarded a geothermal power plant at

NAS Fallon, NV that will generate a minimum of 30 MW of power. Similar to the Navy's existing 270 MW geothermal power plant at Naval Air Warfare Center China Lake, CA these power plants generate electricity from the earth's heat without creating pollution. The Navy is testing a wave power buoy off Marine Corps Base Kaneohe, HI and is finalizing the design of an Ocean Thermal Energy Conversion (OTEC) plant off Diego Garcia that will produce the island's electrical and potable water requirements using the temperature difference between warm surface water and cold, deep ocean water. These projects will reduce the Department of Navy's use of foreign oil, reduce greenhouse gas production and improve energy security.

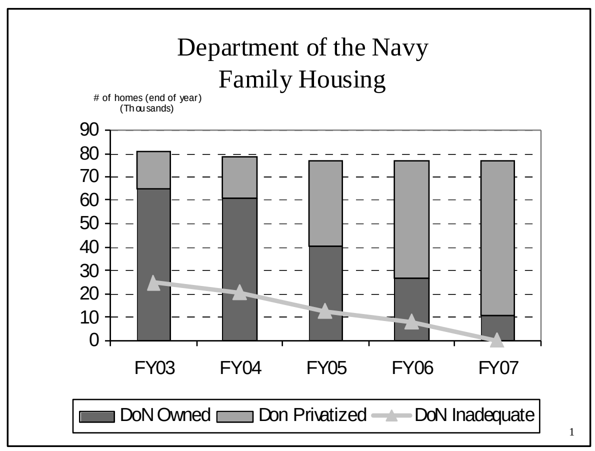
HOUSING

Our FY-2007 budget continues progress in improving living conditions for Sailors, Marines, and their families. We have programmed the necessary funds and expect to have contracts in place by the end of FY-2007 to eliminate all of our inadequate family and virtually all inadequate unaccompanied housing.

Family Housing

Our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector. In accordance with longstanding DoD and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing and own or rent homes in the community.
- Public/Private Ventures (PPVs). With the strong support from this Committee and others, we have successfully used statutory PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families.
- Military Construction. Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.



As of 1 March, we have awarded 19 projects totaling over 38,000 units. As a result of these projects, over 24,000 homes will be replaced or renovated.

Additionally, close to 3,000 homes will be constructed for Navy and Marine Corps families. Through the use of these authorities we have secured about $4 billion in private sector investment from $453 million of our funds for the 19 projects. This represents a leverage ratio of over nine to one.

During FY-06 and -07, we plan to award ten Navy and Marine Corps family housing privatization projects totaling almost 28,000 homes. By the end of FY-07, the Navy and Marine Corps will have privatized 97 percent and 98 percent, respectively, of their U.S. housing stock.

Planned Privatization Awards

Location	# homes
Fiscal Year 2006	
San Diego (Phase 3)	4,268
Navy Hawaii (Phase 2)	2,520
Marine Corps Base Hawaii	1,175
Camp Lejeune/Cherry Pt (Phase 2)	960
Camp Pendleton (Phase 4)	3,359
FY 2006 Total	12,282
Fiscal Year 2007	
Southeast Region	8,038
Southwest Region	3,959
MCB Hawaii (Phase 2)	917
Camp Lejeune/Cherry Pt (Phase 3)	2,477
Camp Pendleton (Phase 5)	147
FY 2007 Total	15,538
Total FY 2006-2007	**27,820**

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Our FY-07 family housing budget request includes $305 million for family housing construction and improvements. This amount includes $175 million proposed for use as a Government investment in family housing privatization projects planned for FY-07 award. It also includes the replacement or revitalization of inadequate housing located at locations where privatization is not planned, most notably Guam and Japan. Finally, the budget request includes $509 million for the operation, maintenance, and leasing of Government-owned inventory.

Unaccompanied Housing

Our budget request of $207 million for unaccompanied housing construction projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

1. Provide Homes Ashore for our Shipboard Sailors. There are approximately 13,000 E1-E3 unaccompanied Sailors worldwide who live aboard ship even while in homeport. The Navy's goal remains to program funding through FY-08 to achieve its' "homeport ashore" initiative by providing ashore living accommodations for these Sailors. We intend to achieve this goal through a mix of military construction, use of privatization authorities and, for the interim, more intensive use of our unaccompanied housing capacity by assigning two or more Sailors per room. Our FY-07 budget includes one "homeport ashore" construction project for $21 million to complete Naval Station Everett, WA (410 Spaces).

2. Ensure our Barracks Meet Today's Standards for Privacy. We are building new and modernizing existing barracks to increase privacy for our single Sailors and Marines. The Navy uses the "1+1" standard for permanent party barracks. Under this standard, each single junior Sailor has a private sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a "2+0" configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by FY-2016; the Marine Corps by FY-2012. We have also been granted a waiver to the "1 + 1" standard to allow us to build an enlisted unaccompanied housing project in Norfolk to private sector standards. We believe this will provide better housing for unaccompanied Sailors without increasing the average housing cost.
3. Eliminate gang heads. The Marine Corps has programmed all necessary funding, through FY 2005, to eliminate inadequate unaccompanied housing with gang heads[1] for permanent party personnel. The Navy will achieve over 99 percent of this goal by FY-2007.

Unaccompanied Housing Privatization

We continue to pursue unaccompanied housing pilot privatization. We are in exclusive negotiations with a private partner for our first pilot project at San Diego. This project would build 700 apartments for unaccompanied E4s and above and privatize 254 existing Government-owned unaccompanied housing modules. Although the construction of new units does not directly target the Homeport Ashore requirement (unaccompanied E1-E3s assigned to sea duty), it will help by freeing up existing rooms as other Sailors move out of Government-owned unaccompanied housing and move into privatized housing. We expect to award this project this spring.

San Diego
(Proposer's rendering of conceptual site plan including the pilot project scope)

We have also started procurement for a second pilot project at Hampton Roads, Virginia. This project would build 725 apartments at up to three different sites and privatize 806 existing unaccompanied housing modules. All housing will be targeted to

[1] Gang heads remain acceptable for recruits and trainees.

unaccompanied shipboard E1-E3 personnel. We recently selected four highly qualified teams and invited them to submit detailed technical and financial proposals. We expect to award this project in April 2007.

Last year we were evaluating the Pacific Northwest as a third pilot site. We have since concluded that the Pacific Northwest is not viable because the requirement is linked with one large ship (unlike San Diego and Hampton Roads which are fleet concentration areas), the private partner cannot recapitalize the housing over the long term given projected cash flows. We will now proceed to use the FY-05 appropriated and authorized funds as a MILCON project at Bremerton. We are evaluating opportunities at other locations.

ENVIRONMENT

Marine Mammals/Sonar R&D investments

The Navy recognizes the need to protect marine mammals from anthropogenic sound in the water and has budgeted $10 million in FY-06 and 07 for research and development efforts. Funding will focus on techniques to track the location of marine mammals, their abundance and movement (particularly beaked whales); determining sound criteria and thresholds; and developing new mitigation and monitoring techniques. The Navy has expanded its research on the effects of mid-frequency sonar to include effects on fish. Navy's Protective Measures Assessment Protocol (PMAP) has become a routine operating procedure during all exercises. PMAP measures include surface vessels using trained look-outs in marine mammal areas, and submarines monitoring passive acoustic detection for vocalizing marine mammals.

Shipboard Programs

The Navy continues to convert air conditioning and refrigeration plants on its surface fleet from ozone depleting CFCs to environmentally friendly coolants. We plan to spend a total of $400 million on this effort, including $22 million in FY-2007. We expect to complete the conversion of nearly 900 CFC-12 plants by the year 2008, and over 400 CFC-114 plants by the year 2014.

The Navy has also been installing pollution prevention equipment on 16 ship classes. We will have spent $35 million to install suites of pollution prevention equipment (e.g., aqueous parts washers, cable cleaners/lubricators, paint dispensers) on ships upon completion this September.

Natural and Cultural Resources

The Department spends about $30 million per year on natural and cultural resources at Navy and Marine Corps installations. Resources are invested in preparing, updating, and implementing Integrated Natural Resources

Management Plans (INRMPs). Protecting threatened and endangered species and their habitats is a major aspect of the INRMPS at many bases. The National Defense Authorization Act of 2004 included a provision that allowed the Secretary of Interior to forgo designation of critical habitat on military lands upon a determination that the INRMP provided sufficient species and habitat protection. I am pleased to report that all final critical habitat designations since 2004 have excluded designations on Navy and Marine Corps property.

Our cultural resources provide a tangible link with our past while supporting the mission of today's Navy and Marine Corps warfighters. Both Navy and Marine Corps are developing Cultural Resources Management Plans similar to INRMP. A major effort is to prepare broad based programmatic alternatives to case-by-case consultation similar to the highly successful program comments on Capehart-Wherry era family housing. DON is also working to expand its efforts to make cultural resources management an integral part of our broader asset management program.

Alternative Fuel Vehicles

In FY-05 the Department of the Navy met or exceeded the Alternative Fuel Vehicle (AFV) acquisition mandates from the Energy Policy Act and Executive Order 13149. The Department was named winner of the National Biodiesel Board's National Energy Security Award and the US Marine Corps won a White House Closing the Circle Award for meeting Executive Order 13149 requirements three years earlier than required. Among the AFV related initiatives are increased use of Biodiesel (B-20), increased fleet fuel economy, increased procurement of hybrid vehicles and increased use of neighborhood vehicles. Ethanol (E-85) is becoming a more significant alternate fuel. The Navy has approximately 7,000 vehicles capable of operating on E85. We are also investigating the use of hydrogen fuel cell vehicles.

Installation Restoration Program (IRP)

The Department of the Navy has completed cleanup or has remedies in place at 75% of our 3,700 contaminated sites. We plan to complete the program by the year 2014. The cost-to-complete the installation restoration program continues a downward trend with efficiencies of $600 million over the past ten years. Use of new technologies, land use controls, remedy optimizations, contract efficiencies, and a dedicated professional staff has contributed to these efficiencies. Our FY-07 request of $304 million consists of $219 million for IRP, $41 million for program management, and $44 million for Munitions response.

Munitions Response Program (MRP)

This relatively new program provides cleanup actions for Munitions and Explosives of Concern (MEC) and Munitions Constituents (MC) at all

Department of the Navy locations **other than** operational ranges. We plan to complete preliminary assessments at all 213 known sites on 56 active installations by 2007. Site inspections (which include sampling) will be completed by 2010. We will not have credible cleanup cost estimates until these assessments are completed in 2010. We are conducting major cleanups at the former range on Vieques, Puerto Rico and at Jackson Park Housing Complex in Washington State, in addition to efforts at prior BRAC locations.

PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The DoN has achieved a steady state savings of approximately $2.7 billion per year since FY-2002. All that remains is to complete the environmental cleanup and property disposal on portions of 17 of the original 91 bases.

Last year we conveyed the last 427 acres at the former Naval Complex, Charleston, SC and the last acre at Naval Air Station, Key West, FL. Additionally, at the former Hunters Point Naval Shipyard in San Francisco, the DON conveyed the first parcel of 75 acres to the San Francisco Redevelopment Agency. Of the original 161,000 acres planned for disposal from all four prior BRAC rounds, we expect to have less than five percent (about 8,000 acres, excluding Roosevelt Roads) left to dispose by the end of this fiscal year.

Land Sale Revenue

We have continued our success in using property sales to assist in environmental cleanup and property disposal as well as recover value for taxpayers. We have used General Services Administration (GSA) on-site auctions, GSA Internet auctions, and Internet auctions using commercial real estate brokers. Through a combination of cost Economic Development Conveyances, Negotiated Sales, and Public Sales, the DON has received over $1.1 billion in revenues. We have applied these funds to finance and accelerate our entire FY-06 and FY-07 environmental cleanup at the remaining prior BRAC locations.

Last year the DoN completed its largest public sale via Internet auction consisting of four parcels totaling 3,720 acres at the former Marine Corps Air Station, El Toro in Irvine, CA, for a total of $649.5 million. The Internet auction public sale of 62 acres at the former San Pedro housing site in Los Angeles, CA, sold for $88 million. We also completed a GSA internet auction for the former Naval Hospital Oakland, CA. Known as Oak Knoll, we anticipate closing escrow for $100.5 million in early March 2006. These sales have provided the communities with taxpayer and community benefits by getting the property onto local tax rolls and redeveloped more quickly, with the local community controlling that development through traditional land use planning and zoning. It benefits DoD and the federal taxpayer by divesting unneeded property sooner and reducing the environmental cleanup time and expense incurred by DoD. These sales enabled the buyers to work with the homeless assistance organizations to provide the type of services needed in that community, either in land and buildings or funds for needed programs. In addition, the El Toro sale enabled the community to fulfill its vision of creating a public park without using local tax dollars.

We are pursuing disposal of the former Naval Station Roosevelt Roads through a mix of public benefit, economic benefit, property transfer to Army, as well as property sale planned for late 2007.

Prior BRAC Environmental Cleanup

The DON has spent over $2.6 billion on environmental cleanup at prior BRAC locations through FY-2005. We estimate the remaining cost to complete cleanup at about $482 million for FY-2008 and beyond, most of which is concentrated at fewer than twenty remaining locations and includes long-term maintenance and monitoring obligations for remedies already installed and operating at many locations. As we have done previously, the DoN will use any additional land sale revenue beyond that projected in our FY-2006 budget to further accelerate cleanup at these remaining prior BRAC locations, which are primarily former industrial facilities that tend to have the most persistent environmental cleanup challenges.

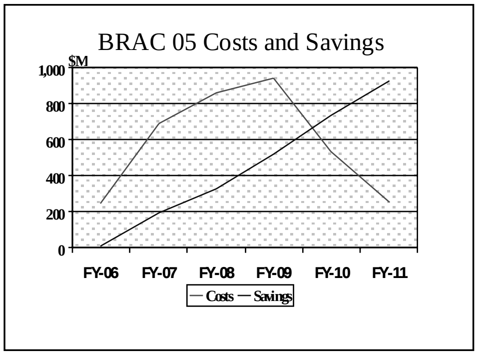
Significant environmental progress is planned for FY06/07, with nearly half of the funding planned for three bases. At Alameda Naval Air Station, progress will include funding environmental planning, design, and construction activities for the majority of active sites. Hunters Point Shipyard's progress will include completion of the radiological program for all land parcels and completion of all Remedial Investigations and Feasibility Studies. Progress at the former Moffett Federal Air Field includes completion of all remaining environmental construction activities.

BRAC 2005 IMPLEMENTATION

The BRAC 2005 Commission recommendations became legally binding on the Department of Defense on 9 November 2005. In contrast to prior BRAC commissions, the BRAC 2005 recommendations have fewer closures and more realignments, particularly realignments that involve more than one military Service or Defense Agency. The Department of Navy has 6 "fence line" closures and 81 realignment recommendations involving 129 bases.

BRAC 2005 Implementation Funds

I am pleased to report that the Department of the Navy has fully financed its BRAC 05 implementation plans across the FYDP. We have put in place the management structure, oversight, and funding to accomplish all closure and realignment actions within the six year statutory time frame.



We are financing our implementation plans through a combination of (1) funds previously set aside by OSD for this purpose and recently allocated in all years of the FYDP (i.e., the BRAC wedge); (2) identification, capture, and reinvestment into the BRAC account of savings (primarily infrastructure and civilian personnel savings) generated by closure and realignment actions; (3) investment of $500 million in Navy funds. Additional savings, notably MILPERS savings and realignment of Fleet Readiness Centers, are being used to finance other Department of the Navy priorities. Annual savings exceed annual costs in FY-2010. The budget reflects only modest savings in FY-2007, but it is expected that overall savings will exceed $1 billion annually after FY-2011.

Preparing to Implement BRAC 2005

Due to the complexity of the many joint recommendations, the Department of Defense is using detailed business plans for each BRAC recommendation to ensure consistent, timely execution and all necessary coordination across the Components. Each of our business plans, which averages 40 pages in length, includes extensive details on costs and savings, schedules, and supporting Form DD1391s for each construction project. Each business plan must be reviewed and approved by the Infrastructure Steering Group[2] prior to any expenditure of funds for a given recommendation. We expect approval of the first Navy business plans in the near future. In the meantime, the first BRAC 2005 funds are being released by OSD to begin formal planning efforts, beginning construction design and prepare contracting documents, and initiate National Environmental Policy Act (NEPA) studies for disposal and receiver sites.

[2] The Infrastructure Steering Group is chaired by the Undersecretary of Defense for Acquisition and Technology and Logistics, and includes the Deputy Undersecretary of Defense and Service Assistant Secretaries for Installations and Environmental, and the Service Vice Chiefs of Staff

We prioritized our FY-06 and FY-07 implementation plans to give priority to actions with higher savings, funding all NEPA requirements, initiating the necessary military construction planning and design, and incrementally funding larger MILCON projects based on how much work can be accomplished in each fiscal year. All construction projects in FY-06 use design/build as the acquisition methodology and qualify as a NEPA categorical exclusion. FY-07 projects are primarily design build, and require no more than a NEPA Environmental Assessment before construction can begin. We are working closely with the other Components to establish firm requirements, schedules, and the scope and funding for required military construction for implementing joint recommendations.

The table below depicts our FY-06 and FY-07 plans. At several receiver sites, design and construction will begin in FY-06 in conjunction with planning of closure actions at the respective closing installations. Realignments of several commands from leased space to owned space in the National Capital Region will begin in FY-06. Five major realignments will start in FY-07. Other smaller closure and realignments begin in FY-06 and continue in FY-07.

Significant Action	*FY-06 ($M)*	*FY-07 ($M)*
BRAC planning, design and management	60	59
NEPA environmental planning & cleanup	17	6
Design/build MILCON & closure efforts		
Naval Air Station Brunswick, ME	23	95
Naval Support Activity New Orleans, LA	55	125
Naval Station Pascagoula, MS	17	2
Naval Station Ingleside, TX	5	103
Closure efforts at Naval Air Station Atlanta, GA		36
Closure efforts at Naval Supply Corps School Athens, GA		23
Initiate relocations from leased space in National Capitol Region	23	
Initiate realignments		
Fleet Readiness Centers at various locations	1	36
NAVFAC EFD/EFAs, various locations	14	37
Naval Station Newport, RI		28
San Antonio Regional Medical Center, TX		49
Naval Integrated Weapons & Armaments RDAT&E Center		42
Other closure/realignment efforts	23	49
TOTAL	247	690

BRAC 2005 Significant Actions

We are building on our experience with cleanup and property disposal from prior BRAC rounds. A BRAC Program Management Office has overall responsibility for coordination of BRAC actions, as well as for completing cleanup and disposal of the remaining property from all BRAC rounds.

Much has changed since the last BRAC round in 1995. Environmental contamination at remaining bases has largely been characterized, and cleanup has been completed or is now well underway. In contrast to prior BRAC, the cost to cleanup environmental contamination at BRAC 2005 locations is about $60 million. Private sector capabilities have emerged and matured for "brownfield" redevelopment and insurance industry products to address environmental liabilities when there is a CERCLA early transfer of contaminated property. We expect to take advantage of these private sector capabilities.

The Department will use a mix of public and economic benefit conveyances, transfers to other Components or federal agencies, as well as public sale for property disposal. We expect developers with the experience and expertise to complete the cleanup during redevelopment. Communities get the property onto local tax rolls and redeveloped more quickly, and controls development through traditional land use planning and zoning.

Meeting the Execution Challenge

The ambitious programs I have outlined above, encompassing military and family housing construction, continuing recovery efforts in the Gulf Coast, and BRAC-related construction, represent an execution effort of over $3.4 billion over the FY-06/07 timeframe. A daunting challenge, but one that the Navy is well-positioned to meet. The global pre-positioned presence of a highly trained workforce that offers the full spectrum of products and services allows us to shift execution outside of traditional regional boundaries to balance spikes in workload caused by events such as the natural disasters of 2004 and 2005 and BRAC. The Navy has a wide array of contracting tools and in-place capacity to efficiently address substantial workload increases. We will work to master the challenges with the supply of a competitive contractor workforce, and market conditions affecting costs of materials and equipment.

CONCLUSION

The Navy cannot meet the threats of tomorrow by simply maintaining today's readiness and capabilities of our physical plant. We must continue to transform and recapitalize for the future without jeopardizing our current readiness and the strides we have made - and continue to make - in managing our shore infrastructure. With our partners in industry, the acquisition community, and with the continuing support of the Congress, the Department of Navy will build and maintain installations that are properly sized, balanced -- and priced for tomorrow.