AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 108–440, PT. 3

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

S. 2400

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2005 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 3
READINESS AND MANAGEMENT SUPPORT

MARCH 9, 23; APRIL 1; MAY 13, 2004

Printed for the use of the Committee on Armed Services

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005—Part 3
READINESS AND MANAGEMENT SUPPORT

S. HRG. 108–440, PT. 3

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

S. 2400

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2005 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 3
READINESS AND MANAGEMENT SUPPORT

MARCH 9, 23; APRIL 1; MAY 13, 2004

Printed for the use of the Committee on Armed Services

U.S. GOVERNMENT PRINTING OFFICE

93–573 PDF WASHINGTON : 2005

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON ARMED SERVICES

JOHN WARNER, Virginia, *Chairman*

JOHN McCAIN, Arizona
JAMES M. INHOFE, Oklahoma
PAT ROBERTS, Kansas
WAYNE ALLARD, Colorado
JEFF SESSIONS, Alabama
SUSAN M. COLLINS, Maine
JOHN ENSIGN, Nevada
JAMES M. TALENT, Missouri
SAXBY CHAMBLISS, Georgia
LINDSEY O. GRAHAM, South Carolina
ELIZABETH DOLE, North Carolina
JOHN CORNYN, Texas

CARL LEVIN, Michigan
EDWARD M. KENNEDY, Massachusetts
ROBERT C. BYRD, West Virginia
JOSEPH I. LIEBERMAN, Connecticut
JACK REED, Rhode Island
DANIEL K. AKAKA, Hawaii
BILL NELSON, Florida
E. BENJAMIN NELSON, Nebraska
MARK DAYTON, Minnesota
EVAN BAYH, Indiana
HILLARY RODHAM CLINTON, New York
MARK PRYOR, Arkansas

JUDITH A. ANSLEY, *Staff Director*
RICHARD D. DEBOBES, *Democratic Staff Director*

SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT

JOHN ENSIGN, Nevada, *Chairman*

JOHN McCAIN, Arizona
JAMES M. INHOFE, Oklahoma
PAT ROBERTS, Kansas
WAYNE ALLARD, Colorado
JEFF SESSIONS, Alabama
JAMES M. TALENT, Missouri
SAXBY CHAMBLISS, Georgia
JOHN CORNYN, Texas

DANIEL K. AKAKA, Hawaii
ROBERT C. BYRD, West Virginia
BILL NELSON, Florida
E. BENJAMIN NELSON, Nebraska
MARK DAYTON, Minnesota
EVAN BAYH, Indiana
HILLARY RODHAM CLINTON, New York
MARK PRYOR, Arkansas

CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

MILITARY READINESS PROGRAMS

MARCH 9, 2004

	Page
Casey, GEN George W., Jr., USA, Vice Chief of Staff, United States Army	5
Mullen, ADM Michael G., USN, Vice Chief of Naval Operations, United States Navy	10
Moseley, Gen. T. Michael, USAF, Vice Chief of Staff, United States Air Force	24
Huly, Lt. Gen. Jan C., USMC, Deputy Commandant of the Marine Corps Plans, Policies, and Operations, United States Marine Corps	38

DEPARTMENT OF DEFENSE FINANCIAL MANAGEMENT

MARCH 23, 2004

Walker, Hon. David M., Comptroller General of the United States General Accounting Office (GAO)	127
Zakheim, Hon. Dov S., Under Secretary of Defense (Comptroller)	143

MILITARY INSTALLATION PROGRAMS

APRIL 1, 2004

DuBois, Raymond F., Jr., Deputy Under Secretary of Defense for Installations and Environment	190
Lust, MG Larry J., USA, Assistant Chief of Staff for Installation Management, United States Army	203
Weaver, RADM Christopher E., USN, Commander, U.S. Navy Installations Command	218
Williams, Brig. Gen. Willie E., USMC, Assistant Deputy Commandant, Installations and Logistics [Facilities], Commandant of the Marine Corps	231
Fox, Maj. Gen. Dean, USAF, The Air Force Civil Engineer and Deputy Chief of Staff, Installations and Logistics, USAF	238

ACQUISITION POLICY ISSUES

MAY 13, 2004

Wynne, Hon. Michael W., Acting Under Secretary of Defense for Acquisition, Technology, and Logistics	336
Ballard, Tina, Deputy Assistant Secretary of the Army for Policy and Procurement	353
Strock, MG Carl, USA, Director of Civil Works, U.S. Army Corps of Engineers	356
McManus, MG Wade H., Jr., USA, Commanding General, U.S. Army Field Support Command	361

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

TUESDAY, MARCH 9, 2004

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

MILITARY READINESS PROGRAMS

The subcommittee met, pursuant to notice, at 2:30 p.m. in room SR–232A, Russell Senate Office Building, Senator John Ensign (chairman of the subcommittee) presiding.

Committee members present: Senators Ensign, McCain, Inhofe, Cornyn, Akaka, E. Benjamin Nelson, and Pryor.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: L. David Cherington, counsel, William C. Greenwalt, professional staff member; Gregory T. Kiley, professional staff member; Lucian L. Niemeyer, professional staff member; and Joseph T. Sixeas, professional staff member.

Minority staff members present: Maren R. Leed, professional staff member; Peter K. Levine, minority counsel; and Michael J. McCord, professional staff member.

Staff assistants present: Andrew W. Florell and Sara R. Mareno.

Committee members' assistants present: Christopher J. Paul and Dan Twining, assistants to Senator McCain; John A. Bonsell, assistant to Senator Inhofe; D'Arcy Grisier, assistant to Senator Ensign; William K. Sutey, assistant to Senator Bill Nelson; Andrew Shapiro, assistant to Senator Clinton; and Terri Glaze, assistant to Senator Pryor.

OPENING STATEMENT OF SENATOR JOHN ENSIGN, CHAIRMAN

Senator ENSIGN. Good afternoon, everyone, and welcome.

The Subcommittee on Readiness and Management Support meets today to begin our hearings for the fiscal year 2005 Defense Authorization Request. Before we begin—and Senator Akaka will be with us in just a moment—I'd like to thank him. We worked together and had a great team last year, worked across party lines, and put the Armed Services and the defense of our country first and foremost before any political considerations, and I just want to say thank you to him and to his staff publicly today.

This subcommittee enjoys a broad charter, the result of oversight responsibility in areas that are as diverse as they are plentiful. Over the next 5 weeks, the subcommittee will be examining a number of issues relevant to ensuring the readiness of the Armed Forces and the effective management of the Department of Defense and the four Services. In addition to today's discussion on military readiness programs, the subcommittee's agenda for this session includes: on March 23, a hearing on Defense Department financial management policies and practice; on April 1, a hearing on issues related to military installation and the Department's budget request for military construction; and on April 6, a hearing to examine Defense Department acquisition policies. We have a great deal of work ahead in this session, and I am looking forward to getting started.

Our focus this afternoon will be to discuss key military readiness programs of the Services. These include programs that support operation and maintenance of ships, aircraft, tanks, and related systems; train personnel; provide for logistics; and maintain base facilities. I'm looking forward to candid assessment from each of the witnesses on the current status of these programs and their assessment on how these programs are supporting the overall readiness of the Services today.

The President has proposed a $102.6 billion request for the readiness programs of the active and Reserve components for fiscal year 2005. This is a 5.1 percent real increase over current spending plan for fiscal year 2004. While we have received the Services' lists of requirements for fiscal year 2005 that were not included in the budget request, I am particularly encouraged to see that the President was able to meet over 96 percent of the funding requirements for the coming fiscal year for each of the Services with his budget proposal. Given the challenges facing the military today to maintain a fully ready force while defending the homeland, fighting the war a terrorism, and supporting the transitions to peaceful democracies in Iraq and Afghanistan, I believe this request is right on the mark.

We will be specifically interested to learn from the witnesses today their assessment of how the President's budget request for fiscal year 2005 will support readiness programs and what the potential implications would be of any reduction in the President's request. In addition to your thoughts on the budget for readiness programs, we will also be interested in learning about the progress that each of your services has made in resetting units that have returned to their home stations from deployments in support of Operation Iraqi Freedom and Operation Enduring Freedom. Finally, we look forward to hearing your views on any long-term readiness issues that could develop as a result of the sustained deployment of military units for contingency operations.

I am convinced that we must support the Department's manpower enhancement initiatives. With active component/Reserve component rebalancing and the military-to-civilian conversion initiatives, we can fully maximize the talents and skills of at least 70,000 service members that are resident today within the active, Reserve, and National Guard. We simply cannot afford to have to-

day's service men and women serving in billets and occupational specialities that are not essential for 21st century challenges.

Further, I believe that time is of the essence. The costs of not implementing these initiatives are simply too high. Every day, someone decides either to continue in the service or to seek relevance in the growing civilian economy. We have such a tremendously capable group of men and women in uniform, and I don't want to lose them.

The Defense Department's initiatives will greatly increase the readiness, responsibility, and flexibility of the force. For me, this is the bottom line. I look forward to each of the witnesses taking a moment to share their views on these initiatives.

We are privileged to have testifying before us a panel representing each of the Services. All are exceptionally qualified officers joining us today: General George W. Casey, Jr., Vice Chief of Staff, United States Army; Admiral Michael G. Mullen, Vice Chief of Naval Operations, United States Navy; General T. Michael Moseley, Vice Chief of Staff, United States Air Force; and Lieutenant General Jan C. Huly, Deputy Commandant of the Marine Corps for Plans, Policies, and Operations, United States Marine Corps. Many thanks to each of you for joining us today.

Now I turn to the distinguished ranking member, who I said some nice things about before you got here. Welcome, Senator Akaka.

STATEMENT OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman.

Senator ENSIGN. As a matter of fact, it was a brilliant, glowing statement. [Laughter.]

Senator AKAKA. Thank you. I'll look at the record. [Laughter.]

I'm delighted to be here with you and working with you, Mr. Chairman.

I want to begin by saying how much we appreciate what the brave men and women of the Army, Navy, Air Force, and Marine Corps, who are putting their lives on the line for America, are doing for our country. We're proud of them and all of the leadership of the military. Our men and women in uniform around the world are in our thoughts and prayers, and you and your soldiers, sailors, airmen, and marines all have our sincere gratitude.

I want to also welcome our panelists here this afternoon, and thank you for sharing your insights with us on readiness today. We appreciate your being here. I want to welcome you, individually, General Casey and Admiral Mullen, General Moseley, and I understand Jenny is here—oh, yes, welcome—and also General Huly.

Each year when we conduct this hearing, I think we have reached the peak of strain on our forces; but each year, the stress on our forces gets worse. I sincerely hope that this year does represent the peak, as the level of engagement of our forces right now is very high and is a significant strain. I also hope that the efforts each of your Services are making to reduce their strain are effective. So even if our military is faced with the same level of operational commitments in the future, the burden on our personnel and their families will be lessened.

While I have every confidence in our Armed Forces and their ability to excel at whatever we might ask of them, I want to ensure that we continue to provide the support that they need as we go forward. We have had a lot of testimony already this year about possible shortfalls in supplemental funding for the remainder of this year, and the timing of any supplemental funding for next year, both of which will have a significant impact on the services' ability to reconstitute their forces and reset their future operations. Between now and then, we will consider the fiscal year 2005 budget request, which we will get more into today.

I must add that, for our part, as we consider that request, I hope that Congress does not compound the challenges facing the services by making deep cuts in operation and maintenance accounts.

That said, and as was the case last year, we find ourselves considering a budget request that seems disconnected from current reality because it assumes ongoing operations in Iraq and Afghanistan will stop by September 30. I hope that the Senate will be able to remedy that disconnect in our upcoming budget resolution, at least to a certain extent; but, in the meantime, we find ourselves examining a so-called peacetime budget when we know that at least some of our forces will continue to be deployed in Iraq and Afghanistan at the beginning of next fiscal year.

Despite these artificialities, our challenge is to provide the strongest possible foundation for the readiness of our forces in this year's authorization act. As I have reviewed your requests, I have some concerns about certain readiness areas. I am particularly concerned about apparent shortfalls in depot maintenance, which most of you have funded at 84 percent, or lower, of your known peacetime requirements. I am also worried about funding for base operating support and the possible sources of funds you will decrement to pay mandatory bills in this area as the fiscal year proceeds.

Hopefully, your testimony and our discussions today will shed light on some of the considerations behind the decisions reflected in this budget. I also hope to gain a deeper appreciation for your short- and long-term readiness concerns, and any help that we may be able to provide.

Again, I welcome our witnesses and look forward to your testimony.

Thank you very much, Mr. Chairman.

Senator ENSIGN. Thank you.

Before proceeding, I want to note that we will only be discussing topics today at the unclassified level. I remind each of you to keep that in mind. Also, without objection, your full statements will be made part of the record. We look forward to your personal presentations here, and then we'll have a period of questions and answers.

We have a vote that's going to start about 2:45, and Senator Akaka's going to go to the floor and vote, and then come back, and then I'll go—so we won't keep you any longer today than is absolutely necessary.

So, General Casey, we'll just start with you, and work down the table.

STATEMENT OF GEN GEORGE W. CASEY, JR., USA, VICE CHIEF OF STAFF, UNITED STATES ARMY

General CASEY. Great, thank you, Mr. Chairman.

I appreciate the opportunity to appear today to discuss the Army's readiness and our plans to meet current worldwide commitments while we simultaneously transform to a more versatile, agile joint and expeditionary force.

I thank the members of the committee for their continued support to the men and women in uniform that make up our great Army.

For us, with over 320,000 soldiers deployed in 120 countries worldwide, the Army is clearly remaining actively engaged in support of our Nation's operational requirements. Approximately 165,000 of our soldiers are overseas on 12-month unaccompanied tours, and the vast majority of these troops are engaged in combat operations in the U.S. Central Command area of operations.

Currently, the equivalent of eight Army divisions are either deploying to or redeploying from overseas missions. This constitutes the largest movement of U.S. forces since World War II. Couple that with the mobilization of more than 150,000 combat-ready National Guard and Army Reserve soldiers, and you can see this is an unprecedented moment in the Army's history. Today, Senators, it is not business as usual for your United States Army.

Our commitments have highlighted stressors, as Senator Akaka mentioned, and the Army has embarked on a series of initiatives to reduce these stresses, to improve our capabilities, and to transform ourselves to a more joint and expeditionary force in this decade.

First, we are rebalancing capabilities between our active and Reserve component forces to improve our strategic flexibility. We removed more than 100,000 positions to relieve the burden on low-density, high-demand units; for example, military policemen (MPs).

Second, we are reorganizing our combat formations into modular, brigade-sized formation to make them more self-sufficient and more readily available for force packaging. We intend to increase the number of active brigades from 33 to 43 by fiscal year 2007, and also to convert our 34 National Guard brigades to modular formations. This process has already begun at Fort Stewart, Georgia, with the 3rd Infantry Division. As I mentioned to you yesterday, to accomplish building these 10 brigades, the President and the Secretary of Defense have approved our request to grow the Army by 30,000 beyond its statutory end strength under the authorities of title 10, section 123(a). We ask for your support on this. It will enable us to significantly improve our capabilities, about a 30-percent increase in our combat power.

Third, we are initiating a force-stabilization program to increase unit readiness, reduce personnel turbulence, and make life more predictable for our soldiers, units, and families. Under this program, units will form, train, and stay together for roughly 36 months, enhancing unit cohesion and, thereby, unit effectiveness. Soldiers will remain assigned to installations for 6 to 7 years, as opposed to the 3-year tour that we normally have folks on now. This will improve predictability again, and allow their families to grow some roots in the community. These efforts, taken together,

will yield an Army that has the right capabilities to respond rapidly and decisively to future challenges that our country might face.

While moving forward on these initiatives, the Army must also address continuing areas of interest affecting our people and our infrastructure. This includes providing our forces with the right equipment for the missions in the global war on terrorism; reconstituting our equipment returning from Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) to a rigorous long-range plan we call Setting the Force; third, ensuring that our modernization efforts continue to bear fruit, as with the recent fielding of our Stryker Brigade that went from concept to Iraq in 4 years—this is a significant accomplishment; fourth, providing our uniformed and civilian members the quality of life that is the equivalent of the society they defend; and, lastly, improving the quality of our installations.

Our commitment to improve current and future readiness is steadfast, even when this entails making tough choices, such as canceling the Comanche aircraft program. Now, we can talk about it in the questions and answers, but we need the committee's support to retain the Comanche resources to fix Army aviation.

The 2005 President's budget will enable our Army to provide our combatant commanders with the requisite land-power capabilities for the global war on terrorism, homeland defense, and other worldwide commitments. It covers our baseline operations, the 15 critical systems in our recapitalization program, and our transformation program. It does not address the ongoing missions in Iraq and Afghanistan, and the recovery from those missions.

Your support of this budget and war-related costs of our ongoing operations is critical if our units are to continue their remarkable performance and remain ready for future contingencies.

We appreciate your dedication to your military and to America's sons and daughters, who are operating selflessly around the world defending this great country.

Thank you, Senator, for the opportunity. I look forward to taking your questions.

[The prepared statement of General Casey follows:]

PREPARED STATEMENT BY GEN GEORGE W. CASEY, JR., USA

INTRODUCTION

Chairman Ensign, Senator Akaka, members of the committee—I appreciate the opportunity to appear before you to discuss the Army's readiness and our plans to meet current worldwide commitments, while we simultaneously transform to a more flexible, capable, joint, and expeditionary force.

I thank the members of the committee for their continued outstanding support to the men and women in uniform, who make up our great Army. Your concern, resolute action, and deep commitment to America's sons and daughters are widely recognized throughout the ranks of our Service.

CURRENT POSTURE

With over 320,000 soldiers deployed in 120 countries worldwide, the Army remains actively engaged in support of the Nation's operational requirements. Approximately 165,000 of our soldiers are overseas on 12-month, unaccompanied tours, and the vast majority of these troops are engaged in combat operations in the U.S. Central Command Area of Operations. Currently, the equivalent of eight Army divisions is either deploying to or redeploying from our overseas missions, including Operations Iraqi Freedom and Enduring Freedom in Southwest Asia, the Stabilization Force and Kosovo Force in the Balkans, and the Multinational Force and Observers

mission in the Sinai. This constitutes the largest movement of U.S. forces since World War II. Couple that with the mobilization of more than 150,000 combat-ready National Guard and Army Reserve soldiers, and you can see that this is an unprecedented moment in the Army's history.

The Army is the dominant land campaign force for our combatant commanders. Our centerpiece is the American soldier. Today, these great soldiers are performing extraordinarily well in tough combat and stability operations around the world. They understand their missions and willingly undertake their roles with pride and determination. They make a difference every day.

READINESS AND TRAINING

While the situations these forces face are challenging, I am struck by how well our combat training centers and institutional education programs have prepared our leaders and soldiers for their missions and for the rigors of combat operations.

Our combat formations headed to Operation Iraqi Freedom have received a full-spectrum train-up, either at the National Training Center at Fort Irwin, California, the Joint Readiness Training Center at Fort Polk, Louisiana, or the Combat Maneuver Training Center at Hoenfels, Germany. This realistic preparation is based upon the lessons we gleaned from our combat operations and our ongoing security operations in Iraq and Afghanistan.

The Army's training programs have also been, and will continue to be, the cultural drivers for the future. Leaders will not learn what to think, but instead how to think—jointly, strategically, and within the context of an expeditionary mindset. We will continue to invest in cutting edge facilities and technology and constantly modify our curricula to reflect current and expected threats, and incorporate the lessons of actual operations, as we already are doing with the experience gained in Afghanistan and Iraq.

THE ONE ARMY CONCEPT

Side by side, the active component, Army National Guard, and Army Reserve have proven that they are a combat-capable and ready team. Our Reserve components have shared a substantial portion of the Army's mission since September 11, 2001. Our successes would not have been possible without our Reserve component soldiers.

Currently, we are in the process of deploying three more enhanced Separate Brigades: the 39th Infantry Brigade from the Arkansas National Guard with the 1st Cavalry Division; the 30th Infantry Brigade from the North Carolina National Guard with the 1st Infantry Division; and the 81st Infantry Brigade from the Washington National Guard to CJTF–7, and large numbers of combat support and combat service support soldiers from across the country. These units are well-equipped, well-trained, and well-prepared for their missions.

MITIGATING STRATEGIC RISK THROUGH INCREASED LAND-POWER CAPABILITY

Our Nation and Army are at war. Our extensive commitments have highlighted stresses to our forces, which have existed for some time. To mitigate risk, our Army has embarked on a series of initiatives including the implementation of the human resources and competitive sourcing initiatives in the President's Management Agenda (PMA). I would like to address several of these initiatives today, because it is important to understand how the Army is transforming itself as we provide trained and ready forces to combatant commanders.

First, we are rebalancing capabilities between our active and Reserve component forces to improve our strategic flexibility. Second, we are reorganizing our combat formations into modular, brigade-based formations to make them more self-sufficient and to facilitate force packaging. Third, we are initiating a force stabilization program to increase unit readiness, reduce personnel turbulence, and make life more predictable for our soldiers, units, and families.

These efforts will yield an Army that has the right capabilities to respond rapidly and decisively to future challenges.

REBALANCING OUR ARMY

Being an Army at war provides focus and insights as we rebalance to meet the challenges of the emerging operational environment. We recognize that we must provide our Nation with full-spectrum, ground combat and support capabilities that can defeat adaptive enemies anywhere in the world.

Our challenge is not necessarily that we have too few soldiers. Instead, it stems from the fact that our formations, designed for the Cold War, must now meet the

requirements of the global war on terrorism and other operations, which will persist for years to come. To meet the challenges of the future, we are rebalancing more than 100,000 spaces in our active and Reserve components—converting them to relieve the burden on the low density/high demand units, e.g., military police. We also are converting military billets now doing commercial activities to either civilian employees or contracts, which will assist in meeting the Department of Defense's Business Initiative Council's goals and provide us more warfighter/core staffing.

We accelerated this process after September 11, 2001, to alleviate the stress placed on our most-needed units. In compliance with Secretary of Defense's guidance to minimize involuntary mobilizations within the first 30 days of a contingency, we made further progress in 2003. We expect Army rebalancing measures to continue with the same momentum in 2004, 2005, and beyond. Our National Guard and Army Reserve have been, and will continue to be, integral to the planning and decisionmaking process for this effort.

MODULARITY

In addition to rebalancing our forces, we are creating a brigade-based, modular Army to enhance responsiveness and to increase our joint and expeditionary capabilities. Webster's defines modularity as "composed of standardized units for easy construction or flexible arrangements." Although this may seem to be an oversimplification of what the Army is doing, it is precisely our concept.

The basic maneuver element in the modular Army will be the unit of action, similar to today's brigade. Units of action will be flexible, self-contained, and capable across the entire operational spectrum.

The Army intends to increase the number of active component brigades from 33 to 43 by fiscal year 2007; at that time, we will decide whether to continue the process to achieve 48 brigades. During the same time period, Army National Guard Brigades will reorganize into 34 brigade-size units using the same modular design as the active component.

The Chief of Staff has approved the initial modular design of the 3rd Infantry Division and its transformation is under way. Following rigorous training, to include rotations through our combat training centers at Fort Polk, Louisiana, and Fort Irwin, California, the division will be reset for potential deployment anywhere in the world as early as the first quarter of fiscal year 2005.

FORCE STABILIZATION

The challenges associated with current operational requirements place significant stress on our existing force structure, both active and Reserve. The approval of a temporary end-strength increase affords us the opportunity to implement permanent initiatives aimed at mitigating that stress to the force which is consistent with our PMA human capital initiative.

The force stabilization initiative consists of two complementary policies: unit-focused stability and home basing. Under home basing, soldiers will remain at their initial installation for 6 to 7 years—well beyond the current 3-year average. Unit-focused stability will allow soldiers to arrive, train, and serve together for roughly 36 months, enhancing unit cohesion, training effectiveness and readiness. During the unit's operational cycle, soldiers can expect to complete an operational deployment rotation of 6 to 12 months. Overall, with force stabilization, units will have more reliable training and deployment schedules, and soldiers and families will get a greater sense of predictability.

INSTALLATIONS

Installations are essential to maintaining the Army; they serve as our flagships. Our short-term installation plans center on three essential tasks: posturing installations as deployment platforms with robust, reach-back capabilities; adjusting installation support to meet the needs of an Army at war and transforming; and supporting the well-being of all soldiers and their families.

Many of our installations require restoration and modernization to enable Army transformation and the rotation-based system of global engagement. In the past, the Army has repeatedly accepted risk in infrastructure and installation services in order to maintain warfighting capabilities and readiness; as a result, facility conditions have deteriorated. We are in the process of reversing the decay, but much remains to be done on installations that will continue after the forthcoming base realignment and closure (BRAC) round. Our overall goal is to achieve C–2 quality (minimal impact on mission accomplishment) by 2010, with specific facility types achieving C–1 ratings. In fiscal year 2005, the President's budget has programmed $2.5 billion for sustainment, restoration and modernization (SRM) to stop deteriora-

tion and to improve our facilities; within that sum, sustainment dollars will cover 95 percent of requirements. We also have increased base operations support funding in fiscal year 2005.

QUALITY OF LIFE

The Army strives to provide its members, uniformed and civilian, a quality of life equivalent to the society they defend. They deserve nothing less. To help fulfill this obligation, we have increased soldier compensation and decreased out-of-pocket housing expenses. In fiscal year 2004, out-of-pocket housing costs will drop from 7.5 percent to 3.5 percent; we are on a glide path to cutting those expenses to zero in fiscal year 2005.

Our Army also is improving the housing itself. Through the Residential Communities Initiative and the Army Family Housing program, 17,000 of our 100,000 sets of quarters will be renovated by the end of 2005.

In addition, this year we inaugurated a program with the private sector to increase employment opportunities for our Army spouses. Our objective in fiscal year 2005 is for 55 percent of spouses seeking employment to obtain positions through these corporate sponsorships.

EQUIPPING THE FORCE

Providing our forces with the right equipment for the missions in Iraq and Afghanistan and the global war on terrorism is an imperative. To this end, we are adapting and improving our acquisition and fielding processes to better support our warfighter. Thanks to congressional support in the fiscal years 2003 and 2004 emergency supplemental appropriations, our Army has been able to obtain and field solutions to $4.4 billion of operational requirements. For example, in fiscal year 2003 we implemented our Rapid Fielding Initiative (RFI) to ensure that all of our troops deploy with the latest available equipment. We substantially compressed the procurement and fielding cycle and revised schedules to support unit rotation plans.

Our fiscal year 2004 goal for RFI is to upgrade a minimum of 16 brigade combat teams, to include three Reserve Component Enhanced Separate Brigades, serving in Operation Iraqi Freedom and Operation Enduring Freedom. More than $100 million have been programmed to continue RFI in fiscal year 2005.

Additionally, the Army has established a Rapid Equipping Force (REF) that works directly with operational commanders to find solutions to operational requirements. These solutions may be off-the-shelf or near-term developmental items that can be made quickly available. We also created a task force to safeguard our soldiers from improvised explosive devices (IEDs). Its work is saving lives in the Operation Iraqi Freedom and Operation Enduring Freedom areas of operation. In fiscal year 2004, the IED initiative was funded solely through existing Army programs, at a cost of $21 million. In light of its success, our Army has decided to make the task force a permanent organization.

Our modernization efforts continue and are bearing fruit, as evidenced by the recent fielding and deployment to Iraq of our first Stryker Brigade Combat Team (SBCT). Our second SBCT will become operational this spring, and the third in 2005. Three more SBCTs will be fielded through 2008.

Our commitment to improve current and future readiness is steadfast, even when that entails making tough choices, such as canceling the Comanche program. Though it was a difficult decision, we believe it was unquestionably the right one. By reallocating funds originally intended for Comanche the Army can buy almost 800 new aircraft, upgrade or modernize an additional 1,400 aircraft—modernization for almost 70 percent of our fleet—and outfit our aircraft with the survivability equipment they need. In fiscal year 2005 alone, the Army will convert 19 Apaches to the Longbow configuration, upgrade 5 Black Hawks to the UH–60M configuration, purchase 27 new UH–60Ls; buy four new CH–47Fs; convert 16 existing CH–47s into F and G models; and procure 160 new, higher-power CH–47 engines. In addition, our Army will start a Lightweight Utility Helicopter program, under which we will acquire 10 new, off-the-shelf aircraft in fiscal year 2005. We need your support to use the Comanche resources to fix Army aviation.

SETTING THE FORCE

We are in the process of reconstituting our equipment returning from Operations Iraqi Freedom and Enduring Freedom through a rigorous, long-range plan known as "Setting the Force." This program, which is designed to restore our units and equipment stocks to predeployment levels of readiness so they are rapidly ready for follow on missions. The goal is for all returning active and Army Reserve units to

achieve this level of combat readiness within 6 months after their arrival at home station. For National Guard units, the target is one year.

The Army's Reset Task Force has determined the repair requirements for all Operation Iraqi Freedom 1 units. The workload consists of approximately 1,000 aviation systems, 12,467,000 communications and electronics systems, 5,700 combat/tracked vehicles, 45,700 wheeled vehicles, 1,400 missile systems, 9 Patriot battalions, and approximately 232,200 various other systems. The basic reset plan incorporates the use of domestic and overseas depot, installation and commercial repair facilities.

As part of setting the force, our Army also will have to replace those weapons and systems destroyed on the battlefield or too badly damaged to be repaired economically. The procurement requirements established through our Reset Task Force cover only known losses at this point and we expect that they will grow as operations continue. We also predict that, as we inspect and repair equipment, the number of items catalogued as uneconomically repairable will increase.

CONCLUSION

In closing, the fiscal year 2005 budget will enable our Army to provide our combatant commanders the requisite land-power capabilities for the global war on terrorism, homeland defense and other worldwide commitments. It will enable us to provide our soldiers with the best available technology and materiel, and to properly train them to handle any situation or challenge they encounter. The fiscal year 2005 request covers our baseline operations, the 15 critical systems in our recapitalization program and our transformation program. It does not address the ongoing missions in Iraq and Afghanistan.

Our soldiers continue to perform magnificently around the globe. Simultaneously executing the global war on terrorism, implementing our modularity and transformation initiatives and setting the force will be a challenge that is consistent with fulfilling the President's Management Agenda. However, it is also an opportunity to reshape ourselves for the future that we cannot pass up.

Your support of this budget and for our ongoing operations, specifically in Iraq and Afghanistan, is critical if our units are to continue their remarkable performance and to be ready for future contingencies.

We appreciate your dedication to your military and to America's sons and daughters, who are serving selflessly throughout the world to make America safe and free. Thank you again for the opportunity to discuss our Army and I look forward to answering any questions you may have.

Senator ENSIGN. Thank you, General Casey.

Admiral Mullen.

STATEMENT OF ADM MICHAEL G. MULLEN, USN, VICE CHIEF OF NAVAL OPERATIONS, UNITED STATES NAVY

Admiral MULLEN. Good afternoon, Mr. Chairman.

I, too, greatly appreciate the opportunity to appear before you, along with my joint-service counterparts, to discuss one of the most important topics to our military and the security of our Nation, the state of the current and future readiness of your Navy.

I would, first, like to report that the fiscal year 2004 supplemental funding that you provided last year has gone precisely where we said it was needed most. I'm very grateful for that. Most shortfalls we had are being filled, and the readiness gaps are, in large part, solved. The Navy could, in the very near future, rapidly surge up to six carrier strike groups within 30 days, and two more soon thereafter, what we call "Six Plus Two," as well as similar quantities of amphibious forces, providing options and significant combat capability for the President, just like that provided at the height of OIF, just 1 year ago. This is the return on your readiness investment.

The Navy has some unplanned expenditures tied to the current movement of forces into Iraq for OIF 2. I expect the Department of Defense to cover as much of these costs as possible from re-

sources managed centrally by the Comptroller, such as the Iraqi Freedom Fund. While we continue to be forward-deployed in support of OIF and OEF, the most joint operations ever, our new employment initiatives have provided a more flexible, sustainable rotational force. That newly-organized force is still forward-deployed, but now is coupled with a significant surgable combat-ready element in home waters.

My written testimony goes into some detail about our Fleet Response Plan (FRP), but the bottom line is that we have stabilized the force; and our new employment construct would allow us to repeat what we did a year ago, later this year. We are producing the best readiness levels I have seen in my career.

We have also instituted other organizational changes to increase our current readiness and accelerate our advantages. Validating a new force-packaging concept, Expeditionary Strike Group 1 returns today from its first operational deployment. Expeditionary strike groups (ESG) combine Navy deep strike and Marine forcible entry capabilities, portending new concepts of operations for ship-to-objective strikes deep inland and the potential for significant near covert operations executed from sea bases offshore. ESGs provide new, powerful, and flexible options.

Commander Navy Installations Command was stood up and was established to centrally manage all of our shore installations, promote best-practices development, and increase efficiencies, saving approximately $1.2 billion across the Future Years Defense Plan (FYDP). This is partially in response to a conversation we had the other day. We're taking significant steps forward to manage the Department more efficiently, to look for resources from within.

For recapitalization and future readiness, we have identified $12.4 billion in cost savings and requirements mitigation over the next 5 years to further our Seapower 21 vision. Multi-year procurement contracts and economic order-quantity purchases are already generating savings. The F–18E/F multi-year procurement contract is expected to save us in excess of $1 billion across the FYDP, for example.

This past year also validates the strategic value of sea-basing. During the opening hours of OIF, sea-basing enabled a three-axis attack on Iraq. More recently, the Navy's military sealift command has moved over 9.8 million square feet of joint-force cargo over the last 6 months in support of the largest force rotation since World War II.

We will continue to budget the resources to make this a true national capability. Our vision is to support as much of the joint fighting force as required when facing an anti-access environment, or host-nation support is unavailable or overly restrictive.

Admiral Clark and I are confident that the Navy's fiscal year 2005 budget submission will provide the right readiness at the right cost for the right force as we continue to fight the global war on terrorism. Units are now maintaining extended periods of combat readiness to meet our Nation's needs, known and unknown. We have, however, taken some well-considered risk in this budget proposal as we balanced our efforts between current readiness, future readiness, and the overall health of the Navy. There is no fat in the readiness accounts.

I would like to draw your attention to some potential challenges. There is little to no excess capacity in the public ship-repair industrial base. It's at full capacity, and working overtime, in most cases. Our fiscal year 2004 planned maintenance requirements modestly exceeded our full capacity, causing us, again, to defer some work to fiscal year 2005. There is some risk associated with this lack of excess capacity, and the ship industrial base must be very carefully managed if we are to sustain our ability to surge; and we are doing that. The FRP and our continuous maintenance philosophy are also mitigating some of this risk.

Stockpiles of precision-guided munitions (PGM) are slightly below current requirements. The Navy has, however, programmed and funded PGM production, and we will see our stocks replenished by the end of this budget period.

Finally, I believe that encroachment of our training areas will not abate. Encroachment directly impacts current, and certainly future readiness, and the risk rises each time our forces enter combat with less than realistic training. I would ask for your continued leadership and support in resolving this challenge, challenge for the long-term health of the military services.

On the whole, you should be confident that we have provided the best budget possible based on what we know today. Readiness at any cost is also unacceptable. We have striven to reasonably spend the taxpayers' dollar to provide for a ready Navy. We believe that our readiness accounts are properly balanced and, outside of unforeseen changes in our obligations, on solid financial footing.

Mr. Chairman, Senator Akaka, in closing, I, again, would like to express my great appreciation for your enduring and exceptional support. The Navy was, is, and always will be a rotationally deployed force providing joint combatant commanders with persistent combat-credible naval power. The Navy is now providing a significant surge capability, as well. The nation's investment in the United States Navy is providing solid returns in the form of combat-ready forces. These are dollars well spent.

I thank you for your time here today, and look forward to taking your questions.

[The prepared statement of Admiral Mullen follows:]

PREPARED STATEMENT BY ADM MICHAEL G. MULLEN, USN

Chairman Ensign, Senator Akaka, and distinguished members of this subcommittee, I am extremely pleased to testify before you, along with my Service counterparts, on the readiness of our military forces. Current readiness continues to be one of the Chief of Naval Operation's (CNO) top priorities and, with your enduring and generous support, we have built and organized a Navy that is truly ready, in every regard; more so today than ever before. Forward deployed with a significant surge capability poised to go, our forces are able to take credible, persistent combat power to the far corners of the Earth.

In the fall, I testified before Congress that the CNO's goal for 2004 was to constitute and "reset the force." Later this year, the U.S. Navy will be fully ready to do it again. We will be able to provide combat forces on par with the OIF effort. A combat power that is ready around the world, around the clock; enabled by surge naval forces if called. This gives our President options. The exceptional support of this committee and Congress has enabled the Navy to wisely invest the taxpayer dollar; an unprecedented level of readiness now is the return on that important investment in the Navy. Before I go into more detail on current readiness and our fiscal year 2005 budget request to support continued readiness of naval forces, I will review the remarkable events and circumstances of the past year.

LAST YEAR IN REVIEW

At this time last year, 168 Navy ships and over 77,000 sailors were deployed around the world supporting the global war on terrorism and in position to execute Operation Iraqi Freedom. In total, 221 of our then 306 ships—representing 73 percent of our force—were underway, including 7 of 12 carrier strike groups, 9 of 12 expeditionary strike groups, and 33 of 54 attack submarines. The Navy and Marine Corps alone had nearly 600 aircraft forward deployed in support of these operations. SEALs, construction battalions (SEABEES), Explosive Ordnance Disposal (EOD) teams, port operations support units, maritime patrol squadrons, medical teams, and naval coastal warfare units were also deployed overseas, all well-trained and ready for real world combat operations. Twenty-one combat logistics and 76 sealift ships provided the movement and sustainment for this fighting force. It was a tremendous and superbly executed effort that projected decisive combat power across the globe in concert with our joint partners.

Naval forces were integrated into joint and coalition operations in support of Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). In the case of OIF, our forces provided the joint force commander a capability to strike deep inland from the sovereign operational sea bases provided by our aircraft carriers and other naval combatants. OEF and OIF were the most joint operations in our history, providing valuable lessons learned that will enhance our power projection (Sea Strike), our defensive protection (Sea Shield) and the operational independence afforded by the freedom to maneuver on the sea (Sea Basing). The lessons learned thus far reaffirm that the capabilities-based investment strategy, new warfighting concepts and enabling technologies we are now pursuing in the Sea Power 21 vision are right on course. Just a few examples of our warfighting investments in light of these lessons include:

- Purchasing precision guided munitions at the maximum rate currently possible;
- Enhancing the proven capability of Tomahawk cruise missiles;
- Accelerating science and technology (S&T) programs that proved effective in mine clearance; and
- Instituting new employment concepts to better utilize our existing forces.

The capabilities-based transformation of our individual platforms and new operating concepts for the force continue to accelerate our advantages as the appropriations provided by this Congress become reality in the fleet. We must stay ready as well as invest in the future.

Our Navy achieved many successes the past year, including some new high water marks in our priority areas:

Sea Strike

Sea Strike was an important contributor to successful combat operations during OIF, particularly during the crucial opening hours and days. In 2003, Navy flew nearly 9,000 sorties, fired over 800 Tomahawk missiles and delivered over 15,000 marines to the fight in support of the joint force. The Navy delivered combat power where it was needed, when it was needed; providing tactical surprise, persistence and deep reach to the combatant commander from flexible naval forces under his command. The Navy strongly demonstrated its ability to conduct strike operations deep inland in concert with ground forces—whether Marine Corps, Special Operations or Army—to contribute to the decisive defeat of an armed adversary. We are also enhancing our power projection capabilities as we transform, providing flexible strike forces that are ready and immediately employable to the President.

This past year we deployed the Navy and Marine Corps' first Expeditionary Strike Group (ESG 1), pairing the deep striking power of U.S.S. *Port Royal* (CG 72), U.S.S. *Decatur* (DDG 73), and the submarine U.S.S. *Greenville* (SSN 772) to the traditional forcible entry capabilities of our marines enabled by U.S.S. *Peleliu* (LHA 5), U.S.S. *Ogden* (LPD 5), and U.S.S. *Germantown* (LSD 42). This ESG provides increased capability to the joint combatant commander that is persistent and sovereign. The future addition of destroyer-experimental (DD(X)) and Joint Strike Fighter (JSF) short take-off/vertical landing variant (STOVL) to ESGs will greatly enhance these already tremendous combat forces. We also benefited this past year from the first fleet operations of the F/A–18E/F and over the next few years are fielding two new SEAL Teams and four nuclear-powered cruise missile attack submarines (SSGNs); which add unique capabilities to our portfolio of naval power.

Sea Shield

We continue improving the deterrent value and the warfighting power of our Navy through new sea shield capabilities, including: homeland defense, sea and lit-

toral control, and theater air and missile defense. The ESG is also evidence of the shift in operational emphasis to providing the necessary sea shield capability required to operate in an anti-access environment.

• This year U.S.S. *Higgins* (DDG 76) provided early warning and tracking to joint forces in Kuwait and southern Iraq during the war to help defend against the theater ballistic missile attacks. This capability demonstrated the initial potential of extending Sea Shield defenses to the joint force, effectively projecting defensive power over the land battlespace.

• Three months ago, we advanced our theater missile defense capability with another successful flight test of our developmental sea-based defense against short-to-medium range ballistic missiles. U.S.S. *Lake Erie* (CG 70) and U.S.S. *Russell* (DDG 59) combined to acquire, track, and hit a ballistic test target in space with an SM–3 missile in support of the Ballistic Missile Defense program. An effective theater ballistic missile defense (TBMD) system is essential in the future to protect air and sea ports of debarkation in theater, enabling the flow of military power for successful Joint operations ashore.

• Our OIF mine warfare efforts cleared 913 nautical miles of water in the Khor Abd Allah and Umm Qasr waterways, opening 21 berths in the Umm Qasr port and clearing the way for the first coalition humanitarian aid shipments into Iraq onboard RFA *Sir Galahad,* a British logistics ship. Other operations in the littoral areas of the Northern Arabian Gulf prevented sea mines from being deployed and secured active oil platforms, assuring maritime access to Iraq, freedom of navigation in the entire Arabian Gulf and preventing a potential environmental disaster.

• Antiterrorism/Force Protection (AT/FP): Significant progress was made in security, and investments in AT/FP continue as our personnel and bases remain potential terrorist targets. We significantly increased AT/FP resources: expanding our military police forces, delivering AT/FP equipment to the end users and formalizing fleet training and certification requirements. We also tested new systems as well as existing systems in an AT/FP role with good success and aligned counter-terrorism functions into the Naval Criminal Investigative Service.

Sea Basing

We are pursuing Sea Basing as an integral part of the Navy-Marine Corps team's transformation, encompassing and integrating powerful extensions to current Joint capabilities. The inherent mobility, security, and flexibility of naval forces provide an effective counter to emerging military and political limitations to overseas access. Supporting OEF and OIF in 2003, an element of our emerging Sea Basing concept is exemplified by the Military Sealift Command, which delivered over 32 million square feet of combat cargo, over 34,000 tons of combat and support cargo, and more than one billion gallons of fuel to the Nation's warfighters in OIF. Thus, within the Sea Basing construct, we were able to sustain the strategic and operational flexibility necessary to generate a three-axis attack in Iraq from our dispersed sea bases of aircraft carriers, surface combatants and submarines in the Red Sea, the Mediterranean Sea and the Arabian Gulf. This effort continues today in support of OIF II with 153 MSC-controlled ships activated on full operational status, 85 of them forward deployed economically and securely delivering over 350,000 tons of cargo in support of joint operations and the largest troop movement since World War II.

As we continue to develop and field additional elements of Joint Sea Basing with the U.S. Marine Corps and our other sister services, we will "accelerate our advantages" to assure access for joint operations wherever it is required. Sea Basing provides the dynamic access, speed of response, flexibility and persistent sustainment capabilities necessary to execute combat operations ashore, exploiting the maneuver space provided by the sea to enable and conduct joint operations at a time and place of our choosing.

Sea Warrior

The human resource investment through our Sea Warrior program remains one of our top priorities as we execute the CNO's Guidance to "expedite Sea Warrior" and "streamline and align the total manpower structure." Retention has never been better; for the third straight year we've seen record retention levels. In 2003 we retained 60.8 percent of our first term sailors, a full four points above goal while attrition was driven down to 8.2 percent, three points lower than goal. Our officer corps chose to continue their naval careers in record numbers; our officer loss rate has decreased from 9.5 percent in 2000 to 7.1 percent in 2003. This great retention allowed us to lower our accession goal to just over 41,000, down from 56,700 in 2000, while dramatically improving the quality of people we brought into the Navy. More than 94 percent of our recruits held high school diplomas and some 3,200 of them had completed at least 12 semester hours of college credits. This success stands as

testament to our commitment . . . with your support . . . to improve the quality of service in the Navy.

Sea Trial and Experimentation

We kept our commitment to testing and experimentation by both formalizing the process into the Sea Trial program as well as conducting tests in support of real-world operations where it made sense. These operations supporting OIF included the use of the High Speed Vessel X1 (Joint Venture), Navy patrol craft and six unmanned, autonomous underwater vehicles (AUV) directly from our science and technology (S&T) program. These successful field tests supported special operations and mine clearance in the littoral as well as delivering important insights into our vision for future littoral and mine warfare concepts and capabilities.

WHERE WE ARE TODAY

When I addressed Congress last October, I indicated that the Navy had begun constituting the force. If called now, the Navy could rapidly surge six carrier strike groups within 30 days and two more soon after—what we call "Six plus Two"—as well as significant amphibious forces, providing flexible options and significant combat capability to the President and Secretary of Defense. We reached this point by instituting organizational changes; and in this case, an innovative new operational employment concept called Fleet Response Plan (FRP). I will go into some detail on this transformational concept later, but briefly, FRP fundamentally changes our approach to readiness at the unit level and provides maximum return for the taxpayers' dollar, and is in place now. FRP ensures that fleet units achieve combat readiness sooner after completing a deployment and associated maintenance period. Units also maintain that high level of readiness longer than before. The net result is a period of extended readiness for a large portion of the force, a force that is ready to continue rotationally deploying or, if called, ready to surge quickly for combat or other operations. I urge your strong support of the readiness accounts in the President's budget request for fiscal year 2005 which will allow me to execute this vital new and better way to fund readiness.

Today, the Navy remains underway and forward deployed to all corners of the world. As I provide this testimony to you, 86 ships including two carrier strike groups, two expeditionary strike groups and one surface strike group are forward deployed. These forces are or have been operating in support of OEF, OIF and other operations worldwide, enhancing their coordination and value in joint operations. In addition to this forward deployed posture, there are 66 ships and submarines underway conducting homeland security missions, counterdrug patrols, goodwill visits, multi-national exercises and pre-deployment training. Units not deployed overseas are achieving combat readiness earlier under FRP, ensuring that forces are available when called.

Also, in my fall statement to Congress, I made reference to several of the largest challenges to reset the force. In that testimony, I discussed spares, depot maintenance, precision-guided munitions, EA–6B wing panels and F/A–18 ancillary equipment. Fiscal year 2004 supplemental funding met our immediate needs for these critical capabilities and our fiscal year 2005 budget request keeps us on track for the future—we have used your support to achieve, and crafted our fiscal year 2005 budget request to now maintain the Navy's force constitution. We thank you for approving the supplemental last fall.

THE FLEET RESPONSE PLAN

In the CNO's guidance for 2004, one of his major action items was to "deliver the right readiness." It was clear in responding to OIF that the Navy could not best meet the long-term global war on terror force requirements using its traditional employment methods. As a result and to meet the challenges I mentioned, we undertook, and are well underway, in the Navy's organizational transformation. Foremost among these changes is the way we employ our forces. I have made the point of using the term "constitution" vice "re-constitution" to place emphasis on the fact that we are truly involved in a transformation in the way we develop ready forces.

The Fleet Response Plan (FRP) is among the most important of those transformations, and as discussed above, is the real reason we can provide such an immediate surge capability close on the heels of major combat operations. The Navy has been, is now, and will always be a rotationally deployed force. The FRP fundamentally changes the way we get the fleet ready. While continuing to rotationally deploy forces overseas, FRP institutionalizes a higher level of force employability and provides the surge capability necessitated by the global security environment. At the

same time, we respond more flexibly by deploying for a purpose and add to the security of our forces by becoming less predictable to those that would do us harm.

The ramp-up to support OIF, permitting the extended arrival window of five Carrier Strike Groups at the outset, was impressive but we cannot count on a passive competitor in the future. The 21st century presents our Nation with varied and deadly new threats, including regional adversaries armed with growing anti-access capabilities and international terrorist and criminal organizations. Countering such enemies and consistent with guidance espoused within our National Security Strategy, Navy reviewed the best way to transform its Fleet employment policy. Last May, the Chief of Naval Operations approved the Fleet Response Plan (FRP), redefining our readiness process, and in doing so, provided a more responsive force to meet our defense and military strategies, and presenting the President with more force employment options. A premium is placed on ready, flexible forces able to pulse rapidly either to augment forward-deployed forces or respond to crises in remote and widely separated locations.

FRP not only directly meets our defense strategy requirements but also provides the combatant commander with the tailored capabilities that will best meet their needs. Tailored packages beyond Carrier and Expeditionary Strike Groups include Surface Strike Groups or SSGNs in the near future. For example, the Navy is responding quickly to Haiti. The recent unplanned deployment and employment of U.S.S. *Boxer* (LHD 4) and U.S.S. *Bataan* (LHD 5) supporting the current OIF II rotation is another example of providing tailored packages to meet the mission needs of the combatant commander. In these cases, full ESG capability was not required—the right force at the right time was ready and is performing with characteristic excellence. By refining our maintenance, training and manning schedules, we have institutionalized the capability to provide six Carrier Strike Groups (CSG) within 30-days and an additional two Carrier Strike Groups within 90-days, more commonly known as "Six plus Two."

I discussed CSGs because they are the most complex components to prepare for deployment, but FRP applies to the entire fleet. With the implementation of FRP, half of Navy forces could be ready to provide homeland defense and be either forward deployed or ready to surge forward with overwhelming and decisive combat power.

We are now focusing our readiness efforts on achieving rapid deployability once a strike group has emerged from an extended maintenance period. This is a significant mind-shift change from the old way of achieving deployment readiness on the verge of the scheduled deployment date. The result is a period of extended readiness that nearly doubles former readiness windows. Though the time that platforms are available for employment will increase, the total time sailors are deployed will not. The framework of FRP will allow enough structure for sailors and their families to plan their lives, while also keeping our adversaries off balance.

The Fleet Response Plan presents the Navy the opportunity to outline an operating pattern that is irregular to our adversaries, keeping them off guard by disrupting their calculus and ability to plan their hostile actions. While flexibility has advantages, FRP must also provide combatant commanders and allies the level of predictability needed to plan U.S. Navy participation in exercises, engagement with overseas partners and re-enforce assurances of our Nation's commitment to the security of friends and allies.

Finally, during the additional months of readiness for surge, FRP will not increase the burden on our sailors by keeping them in a constant alert status, uncertain when, if, and for how long they will be summoned to respond. Of course, for any major national crisis, the Navy will surge all the ships and aircraft with which we need to respond. Our sailors understand that when the Nation is threatened, their duty is to answer the call, as they have over the last 3 years. However, for those increasingly frequent situations that deserve a response, but do not imminently threaten the U.S. or its interests, a new employment concept is required.

The Navy developed the Flexible Deployment Concept (FDC) as a complement to FRP to ensure a proper balance between readiness to surge versus the practical need to place responsible limits on the operational tempo (OPTEMPO) of our sailors. To provide safeguards for our people, FDC proposes the establishment of two windows when ready ships could be available for employment, either on routine presence deployments in support of combatant commander objectives, or on shorter "pulse" employment periods in response to emerging requirements. These windows provide predictability. Sailors will know when they might be expected to deploy, and combatant commanders will know which forces are ready to respond to emergent needs.

FRP and FDC provide ready forces able to defend the homeland, respond quickly to deter crises, defeat the intentions of an adversary, or win decisively against a

major enemy. This is what we now call "Presence with a Purpose." Together they implement the type of force employment transformation envisioned by national and military leaders and are the most significant change in the Navy's operational construct in decades.

Of significance to this committee, FRP/FDC implementation will be accomplished within resources already planned. We will achieve resource efficiencies in maintenance and training. When considering the increased force availability gained through this transformational change, the taxpayer gets a larger return on investment with our current force structure.

OUR FISCAL YEAR 2005 BUDGET REQUEST

The CNO is intent on "delivering the right readiness at the right cost," as stated in his guidance for 2004, while we accelerate our advantages to meet the challenges of an uncertain world. Readiness is much more than a count of our end strength, our ordnance and spares and the number of hours and days spent training. It is the product of our ability, through all of these pieces, to deliver the required effects needed to accomplish the mission. We know, too, that readiness at any cost is unacceptable; as leaders we must achieve and deliver the right readiness at the right cost. We have taken significant steps forward in order to assess our readiness.

The Integrated Readiness Capability Assessment (IRCA) was developed for the fiscal year 2005 budget and beyond to more carefully examine our readiness processes. Starting with our new FRP operating construct, we took a hard look at everything that we needed to have on hand and what we needed to do to deliver the required combat readiness for the Nation's needs.

The IRCA process helped us better understand the collective contributions of all the components of readiness, accurately define the requirements, align the proper funding and provide a balanced investment to the right accounts. It improved our visibility into the true requirements and it gave us a methodology to assess and understand both acceptable and unacceptable risks to our current readiness investments. Specific highlights from our fiscal year 2005 budget request are as follows:

• Ship and Aircraft Operations: We have requested funds for ship operations OPTEMPO of 51.0 days per quarter (down from 54.0 days per quarter) for our deployed forces and 24 days per quarter for our non-deployed forces (down from 28 days per quarter). Through a realignment of existing resources, we have properly funded the flying hour account to support the appropriate levels of readiness and longer employability requirements of the FRP. This level of steaming and flying hours, though lower than previous years in the aggregate, will enable our ships and air wings to achieve the required readiness over the longer periods and, as a result, will improve our ability to surge in crisis and sustain readiness during deployment.

[In millions of dollars]

	Fiscal Year					Totals
	2005	2006	2007	2008	2009	
Ship Operations						
Presbud–04	2,512	2,487	2,647	2,609	2,659	12,914
Presbud–05	2,605	2,694	2,798	2,916	2,943	13,956
Aircraft Operations						
Presbud–04	4,103	4,187	4,061	4,165	4,084	20,600
Presbud–05	4,069	3,937	3,806	3,822	3,881	19,515

• Ship and Aircraft Maintenance: We have made significant improvements these last few years by reducing major ship depot maintenance backlogs and aircraft depot-level repair back orders; improving aircraft engine spares; ramping up ordnance and spare parts production; maintaining steady "mission capable" rates in deployed aircraft; fully funding aviation initial outfitting; and investing in reliability improvements. Our fiscal year 2005 request continues to improve the availability of non-deployed aircraft and meets our 100 percent deployed airframe goals. We have also included funding to continue the procurement of EA–6B outer wing panels, for which you specifically provided much needed funding last fall. The EA–6B will continue to be a maintenance challenge as it is an old airframe—and my most expensive to operate—and in need of replacement as soon as possible.

Our ship maintenance request continues to 'buy-down' the annual deferred maintenance backlog and sustains our overall ship maintenance re-

quirement. We are making great strides in improving the visibility and cost effectiveness of our ship depot maintenance program, reducing the number of changes in work package planning and using our continuous maintenance practices when changes must be made. We are very carefully managing and balancing the maintenance and FRP employment of our units in order to ensure that the Navy can surge with greater flexibility.

[In millions of dollars]

	Fiscal Year					Totals
	2005	2006	2007	2008	2009	
Ship Maintenance						
Presbud–04	3,706	3,522	3,415	3,397	3,488	17,527
Presbud–05	3,917	3,323	3,421	2,760	3,788	17,208
Aircraft Maintenance						
Presbud–04	940	866	805	986	974	4,571
Presbud–05	996	967	919	938	1,005	4,825

• Shore Installations: Our facilities Sustainment, Restoration, and Modernization (SRM) program remains focused on improving readiness and quality of service for our sailors. While our fiscal year 2005 Military Construction and Sustainment program reflects difficult but necessary tradeoffs between shore infrastructure and fleet recapitalization, the majority of the SRM trends are very good. Facilities sustainment has increased in fiscal year 2005. Our budget request keeps us on a course to achieve the DOD goal of a 67-year recapitalization rate by fiscal year 2008, achieve DON goals to eliminate inadequate family and bachelor housing by fiscal year 2007 and provides Homeport Ashore Bachelor Housing by fiscal year 2008. We are exploring innovative solutions to provide safe, efficient installations for our service members, including design-build improvements, and BRAC land sales via the GSA Internet. Additionally, with the establishment of Commander, Navy Installations (CNI) this past year, we have improved our capability to manage our dispersed facility operations, conserve valuable resources, establish enterprise-wide standards and continue to improve our facility infrastructure.

[In millions of dollars]

	Fiscal Year					Totals
	2005	2006	2007	2008	2009	
SRM						
Presbud–04	1,446	1,449	1,425	1,928	2,085	8,333
Presbud–05	1,536	1,403	1,441	1,405	1,611	7,396

• Precision-Guided Munitions receive continued investment in our fiscal year 2005 request with emphasis on increasing the Joint Stand-Off Weapon (JSOW) baseline variant, Joint Direct Attack Munition (JDAM), Tactical Tomahawk (TACTOM), and Laser-Guided Bomb (LGB) inventory levels, while the JSOW penetrator variant enters full-rate production. We also continue to invest in the Joint Common Missile program with the U.S. Army to replace the aging inventory of TOW, Maverick and Hellfire missiles. Joint partnerships with the Air Force and Army in several of our munitions programs continue to help us optimize both our inventories and precious research and development investments and will remain a focus for us in the future.

[Procurement Quantities—Each]

	Fiscal Year					Totals
	2005	2006	2007	2008	2009	
JSOW	389	412	380	422	444	2,047
AIM–9X	157	170	226	211	181	945
JDAM	6,620	4,250	3,430	2,850	4,380	21,530
AMRAAM	46	101	150	140	150	587
JASSM	0	0	0	28	106	134

[Procurement Quantities—Each]

	Fiscal Year					Totals
	2005	2006	2007	2008	2009	
Common Missile	0	0	0	22	88	110
Total	7,212	4,933	4,186	3,673	5,349	25,353

- Training Readiness: We continue to make significant strides in this critical area. In fiscal year 2004, Congress supported two important programs to advance our training readiness. First, you endorsed the Training Resource Strategy (TRS), to provide more complex threat scenarios and to improve the overall realism and value of our training. Additionally, you funded the Tactical Training Theater Assessment and Planning Program to provide for a comprehensive training range sustainment plan. Our fiscal year 2005 budget continues this work. We are working to make the Joint National Training Capability a reality. We have established a single office to direct policy and management oversight for all Navy ranges as well as serve as the resource sponsor for all training ranges, target development and procurement, and the Navy portion of the Major Range Test Facility Base.
- Environmental Readiness: We remain committed to good stewardship of the environment and have the resources and policies in place to do so. Congress has provided significant and reasonable legislative relief from many of the elements that impact readiness. These reasonable amendments help to balance nurturing the environment with the realistic military training required to keep forces ready. We will continue to focus the use of our ranges on military training, and remain committed to our environmental obligations through integrated natural resource management plans. We have procedures in place and will continue to exert every effort to protect marine mammals while ensuring our sailors are properly trained and our transformational systems are properly tested. Encroachment impacts readiness and is an area of particular concern, inseparable from the readiness of our naval forces and, I believe, our military forces in general. As we continue addressing complex environmental issues from a balanced perspective with fact-based analysis, the Navy is committed to maintaining our ongoing environmental stewardship.

In the end, we have a carefully balanced and well-defined readiness requirement. We have identified areas where we can streamline or cease activities that do not add to readiness, and we have requested the funds our commanders need to create the right readiness for fiscal year 2005. I ask for your support of this year's current readiness request as we've redefined many of these processes and already taken acceptable risks. We will deliver the right readiness at the right cost to the Nation. Any significant reduction in my readiness accounts poses high risk to my combat capability.

We have taken some risk as it is imperative that we accelerate our investment in our Sea Power 21 vision. We must recapitalize and transform our force to reduce the burden on our operating accounts and improve our ability to operate as an effective component of the joint warfighting team. To this end, our Navy budget request for fiscal year 2005 and the future also includes:

- Nine new construction ships in fiscal year 2005, including construction of the first transformational destroyer (DD(X)) and the Littoral Combat Ship (LCS), the acceleration of a *San Antonio* Class Amphibious Transport Dock Class ship from fiscal year 2006 to fiscal year 2005, and one Ballistic Missile Submarine (SSBN) conversion and refueling. Our request this year includes the following ships:
  - Three *Arleigh Burke* Class Guided Missile Destroyers (DDG)
  - One *Virginia* class submarine (SSN)
  - One *San Antonio* class Amphibious Transport Dock (LPD)
  - Two Lewis and Clark Class Dry Cargo and Ammunition ships (T–AKE)
  - One 21st century destroyer (DD(X))
  - One Littoral Combat Ship (LCS)
  - One SSBN conversion/refueling
  - Three Maritime Prepositioned Force (Future) (MPF (F)) ships and advanced procurement for an MPF (F) aviation variant.

We are shifting focus to the next generation surface combatants and sea basing capabilities. We have also assessed the risks and divested several assets that have high operating costs and limited technological growth capacity for our transformational future; this includes decommissioning two coastal mine hunter ships, and the accelerated decommissioning of the remaining *Spruance*-class destroyers, *Sacramento* Class Fast Combat Store Ships and the first five *Ticonderoga*-class guided missile cruisers in the future year's plan.

- Procurement of 104 new aircraft in fiscal year 2005, including the F/A–18E/F Super Hornet, the MH–60 R/S Seahawk and Knighthawk Multi-mission Combat Helicopter, the T–45 Goshawk training aircraft and the Marine Corps MV–22 Osprey among others. We continue to maximize the return on procurement dollars through the use of multi-year procurement (MYP) contracts for established aircraft programs like the Super Hornet. We have increased our research and development investment this year in the Joint Strike Fighter (JSF), the EA–18G Airborne Electronic Attack (AEA) aircraft and the broad area antisubmarine, antisurface, maritime and littoral intelligence, surveillance and reconnaissance (ISR) capable Multi-mission Maritime Aircraft (MMA).

Ship Procurement

PB04 to PB05

	FY04	FY05	FY06	FY07	FY08	FY09	Total
CVN 21	0	0	0	1	0	0	1
SSN 774	1	1	1	~~2~~ 1	~~3~~ 1	2	~~8~~ 6
DDG 51	3	3	0	0	0	0	3
DD(X)*	0	1	~~1~~ 0	~~1~~ 2	2	3	8
LPD 17	1	~~0~~ 1	~~2~~ 1	1	1	1	5
LHA R	0	0	0	~~1~~ 0	~~0~~ 1	0	1
LCS**	5	1	~~1~~ 2	~~0~~ 1	3	~~4~~ 8	~~0~~ 13
T-AOE(X)	2	0	0	0	0	2	2
T-AKE	2	2	2	1	0	0	5
MPF(F)	0	0	0	~~0~~ 1	~~1~~ 0	2	3
LMSR (A)	0	0	0	0	0	~~0~~ 1	~~0~~ 1
MLP	0	0	0	0	0	~~1~~ 0	~~1~~ 0
New Const.	7	~~8~~ 9	~~7~~ 6	~~7~~ 8	~~9~~ 8	~~15~~ 17	~~46~~ 48
SSN ERO	2	~~1~~ 0	~~1~~ 0	~~2~~ 3	1	0	~~5~~ 4
RCOH	0	~~1~~ 0	~~0~~ 1	0	0	0	1
Sea Base Connector	0	0	0	0	~~0~~ 1	0	~~0~~ 1

*FY03 DD(X) RDTEN Funded
**First Two flight zero ships RDTEN Funded

Aircraft Procurement

PB04 to PB05

	FY04	FY05		FY06		FY07		FY08		FY09		Total	
JSF	0	0		4	0	~~8~~	2	~~22~~	15	~~53~~	40	~~87~~	58
F/A-18E/F	42	42		38		30		26	24	~~33~~	30	196	
EA-18G	0	0		4		12		26	18	~~30~~	22	56	
E-2C	2	2		2		2		0		4		12	
MMA	0	0		0		0		0		8		8	
UC-35	0	0		0		0		0		0		2	
T-45	13	8		5		0		0		0		26	
T-45	0	~~3~~	1	3		3		7		0		16	14
C-40	1	1		~~4~~	3	3		~~3~~	0	~~3~~	0	~~13~~	8
C-37	1	1		0		0		0		2		3	
UPATS	0	0		0		24		48		48		120	
KC-130J	0	4		4		4		4		5		21	
VXX (Exec heli)	0	0		0		0		~~0~~	~~4~~	0		~~0~~	~~4~~
MV-22	9	3		~~17~~	15	29		30		33		~~136~~	124
CH-53E	0	0		0		0		3		5		8	
AH-1Z/UH-1Y	9	7	9	14	12	~~29~~	19	~~23~~	21	~~24~~	21	~~102~~	~~85~~
MH-60S	15	15		~~25~~		30		30		40		154	
MH-60R	5	~~10~~	8	15		21		31		31		~~114~~	112
JUCAS	0	0		0		0		0		0		0	
VTUAV (Firescout)	0	0		~~0~~	3	~~0~~	3	0		0		~~0~~	6
BAMS UAV	0	0		0		2		4		4		10	
AGS	0	0		0		0		0		~~0~~	2	~~0~~	2
TOTAL	~~93~~	~~100~~	98	~~133~~	130	~~194~~	134	~~264~~	240	~~303~~	206	~~1073~~	1037

* AEA only; Does not include 3 VXX FY03 & 4 X-3 ASW FY08 funded via RDTEN

- Investment in transformational unmanned underwater vehicles (UUV) like the Long-Term Mine Reconnaissance System, and unmanned aviation vehicles (UAV) such as the Broad Area Maritime Surveillance UAV and the Joint—Unmanned Combat Air System. The budget also requests funding for experimental hull forms like the X-Craft, and other advanced technologies including the Joint Aerial Common Sensor (JACS).

WHERE WE'RE HEADED . . . SEA ENTERPRISE

As I've already testified above, your Navy today is the most capable and most ready Navy in our history—in the world's history—and clearly thanks to the support of this Congress and of the American people. But, I believe that we can still do better—that, in fact, we must do better—as stewards of the public trust in determining not just how much we should spend on programs, but how those defense dollars are spent. This is especially true today because of the strategic challenges posed by the ongoing global war on terrorism, because of our need to recapitalize aging infrastructure and capability, and because of the burgeoning technological and operational changes that will dramatically alter the way we fight. Revolutionizing the way in which our defense dollars are spent presents further opportunities to increase our effectiveness, both now and in the future. Our Sea Enterprise initiative is focusing headquarters leadership on outputs and execution, and is creating ideas that will improve our productivity and reduce our overhead costs. Its key objectives are to:

- Leverage technology to improve performance and minimize manpower costs,
- Promote competition and reward innovation and efficiency,
- Challenge institutional encumbrances that impede creativity and boldness in innovation,
- Aggressively divest non-core, underperforming or unnecessary products, services, and production capacity,
- Merge redundant efforts,
- Minimize acquisition and life-cycle costs,
- Maximize in-service capital equipment utilization,

• Challenge every assumption, cost, and requirement.

Senior Navy leaders, civilian and uniformed, are actively engaged, as a board of directors, in tracking the execution of ongoing Sea Enterprise initiatives totaling approximately $40 billion, and identifying $12.4 billion in cost savings and requirements mitigation across the Future Years Defense Program (FYDP). We are committed to efficiency and productivity improvements that will generate the savings necessary to augment our investment stream and implement our Sea Power 21 vision of delivering the right force, with the right readiness, at the right cost. Specific highlights of these fiscal transformation initiatives to date include:

• Right Readiness. Along with the FRP, we have also initiated processes ashore that will generate a more effective force. As just one example introduced previously above, we have established a single shore installation management organization, Commander, Navy Installations (CNI), to globally manage all shore installations, promote "best practices" development, and provide economies of scale, increased efficiency, standardization of polices, and improved budgeting and funding execution. The CNI alone is anticipated to harvest approximately $1.2 billion across the FYDP.

• Right Cost. We've taken a hard look at our "level of effort" programs to maximize return on taxpayer investment, these programs lack performance-based metrics in force structure, readiness or cost benefit. This year's effort reduced the requirements for these accounts by nearly $2 billion across the FYDP, allowing us to reallocate these funds toward higher Navy priorities. In addition, we focused on streamlining our organizations and processes as a means to further improve efficiencies and control costs. Innovative programs like Shipmain and the Naval Aviation Readiness Integrated Improvement Program are aiding in developing and sharing best practices, streamlining maintenance planning and improving performance goals in shipyards, aviation depots, and intermediate maintenance activities. We also reorganized the Navy Supply Systems Command, including the establishment of the Naval Operational Logistics Support Center to consolidate transportation, ammunition and petroleum management. We will continue to look for additional opportunities in this area while leveraging the gains already made.

• Right Force. We believe transformation to our future force must include improving our buying power. To improve upon our force structure, we're divesting non-core, redundant, underperforming, and outdated products and services. We are using multi-year procurement contracts and focusing where possible on economic order quantity purchase practices to optimize our investments. An excellent example lies in the F/A–18E/F multi-year procurement contract that anticipates procurement of 210 aircraft while saving us in excess of $1.1 billion across the FYDP. We also recognize the need to transform our single greatest asymmetric advantage, our people. The upcoming year will focus on ensuring we not only have the right number, but the right mix of military, civilian, and contractor personnel to accomplish the mission at the lowest possible cost. You've given us a tremendous tool to enhance our flexibility in this area, the National Security Personnel System, and we plan to take full advantage of it.

In 2005, the Navy will continue to pursue product and process efficiencies and the opportunities to be more effective while improving our warfighting capability. Harvesting the savings for recapitalization is a vital part of that effort, and we will continue to balance the benefits of new productivity initiatives against operational risks. Our intent is to foster a culture of continuous process improvement, reduce overhead, and deliver the right force structure both now and in the future. I want you to be confident that the budget you write into law is the best estimate possible of what the Navy needs to be ready to serve America both now and in the future.

WHERE WE'RE HEADED . . . SEA WARRIOR

It is important to note that the improvements to our operational availability of forces and our demand for increased efficiency in maintaining readiness will not be made on the backs of our people. We have a smart, talented force of professionals who have chosen a lifestyle of service. Our ability to challenge them with meaningful, satisfying work that lets them make a difference is part of our covenant with them as leaders.

A new operating concept like the Fleet Response Plan could not be implemented if we still had the kind of manpower-intensive mindset to problem solving that we had just 5 years ago. But today, thanks to your sustained investment in science and technology among others, we have already realized some of the advancements in in-

formation technology, simulators, human system integration, enterprise resource planning, web-enabled technical assistance and ship and aircraft maintenance practices that can reduce the amount of labor intensive functions, the training and the technical work required to ensure our readiness. More output . . . at reduced cost.

As our Navy becomes more high tech, so must our workforce. Our people will be a more educated and experienced group of professionals in the coming years, and we must properly employ their talents. We will spend what is necessary to equip and enable these outstanding young Americans, but we do not want to spend one extra penny for manpower that we do not need. As part of that effort, we continue to pursue the kind of new technologies and competitive personnel policies that will streamline both combat and non-combat personnel positions, improve the two-way integration of active and Reserve missions, and reduce the Navy's total manpower structure. To that end, we are proposing a fiscal year 2005 Navy end strength reduction of 7,900 personnel.

We will use existing authorities and our Perform to Serve program to preserve the specialties, skill sets, and expertise needed to continue properly balancing the force. We intend to build on the positive growth and momentum of retention and attrition metrics achieved over the last 3 recordbreaking years. We are fully committed to ensuring every sailor has the opportunity and resources available to succeed. Our goal remains attracting, developing, and retaining the most highly skilled and educated workforce of warriors we have ever had to lead the 21st century Navy. Sea Warrior is designed to enhance the assessment, assignment, training, and educating of our sailors. Our fiscal year 2005 budget request includes the following tools that we require to enhance mission accomplishment and provide professional growth within our Sea Warrior program.

- Optimal Manning: Optimal manning is one of the innovative personnel employment practices being implemented throughout the fleet. Experiments in U.S.S. *Boxer* (LHD 4), U.S.S. *Milius* (DDG 69), and U.S.S. *Mobile Bay* (CG 53) produced revolutionary shipboard watch standing practices, while reducing overall manning requirements and allowing sailors to focus on their core responsibilities. The fleet is implementing best practices from these experiments to change ship manning documents in their respective classes. Optimal manning means optimal employment of our sailors.
- Sea Swap: We have our fourth crew aboard U.S.S. *Fletcher* (DD 992) and our third crew aboard U.S.S. *Higgins* (DDG 76) in our ongoing Sea Swap initiative. This has saved millions of dollars in transit fuel costs and increased our forward presence without lengthening deployment times for our sailors. *Fletcher* and *Higgins* will return to San Diego later this year after a period of forward deployed operations of 22 months and 17 months respectively. We will continue to assess their condition and deep maintenance needs to develop and apply lessons learned to future Sea Swap initiatives.
- Selective Reenlistment Bonus (SRB): Targeted bonuses such as SRB are critical to our ability to compete for highly trained and talented workforce both within the Navy and with employers across the Nation. Proper funding, adequate room for growth and flexible authority needed to target the right skills against the right market forces are important to accurately shape the workforce. This program specifically targets retention bonuses against the most critical skills we need for our future. We ask for your continued support and full funding of this program.
- Perform to Serve (PTS): Last year, we introduced PTS to align our Navy personnel inventory and skill sets through a centrally managed reenlistment program and instill competition in the retention process. The pilot program has proven so successful in steering sailors in overmanned ratings into skill areas where they are most needed that the program has been expanded. More than 2,400 sailors have been steered to undermanned ratings and approved for reenlistment since the program began last February and we will continue this effort in 2005.
- Assignment Incentive Pay (AIP) is a financial incentive designed to attract qualified sailors to a select group of difficult to fill duty stations. AIP allows sailors to bid for additional monetary compensation in return for service in these locations. An integral part of our Sea Warrior effort, AIP will enhance combat readiness by permitting market forces to efficiently distribute sailors where they are most needed. Since the pilot program began last June, more than 1,100 AIP bids have been processed resulting in 238 sailors receiving bonuses for duty in these demanding billets that previously were difficult to keep fully manned with the highest quality sailors. We ask for continued support of this unique initiative.

• Professional Military Education (PME): We are taking a more comprehensive approach to the continuing education of our people than we have in the past. We are in the process of developing a PME continuum that integrates general education, traditional Navy-specific Professional Military Education (NPME), and Joint Professional Military Education (JPME) curricula. This will allow us to develop a program that fully incorporates all aspects of our professional and personal growth and improve individual readiness through providing a complete set of training needs. Advances thus far include establishing networks with civilian educational institutions, developing new degree programs, and establishing partnerships with other services' institutions. We are also expanding opportunity through distance learning and the Internet. Specifically, the Naval Postgraduate School in Monterey has embraced partnerships and developed distance learning programs that more than doubled its enrollment to nearly 10,000 degree and short course students throughout the world, including the first national homeland security curriculum, expansion of enrollment to include enlisted personnel, as well as advanced education opportunities in nearly 140 countries. This is just one example of how we are committed to broadening the professional and intellectual horizons of both our officers and our enlisted men and women to prepare them to operate tomorrow's fleet and assume key naval and Joint leadership roles.

• Human Performance Center (HPC) has been established to apply Human Performance and Human System Integration principles in the research, development, and acquisition processes. In short, the HPC will help us understand the science of learning. The center will ensure training is driven by fleet requirements and they will focus requirements on the performance needed to carry out our missions. This will eliminate potential performance and training deficiencies, save money and help us improve our readiness.

• The Integrated Learning Environment (ILE) is at the heart of our Revolution in Training. ILE is a family of systems that, when linked, will provide our sailors with the ability to develop their own learning plans, diagnose their strengths and weaknesses, and tailor their education to support both personal and professional growth. They will manage their career requirements, training, and education records. It will match content to career requirements so training is delivered at the right time. Most importantly, these services will be provided anytime, anywhere via the Internet and the Navy-Marine Corps Intranet (NMCI).

We are taking advantage of every opportunity to accelerate incorporating the best tools available to develop the 21st century workforce. The improvements and pilot programs that this Congress has supported—including bonuses, pay table adjustments, retirement reforms, better medical benefits, and our Sea Warrior initiatives—are having the desired impact.

Your support of our fiscal year 2005 request for a 3.5 percent basic pay raise, for our efforts to transform our manpower structure in some fundamental ways, and for a reduction in average out-of-pocket housing costs from 3.5 percent to 0 will have a direct effect on our ability to properly size and shape the 21st century workforce that is our future.

CONCLUSION

I would like to express my deep appreciation to the members of this committee for your lasting support in sustaining this Nation's Navy. It is today the most capable Navy we have ever put to sea, maintaining persistent, flexible forces forward and the ability to surge significant combat power quickly, wherever required. It needs to be given the uncertainty of the future. We firmly believe that we made the right choices for fiscal year 2005, choices that will allow the Navy to control the world's oceans—and hence, our global economic and political interests—and deliver credible, persistent combat power from the sovereign expanse of the sea around the globe.

Again, I wish to thank the committee for this opportunity to appear before you today. I am very happy to answer any questions you may have.

Senator ENSIGN. Thank you.

General Moseley.

STATEMENT OF GEN. T. MICHAEL MOSELEY, USAF, VICE CHIEF OF STAFF, UNITED STATES AIR FORCE

General MOSELEY. Chairman Ensign, Senator Akaka, thank you, again, for this opportunity to appear alongside my joint colleagues to present this year's state of readiness.

As the Air Force's Vice Chief of Staff, it's my privilege to report on our key programs. On behalf of airmen stationed around the globe, I want to thank the committee again for the continued focus on readiness and the challenges facing our airmen today.

Whether operating here at home or simultaneously supporting joint-force commanders across the globe, our mission success has been a testament to the dedication and professionalism of our people and your continued help. Renewed emphasis on programs like spare parts, depot maintenance, and munitions stockpiles is welcomed and has laid the foundation for readiness in increasing mission-capable rates.

In addition to equipment, your committee's increases to our flying-hour training and general operations and maintenance (O&M) funding made it possible for our force to remain the most efficient air force in the world. In my written testimony, I detail the truly monumental accomplishments of our airmen last year. In fact, almost 1 year ago, I was privileged to command the air component forces for OIF, as well as for OEF. Today, the global war on terrorism imposes on our airmen the requirement to be ready for tomorrow's challenges while adapting to the new steady state of operations in Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. Your airmen will meet these demands.

High above our Nation, airmen protect our skies and cities through Operation Noble Eagle, or ONE. Every day, the total force team, comprised of active duty, Air National Guard, and Air Force Reserve airmen, have more than 50 dedicated to ONE. Conducting airborne early warning, air refueling, and combat air patrols costs the Air Force approximately $150 million per month. Since September 11, we've flown over 34,000 sorties. This is our new steady state, and we are totally dedicated to this homeland defense mission.

Around the world in Afghanistan, remnants of Taliban forces continue to attack U.S., North Atlantic Treaty Organization (NATO), coalition troops, and others involved in the reconstruction. To defeat this threat, aid coalition stability, and support our ongoing operations, the Air Force flew more than 70 missions yesterday alone. Having already flown more than 90,000 sorties, the Air Force continues to perform intelligence, surveillance, reconnaissance, close air support, aerial refueling, and airlift missions in support of operations in Afghanistan. Currently, we're spending approximately $200 million a month on this operation, and are committed to seeing it through.

Ten days from now marks the 1-year anniversary of Operation Iraqi Freedom. That date marked the end of 12 years of continual air pressure in Southwest Asia for Operation Northern Watch and Operation Southern Watch, flown by a joint team—U.S. Air Force, U.S. Navy, Royal Air Force, and some others—signaled the beginning of America's most successful joint operation.

Patrolling the no-fly zones in Northern and Southern Iraq had cost us roughly $67 million per month. Now we spend six times that amount for Operation Iraqi Freedom. We fly approximately 150 sorties per day in Iraq, and maintain more than 210 aircraft, crews, maintainers, and support personnel to fill joint-force requirements. Every day, we conduct close air support, use the intelligence, surveillance and reconnaissance sorties to monitor the porous borders of Iraq and provide situational awareness for our land component patrols and operations. Additionally, through our forward bases, air mobility forces, and air refueling assets, the Air Force provides a lifeline of supplies to all forces. We expect this mission and the redeployment of forces between Iraq and the U.S. to continue for some time. The bottom line, Mr. Chairman, all Air Force airmen are ready and committed to the successful accomplishments of this mission in Iraq.

Preparing and maintaining a force that can adapt to the realities of the new security environment requires the Air Force to focus on three main areas: resetting and reconstituting capabilities, recapitalizing and modernizing our equipment, maintaining the readiness of our number-one weapons systems, our airmen. In resetting and reconstituting our capabilities, it is important to understand the Air Force must reconstitute some of our capabilities that were successful, not necessarily the same equipment. For the Air Force, we view capabilities as much more than just commodities. Beyond just equipment, our warfighting capabilities depend on training and a sustainable battle rhythm for the entire force. Synchronizing these aspects, eliminating duplicated capabilities, and capitalizing on technological advances will all ensure efficiency and, most importantly, combat readiness.

Last fall, I testified, on behalf of the Air Force, that we planned to return to pre-OIF rotational cycles by March 2004. Unfortunately, we've only been able to return 90 percent of our forces to a sustainable battle rhythm. But with approximately a third of our combat forces deployed, we now project the Air Expeditionary Force, including the low-density, high-demand assets, will not be fully reset for at least another 10 to 12 months. These low-density, high-demand capabilities—our expeditionary combat support, intelligence, surveillance, reconnaissance, security forces—will not meet the goal due to sustained combat operations and training backlogs.

Restoring and replenishing our war Reserve stocks is also proving to take longer than expected, due to ongoing operations. This year, we estimate our total cost to replenish all war reserve materiel (WRM) requirements at $1.96 billion. The requested funding levels allow us to fully reconstitute our fuels, equipment, and vehicles within the next 24 months, and our base expeditionary airfield resources throughout the FYDP out to fiscal year 2007. Over the past 2 years, we've received a tremendous amount of support from this committee on this issue.

While we have 41 percent of our expeditionary combat support capability ready for deployment, we still have sets serving on numerous new bases. Almost 18,000 personnel from all services are housed in Air Force tents. Other aspects of our expeditionary combat support and base operating support, like tactical vehicles, theater-deployable communications, weapons of mass destruction

(WMD) response equipment, and force-protection equipment are, likewise, used by all services. For all of these base operating functions, base communications, environmental and quality-of-life missions, the Air Force has requested real property and day-to-day facility support at 95 percent of the requirement.

A $27.1 billion readiness request ensures that we remain ready to perform our wide-ranging global missions, from space support to global strike to global mobility and homeland defense. Our fully-funded flying-hour program pays for consumables, spare parts, fuels, and 1.7 million flying hours to maintain combat readiness and support joint operations and the worldwide mobility to ensure joint and coalition forces have the equipment and forces that they need.

Our airmen have done some tremendous work, in terms of readiness. During the conflict last year, we enjoyed our highest active overall mission-capable rates in 6 years. Fourteen of 20 major weapons systems saw improved mission capable (MC) rates. At the time, we were flying more hours. Thanks to hard work by our airmen, proper funding, fleet consolidations, and transformation initiatives, we've hit many readiness milestones last year. Our aggregate MC rates for fiscal year 2003 were 75.9 percent. Our fighter fleet is up almost 2 percent since fiscal year 2001. Our B–1s produced the best MC rates and supply rates in history, spare-parts shortages were reduced to the lowest levels recorded across the entire fleet, our lowest aggregate cannibalization rates since 1995, and a reduction in the number of aircraft in depot for maintenance—or even better said, over 25 percent more aircraft on the ramp for the warfighter—than in the year 2000. A portion of these successes can be attributed to our world-class depots. For fiscal year 2005, we've increased depot-purchased equipment-maintenance funding to $3.7 billion. While we've maintained the appropriate level of depot maintenance to ensure our aging fleet stands ready to deploy, fly, and fight anywhere, anytime, we also can count on our depots to surge repair operations and realign capacity during contingencies, as we've seen for Operation Enduring Freedom and Iraqi Freedom.

Our depots can only do so much. Although MC rates were up during OIF, aging-aircraft issues continue to present us with the problem of fewer assets being available at ever-increasing costs. If we want to ensure air and space dominance in future engagements, we must recapitalize and modernize our assets. Today, our average fleet is approximately 23 years in service. Some, like our KC–135s, average as much as 43 years in service, with the oldest aircraft still flying being the KC–135 that was delivered on 28 October 1957.

These types of challenges obviously require innovative solutions and our continued emphasis. Last year, we stood up the Aging Aircraft Program Office and the first-ever Fleet Viability Board to methodically focus our efforts even more.

Mr. Chairman, our aging aircraft fleets are vulnerable to a myriad of problems, including technical surprises, vanishing vendors, and increased operational costs. These assets are invaluable in every service and joint operations, and, in the case of the tankers, since we tank the world, it is a vital air commander's asset, as well

as a key enabler for our Navy, Marine, and coalition partners. In January alone, 36 percent of the KC–135 fleet was unavailable. These included both those in depot and those that were unit-possessed, but not mission-capable.

The bottom line, Mr. Chairman, is the Air Force is dedicated to finding solutions on how we keep filling joint-force requirements for global strike and power projection. We are committed to an analysis of alternatives on future tankers, as we are to the recapitalization of our aging tanker fleet, in order to provide the necessary capabilities to the joint warfighting team. This process may begin through the normal procurement process for a KC–X replacement, or, depending on the outcome of the current reviews directed by the Secretary of Defense, through the lease-purchase program that was signed into law last year. In any case, the analysis of alternatives authorized in the same law will be critical in shaping decisions for the long-term recapitalization of the fleet.

In addition to the air and space platforms, we must address our foundational support systems and growing deficiencies in infrastructure, such as deteriorated airfields, hangars, water lines, and electrical networks. Our investment strategy focuses on three simultaneous steps: one, disposing of excess facilities; two, fully sustaining our current facilities and systems through their expected life; and, three, establishing a steady and sustainable investment program to restore and modernize critical facilities and infrastructure systems.

On another front, we have accelerated our housing investment, leading to the improvements of more than 3,600——

Senator MCCAIN [presiding]. General, I would like for you to summarize, since we usually have 5-minute opening statements. The remainder of your full statement will be made part of the record.

General MOSELEY. Mr. Chairman, Senator Akaka, thank you for your support, and I welcome the opportunity to answer any questions you may have.

[The prepared statement of General Moseley follows:]

PREPARED STATEMENT BY GEN. T. MICHAEL MOSELEY, USAF

Chairman Ensign, Senator Akaka, committee members, thank you for this opportunity to once again appear along side my distinguished colleagues to present the readiness status of the world's greatest Air Force. As the Air Force's Vice Chief of Staff, it is my privilege to report on the our key programs and on behalf of airmen stationed around the globe and those flying right now, I want to thank this committee for your continued focus on readiness and the challenges facing our airmen today. We are a ready force—expeditionary in nature—and global in execution. Whether operating here at home or supporting the simultaneous joint force commanders across the globe, our mission success has been a testament to our current state of readiness and your dedication. In terms of Air Force readiness, congressional attention, particularly from this committee, has paved the way for the substantive increases we saw in our ability to prosecute this Nation's National Security Strategy over the past few years. The renewed emphasis on such programs as spare parts, depot maintenance, and munitions stockpiles laid the foundation for readiness and mission capable rates that our Air Force has not seen in some time. At the same time, your committee's increases to our flying hour, training, and general operations and maintenance (O&M) funding made it possible for our force to remain the most proficient Air Force in the world. In short, because of the improvements that Congress supported over the past few years, enemies like the Baathist regime of Saddam Hussein could not have picked a worse possible time to confront the United States. They met a joint force composed of the best airmen, soldiers, sailors,

and marines with the best equipment the world had ever seen. With this continued level of support we can reset the force, recapitalize our vital air and space capabilities, and bring technology to the warfighter—all while providing air and space power, one of this Nation's most lethal and responsive capabilities to the fight.

LOOKING BACK AT 2003

The year 2003 marked another historic milestone for the U.S. and the Air Force in the global war on terrorism. Since September 11, 2001, air and space power has proven indispensable to securing American skies, defeating the Taliban, denying sanctuary to al Qaeda and other terrorist organizations, and most recently, removing a brutal and oppressive dictator in Iraq. This global war on terrorism imposes on airmen a new steady state of accelerated operations and personnel tempo (PERSTEMPO), as well as a demand for unprecedented speed, agility, and innovation in defeating unconventional and unexpected threats, all while bringing stability and freedom to Afghanistan and Iraq. The Air Force and its airmen will meet these demands.

Operation Noble Eagle

High above our Nation, airmen protect our skies and cities through air defense operations known as Operation Noble Eagle (ONE). The total force team, comprised of active duty, Air National Guard, and Air Force Reserve airmen, conducts airborne early warning, air refueling, and combat air patrol operations in order to protect sensitive sites, metropolitan areas, and critical infrastructure.

This constant "top cover" demands significant Air Force assets above the pre-September 11 tempo. Since 2001, the Air Force has flown over 34,000 fighter, tanker, and airborne early warning sorties. Last year alone the Air Force scrambled nearly 1,000 aircraft, responding to 800 incidents. Eight active duty, 8 Air Force Reserve, and 18 Air National Guard units provided 1,300 tanker sorties offloading more than 32 million pounds of fuel for these missions. Last year, over 2,400 airmen stood vigilant at air defense sector operations centers and other radar sites. Additionally, in 2003, we continued to institutionalize changes to our homeland defense mission through joint, combined, and interagency training and planning. Participating in the initial validation exercise Determined Promise-03, the Air Force illustrated how its air defense, air mobility, and command and control capabilities work seamlessly with other agencies supporting NORTHCOM and Department of Homeland Security objectives. The integration and readiness that comes from careful planning and rigorous training will ensure the continued security of America's skies.

Operation Enduring Freedom

Operation Enduring Freedom (OEF)—Afghanistan is ongoing. Remnants of Taliban forces continue to attack U.S., NATO, coalition troops, humanitarian aid workers, and others involved in the reconstruction of Afghanistan. To defeat this threat, aid coalition stability, and support operations, the Air Force has maintained a presence of nearly 24,000 airmen in and around the region. Having already flown more than 90,000 sorties (over 72 percent of all OEF missions flown), the Air Force team of active, Guard, and Reserve airmen continue to perform ISR, close air support (CAS), aerial refueling, and tactical and strategic airlift.

While fully engaged in ONE and OIF, the men and women of the Air Force provided full spectrum air and space support, orchestrating assets from every Service and 10 different nations. Of these, Air Force strike aircraft flying from 9 bases flew more than two-thirds of the combat missions, dropped more than 66,000 munitions (9,650 tons) and damaged or destroyed approximately three-quarters of planned targets. In 2003 alone, Air Force assets provided more than 3,000 sorties of on-call CAS, responding to calls from joint and/or coalition forces on the ground.

Last year, the Air Force brought personnel and materiel into this distant, landlocked nation via 7,410 sorties. Over 4,100 passengers and 487 tons of cargo were moved by airmen operating at various tanker airlift control elements in and around Afghanistan. To support these airlift and combat sorties and the numerous air assets of the coalition with aerial refueling, the Air Force deployed over 50 tankers. In their primary role, these late 1950s-era and early 1960s-era KC–135 tankers flew more than 3,900 refueling missions. In their secondary airlift role, they delivered 3,620 passengers and 405 tons of cargo. Without versatile tankers, our Armed Forces would need greater access to foreign bases, more aircraft to accomplish the same mission, more airlift assets, and generate more sorties to maintain the required duration on-station.

Operations in Afghanistan also highlight U.S. and coalition reliance on U.S. space capabilities. This spanned accurate global weather, precise navigation, communications, as well as persistent worldwide missile warning and surveillance. For exam-

ple, OEF relied on precision navigation provided by the Air Force's global positioning satellite (GPS) constellation, over-the-horizon satellite communications (SATCOM), and timely observations of weather, geodesy, and enemy activity. To accomplish this, space professionals performed thousands of precise satellite contacts and hundreds of station keeping adjustments to provide transparent space capability to the warfighter. These vital space capabilities and joint enablers directly leveraged our ability to pursue U.S. objectives in OEF.

Operations Northern Watch and Southern Watch

During the past 12 years, the Air Force flew over 391,000 sorties enforcing the northern and southern no-fly zones over Iraq. With the preponderance of forces, the Air Force, along with the Navy and Marine Corps, worked alongside the Royal Air Force in Operations Northern Watch (ONW) and Southern Watch (OSW). Manning radar outposts and established command and control (C2) centers, conducting intelligence, surveillance, and reconnaissance (ISR) along Iraq's borders, responding to almost daily acts of Iraqi aggression, and maintaining the required airlift and air refueling missions taxed Air Force assets since the end of Operation Desert Storm. Yet, these successful air operations had three main effects: they halted air attacks on the ethnic minority populations under the no-fly zones; they deterred a repeat of Iraqi aggression against its neighbors; and they leveraged enforcement of United Nations Security Council resolutions. Throughout this period, our airmen honed their warfighting skills, gained familiarity with the region, and were able to establish favorable conditions for OIF. For more than a decade, American airmen rose to one of our Nation's most important challenges, containing Saddam Hussein.

Operation Iraqi Freedom

On 19 March 2003, our airmen, alongside fellow soldiers, sailors, marines, and coalition teammates, were called upon to remove the dangerous and oppressive Iraqi regime—this date marked the end of ONW/OSW and the beginning of OIF. OIF crystallized the meaning of jointness and the synergies of combined arms and persistent battlefield awareness.

In the first minutes of OIF, airmen of our Combat Air Forces (USAF, USN, USMC, and Coalition) were flying over Baghdad. As major land forces crossed the line of departure, Air Force assets pounded Iraqi command and control facilities and key leadership targets, decapitating the decisionmakers from their fielded forces. Remaining Iraqi leaders operated with outdated information about ground forces that had already moved miles beyond their reach. As the land component raced toward Baghdad, coalition strike aircraft were simultaneously attacking Iraqi fielded forces, communications and command and control centers, surface-to-surface missile launch sites, and were supporting Special Operations Forces, and ensuring complete air and space dominance in the skies over Iraq. Due to these actions and those during the previous 12 years, none of the 19 Iraqi missile launches were successful in disrupting coalition operations, and not a single Iraqi combat sortie flew during this conflict. Twenty-one days after major combat operations began, the first U.S. land forces reached Baghdad. Five days later, the last major city in Iraq capitulated.

The Air Force provided over 7,000 CAS sorties to aid land forces in the quickest ground force movement in history. Lieutenant General William S. Wallace, Commander of the U.S. Army V Corps said, "none of my commanders complained about the availability, responsiveness, or effectiveness of CAS—it was unprecedented!" As Iraqi forces attempted to stand against the integrated air and ground offensive, they found a joint and coalition team that was better equipped, better trained, and better led than ever brought to the field of battle.

Training, leadership, and innovation coupled with the Air Force's recent investment in air mobility allowed U.S. forces to open a second major front in the Iraqi campaign. Constrained from access by land, Air Force C–17s airdropped over 1,000 paratroopers from the 173rd Airborne Brigade into northern Iraq. This successful mission opened Bashur airfield and ensured U.S. forces could be resupplied.

Before 2003, the Air Force invested heavily in the lessons learned from OEF. Shortening the "kill chain," or the time it took to find, fix, track, target, engage, and assess was one of our top priorities. This investment was worthwhile, as 156 time-sensitive targets were engaged within minutes, most with precision weapons. The flexibility of centralized control and decentralized execution of air and space power enabled direct support to JFC objectives throughout Iraq. Coalition and joint airpower shaped the battlefield ahead of ground forces, provided intelligence and security to the flanks and rear of the rapidly advancing coalition, and served as a force multiplier for Special Operations Forces. This synergy between Special Operations and the Air Force allowed small specialized teams to have a major effect throughout the northern and western portions of Iraq by magnifying their inherent lethality,

guaranteeing rapid tactical mobility, reducing their footprint through aerial resupply, and providing them the advantage of "knowing what was over the next hill" through air and space-borne ISR.

The Air Force's C2ISR assets enabled the joint force in Afghanistan as well. This invaluable fleet includes the RC–135 Rivet Joint, E–8 JSTARS, and the E–3 AWACS. This "Iron Triad" of intelligence sensors and C2 capabilities illustrates the Air Force vision of horizontal integration in terms of persistent battlefield awareness. Combined with the Global Hawk unmanned aerial vehicle and Predator remotely piloted aircraft, spaced-based systems, U–2, and Compass Call, these invaluable systems provided all-weather, multi-source intelligence to commanders from all Services throughout the area of responsibility.

OIF was the Predator's first "networked" operation. Four simultaneous Predator orbits were flown over Iraq and an additional orbit operated over Afghanistan, with three of those orbits controlled via remote operations in the U.S. This combined reachback enabled dynamic support to numerous OIF missions. Predator also contributed to our operational flexibility, accomplishing hunter-killer missions, tactical ballistic missile search, force protection, focused intelligence collection, air strike control, and special operations support. A Hellfire equipped Predator also conducted numerous precision strikes against Iraqi targets, and flew armed escort missions with U.S. Army helicopters.

Space power provided precise, all-weather navigation, global communications, missile warning, and surveillance. The ability to adapt to adverse weather conditions, including sandstorms, allowed air, land, and maritime forces to confound the Iraqi military and denied safe haven anywhere in their own country. As the Iraqis attempted to use ground-based GPS jammers, Air Force strike assets destroyed them, in some cases, using the very munitions the jammers attempted to defeat. As Defense Secretary Donald Rumsfeld noted, this new era was illustrated by the coalition's "unprecedented combination of power, precision, speed, and flexibility."

During the height of OIF, the Air Force deployed 54,955 airmen. Ambassador Paul Bremer, Chief of the Coalition Provisional Authority, pronounced, "In roughly 3 weeks [we] liberated a country larger than Germany and Italy combined, and [we] did so with forces smaller than the Army of the Potomac." Led by the finest officers and noncommissioned officers, our airmen flew more than 79,000 sorties since March 2003. Ten thousand strike sorties dropped 37,065 munitions. The coalition flew over 55,000 airlift sorties moved 469,093 passengers and more than 165,060 tons of cargo. In addition, over 10,000 aerial refueling missions supported aircraft from all Services, and 1,600 ISR missions provided battlespace awareness regardless of uniform, service, or coalition nationality. This was a blistering campaign that demanded a joint and combined effort to maximize effects in the battlespace.

Today, Air Force airmen continue to contribute to the joint and coalition team engaged in Iraq. At the end of the year, 6,723 airmen from the active duty, Reserve, and Air National Guard conducted a wide range of missions from locations overseas, flying approximately 150 sorties per day including CAS for ground forces tracking down regime loyalists, foreign fighters, and terrorists. On a daily basis, U–2 and RC–135 aircraft flew ISR sorties monitoring the porous borders of Iraq and providing situational awareness and route planning for Army patrols in stability and support operations. Providing everything from base security for 27 new bases opened by the coalition to the lifeline of supplies that air mobility and air refueling assets bring to all joint forces, Air Force airmen are committed to the successful accomplishment of the U.S. mission in Iraq.

Other Contingency Operations

In 2003, the Air Force remained engaged in America's war on drugs and provided support to NATO ground forces in the Balkans. Since December 1989, Air Force airmen have been an irreplaceable part of the interagency fight against illegal drug and narcotics trafficking. Deployed along the southern U.S., in the Caribbean, and Central and South America, airmen perform this round-the-clock mission, manning 9 ground-based radar sites, operating 10 aerostats, and flying counterdrug surveillance missions. The Air Force detected, monitored, and provided intercepts on over 275 targets attempting to infiltrate our airspace without clearance. Along with our interagency partners, these operations resulted in 221 arrests and stopped hundreds of tons of contraband from being smuggled into our country.

In the Balkans, airmen are fully committed to completing the mission that they started in the 1990s. Today, Air Force airmen have flown over 26,000 sorties supporting Operations Joint Guardian and Joint Forge. These NATO-led operations combine joint and allied forces to implement the Dayton Peace Accords in Bosnia-Herzegovina and enforce the Military Technical Agreement in Kosovo. At the end

of 2003, approximately 800 airmen were supporting NATO's goal of achieving a secure environment and promoting stability in the region.

Additionally, the Air Force engaged in deterrence and humanitarian relief in other regions. While the world's attention was focused on the Middle East in the spring of 2003, our Nation remained vigilant against potential adversaries in Asia. The Air Force deployed a bomber wing—24 B–52s and B–1s—to the American territory of Guam to deter North Korea. At the height of OIF, our Air Force demonstrated our country's resolve and ability to defend the Republic of Korea and Japan by surging bomber operations to over 100 sorties in less than 3 days. This deterrent operation complemented our permanent engagement in Northeast Asia. The 8,300 airmen who are stationed alongside the soldiers, sailors, marines, and our Korean allies maintained the United Nations armistice, marking 50 years of peace on the peninsula.

Our strength in deterring aggression was matched by our strength in humanitarian action. In response to President Bush's directive to help stop the worsening crisis in Liberia, we deployed a non-combat medical and logistics force to create a lifeline to the American Embassy and provide hope to the Liberian people. An Expeditionary Group of airmen provided airlift support, aeromedical evacuation, force protection, and theater of communications support. Flying more than 200 sorties, we transported and evacuated civilians and members of the Joint Task Force (JTF) from bases in Sierra Leone and Senegal. The 300 airmen deployed in support of JTF-Liberia reopened the main airport in Monrovia, and ensured the security for U.S. military and civilian aircraft providing relief aid.

Strategic Deterrence

The ability of U.S. conventional forces to operate and project decisive force is built on the foundation of our strategic deterrent force; one that consists of our nuclear-capable aircraft and Intercontinental Ballistic Missile forces, working with the U.S. Navy's Fleet Ballistic Missile Submarines. In 2003, these forces as well as, persistent overhead missile warning sensors and supporting ground-based radars, provided uninterrupted global vigilance deterring a nuclear missile strike against the U.S. or our allies. The dedicated airmen who operate these systems provide the force capability that yields our deterrent umbrella. Should that deterrence fail, they stand ready to provide a prompt, scalable response.

RESETTING THE FORCE

Preparing and maintaining a force that can adapt to the realities of the new security environment requires the Air Force to reset and reconstitute the capabilities that brought us such outstanding successes in 2003. It is important to restate, the Air Force must reconstitute similar capabilities that were successful, not necessarily the same equipment. For the Air Force we view capabilities as more than just commodities. Beyond just equipment, Air Force warfighting capabilities depend on training and a sustainable battle rhythm for the entire force. Synchronizing these aspects, eliminating duplicative capabilities, and capitalizing on technological advances will all ensure efficiency and most importantly combat readiness. To frame our reset and reconstitution plans we must continue to look at three factors.

First, we are still engaged with very dangerous enemies throughout the globe. We must replenish our stocks, our people, and our ability to project power around the world. Being prepared to deliver precise effects anywhere at anytime as part of a joint and/or coalition force is a top priority. Second, we must rapidly incorporate our lessons learned and implement those changes to maintain our combat edge. As we remain engaged, our current opponents, as well as would-be adversaries, are watching and learning from the new America way of war. The Air Force must ensure that we capitalize on our successes and our lessons from these recent conflicts. Third, stabilization operations and our ability to capitalize on our successes in OEF and OIF require significant assets and a robust American presence. After opening 38 new or expanded bases in support of OEF and OIF and shifting our focus and forces, we must ensure that our enduring presence is equipped to meet the challenges of their new environments.

Air and Space Expeditionary Force

Last year, I testified on behalf of the Air Force that we planned to return to pre-OIF rotational cycles by March 2004. Unfortunately, we now project the air expeditionary force (AEF)—including its integral low-density/high-demand (LD/HD) assets will not be fully reset until March 2005. Continued surge operations of several enabling capability-sets is creating new challenges for reconstitution efforts and extending the time to fully restore the readiness of AEF operations by more than 12 months. The previous plan to recover the AEF to sustainable operations (≤2.0 AEFs

on 90-day rotations) have been complicated by growing global combatant commander requirements across the board. The AEF continues to be operating in higher than normal sustained pace, approaching four AEF's worth of capability in some stressed career fields which are committed at any given moment. The AEF has sustained an operational pace higher than planned to meet increased operational expeditionary air bases requirements in theater and especially the need for additional expeditionary support to meet other Service needs.

Training

I also testified that even with our aggressive efforts to reset certain LD/HD capabilities, our Expeditionary Combat Support, Intelligence Surveillance, and Reconnaissance assets, and security forces, will not meet the March 2004 goal. Due to sustained combat operations and training backlogs, this remains the case. Manpower and equipment shortages due to combat requirements have affected the training pipelines at most of our formal training units. Particularly harsh, training delays in our LD/HD assets have increased by several months. In some cases, training backlogs for major weapons systems have grown to over 200 days, with "get well" dates not until the fall of 2005. In addition to manpower and equipment shortages, aging aircraft and scheduled fleet upgrades have also reduced available training assets, further aggravating training delays. Lastly, flying hours for training have been limited due to high deployment schedules for most weapons systems. One illustration of this problem can be found in the C–130 fleet. While they flew only 43 percent of the programmed training hours in fiscal year 2003; their high tempo of operations (OPTEMPO) in support of ONE, OEF, and OIF resulted in the C–130 fleet flying 218 percent of their programmed "customer-support" hours.

War Reserve Stocks

Air Force war reserve stocks are comprised of consumables, vehicles, ammunition, and Basic Expeditionary Airfield Resources (BEAR). We estimate our total cost to replenish all war reserve material (WRM) requirements at $1.96 billion [wartime consumables ($131 million); vehicles ($711 million for ~4,700 vehicles; support equipment ($82 million); and BEAR ($1.035 billion including $331 million in the fiscal year 2003 supplemental)]. Fiscal year 2005 funding allows reconstitution of our fuels equipment and vehicles in approximately 24 months. We plan for full reconstitution of our BEAR kits by fiscal year 2007 and our four afloat preposition ships with ammunition aboard are all on station.

With combat operations still ongoing, we fill requirements for significant expeditionary combat support and base operating support for all our joint forces and in some cases coalition partners. These systems are critical to our continued force projection capability. We are aggressively reconstituting our BEAR sets, which are used to provide basic infrastructure needed to beddown personnel and aircraft at austere locations anywhere in the world. Currently 41 percent of BEAR capability is ready for deployment (63/152 BEAR Sets). Over the next 24 months, readiness will continue to improve as BEAR sets deployed to OIF are reconstituted and new assets are delivered into the inventory due to the supplemental funding received.

MAINTAINING READINESS DURING WARTIME

Our $27.1 billion readiness request ensures that the Air Force remains ready to perform our wide-ranging global missions, from space support to global strike to global mobility and homeland defense. Our fully funded Flying Hour Program funds consumables, spare parts, and fuels needed to sustain aircrew combat readiness. It requests funding for 1.7 million flying hours to maintain combat readiness and support joint operations around the world. It funds worldwide mobility to ensure joint and coalition forces have the forces and equipment they need. Our budget funds facility sustainment at 95 percent and meets the Defense Department's goal.

A success story for Air Force readiness during wartime has been our aircraft availability. In fiscal year 2003, we enjoyed our highest active overall mission capable rates in 6 years—the largest improvements since the mid-1980s. Mission capable (MC) rates are perhaps the best-known yardstick for measuring the readiness of Air Force aircraft. MC rates reflect the percentage of aircraft by fleet that are capable of performing at least one of their assigned missions. Fourteen of 20 major weapon systems saw improved mission capable rates in fiscal year 2003, at a time when all of our systems were flying more hours.

The fiscal year 2003 aggregate MC rate of 75.9 percent was the highest rate achieved since fiscal year 1997. Categorized by fleet, the current MC rate for our fighter fleet is 75.7 percent; well into the third year of increased MC rates and surmounting the fiscal year 2001 low of 73.9 percent. The current fiscal year 2004 bomber fleet rate stands at 71.4 percent, and the tanker fleet rate at 77.8 percent,

a drop from the fiscal year 2003 rate of 79.3 percent. Between January 1999 and June 2003, we saw a dramatic 60 percent reduction in aircraft grounding parts-backorders. These gains were due to robust spares funding initiatives, fleet consolidation, and transformation initiatives across the entire fleet. Another measure, cannibalization (CANN) rates reflect the number of cannibalization actions that occur per 100 sorties for a particular weapon system. The aggregate CANN rate for fiscal year 2003 dropped 15 percent from the fiscal year 2002 rate of 9.4 actions per 100 sorties. The fiscal year 2003 rate of 8 CANNs per 100 sorties represents the lowest CANN rate since fiscal year 1995.

Our engine availability rates reflected impressive gains as recent investments continued to pay dividends throughout fiscal year 2002. Our U–2s sustained their mission capable rate while flying their most hours since the Gulf War, 35 percent higher than fiscal year 2001. Our Predator fleet posted its best mission capable rates ever while averaging almost 200 hours per month. Our C–5s posted their best mission capable rates since fiscal year 1996 while flying the most hours since the Gulf War. The B–1 consolidation is paying dividends, as our B–1s posted dramatic gains in mission capable rates, with current rates at historical highs. All of our fighters are experiencing a steady decline in cannibalization. We have made great strides in reducing the number of aircraft in depot for maintenance, putting over 25 percent more aircraft on the ramps for the warfighter since 2000. Fourteen of 20 aircraft major design systems improved their mission capable rates over the previous year, with Predator remotely operated aircraft improving by 11 percent and B–1 bombers achieving the best mission capable and supply rates in the history of the aircraft. Thanks to proper funding, fleet consolidation, and transformation initiatives, spare parts shortages were reduced to the lowest levels recorded across the entire fleet. We are providing the right tools and resources to our airmen.

The Air Force continues to place emphasis on a solid depot maintenance program for DOD's weapon systems. For fiscal year 2005, we've increased Depot Purchased Equipment Maintenance (DPEM) funding over the previous budget position to ensure the proper level of support to the warfighter. Aging aircraft issues continue to make depot maintenance both expensive and challenging, and thus we are looking for innovative ways to guarantee the right mix of aircraft is available to the combatant commander at any given time.

Within our depots, we continue to look for ways to transform, reduce depot costs, and meet the needs of the warfighter by ensuring that the depots have the capacity to accomplish the required workload. An extremely important facet of the depots is that during wartime or contingencies, the Air Force can surge repair operations and realign capacity to support the warfighter's immediate needs. We will maintain the appropriate level of depot maintenance to ensure our aging fleet stands ready to deploy, fly, and fight anywhere, anytime.

Our depots have put some of these initiatives into place with exceptional results. In fiscal year 2003 our depot maintenance teams were more productive than planned, exceeding aircraft, engine, and commodity production goals and reducing flow days in nearly all areas. Implementation of "lean" production processes, optimized use of the existing workforce, and appropriate funding all contributed to this good news story. In addition, our spares support to the warfighter is at record high numbers. In 2003, supply rates and cannibalization rates achieved their best performance since fiscal year 1994 and fiscal year 1995 respectively.

Again, the fiscal year 2005 budget requests an increase in the operations/maintenance readiness funds from $25.4 billion to $27.1 billion. This readiness funding includes increases for Space Operations, Mission Support and Flying Hours, and includes a fully funded Flying Hour Program and Depot Maintenance funded to preferred readiness levels. Where funding does affect readiness, we have budgeted for and are committed to provide the necessary resources to our airmen.

In spite of continued funding increases in recent years, readiness indicators for the overall Air Force and the major operational units have continued to slowly decline, primarily due to higher OPTEMPO of an aging fleet since the global war on terrorism began—as we continue to reset and focus more on managing OPTEMPO, we expect readiness indicators to improve. As of 15 February 2004, overall readiness rates for major operational units (309) were at 63 percent. This figure represents a 7-percent decrease compared to readiness rates at the same time last year (prior to the start of Operation Iraqi Freedom). Overall readiness rates for major operational units dropped to their lowest point on 15 December 2003 (61 percent) but are now showing improvement during the last two months due to ongoing reconstitution efforts. Below is a snapshot of current readiness rates as of 15 February 2004 for each major operational community and the associated changes since February 2003. The arrow (trend) by each community represents recent readiness trends since December 2003.

ISR—0 percent (down 9 percent)	↓	LD/HD
Special ops—24 percent (down 24 percent)	↓	LD/HD
C2—30 percent (down 8 percent)	↑	
Bomber—33 percent (down 29 percent)	↓	in transition
Rescue—45 percent (down 1 percent)	↑	
Airlift—66 percent (down 11 percent)	↑	
Fighter—69 percent (down 7 percent)	↑	
Tanker—86 percent (down 2 percent)	↓	in transition
Space and missile—100 percent (up 7 percent)	↑	

RECAPITALIZING THE CAPABILITY

With spreading technology and increasing parity of foreign nations, the mere maintenance of our aging aircraft and space systems will not suffice. Simply stated, our current fleet of legacy systems cannot ensure air and space dominance in future engagements. It is these risks and concerns that underpin our persistent advocacy of program stability in our modernization and investment accounts. Our capability-based planning and budgeting process is the foundation to accelerate modernization while maintaining gains in readiness and people. We are investing short-term and long-term across all of our task force capabilities, balancing modifications of existing systems with the development of new systems. Air Force modernization efforts are supporting our transformation goals while continuing to develop and field needed systems, with nearly half of our investment in research, development, test, and evaluation (RDT&E).

The aging fleet presents the Air Force with the challenge of providing the joint force commanders assets from an ever-shrinking pool of available platforms that cost more and more to maintain. To counter this trend, we are pursuing a wide range of strategies that accelerates our modernization and recapitalization efforts. We are using an integrated and systematic risk assessment system, shorter acquisition cycle times, and improved program oversight. Our goal is to integrate our combat, information, electronic warfare and support systems to create a portfolio of air and space advantages.

As the Air Force has testified, our average fleet age has approximately 23 years in service. With some manufactured as early as 1955, our KC–135 fleet averages 44 years in service. We have never dealt with a force this old. Our aging aircraft are vulnerable to myriad problems, including technical surprises, vanishing vendors, and increased operational costs. Thanks to this committee, we have recently enjoyed a down payment on our recapitalization but require sustained funding to maintain the force capable of supporting the National Security Strategy and JV2020. Eventually, new acquisitions will have to replace these legacy systems. In the interim, we are finding innovative means to keep current systems operational in the near term and are taking advantage of new opportunities to employ old systems in new ways.

Dealing With Aging Aircraft Issues

This new OPTEMPO has demanded more of our entire fleet. Specifically, corrosion, high-cycle fatigue, and aging composites affect the Air Force's mission effectiveness and availability due to flight restrictions. Examples that epitomize the exact problem are found in a variety of fleets including the F–15Cs, A–10s, and KC–135s.

Averaging 20 years old, our premier legacy air dominance platform, the F–15C, suffered approximately 30 incidents of partial wing, horizontal and vertical stabilizer loss and wiring bundle fires that have resulted in many operational restrictions. Additionally, their maintenance man-hours are up 150 percent in the past 12 years. With an average fleet age of 22 years, our A–10s, which provided invaluable close air support to the joint force commander, has recently undergone inspections for wing cracks that affected 247 aircraft. Both of these cases illustrate that these problems are across the fleets versus aircraft tail number specific.

None of our aging aircraft fleets needs recapitalizing more than our tanker fleet. Previous Air Force testimony has continually stressed the importance of this fleet to the Air Force and to the Nation in terms of the global war on terror. The crux of our challenge is how the Air Force will continue to provide these irreplaceable assets to the joint warfighter considering their limited availability at ever increasing costs. At the beginning of January 2004, 36 percent of the KC–135 fleet was unavailable including those in depot and those unit possessed but not mission capable. Of those that are available, mission capable rates continue trending downward. In addition to the unknown technical "surprises" which the fleet may encounter, known severe corrosion of this Eisenhower-era asset continues to concern us. Organic programmed depot maintenance (PDM) and contract PDM prices to maintain the KC–135 continue to rise.

As many of you know, the Air Force has been very active on this front in an attempt to continue to fill the joint force commander's requirements for power projection. The Air Force fully supports the latest decision by Secretary Rumsfeld to suspend the 767 Tanker Lease Program until all reviews are complete. We continue to work cooperatively with the DOD Inspector General to reach a speedy and definitive conclusion to their assessment.

In testimony last week, I reemphasized the Air Force's requirement to recapitalize the tanker fleet and discussed the operational capabilities needed for a new tanker. The Air Force believes that whether this is accomplished through the normal procurement process for which over $4 billion of funding is already programmed across the FYDP for a KC–X replacement aircraft, or through the lease program, which, as authorized in the National Defense Authorization Act (NDAA) for Fiscal Year 2004, will accelerate the recapitalization process, will provide this Nation a vital capability. In accordance with the 2004 NDAA, the Air Force will conduct the Analysis of Alternatives using a federally funded research and development center or other entity independent of the Department of Defense. This AOA is important in shaping decisions for future recapitalization, and we expect it to be complete in fiscal year 2005.

Another important tool in shaping our decisions was implemented last May. The new Air Force Fleet Viability Board establishes a continuous, repeatable process for fleet assessment much like current Navy boards. Currently, the board is reviewing the C–5A. This ongoing assessment will likely report on or around 31 March 2004. Candidates for future boards will be reviewed annually to consider new concerns and should produce a comprehensive standardized approach to examining entire fleets of aircraft.

Aging Infrastructure

In addition to air and space platforms, we must address our growing deficiencies in infrastructure. Improvements we secure for our air and space systems will be limited without addressing our foundational support systems. Deteriorated airfields, hangars, waterlines, electrical networks are just some of the infrastructure elements warranting immediate attention. Our investment strategy, to enable and modernize our installation capabilities and provide quality working and living environments, focuses on three simultaneous steps. First, we must dispose of excess facilities. Second, we must fully sustain our facilities and systems so they remain effective through their expected life. Third, we must establish a steady investment program to restore and modernize our critical facilities and infrastructure systems, while continually advancing our ability to protect our people and resources from the growing threat of terrorism.

We have accelerated our housing investment and expanded our privatization program. We have programmed projects to eliminate inadequate housing at all continental United States (CONUS) bases by 2007, except at four northern-tier locations where it will be completed by 2008. We will improve more than 3,600 units at 26 bases and support privatization of 7,000 units at 7 bases. Committed to sustained improvements, the Air Force has increased this year's MILCON request by 10 percent. The Air Force has embarked on a strategy for three world-class depots and has increased funding for essential depot facilities upgrades and equipment modernization as part of our "Depot Maintenance Strategy and Master Plan." When you consider our level of effort across the entire infrastructure spectrum, we plan to invest more than $4.8 billion in fiscal year 2005.

A READY FORCE OF AIRMEN

A ready force is founded on its people. The 700,000 men and women that comprise our Total Air Force—active duty, Guard and Reserve, and our civilians—are the best America has to offer. They are officers, enlisted, civilians, and contractors from every corner of the country and every walk of life. These world-class airmen are the key ingredients to sustaining our record of success. Without exception we have been and will always be dedicated to recruiting, training, and retaining professional airmen and wholeheartedly believe that the Air Force can make no greater investment and have no greater resource than in our people. They are our #1 weapon system.

The bottomline on personnel readiness is that our people are ready. We are sustaining our personnel readiness rates in the face of higher OPTEMPO, manning shortages, and reduced training opportunities. ONE alerts and OEF/OIF deployments have left our operational units with less capability and opportunity to train. The Air Force fully funded the flying program in fiscal year 2004 and will continue to fly 100 percent of the flying program. For the past 3 years, the Air Force has executed its budgeted O&M flying hours without requesting additional funding for contingency flying hours. Our airmen are gaining real-world experience you cannot

create in a training environment. Today, over 70 percent of our rated aircrew is combat experienced.

However, many of our aircrew instructors have been pulled to fulfill priority operational requirements, making it difficult to train new aircrew to relieve the combat stress. This is especially true of our LD/HD assets which have been working at "surge" capacity. We recognize that some of the most significant detractors to unit readiness are lengthy, frequent deployments. Once airmen return from deployments they require up to a 90-day reconstitution period, primarily for personnel training. Maintaining our AEF rotation schedule helps stability and predictability, but most of our stressed career fields are exceeding the 90-day goal. While the Air Force has taken steps to mitigate the impact of lost training, sustained operations will remain a challenge. As long as the current OPTEMPO persists, we expect Air Force training to remain at current levels improve, if not decline, as training currencies and continuation training are harder to achieved.

Recruiting

We remain committed to an All-Volunteer Force. Our volunteer airmen are dedicated, experienced, smart, disciplined, and representative of our country as a whole. We recruit and promote the unique and diverse experiences and capabilities people from all backgrounds, all races, and all religions contribute to our combat capability.

Last year the Air Force completed one of its best recruiting years ever. This year, we expect to meet our annual accession goal of 37,000 by September 2004. With an increased advertising budget, enhanced hiring incentives and enlistment bonuses, and improved recruiter manning, the Air Force is making enlisted recruiting a priority, and it is paying off. The Air Force also continues to attract the country's best and brightest college graduates to join our officer corps. We have introduced additional incentives to recruit more students into Reserve Officers' Training Corps (ROTC), especially those with science and engineering proficiencies. We continually adjust our goals to meet new force requirements and the demands of a competitive marketplace.

Training

The Air Force requires sophisticated airmen who are trained to leverage technology and ready to perform in a fluid environment—air and space leaders for the 21st century. This will require targeted investments in the next generation of airmen, from the ground up and throughout their careers. To that end, the Air Force has introduced a coordinated effort to address all aspects of an airman's career development, professional education, and assignments in sum rather than individually. This deliberate force development effort generates policies tailored to the needs of the individual airman throughout his career. Comprehensive in scope, our training is doctrinally based and focused on three levels: tactical, operational, and strategic.

Force Shaping

Our number one personnel challenge is adapting to the new steady state—a higher tempo of operations and a shifting skill mix requirement. With a 30-percent reduction in manpower since 1990 and a significant increase in worldwide taskings over that same period, the Air Force is experiencing a dramatic jump in operations and personnel tempo. We have discovered that while the number of airmen is adequate, the mix of skill sets and the military/civilian/contractor ratio must be adjusted to reflect new realities.

Recognizing the new demands placed on us by the war on terrorism, we initiated a comprehensive manpower review to determine relative stress amongst career fields and to explore options to alleviate that stress. Our analysis shows we need to shift manpower to stressed career fields to meet the demands of this new steady state, and we are in the process of doing this. We have realigned personnel into our most stressed specialties and hired additional civilians and contractors to free military members to focus on military duties. We have also made multi-million dollar investments in technology to reduce certain manpower requirements. We have redirected our training and accession systems and have cross-trained personnel from specialties where we are over strength to alleviate stressed career fields. Supporting the Secretary of Defense's vision of moving forces "from the bureaucracy to the battlefield."

Retention

We have found that our high OPTEMPO and uneven workload are major determinants in an airman's decision to leave the Air Force. Because the skill-sets of our airmen are not easily replaced, we expend considerable effort to retain our people, especially those in high-technology fields and those in whom we have invested sig-

nificant education and training. In 2003, we reaped the benefits of an aggressive retention program, aided by a renewed focus and investment on education and individual development, enlistment and retention bonuses, targeted military pay raises, and quality of life improvements. Our fiscal year 2003 enlisted retention statistics tell the story. Retention for the first term airmen stood at 61 percent and exceeded our goal by 6 percent. Retention for our second term and career airmen was also impressive, achieving 73 percent and 95 percent respectively. Continued investment in people rewards their service, provides a suitable standard of living, and enables us to attract and retain the professionals we need.

Retention of pilots, navigators, and air battle managers remains a major concern. Our flexible Aviator Continuation Pay (ACP) program is one important part of our broad-based solution. Encouragingly, the ACP long-term initial take rate rose sharply to 65 percent in fiscal year 2003 from 47 percent in fiscal year 2002. Retention for high tech specialties is also a concern as the pull from industry is strong. This draw is exacerbated by long, frequent deployments in many of our high tech career fields.

While high retention is in itself great news, we are faced with the fact that the Air Force is over its authorized end strength and our skill mix is out of balance. Being overstrength, however, serves as a mixed blessing that allows us to rebalance the skills without exacerbating manning problems in the stressed career fields as we draw down to authorized strength. Force shaping permits us to tackle these challenges smartly.

The Air Force has reduced its civilian workforce by nearly 100,000 since 1990, leaving only 10 percent of today's Air Force civilians with less than 10 years in service and over 40 percent eligible to retire in 5 years. We must revitalize our professional occupations with new hires while minimizing the impact on the existing civilian employees. Force shaping initiatives to restructure the civilian work force and enactment of the National Security Personnel System (NSPS) to provide the department with some streamlined authorities.

Future Total Force

Like never before in the history of the Air Force, we are a total force. Mission success demands the interdependence of active duty, Air Reserve Component (ARC), civilian workforce, and contractors. The ARC continues to be an integral part of the AEF as a total force, and accounts for more than three-fourths of our tactical airlift capability, two-thirds of our strategic airlift capability, two-thirds of our air refueling capability, and one-third of our strike fighters. The Reserve component also makes significant contributions to our rescue and support missions, and has an increasing presence in space, intelligence and information operations. In all, the Reserve component provides a ready force requiring minimum preparation for deploying in support of worldwide operations. As such, they need compensation, benefits, and entitlements commensurate with these increased responsibilities. We are committed to using ARC volunteers versus mobilization whenever possible to allow the units and members the flexibility needed to meet combatant commander requirements.

We are also reviewing our ARC manpower to minimize involuntary mobilization of ARC forces for day-to-day, steady state operations while ensuring they are prepared to respond in times of crisis. Since September 11, the Guard and Reserve have played a greater role in the country's defense than ever before. But there is a limit to how many demands we can place on our ARC forces in the current environment. Historically the ANG and AFRC gain nearly 25 percent of separating active duty members. Continued high OPTEMPO may threaten this source of recruiting and force the ARC to explore alternative options to make up the loss. We are also closely monitoring this situation and are taking steps to relieve the pressure on the Guard and Reserve.

We are in the second year of our agreement to employ Army National Guard soldiers for force protection (FP) duties at Air Force installations, temporarily mitigating our FP shortfalls in security forces. We are executing an aggressive plan to rapidly burn down the need for Army augmentation by reducing our manpower requirements through the insertion of technology (to enable manpower avoidance), realigning current manpower within end strength limits, and maximizing use of ARC volunteers to replace departing Army National Guard soldiers. Coupled with civilian conversions and contracting options, we are expanding total force (civilian, contract, active duty, and ARC) involvement while at the same time reducing the stress on our forces and the associated risks to our resources.

CONCLUSION

The greatest testament to Air Force readiness is our continued success in projecting power around the globe and protecting America and her allies from potential enemies. The Air Force, along with each of the members of this joint team, is proud of our operational successes over the past 2 years, but we cannot rest on our accomplishments. When our President and this Nation called last year—we were ready. Within 21 days, this joint team had effectively broken coherent resistance in Baghdad and collapsed the regime's control. Five days later, the joint and coalition team captured the last major Iraqi city, unseated a despotic government and liberated approximately 25 million Iraqis. The readiness that made the Air Force's air and space power contribution possible was the result of the hard work of the thousands of airmen and civilians of our total force. Our success was also a tribute to this committee's leadership and its staunch support at such a critical time in our Nation's history.

We stand ready. Ready to project power to any point on the face of the Earth. Lethal and responsive, America's airmen stand ready to act—whenever and wherever they are called.

Mr. Chairman, Senator Akaka, thank you for your support.

Senator MCCAIN. Thanks very much, General.

General Huly.

STATEMENT LT. GEN. JAN C. HULY, USMC, DEPUTY COMMANDANT OF THE MARINE CORPS PLANS, POLICIES, AND OPERATIONS, UNITED STATES MARINE CORPS

General HULY. Senator Akaka, Senator McCain, Senator Inhofe, Senator Nelson, and Senator Cornyn, thank you for the opportunity to appear here today.

Let me start by thanking you, thanking the entire committee, for their continued and steadfast support for the issues and the programs that are of vital interest and importance to the readiness of your Marine Corps.

I would ask that my prepared statement be placed in the official record.

I am proud——

Senator MCCAIN. Without objection, your entire statement will be made part of the record.

Thank you, General.

General HULY. Thank you, sir.

That concludes——[Laughter.]

Senator MCCAIN. Thank you very much.

Go ahead, please, General.

General HULY. I'm proud and honored to be representing the 215,000 marines, both active and Reserve, in the Corps today. They are amongst the finest women and men America has to offer. Their performance in OEF and OIF, in support of the ongoing global war on terrorism, has been superb. But, rest assured, the Marine Corps is not resting on its laurels.

Currently, we're in the process of deploying 25,000 combat-ready active-duty and Reserve component marines and sailors from the 1st Marine Expeditionary Force to Iraq, and 1,500 marines and sailors from the 2nd Marine Expeditionary Force have recently been deployed to Haiti. Our Reserve units and individuals are combat-ready, and have rapidly integrated with the Active Force, demonstrating the effectiveness of the Marine Corps total force. We're set and ready to continue our role in securing the security and interests of our Nation with forward-deployed naval expeditionary forces tailored for the current operating environment.

Our current success was possible because of the excellent training and equipping of our marines, active and Reserve, which you enthusiastically supported and generously funded. It was the coordinated, sustained integration of fires, both air and surface, in support of the Marine Expeditionary Forces (MEFs) maneuver that led to victory in OIF. Our ability to apply combined-arms doctrine was key as we integrated intelligence, command and control, armor, dismounted, motorized, and mechanizing forces, artillery, organic helicopters, and fixed-wing close air supports, along with our combat service support to produce combat power in tempo that the former Iraqi regime could not stop. Throughout, our training and equipment were clearly superior to that of our opponent. Again, your role in that cannot be overstated.

Superior training is a hallmark of your Marine Corps. While we endeavor to keep the keen edge on our warfighting skills, the mission before us in Iraq requires an emphasis on support and stability operations, and we have adjusted our training to meet this challenge. We have carefully examined our experiences in combat and training in preparation for our upcoming deployment. Our Operation Iraqi Freedom–2 pre-deployment training takes full advantage of a broad survey of lessons learned, from convoy operations all the way to cultural sensitivity training.

As a force, we are under some stress, due to increases in maintenance cycles and operational tempo, as are all of the Services; however, through careful and meticulous maintenance management, our material readiness has shown steady improvement. Owing to our commitment to quality of life, recruiting, and retention programs, our personnel readiness now remains high.

In closing, let me say that you have every reason to be proud of the contributions and sacrifices of the young men and women of your Marine Corps and the families that support them, and to be confident in their continued success. Their readiness is directly attributable to the superior training resources and equipment made available through support of this committee.

Thank you for your support and the opportunity to appear here today.

[The prepared statement of General Huly follows:]

PREPARED STATEMENT BY LT. GEN. JAN C. HULY, USMC

INTRODUCTION

Chairman Ensign, Senator Akaka, distinguished members of the committee; it is my privilege to report to you on the state of readiness of your Marine Corps. Your marines are firmly committed to warfighting excellence, and the support of Congress and the American people has been indispensable to our success in the global war on terrorism. Your sustained commitment to improving our Nation's Armed Forces to meet the challenges of today as well as those of the future is vital to the security of our Nation. On behalf of all marines and their families, I thank the committee for your continued support and commitment to the readiness of your Marine Corps.

RECENT OPERATIONS AND CURRENT STATUS OF FORCES

Marine Corps readiness and warfighting capabilities have figured prominently in U.S. military operations since September 2001 and the beginning of the global war on terrorism. In Operation Enduring Freedom, sea-based marines projected power hundreds of miles inland to establish a stronghold deep in enemy territory. During Operation Iraqi Freedom, more than 76,000 marines (including reservists), their equipment, and supplies deployed to the Iraqi theater, using a combination of amphibious warships, Maritime Prepositioning Force (MPF) ships, and airlift. Once

combat commenced, a Marine Corps combined-arms team advanced more than 450 miles from the sea, to Baghdad and beyond. In 2004, Marine Air-Ground Task Force (MAGTF) flexibility and agility continues to be demonstrated as our marines stabilize and help to rebuild Iraq and Afghanistan and maintain our commitments afloat and ashore in other world regions.

United States marines are deployed around the world in 2004—from Iraq and Afghanistan to Northeast Asia, from the Republic of Georgia to the Horn of Africa, and from the Philippines to Romania. Marines deployed at sea on the warships of Expeditionary Strike Groups are conducting sustained operations ashore in support of U.S. security interests and commitments. Our top priority continues to be to maintain a high state of readiness and to provide forces capable of meeting the demanding needs of the unified combatant commanders and our Nation in the prosecution of the global war on terrorism.

Since the end of major combat operations in Iraq, the Marine Corps has been setting the force in order to enhance warfighting readiness for future contingencies. We have reloaded combat equipment and materiel on the ships of the Maritime Prepositioning Force Squadrons while also ensuring that the requirements for Operation Iraqi Freedom II are fulfilled. With our modernization and transformation goals in mind, we are using the funds provided by Congress to repair, refurbish, and where necessary, replace equipment.

Starting in January, and continuing through today, the Marine Corps is deploying forces to relieve the 3d Armored Cavalry Regiment and the 82d Airborne Division in Western Iraq in support of Operation Iraqi Freedom II. In preparation for this new mission, we have made a major effort to analyze lessons learned from the Iraqi campaign, and are determining how best to apply them in the current operating environment. Included in this effort is participation in the Army's Improvised Explosive Device (IED) Task Force, a joint effort to share the technology, as well as the Tactics, Techniques, and Procedures (TTPs) of countering the IED threat.

While the entire force is under some stress due to increases in unit operations tempo (OPTEMPO), individual deployment tempo (DEPTEMPO), and the effort to repair and maintain our equipment, we continue to meet our operational commitments. During 2004 Marine Expeditionary Units will still deploy as part of Naval Expeditionary Strike Groups in support of combatant commander requirements. Units will continue to deploy to Okinawa and Iwakuni, Japan. However, some of those forces will subsequently deploy from Okinawa in support of Operation Iraqi Freedom II. Marine Corps units continue to support exercises with our joint and coalition partners that are critical to supporting the combatant commanders' theater security cooperation plans, and counterdrug operations in support of joint and joint-interagency task forces. While the operational tempo remains high, recruiting and retention continue to meet our manpower goals. We are continually monitoring the health of our Service, and we are focused on ensuring that the Marine Corps remains ready for all current and future missions.

People and leadership are the foundations of the Marine Corps' readiness and warfighting capabilities. Operation Iraqi Freedom demonstrated that the Marine Corps' recruiting, training, and continued emphasis on education of the force are extremely successful in maintaining the high standards of military readiness our Nation requires. The Marine Corps remains committed to taking care of our marines, their families, and our civilian marines.

MARINES

This past year demonstrated once again that the most important weapon on any battlefield is the individual marine. While the employment of precision weapons and advanced technologies provide us unique advantages over our adversaries, our key to battlefield success remains educated, highly skilled, and motivated marines. During Operations Iraqi Freedom and Enduring Freedom, our small-unit leaders' skills, adaptability, and flexibility produced victory on fluid, uncertain and chaotic battlefields. The Marine Corps will continue to recruit, train, and retain the type of individuals who brought us success in these and many other operations. Consequently, in the coming years some of our most important readiness efforts will revolve around individual marines and their families. This will be a challenge, especially in times of war, when we call upon our marines and their families to make significant sacrifices. We must, therefore, pursue our major quality of life priorities—pay and compensation, health care, bachelor and family housing, infrastructure and installation management, and community services—that contribute to maintaining the stability of the force, enhance personal readiness and family cohesion, and promote retention.

Personnel Tempo (PERSTEMPO)

As of February 27, 2004, the Marine Corps had 1,994 active component and 2,111 Reserve component marines who have exceeded the 400 out of the preceding 730 days DEPTEMPO threshold. Currently, there are 42,721 active component and 17,099 Reserve component marines who have accrued at least 1 day of DEPTEMPO. Prior to September 2001, the Marine Corps maintained a 2.7:1 unit-level rotation ratio. As a result of the current operational demands associated with the global war on terrorism, Marine Corps units are rotating at a higher rate. The increase in rotation rates will result in an increase in DEPTEMPO. The degree to which the increase in unit-level rotation will affect retention depends on the duration of the increased level of DEPTEMPO. To date, we have no evidence that the increase in DEPTEMPO has adversely affected retention.

Recruiting

Successful recruiting is essential to replenishing the force and maintaining a high state of readiness. Sustaining our ranks with the highest quality young men and women is the mission of the Marine Corps Recruiting Command. Recruiting Command has accomplished this mission for more than 8 years for enlisted recruiting and 13 years for officer recruiting. This past year the Marine Corps recruited over 100 percent of its goal with over 97 percent Tier I high school graduates. The Marine Corps Reserve achieved its fiscal year 2003 recruiting goals with the accession of 6,174 non-prior service marines and 2,663 prior service marines. This year, as force structures are developed to pursue the global war on terrorism, your support is essential in arming our recruiters with the resources they need to ensure the readiness of your Marine Corps.

Retention

Retaining our best and brightest marines is key to readiness. Retention success is partly a consequence of the investment we make in supporting our operational forces—giving our marines what they need to do their jobs in the field, as well as the funds required to educate and train these phenomenal young men and women. Our First Term Alignment Plan (first tour) has achieved its reenlistment requirements for the past 9 years. With just over one-third of the current fiscal year completed, we have achieved 76 percent of our first-term retention goal for the year. Furthermore, our Subsequent Term Alignment Plan (second tour and beyond) reveals that we have already retained 47 percent of our goal for this fiscal year. Officer retention is at a 19-year high, continuing a 4-year trend of increasing retention. Despite increased retention overall, certain Military Occupational Specialties continue to suffer perennially high attrition, examples include Aviation Electronics Technicians, Electronic Maintenance Technicians, and Public Affairs. We are attempting to overcome this challenge by offering continuation pay for those marines with Military Occupational Specialties that are in short supply. Military compensation to all marines that is competitive with the private sector provides the flexibility required to meet the challenge of maintaining stability in manpower.

Marine Corps Reserve

Our Reserve marines are a vital and critical element of our total force. The training, leadership, and quality of life of our Reserve component remain significant Marine Corps priorities. In 2003, the Marine Corps Reserve rapidly mobilized combat ready marines to augment the active component. Marine Corps Reserve activations in support of Operation Iraqi Freedom began in January 2003, and peaked at 21,316 Reserve marines on active duty in May 2003. Of the approximately 6,000 reservists currently on active duty, over 1,300 Individual Mobilization Augmentees, Individual Ready Reserves, and retirees fill critical joint and internal billets. As of March 1, 2004, we had 5,398 marines mobilized; 4,114 in Selected Marine Corps Reserve units and 1,284 individual augmentees, and we have an additional 7,500 marines that will be mobilized for our Operation Iraqi Freedom II requirements. Judicious employment of Reserve marines remains a top priority of the Marine Corps to ensure the Marine Corps Reserve maintains the capability to augment and reinforce the active component. Our Reserve units and individuals are combat ready and have rapidly integrated into Active Forces commands demonstrating the effectiveness of the Marine Corps total force.

Marine Corps Reserve units maintain high levels of pre-mobilization readiness. Reserve Units consistently train to a high readiness standard. Ninety-eight percent of Selected Marine Corps Reserve (SMCR) marines called up for duty reported for mobilization and less than 1 percent requested a deferment, delay, or exemption. The Marine Corps Reserve executed a rapid and efficient mobilization with units

averaging 6 days from notification to being deployment-ready, and 32 days after receiving a deployment order they arrived in theater.

Similar to the active component, the challenge for the Reserve component is managing the high demand/low density specialties such as civil affairs, KC–130, military police, and intelligence. To date, 96 percent of the civil affairs, 989 percent of the KC–130, 72 percent of law enforcement, and 69 percent of the intelligence marines have been activated as compared to 50 percent of Reserve infantry marines. Building on the important lessons of the last year, the Marine Corps is pursuing several transformational initiatives to enhance the Reserves' capabilities as an even more ready and able partner with our active component. These pending initiatives include: increasing the number of military police units in the Reserve component; establishing a Reserve Intelligence Support Battalion that includes placing Reserve Marine Intelligence Detachments at the Joint Reserve Intelligence Centers; returning some of our civil affairs structure to the active component to provide enhanced planning capabilities to the operational and service headquarters; and introducing an improved Individual Augmentee Management Program to meet the growing joint and internal requirements.

End Strength

The Marine Corps is assimilating last year's congressionally authorized increase in Marine Corps end strength to 175,000. The increase of 2,400 marines authorized by Congress addressed an urgent need to train and maintain enough marines for the long-term requirements associated with the global war on terrorism. It has been particularly important in enabling us to provide the Nation with the 4th Marine Expeditionary Brigade (Antiterrorism), a robust, scalable force specifically dedicated to antiterrorism.

As the Marine Corps is expeditionary by nature, we are accustomed to deploying in support of contingency and forward presence missions. We are structured in such a way as to satisfy our enduring requirements and meet operational contingencies as long as the contingencies are temporary in nature. We do not believe, at the present time, that an end strength increase is necessary.

Quality of Life (QOL)

As an expeditionary force, the Marine Corps conducts frequent and sometimes lengthy deployments, and our senior leadership is focused on understanding and mitigating the effects of these deployments on recruitment, readiness, retention, and family life. For example, in recognition of the importance of the transition home for both marines and their families, the Marine Corps developed a standardized return and reunion program in coordination with Marine Corps Community Services (MCCS) personnel, health professionals, and chaplains. The program was implemented in March 2003, and was specifically designed to ease the assimilation of service members back into family life following long periods of separation, as well as provide information on the additional support programs offered in support of deploying service members and their families. The program consists of a mandatory warrior transition brief for the returning marine, a return and reunion guidebook for marines and family members, a caregiver brief, and briefs designed for spouses.

The Marine Corps will continue to look at our unique demographics (e.g., the youth of the force, number of children/ spouses, number of single parents, number of relocations/forward deployed marines) in a holistic manner and adjust QOL programs to provide the counseling and support needed before, during, and after deployments. The primary focus must be on prevention so that intervention requirements are decreased. The Marine Corps continues to monitor the attitudes and concerns of marines and family members relative to their QOL as we provide support during the global war on terrorism. We remain committed to improving the standard of living in the Corps and ensuring that the "QOL benefit" is clearly articulated to our marines and families.

TRAINING

Superior training has always been a hallmark of your Marine Corps. Our training with the resources you provide enables us to maintain the high state of readiness demanded of your Nation's expeditionary force in readiness. In terms of operational deployments, 2003 was the busiest year since 1991. Consequently, most service exercises were cancelled and participation in exercises throughout the world was reduced, with the exception of the Pacific region. In that area, marines embarked onboard the U.S.S. *Fort McHenry* (LSD 43) participated in the Cooperation Afloat Readiness and Training (LF CARAT) exercise sponsored by the Commander, U.S. Pacific Command, engaging in a series of bilateral training exercises in the Southeast Asian littoral region. At home, the Marine Corps resumed service exercises as

forces began to deploy for training within the continental United States. Combined Arms Exercises (CAX) at Twentynine Palms, California; Mountain Warfare Training Center (MWTC) courses in Bridgeport, California; Weapons and Tactics Instructor (WTI) courses in Yuma, Arizona; and MEU special operations capable (SOC) workups began in earnest to prepare recently redeployed forces for scheduled or emergent deployments. These exercises also served to evaluate individual and unit proficiency, and ultimately to maintain the readiness and operational primacy of Marine Air-Ground Task Forces across the spectrum of operations.

Operation Iraqi Freedom II Pre-deployment Training

While we endeavor to keep a keen edge on our warfighting skills, the mission before us in Iraq requires an emphasis on Security and Stability Operations (SASO). We have adjusted our training to meet this challenge. In preparation for Operation Iraqi Freedom II, I Marine Expeditionary Force has analyzed lessons learned from their experiences in conducting security and stability operations from March to September 2003, and from recent Army lessons learned. As they did last year, I Marine Expeditionary Force is working closely with the Army forces in Iraq. They have conducted a number of liaison visits with the Army units they will soon relieve. They have drawn lessons from the tactics of the British in Iraq, which reflects many years of experience in low intensity conflicts and peacekeeping operations; procedures used by the Los Angeles Police Department for neighborhood patrolling in gang dominated areas; as well as study of the Marine Corps' own extensive "small wars" experience. Our deploying units have applied these lessons through a comprehensive training package that includes tactics, techniques, procedures for stability and counter-insurgency operations. We have conducted rigorous urban operations training and exercises. Over 400 marines are receiving Arabic language immersion training, and all deploying marines and sailors are receiving extensive cultural education. Our supporting establishment is focused on the equipment, logistics, and training requirements of this force—paying particular attention to individual protective equipment, enhanced vehicle and aircraft hardening, and aviation survivability equipment and procedures. Marine aviation elements have worked closely with Army aviation and their recent Iraq experience. This exchange facilitated an advanced aviation tactics exercise focused on mitigating the threats in the current operating environment to tactical aviation. This type of training and support is critical as we send marines back to war in a volatile, dangerous, and changing situation.

Training at Eglin Air Force Base

Training at Eglin Air Force Base (AFB) is envisioned to provide a near term predeployment training capability for East Coast Navy Amphibious Ready Groups/Expeditionary Strike Groups and Marine Expeditionary Units (Special Operations Capable), with the potential to be part of the long-term solution. The training concept was designed for up to two 10-day training periods per year. The long-term objective is that during each 10-day period, the Expeditionary Strike Groups will be able to conduct training across the full spectrum of operational requirements. The Marine Corps has invested approximately $4.2 million in environmental assessment/mitigation and infrastructure development required to establish an initial training capability at Eglin AFB.

In December 2003, the Marine Corps completed its first 10-day training period at Eglin AFB. The Marine Corps is assessing the quality of the training available at Eglin AFB to determine whether training there merits the expenditure of additional effort and resources. Meanwhile, we continue to explore and develop other options, both within the United States and abroad. While Eglin AFB has the potential to meet Naval Expeditionary Force training requirements, full development of this capability on a major range and test facility base will require a significant investment by the Department of the Navy and Department of Defense to upgrade existing facilities, as well as changes to existing regulations governing test facilities.

Range Modernization

Rigorous, realistic training is crucial to combat readiness. We are building a comprehensive plan to sustain, upgrade, and modernize our ranges and training areas. Virtual and simulated training scenarios and technology are increasingly important and add great value to the complete training program for marines. However, live-fire combined arms training and maneuver forms the core of our combat training programs. The program to modernize our live-training capabilities will provide both operating forces and installations the management tools and resources to better plan and execute training and to honor our commitments as good stewards of our training lands. The goal of our range modernization program is to preserve and enhance the live-fire combined arms training capabilities of Marine Air-Ground Task Force Training Command, Twentynine Palms and Marine Corps Air Station, Yuma,

and to preserve the unit-training capabilities of the Nation's two premier littoral training areas, Camp Lejeune and Camp Pendleton.

EQUIPMENT STATUS

The Marine Corps objective in setting the force for Operation Iraqi Freedom and global commitments is to maintain a high state of preparedness. This will take time and resources. Aviation units deploying or deployed in support of the global war on terrorism are maintaining mission capability rates above 85 percent. The remaining units are operating at slightly lower levels due to the aircraft parts priority being established for our forward deployed squadrons. Our four divisions are currently making steady improvements in equipment readiness because of the remarkable maintenance and repair efforts of our marines, depot workers, and the support of Congress.

During Operation Iraqi Freedom, the Marine Corps offloaded two Maritime Prepositioning Squadrons (11 ships). Our equipment offloaded from Maritime Prepositioning Ships Squadrons 1 and 2 had equipment readiness ratings of 98 percent and 99 percent respectively. After combat operations much equipment was worn and broken, and the assessment of that equipment is ongoing. In 2003, we had approximately 2,000 marines in Iraq working to inspect, and where feasible, repair equipment in order to bring it back up to an operational capability. The equipment for back load is operationally capable, i.e., able to shoot, move, and communicate. The equipment used to support the reconstitution of the Maritime Prepositioning Force losses was pulled from assets left behind in the CONUS by deploying units, Norway Air-Landed Marine Expeditionary Brigade (NALMEB) assets, and from global war Reserve stocks. It will take time to return the Maritime Prepositioning Force program to pre-Operation Iraqi Freedom employment capability, and the use of Maritime Prepositioning Squadron assets in support of Operation Iraqi Freedom II may extend reconstitution. One squadron is essentially complete and ready to respond to any contingency. Several ships in the other two squadrons had completed reconstitution, but those ships have since been used to support the Marine forces deploying for Operation Iraqi Freedom II. The current schedule has one Maritime Prepositioning Squadron completing its scheduled maintenance cycle in April 2005, and the second squadron concluding its scheduled maintenance cycle in April 2006. The time it will take until we have all three squadrons back up will be a function of additional equipment requirements in support of Operation Iraqi Freedom II, Corps-wide equipment readiness, and the condition of the equipment that returns from Operation Iraqi Freedom II. In any case, reconstitution of our forces and Maritime Prepositioning Squadrons will be a challenge for at least a couple more years.

We have used assets from the NALMEB Prepositioning Program in the reconstitution of our Maritime Prepositioning Ships Squadrons, and expect to tap further into the assets stored there as we progress in the overall Maritime Prepositioning Force reconstitution as well as in support of Operation Iraqi Freedom II. Norway continues to demonstrate its role as a critical and valuable ally to the U.S. through their tremendous support regarding use of our geographically prepositioned assets in their nation. Specifically, their forces have affected several equipment draws, provided local security and in-country transportation for those assets, and executed the loading of that equipment onto military sealift command (MSC) shipping in support of our overall Operation Iraqi Freedom requirements.

Depot Maintenance

Returning our operating and Maritime Prepositioning Force equipment to full mission capabilities is one of our highest priorities, and that priority is reflected in the fiscal year 2004 supplemental requests for depot maintenance funding. However, we have constrained our request for equipment throughput at our two Marine Corps depots in order to preclude a significant investment in new facilities or production line tooling.

The single greatest constraint on the ability of the Marine Corps to execute depot maintenance funds in the near term (1–2 years) is asset availability. Asset availability describes the ability to initiate the maintenance process by designating a particular asset as available for induction and the transportation of that asset to a depot maintenance activity.

Marine Corps ground equipment assets are found in one of two primary locations' with the operating forces, or in a preposition location (afloat or ashore). The current operational tempo and our requirement to rapidly reconstitute the Maritime Prepositioning Force make the scheduling of assets for depot maintenance problematic. The Marine Corps chose to strike a balance between the need to have a Maritime Prepositioning Ship and its associated equipment available to the combatant commander and the need to conduct depot level maintenance. This balance is re-

flected in the planning of Maritime Prepositioning Ship Maintenance Cycle (MMC) 8. MMC 8 began in early 2004. It is a 36-month cycle that will systematically rotate the fleet of Maritime Prepositioning Ships through the Blount Island facility to accomplish the necessary maintenance activities (including depot maintenance), which may have been deferred.

We will continue to evaluate options to accelerate our depot maintenance throughput in order to return mission essential equipment to the operating forces as expeditiously as possible.

INFRASTRUCTURE

Marine Corps bases, facilities, training areas, ranges, laboratories, buildings, and Navy hospitals provide the essential framework for ensuring our force readiness at home and overseas. Marine Corps infrastructure consists of 15 major bases and stations in the United States and Japan. We continue to implement programs that maintain and improve our infrastructure while using only those resources that are absolutely necessary to accomplishing our goals. The Marine Corps' Long-range Infrastructure Vision, Installations 2020 (I2020), provides a roadmap for the future of this critical support element of our warfighting capability. One of the subjects that I2020 deals with is encroachment control.

Encroachment Control

The Marine Corps strives to be a good steward of the resources entrusted to it. We are grateful to Congress for providing a tool to manage incompatible developments in close proximity of military-use lands. Monitoring, evaluating, and responding to encroachment is critical to ensuring bases and ranges are available to support mission readiness now and into the future. Many Marine Corps installations were constructed 60 or more years ago in then-rural areas. Some of these areas are now urban in nature due to regional development. The result is encroachment and readiness challenges for the Marine Corps. We are working with Federal, state, and local governments, to provide "win-win" solutions to encroachment pressures to ensure compatible land use which will not degrade mission readiness. Several potential partnership acquisitions are in the conceptual phase at four installations: Marine Corps Base Camp Lejeune, Marine Corps Air Station Beaufort, Marine Corps Mountain Warfare Training Center Bridgeport, and Marine Corps Base Camp Pendleton. Marine Corps Base Camp Lejeune, Marine Corps Air Station Beaufort, and Marine Corps Base Camp Pendleton have established conservation forums as a framework to address military requirements, and to collaborate with Federal, state, local, and private entities in the region to achieve mutual goals and objectives in compatible land use plans. Other installations are also considering the need to establish conservation forums, such as Marine Corps Base Hawaii, Marine Corps Air station Yuma, Marine Corps Air Ground Task Force Training Center Twentynine Palms, and Marine Corps Base Quantico. In addition, an encroachment mitigation plan will be developed to monitor and contain internal and external development threats to Blount Island's long-term mission capability. These initiatives provide the opportunity to develop a long-term vision for our installations for maintaining training readiness.

Urban encroachment and environmental issues impact our ability to maintain an acceptable level of access to valuable training areas, and test ranges. Access restrictions have affected testing and the training of our forces, sacrificing rigor and realism. This trend has stabilized as a result of the previous 2 years' legislative efforts. The Marine Corps supports the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act provisions that seek to codify prevailing regulatory policies and practices of EPA and the states regarding munitions on operational ranges; and protect us from negative judicial decisions that could drastically undermine readiness.

Blount Island Facility

The Marine Corps will complete the acquisition of the Blount Island facility in Jacksonville, Florida, in 2004. Upon ownership transfer to the Marine Corps, Blount Island Command becomes responsible for the stewardship of the land, buildings, and environment. To ensure a smooth transition, efforts are in progress to establish facility management processes for base operating support and services, capital improvements, facilities sustainment and restoration, and antiterrorism force protection.

The acquisition of the Blount Island facility in Jacksonville, Florida, is critical to our Nation and to our Corps' warfighting capabilities. Blount Island's peacetime mission is to support the Maritime Prepositioning Force. Its wartime capability to support massive logistics sustainment from the continental United States gives it

strategic significance. The Blount Island facility has a vital role in the National Military Strategy as the site for maintenance operations of the Maritime Prepositioning Force. The Marine Corps thanks Congress for your role in supporting this acquisition project.

SAFETY

Safety programs are vital to force protection and operational readiness. Marine leaders understand the importance of leadership, persistence, and accountability in the effort to reduce mishaps and accidents. The fiscal year 2003 off duty and operational mishap rates were driven upward by the mishaps that occurred during and post Operation Iraqi Freedom, while the aviation mishap rate decreased. To meet the Secretary of Defense's challenge to all Services to reduce mishaps by 50 percent in 2 years, the Marine Corps is focusing on initiatives that deal particularly with the development of strategies and specific interventions to preclude mishaps. The Marine Corps is an active participant of the Defense Safety Oversight Committee. Our leadership at every level understands the challenge, and we are actively involved in the effort to safeguard our most precious assets—marines and sailors.

OPERATIONAL READINESS OUTLOOK—NEAR TERM

We are preparing our marines and equipment for continued operations in Iraq. We are hardening about 3,000 vehicles, including both large vehicles and the smaller high-mobility multipurpose wheeled vehicles (HMMWVs), against small arms, fragmentation, and improvised explosive devices. We have enough body armor for every single marine, not only in Iraq, but also in Afghanistan, to have sufficient protection. Working with the Army, we are developing technical means to detect and defeat improvised explosive devices. In our operation Iraqi Freedom II pre-deployment training, we have sent our maneuver battalions through an extensive 1-week course in southern California. All of our aircrew went through a 2-week course in Yuma, Arizona, geared toward tactics and survivability in the current operating environment in Iraq, including convoy escort and manportable (MANPAD) surface-to-air missile countermeasures and avoidance training. Each of our aircraft deploying for Operation Iraqi Freedom are undergoing modification to install the most modern aircraft survivability equipment (ASE) to mitigate their susceptibility to the MANPAD threat. All deploying combat support and combat service support marines have completed an extensive combat training course, ensuring that we adhere to our fundamental tenet, "Every marine a rifleman."

Your marines deploying for operation Iraqi Freedom II will deploy in two rotations of 7 months each. This rotation policy will result in the least disruption to the long-term health of the Marine Corps. We believe that this rotation policy is our best course to minimize stop-loss/stop-move orders, interruptions in recruit training, ensure career progression and development, professional military education, and to allow flexible force applications for other deployment requirements. The first force rotation, from March until September 2004, will be composed of approximately 25,000 combat-equipped marines, including almost 3,000 Reserve component marines. A second force rotation, from September 2004 to March 2005, of like size and composition, will overlap the first and ensure a smooth and stable transition.

Our single greatest concern as we look beyond Operation Iraqi Freedom II is setting the force for subsequent training and operations. When we refer to setting the force, we are addressing our ongoing efforts to maintain the combat readiness of your Marine Corps. In our preparation for current global operations, OPTEMPO, PERSTEMPO, and the maintenance, repair, or replacement of equipment are our focus; but as we set the force, we also have modernization and transformation in mind.

MODERNIZATION AND TRANSFORMATION

Achieving our vision for the future of the Marine Corps while maintaining near-term readiness will require the upgrade and modernization of current systems until they can be replaced, while we carry out key modernization and transformational programs. Our top acquisition priorities, such as the MV–22 Osprey, the KC–130J, the Expeditionary Fighting Vehicle, the Short Take Off Vertical Landing Joint Strike Fighter, the Lightweight 155mm Howitzer, the High Mobility Artillery Rocket System, and the CH–53X and UH–1Y/AH–1Z are the cornerstone of the Marine Corps future capabilities. Initiatives like the family of Navy and Marine Corps Mine Countermeasures systems, concepts such as Tactical Air Integration, Logistics Modernization and Command and Control, and improvements in Intelligence and Information Operations are equally essential to our transformation effort, and we are exploring technology and processes that facilitate our transformation.

Most important of all to our future readiness are our Sea Power 21 initiatives in partnership with the Navy. We hold a deep and abiding conviction that Sea Basing initiatives hold the greatest promise for transforming your Marine Corps-Navy team into a more ready, flexible, and responsive force—able to project sustainable power across the full spectrum of operational capabilities anywhere in the world. More than just an alternative to current capabilities, operations conducted from a sea base may well become the preferred method for national crisis response in the 21st century. Naval forces will be strategically and operationally agile, projecting power from a fully networked sea base while operating within the security derived from the Navy's command of the sea. Sea Basing will provide national decisionmakers with unprecedented versatility, because naval forces can exploit the freedom of the high seas as maneuver space, relatively unconstrained by political, geographic, or diplomatic restrictions. Navy and Marine Corps warfighting capabilities, thoroughly integrated across all sea-based systems and assets, will provide our Nation and regional combatant commanders the combat ready forces necessary to fight and win in the conflicts of the 21st century.

Several new ship classes are coming on line within the next few years that are important to the readiness of the Navy and Marine Corps team. The operational capability and flexibility of the naval expeditionary fleet will be significantly enhanced with the fiscal year 2005 delivery of U.S.S. *San Antonio,* the first of 12 new landing assault ships with advanced characteristics for amphibious warships. LHA(R) concept designs are being evaluated within the context of Joint Sea Basing and power projection. This ship will be the centerpiece of the Expeditionary Strike Group, a contributor to the Expeditionary Strike Force, and will carry expeditionary warfare through the middle of this century. LHA(R) will greatly enhance command and control capabilities and at sea training for embarked forces. The resulting design is planned to provide a transformational capability that is interoperable with future amphibious and Maritime Preposition Force ships, high-speed vessels, and advanced rotorcraft like the MV–22 and CH–53X, and the Joint Strike Fighter. The Littoral Combat Ship will be a networked, agile, mission focused, stealthy surface combatant with capabilities optimized for responsiveness to threats in the littorals.

This year, the Marine Corps continues to refine plans for the Marine Expeditionary Brigade of 2015, in concert with our concept for sea-based operations. Similarly, the analysis of alternatives for our Maritime Prepositioning Force (Future), a critical component of Sea Basing, will provide valid choices for achieving Sea Basing capabilities. These initiatives will complement, rather than replace, the amphibious lift and forcible entry capacity of the LHA(R), LPD–17, and LHD, and will provide the Nation a deployment and employment capability unmatched in the modern world.

CONCLUSION

In conclusion, I would like to again thank the members of the committee for their continuing support of the Marine Corps, and for the opportunity to discuss our readiness issues. The young men and women of your Corps are doing an exceptional job in Operations Enduring Freedom and Iraqi Freedom. Their accomplishments are a direct reflection of your continued support and commitment to maintaining our Nation's expeditionary warfighting capability. We go forward with confidence because marines have the best training and equipment in the world, thanks to the support of this committee, and the Nation we proudly serve.

Senator ENSIGN [presiding]. Thank you, General. I apologize, earlier, for mispronouncing your name. I think I said Holy; I meant Huly. People mispronounce mine all the time, by the way.

We're going to start, if the committee doesn't mind, Senator McCain has a very limited time frame, so I'm going to start the questioning with Senator McCain, and we'll have a round of questioning based on the early-bird rule, other than that, we'll have rounds of 6-minute questioning.

Senator MCCAIN. Thank you very much, Mr. Chairman.

General Moseley, you testified before the House Armed Services Committee, and I quote from your statement—you said, "The options of contracting is not operationally viable. The option of re-engining old 707s gives us a re-engined 50-year-old Eisenhower-era tanker, not viable, from my perspective. Or the ability to go look

at something out there that is outside the boundaries of a 767 airplane, so it"—it goes on to say—"it takes a 767-class airplane."

General, are you aware of the DOD guidance issued on February 24, 2004, concerning the analysis of alternatives?

General MOSELEY. Senator, thank you for the question. Yes, I am aware of that.

Senator MCCAIN. Are you aware of what the options are, as described in that——

General MOSELEY. Yes, Senator——

Senator MCCAIN.—direction? You are.

General MOSELEY.—I'm fully aware of that.

Senator MCCAIN. It's totally, then, in contradiction to your statement before the House Armed Services Committee, because it says "options." It lists the options, "retain, re-engine, and make required modifications to convert remaining KC–135Es to KC–135Rs, retire remaining KC–135Es, purchase a commercial derivative aircraft." It goes on and lists those aircraft, "purchase military derivative aircraft, minimum consider C–130J and C–17"—in other words, the Secretary of Defense has ordered an analysis of alternatives to examine a number of options, which you preclude in your statement before the House Armed Services Committee.

General MOSELEY. Sir, could I address that for you?

Senator MCCAIN. Yes.

General MOSELEY. Sir, I understand the analysis of alternatives, and I understand and fully support the decision by Secretary Wolfowitz. I was asked my personal opinion in the testimony, and responded as the commander of OEF and OIF, that, as we look through this, the operational feasible nature of a 767-class airplane will play out, in my opinion. But the analysis of alternatives will be the deciding factor in that.

Senator MCCAIN. General, I read your statement here. There's no request for your personal opinion. This request was, "That's the last question, I thank you folks for"—et cetera, et cetera. He didn't ask for your personal opinion, General. You volunteered it.

General MOSELEY. Sir, I took that as a request for my personal opinion, as we were talking about operational necessities of the new tanker.

Senator MCCAIN. I've been on this committee for 18 years, General, and I've never heard of someone volunteering their personal opinion. You come over here representing the administration, unless your personal opinion is asked for. Your personal opinion was not asked for in that hearing.

But, more importantly, you state that the maintenance is low, and that you're having more difficulty—let's see—you state in your statement here before the committee—here's where it is—before this committee, that, "36 percent of the KC–135 fleet was not available, including those in depot and those unit-possessed, but not mission-capable." That's according to your statement to this committee. The B–1 has a higher—a lower availability rate than the KC–135, as does the B–2?

General MOSELEY. Yes, sir, I do know that. But the——

Senator MCCAIN. Do you know, also, that—go ahead. Please respond.

General MOSELEY. But the KC–135 fleet is a key enabler for everything that we do with global strike and global mobility. Senator, we have to have the tankers to be able to provide support for the Navy, for the Marines, and for global strike and mobility in any of these theaters.

Senator MCCAIN. Yet the availability is less than the B–1 and B–2 bomber. Also, the information that we received from the United States Air Force—and I'd be glad to give you that—it's, "Headquarters U.S. Air Force Integrity, Fiscal Year 2003—quick look, aircraft performance trend"—according to this, the availability rates are up from 2002 to 2003. Now, maybe they've gone down between 2003/2004, but the availability went up from the year 2003. Yet you state that the mission-capable rates continue trending downward.

General MOSELEY. Sir, they still don't meet air-mobility commands' established——

Senator MCCAIN. But the rates are not downward; they're upward.

General MOSELEY. Sir, we still could not deploy the KC–135E——

Senator MCCAIN. General, are the trends downward or upward?

General MOSELEY. Sir, they are still not leading air-mobility commands' standard——

Senator MCCAIN. I'd like an answer to the question, General. Are the trends downward or upward, as far as availability is concerned?

General MOSELEY. I would like to provide for the record each fiscal year in each of the——

[The information referred to follows:]

Aircraft Mission Capable (MC) rates are defined as the percentage of a fleet that is unit possessed (not depot possessed) and capable of performing at least one assigned mission. The aircraft availability rate is the percentage of a fleet's Total Active Inventory (TAI) (unit and depot possessed) that is MC.

The KC–135 fleet MC rates are trending downward and decreased by 10.8 percent between 1991 and 2004. In fiscal year 2002, KC–135 MC rates were 79.6; in fiscal year 2003, MC rates were 78.9; to date in fiscal year 2004 MC rates are 76.9. The prime drivers leading to decreased MC rates for KC–135s include scheduled inspections and fuels systems repairs.

Both the B–1 and B–2 have shown improving MC rates. In fiscal year 2003, the B–1's 70.7 MC rate was the fleet's best MC rate ever achieved. The B–2's MC rate of 43.9 was also its best MC rate recorded. The improvements for both bomber fleets are primarily a result of improved spares funding since fiscal year 1999.

Although the B–1 and B–2 MC rates are the "best ever" they are lower than the KC–135 rates for a number of reasons. The KC–135 fleet is a military derivative of the commercial Boeing 707; a relatively simple design without the sophisticated combat systems of the B–1 or B–2 aircraft. On the other hand, the B–1 and B–2 are military-specific integrated combat weapon systems, employing an array of highly sophisticated and often cutting-edge technologies. These additional systems must all be functioning properly for the aircraft to be considered MC. Therefore, there are more systems on the B–1 and B–2 aircraft (fire control radar, weapons delivery, low observables) that can cause a lower availability rate than on the KC–135.

The long-term availability rates for KC–135 have trended downward and decreased by 9.4 percent between 1991 and 2004. However, in the short term, the KC–135 availability rate improved from a low of 33.6 in fiscal year 2001 to 62.9 in fiscal year 2004, primarily as a result of depot process improvements leading to fewer depot possessed aircraft. Both the B–1 and B–2 availability rates are also trending upward with fiscal year 2004 availability rates of 57 and 33.7 respectively. The bomber improvements are primarily a result of increasing MC rates.

Senator MCCAIN. Sir, I have that information right here——

General MOSELEY. Sir, I——

Senator MCCAIN.—presented by the United States Air Force, which is in contradiction to your statement.

General MOSELEY. Sir, I'm not familiar with what you have there, but I would be happy to look at it.

Senator MCCAIN. I'm getting very weary of the United States Air Force coming over here, giving us doctored information, making statements, which are contradicted by their own data, and particularly comments that you made. You weren't asked for your personal opinion before the House Armed Services Committee about it, "the 767 being the only option." You're supposed to be representing the Department of Defense, the United States Air Force. You are not doing that in your statement. Certainly your statement before the House Armed Services Committee is in direct contradiction to the direction given by the Under Secretary of Defense.

I don't have any more questions, Mr. Chairman.

I'm getting very weary of it, General. A lot of us are. You're harming the credibility of the United States Air Force rather dramatically, in my eyes, and that of and members of the committee and the American people.

Thank you, Mr. Chairman.

Senator ENSIGN. Care to respond?

General MOSELEY. No.

Senator ENSIGN. Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

I want to raise an issue to all of you that I believe will pose a continuing challenge to readiness, and get your thoughts on the best ways to address it. Each of your budgets includes significant increases to pay for growth in contract costs beyond normal inflation. At the same time, DOD continues to set policies and issue guidance that suggests increased reliance on contractor support as you seek to return service members to jobs more closely aligned with their military specialities. While I am completely empathetic with that goal, my concern is that we will find ourselves in a situation where we are forced to pay higher and higher contract costs to keep the military functioning, and that these must-pay bills will crowd out our funding for training, spare parts, and possibly investment in transformation accounts.

My question to all of you on this issue is—and on this problem—what do you see as possible alternatives to help mitigate contract-cost growth?

General Casey.

General CASEY. A tough question there, Senator. As you acknowledge, the trend is toward contractors, and we have already talked, in the chairman's opening statement, about military-to-civilian conversions, and to moving more toward that to free up our military members to do military tasks. In all candor, Senator, I need to think on that one a little bit and get back to you with an answer.

Senator AKAKA. That's fine.

[The information referred to follows:]

To a significant extent, base support contract cost growth is inevitable so long as our missions and commitments continue to grow, while the number of military personnel available to perform base support missions continues to shrink because of

greater training and deployment requirements. If we increase the scope of most any contract, we must expect to pay for the increase. Performance of base support services by military and government civilian personnel is in many cases more affordable, or at least more predictable, because the costs and resources necessary to pay for such services are determined by law, and grow relatively slowly. Costs for acquisition of contractor support, on the other hand, are primarily driven by competition, or, rather, in many cases, the lack of competition. For a variety of reasons, military base support work is oftentimes not as attractive as it might be to the broadest spectrum of contractors, which might compete for our work and thereby yield lower costs. We will therefore continue our efforts to make this aspect of government business more appealing to our contractor community.

We can and will continue our efforts to promote competition through encouraging broader small business participation in services contracting. We must make use of the most successful contract types such as performance-based contracts that better distribute risk between the government and the contractor, and reward efficient and effective performance. When appropriate, using fixed price contracts also reduces cost growth over the term of the contract. We might pay a little more initially depending on the competitive marketplace, but we will know in the fixed price environment what we are obligated to pay for a specified product or service, and can better plan and budget for those costs. These solutions only work when the required goods and services can be described and specified in enough detail and with enough certainty that contractors can compete and where they can determine that assumption of all cost risks is acceptable.

Imperative in this business is the need to change to what works. Evolving from the days of the low bid contracts to the best value, from time and materials to fixed price, and from cost plus to payment for performance must happen on an accelerated pace such that we can maximize our purchasing power.

In addition, we must change our working relationship with our contractors. The new OMB Circular A–76 fundamentally changed the process for comparing government versus contractor performance. When fully implemented, it should better restrain cost growth by, among other things applying Federal Acquisition Regulation-type procedures to government as well as private competitors. By leveling this playing field, we hop to attract more private competitors to these procurements.

General CASEY. Good question.

Senator AKAKA. Any other?

Admiral MULLEN. Senator Akaka, there are lots of different kinds of contractors.

Senator AKAKA. Yes.

Admiral MULLEN. Are you speaking of contractors with whom we are engaged, in terms of purchasing equipment, our weapons systems, or other kinds of contractor support?

Senator AKAKA. Yes, these would be contracting such as on base supports.

Admiral MULLEN. I, like my compatriot here, would like to get back to you with a more detailed answer.

[The information referred to follows:]

Traditionally, many service contracts such as base support contracts were cost reimbursable. Since the major cost driver of these contracts was labor, and labor rates generally increase from year to year, the costs associated with performance also increased. As a result, it was necessary to budget additional dollars for the same services. As a consequence, the contractor would continue to perform the services in the same way, from year to year, often in accordance with Government specifications, and with no improvements in efficiency.

Based on recent legislation, the Departments of Defense and Navy have established clear guidance mandating the use of performance based service contracting and the training of those who originate requirements for contracts to develop the necessary performance work statements. In performance based contracts, the Government requirement is laid out not as a specification, but as a statement of desired outcomes. Based on the desired outcomes, clearly defined metrics are used to determine whether or not the contractor is achieving the desired level of service. The metrics are in turn tied to contract incentives: the service contractor earns more when desired outcomes are achieved, less when they are not. Incentives can also be tied to efficiencies and contract price reductions. For example, in a competitive environment, a solicitation could require a 5-percent price reduction during each year

of the contract. Or, a solicitation might request the contractor to propose price reduction targets as a factor for consideration during source selection. Following award, contractor compensation is tied to achievement of price reduction goals.

In particular, Commander, Naval Installations is aggressively implementing performance based service contraction including the use of contractor incentives as an important tool to ensure that service contract costs do not squeeze out spending for training, spare parts, and investment.

Admiral MULLEN. But I will say that one of the—I mentioned in my opening statement, we have, in particular, in base support, and, I think we've put in place, this last year, starting 1 October, the Commander of Navy Installations. That is meant to be an enterprise-wide effort to much more clearly understand the cost of doing business, including those who are contracted to do whatever they might do on bases, or wherever.

From a headquarters perspective, we are challenged with the tools, or the lack of financial tools, in order to track that very carefully. We're challenged, in terms of being able to see it across the enterprise. So it's really through this standup, in particular, in that area, that we've taken that on. In fact, in this budget, in 2005, we've actually reduced some of the dollars that we would normally allot to that requirement, as a risk mitigator, with the challenge, internally to the Navy, to go out and make sure we generate those savings in contracts to which you refer. So there's a considered effort to make that happen. It's not just in base support—we're doing that across the enterprise—but in particular in area that Commander of Navy Installations has that charge.

Senator AKAKA. Thank you.

General Moseley.

General MOSELEY. Senator Akaka, I would only add that the other piece of this, for us, is we attempt to return warfighters to warfighting billets. There are some opportunities to reach out into the contracting world in some of our base support and some of our home-station base support. We are looking at that. We share the concern that you have about under—stressing the cost of this, as well as being able to surge that piece of the workforce, may be a bit of a challenge.

Please let us get back to you with a more detailed breakdown of the total force and where that lies.

[The information referred to follows:]

In response to the National Defense Authorization Act for Fiscal Year 2002 (PL 107–107 Section 801) the Air Force instituted the Management and Oversight of Acquisition of Services Process to increase leadership's awareness of issues with services contracts to a level similar to that we have in place to oversee major weapons systems acquisitions. The process implements two major initiatives. The first deals with how we acquire required services and mandates that requiring activities and acquisition officials ensure services requirements are performance based, contain incentives to ensure potential contractors maximize effectiveness and efficiency, and set forth metrics against which performance will be tracked. The second initiative requires all services contracts with a total planned value in excess of the simplified acquisition threshold ($100,000) to be reviewed annually by a designated official. The intent is to ensure leadership, at the appropriate level, is aware of any issues such as cost growth, schedule slips, or problems with performance, and appropriate action is addressed. By delegation from the Assistant Secretary of the Air Force for Acquisition, the Air Force Program Executive Officer for Combat and Mission Support is responsible for this oversight for any services acquisition in excess of $100 million and is the Air Force-designated official to ensure all commands have an effective management and oversight process in place.

We are also working diligently to ensure we fully identify the requirements and cost baselines and understand the impact that outside influences, such as Depart-

ment of Labor Wage Determinations and Collective Bargaining Agreements, have on services contracts cost growth. As the Air Force continues to identify positions that have military personnel performing commercially available functions, we will maximize the use of competition to ensure we acquire the most economically advantageous business arrangements to assume those duties.

General MOSELEY. But we are trying to use some of that as tools to return warfighting uniformed members into those stressed Air Force Specialty Codes (AFSCs) out there in the expeditionary Air Force.

Senator AKAKA. General Huly.

General HULY. Senator Akaka, a great question. As a matter of fact, the Commandant had a good sit-down with us about 2 weeks ago, and we addressed this very issue.

To us, in the Marine Corps, it's a matter of, how many marines can we return to the foxhole? That's what it's all about. We have had some great successes already, in some of the areas—in contracting, in returning marines to the foxhole, and to be able to improve their training and their commitment to the job that they came in the Marine Corps to actually perform, while simultaneously improving the service that they were in before. A good example are our mess halls. For instance, we have contracted the preparation and serving of meals. In some instances, we're getting a lot better nourishment out of that. So there's a great deal for improvement there, and we're starting to realize some of it.

Not all of our contracting has proven to work out in the long run, and we are taking a good, hard look at all of that, just to see where it does make sense. We're trying to limit the number of marines on active duty that we have. We want to hold our current strength, because the largest expense that we have is our manpower costs.

Senator AKAKA. The reason I asked that question was, at a hearing that we had with the combatant commanders, General Abizaid and General Jones, it was mentioned that about $800 million had already been spent on contracting, and that surprised me, to hear that amount. So that's the reason for my question.

Mr. Chairman, thank you.

Senator ENSIGN. Thank you.

I'm going to allow Senator Inhofe to go, and then I'll take my turn in the next round of questions.

Senator INHOFE. Mr. Chairman, I appreciate that very much.

Let me, real quickly, just cover four things. General Huly, it's very rare that I would ever criticize the Marines. You're optimistic. You're upbeat. But I want to caution you about—when you're talking about, "Yes, we do have this superior manpower, but we don't always have superior equipment"—and I think you said that a couple of times in your opening statement—I would suggest to you that the Paladin is something that you have used in the Marines, as well as the Army, and it's an artillery piece that is—there are five countries, including South Africa, that make a better one than—in terms of rapid fire and all the characteristics you look for in artillery. So I'd always be a little bit cautious, because there are people, none of whom are in this room right now, but those members who really don't believe that we need to continue modernization, use statements that, "We already have the very best of everything," in opposition to modernization programs. I thought I'd just mention that.

General Moseley, I had mentioned something when we had the chiefs in, I think last week or the week before, in defense of Tinker Air Force Base, because it had been alleged by several individuals, but primarily Senator McCain, that when two staffers went out there, that things were—that they doctored up some of the exhibits that were used, and all that. I would suggest in that—in fact, they're both here in the room with us right now—in defense of Tinker, it could very well have been—and I think we all understand this—that they were talking about Tinker's experience. When you talk about the corrosion incidence in bulkhead fittings, yeah, it's 5 percent. But that's Tinker. While the overall is 11.5 percent. But if you skip on down to fuselage, if they intentionally let point number five off to try to deceive somebody, they would not have left it off of the fuselage, because, in that case, the occurrence rate is 22 percent, as opposed to 18 percent service-wide. I just wanted to make that comment, that I thought that they were acting appropriately out there.

For General Huly and Admiral Mullen, you know that we fought and lost the battle of Vieques. We tried to keep it open. We tried to keep that integrated training open. It's the only place where we could do the things that had to be done. I spent 2½ years of my life on that, and I don't like to lose, but I did lose on that one.

I'd like to know, in terms of readiness—that is what this hearing's all about, hearing from each of you—have we adequately replaced the live-fire capability that we enjoyed in the integrated training that we enjoyed on the Island of Vieques?

Admiral Mullen, why don't you start?

Admiral MULLEN. Yes, sir, Senator.

I'd say that we've adequately replaced it at this point. When we—or, to answer that question, when we moved out of there, Admiral Natter headed up a recommendation to the CNO and the Secretary, but particularly to the CNO, in his training hat, as a way ahead in what we call the "training resource track," to move forward. That was an investment over several years to figure out, with the loss of that capability, how we were going to train in the future. We're not—we're clearly not there yet. We're moving in that——

Senator INHOFE. Well, I think what you're saying is, if we change our method of training, that perhaps we can go into other alternatives and maybe do the same thing at three or four different sites that we used to do at one site. My feeling has always been that the one site is better, in terms of the readiness for the troops.

Do you have any comments on that, General Huly?

General HULY. Yes, sir. One site provides us the opportunity to practice our combined arms—surface fires, artillery and mortars, dropping aircraft ordnance, and, if possible, naval gunfire support. We lost that when we lost Vieques. We're attempting to replace that at Eglin Air Force Base. We have conducted one training exercise there so far. We have to work with the United States Air Force. That's an Air Force range, and it's an experimental or a test range right now, and that's different than a training range. We're working through that cultural difference. It also has some significant costs that have been associated with it to get us on that range to be able to use——

Senator INHOFE. Yeah, and also there are a lot of airspace problems that you have. You're going through civilian airspace, so you have requirements that you would not have had elsewhere.

I remember so well, Admiral Mullen, that, in talking to some of your sailors and some of the aviators, that you can have the very best quarterback, and the very best end, and the very best center, and the very best running back, all this, but if they've never played together, you lose the game. That was my feeling, and their analogy, or metaphor, that they used to try to explain that we are having a problem.

General Casey, something I've been active in, I like the idea that—General Jones, I think, has been the one kind of heading this up—about looking at the problems we're having in training in Western Europe, about the idea that we have some 40,000 families that are very, very expensive. All of the costs that go with that make it very difficult. Perhaps a better idea might be, instead of having 2- or 3-year deployments would be to have 2- or 3-month deployments, go out to Eastern Europe. I just came back from Romania, Bulgaria, Ukraine, places where they really want us. They don't have the environmental encroachment problems there. It just makes sense to me. It's a lot cheaper way of doing it. Do you have any comments about that?

General CASEY. We'd agree, Senator. I actually commanded the 1st Armored Division over in Germany, and had the opportunity to go to some of those countries and look at the training areas. We are actively working with General Jones to look at training areas and develop some rotational plans to put units in there for both presence and training.

Senator INHOFE. Well, I appreciate that very much.

Thank you, Mr. Chairman, for letting me go. My time is expired.

Senator ENSIGN. Thank you.

I want to ask just a couple of quick questions here. Not necessarily quick, but as far as the answers are concerned. We know that we are resetting, reconstituting, right now, our forces coming back from both of the operations, and there's a lot involved—we all know that there's a lot involved in that. We're seeing some of the costs in this year's budget.

One of the questions that I had in regard to that is, first of all, just making sure that you all feel comfortable, and adequate in what you're doing, and that you have adequate funding; but the other is that—how the funding should be allocated. In other words, we passed a $67 billion supplemental, just the military part, last year. It would seem to me that if we're trying to reflect—we have a "peacetime" budget and a wartime budget—it would seem to me that the part of reconstituting is wartime, and that the costs should be reflected in that and, if it isn't—in other words, if 100 percent of that is reflected, I'd like to hear from that—but if it isn't, I think that that's something you all should consider, into the future for next year's supplemental that you send us up here, so we truly reflect the cost of the war versus a peacetime budget, because if it's a war, then it's a one—maybe a 1- or 2- or 3-year expenditure, or whatever it's going to be; if it's something else, then it's building into the baseline costs and budget for the military. Part of it, I understand, is that it's been built up—or some of it is—be-

cause you all are trying to get to the level that you should have been; and, in years past, that had been—it had been too low in the budget to be able to refit a lot on the maintenance, on a lot of the equipment, was not where you wanted it to be, and so you're kind of using this time to bring things up to where you want to be, not to where it was before. So instead of being where we were a few years ago, you want to be at the level that you all feel that you need to be. So if I could just have each one of you address that——

General CASEY. Okay. As you mentioned, Senator, we are working on the fiscal year 2004 base President's budget and then supplemental. Right now, we believe that with that funding we can accomplish what we need to accomplish in fiscal year 2004. However, some of the costs of resetting the force that redeployed, and will redeploy in 2004, will obviously continue off into 2005 and will become part of our 2005 supplemental budget.

As I mentioned in my opening statement, the President's budget covers our base plan, recapitalization, training programs; it does not cover the war-related costs of Afghanistan and Iraq, or the recovery costs, as you point out. Those will be captured and will be rolled up in the 2005 supplemental as we develop these costs.

Senator ENSIGN. Just to further clarify, did your reconstituting part, at least throughout this year, though, get covered in the supplemental from last year?

General CASEY. We were about——

Senator ENSIGN. Or are you going to be——

General CASEY. Right. About $1.2 billion of what we requested did not get funded, but we are executing—we are funded for everything we can execute, in terms of depot-level maintenance, in the 2004 supplemental, so those costs will roll over into 2005.

Senator ENSIGN. Okay.

Admiral.

Admiral MULLEN. Sir, when I testified over on the Hill last fall—and I think this is true for all the Services—one of the issues we addressed was the setting of the force, or the resetting of the force, after the war. The Navy was fortunate, in that throughout most of the end of last year, of 2003, we were bringing our ships home, and we were doing that with the thought of getting them reset as quickly as possible. The target was mid-2004, and we're still basically on track. Between the money that we had in 2003 and the supplementals that we had there, the money that we have in the baseline budget, plus the supplemental money that we received in 2004, we're able to keep that target. I mentioned, in my opening statement, we've also implemented this Fleet Response Plan, which makes a much more ready force over a longer period of time. So forces that come back, for instance, don't stand down like they used right away.

One of the baselines that the Navy has to work on is—Admiral Clark, since he's been CNO, in his first couple of years here, he put $7 billion straight into readiness accounts, and so that filled up magazines, spare-part bins, allowed us to do depot and maintenance both on ships and aviation that really brought us to a very high level that allowed us to perform as the country called in both Afghanistan and Iraq.

So we clearly are—there are some shortfalls that we see. There's about a half-a-billion-dollar shortfall in transportation costs, moving the marines to Iraq for this unanticipated pulse, if you will. So we're working with DOD right now to see how that will be resolved. But right now we're in pretty good shape, and we're on target for resetting, as we had said before.

Senator ENSIGN. Okay.

General Moseley.

General MOSELEY. Mr. Chairman, I would say as we execute 2004, the funding that OSD provided was based on being able to execute in this period, and we're okay with that. We can execute what we have. We will have some shortfalls, and we're mitigating that and working that, as you would expect us to, either in the supplemental or in the resubmission, and we're working those with OSD.

For 2005, I will tell you that we are able to stabilize some of our contingency operations for the 2005 submission. Basically, Operation Noble Eagle, since that has manifested itself over time with the number of locations and the number of aircraft, that ONE is much easier for us to predict than operations in Afghanistan or Iraq. So we've made a step forward in the contingency tasking to stabilize Operation Noble Eagle, and then we'll go forward with the rest of the contingency business.

Senator ENSIGN. General Huly.

General HULY. Thank you, sir.

We've had some unforeseen commitments. In addition to OIF–1 this year, we have prepared for OIF–2 and some of the other contingencies that we're currently facing, as well as OEF, that we weren't originally planning for. I can tell you that right now we're about $800 million shy, unfunded, of what we think our commitments—our requirements are going to be this year. As you would expect, we have shifted money around. The long-term impact of that on our accounts is, it's going to come out of our modernization efforts.

Senator ENSIGN. Okay.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

General Casey, I've been concerned about the rotation of the troops and the reliance on the National Guard and Reserve units, particularly in theater. We know this past January marked the 30th anniversary of the all-volunteer force. We know, from our own experience now, that we've never before, in the history of this nation, relied so heavily on our Guard and Reserve units for missions around the world. It's a great challenge that the Army National Guard has overcome since the days of the Gulf War, when, then, three Army Guard brigades, intended to supplement the active-duty, were deemed unfit for combat. Much has changed since then.

I understand that, by summer, National Guard and Reserve troops will represent nearly 40 percent of the 105,000 projected U.S. military men and women to be in Iraq. It's an amazing accomplishment, and the leadership and men and women all need to take great pride in where they are today.

But, General Casey, in your opinion and that of your commanders, do you believe that these National Guard and Reserve troops

know exactly what they're going to be up against? Are they prepared for the commitment that they are about to make, or, in some cases, are currently making?

General CASEY. Senator, short answer is, yes, I do believe they have been extremely well prepared, well equipped, and well trained.

You mentioned the levels of the Guard and Reserve will approach 40 percent of the force in theater. That is correct. When this rotation of OIF–2, which is ongoing right now, when those reservists and guardsmen get over there, we will have mobilized about 50 percent of the Guard and Reserve since September 11. We could not have done what we're doing without them.

Senator BEN NELSON. As part of the transformation, we're seeking to rely on the Guard and Reserve units with different skill sets in the future so that we would be less likely to have to over-rely on them as we, I think, by our own admission, have had to in this theater. Is that accurate?

General CASEY. Absolutely. I mentioned, in my opening statement——

Senator BEN NELSON. Right.

General CASEY.—about what we're doing to balance about 100,000 spaces across the Army, between the Guard and Reserve and the Active Force, to put low-density, high-demand capabilities into the Active Force so that we will not keep going to the well here and calling up our Guard and Reserve soldiers for specialized skills.

Senator BEN NELSON. Well, because of the differences between active-duty troops and Guard and Reserve units, whereas the Guard and Reserve units leave their families behind, as do the active-duty troops, but they also leave their employers on hold, their careers on hold, their education, in some case, all these things that are left on hold put them in a very difficult situation, because I think, in fact, 41 percent face pay reductions while activated, versus what they would be if they were at home. Based on this, I'm concerned about being able to sustain—even with transformation and changing the reliance—about the long-term impact on our Guard and Reserve units. I'm getting to my question now.

The Army National Guard recruiting is funded at only 83 percent of the requirement. Apparently the Army cut the Army National Guard recruiting budget by $18 million. The National Guard says that that budget request doesn't adequately fund recruiting to achieve its accession goals, and the Army Reserves' budget was cut by $13.7 million. Are you concerned that these cuts, these underfunding circumstances, will negatively affect our ability to recruit Guard and Reserve units in the future?

General CASEY. Senator, they will obviously impact on that. I will tell you that right now the Guard is retaining at a rate of about 130 percent of what they expected they would. The Reserve is well above 90 percent, in terms of attaining their fiscal year 2004 goals.

That said, we are concerned, and we're watching this very carefully through the spring here as the units return. We think we have the right incentives in place, and we'll watch this carefully.

If we need more money to help them out, we'll make sure that they get it.

Senator BEN NELSON. Will we take it from the Air Force? I suspect General Moseley won't like that.

I'm a little concerned about how we're going to balance out 2004 and 2005—even before we look at a supplement that's already been projected and predicted for this budgeting cycle. It won't be part of this budget, because it never is; but it'll be part of this budgeting cycle. Are we robbing Peter to pay Paul? Are we robbing Peter to pay Peter? It's a loaded question; you don't have to answer that. I just——[Laughter.]

General CASEY. Thank you.

Senator BEN NELSON. I'm only trying to make point, not put you on the spot, that we have to be certain that as we fully fund the requirements of the combined units—Guard, Reserve, and active duty units—that we not do something that will put us in arrears in our goals to have a full-capacity Guard and Reserve set of units with the right skill sets to do the job in the future.

General CASEY. I think, you may know, we have a very aggressive program working closely with the Guard and with the Reserve to reshape themselves to the modular configurations that the active Army is going to. We feel very positive about that, and I would be happy to come up and talk you through the details of that at your convenience.

Senator BEN NELSON. I appreciate that, General. You've always been very cooperative and very open and frank, and I appreciate your response. Perhaps as this goes along, we might want to sit down and talk about—make sure that we're not making, in short-term considerations, long-term implications that aren't good. Thank you.

Thank you, Mr. Chairman.

Senator ENSIGN. Senator Cornyn.

Senator CORNYN. Thank you, Mr. Chairman. Gentlemen, thank you very much for being here.

I also—I want to take up on Senator Nelson's line of questioning, with maybe a little bit different twist, and talk about the impact of budgets on readiness, on deferred acquisitions and deferred maintenance, and ask you to comment on what seems to me to be a true proposition, but I'd be interested in your comments. That is, a significant amount of what the Department of Defense budget today is seeking to do is to make up for lack of funding that the military—that the Department of Defense received in the 1990s. I know there have been various proposals over time to phase out, one I'm familiar with, two Army light divisions back in the middle of 1995, on top of some significant budget cuts through the Department of Defense.

But my question really relates to more recent events, and that is, a number of us are concerned, of course, with the deficit, but we also realize we're a nation at war. I want to make sure, and I think ultimately this Senate will make sure, that the commander in chief's budget request for the Defense Department is met, but we are having difficulty addressing that this week as we debate the budget resolution.

Can you just comment, perhaps starting with General Casey and then coming down the line, about if you do not receive—if the Department of Defense does not receive what the President has requested, in terms of funding for the Department of Defense, what that means, in terms of your readiness, the need to defer acquisitions, or possibly even defer maintenance?

General Casey, could you address that first, please?

General CASEY. Yes, Senator, thank you very much.

As I mentioned in my opening statement, we have over 300,000 soldiers deployed worldwide, about 165,000 of those on unaccompanied short tours, primarily in a CENTCOM area of responsibility (AOR). So we are—our readiness challenges really are resetting the folks that come back, preparing the next rotation to go—and that is about 45 percent done—and then going on with our continued recapitalization plans to ensure that we deal with readiness for the future, as well as just the present. We have laid that out fairly precisely. It's not fully funded in all of the areas. So if we don't meet the President's budget, I think our ability to continue to provide trained and ready forces to combatant commanders for these ongoing missions can't help but be affected.

Senator CORNYN. I might just supplement my question for Admiral Mullen, and that is that I know that the proposed budget resolution calls for, or projects, a $30 billion supplement request, that, obviously, is not built into the baseline, or intended to be, but just for current operations in Iraq and Afghanistan. Does a projected supplemental request address your needs, or is that better met, more appropriately met, in your view, by your annual budget request?

Admiral MULLEN. Senator, as far as we're able to anticipate the 2005 needs, and that—both the size of it and the etches of it are important unknowns at this point. But, from my point of view, this administration has treated us exceptionally well with respect to the supplemental requirements that come on top, the unanticipated needs. In the case of the Navy, there is an awful lot of deployment capability that resides within the normal budget. So I talked—the impact of a reduction, even this year, in accounts like the readiness accounts. We took an awful lot of risk in setting up our readiness accounts this year. We really are trying to put a lot of pressure on ourselves to more efficiently execute those accounts and understand them better, and that's been a real priority for Admiral Clark. We now have this new surge construct. I talked about the Fleet Response Plan, which gets us—and we're pretty close to there, to six available shortly, with two follow-on carrier battle groups, carrier striking groups. If we took a big whack out of those accounts, we could go to four-two or two-zero very quickly, in terms of available resource, available combat resources, to meet the needs. What that means from an operational commander's standpoint is, that while we are focused heavily in Iraq and in that part of the world right now, that there are other parts of the world where the President could choose options that would include those resources that we might very well be short of, based on the kind of decrement that was laid on us if what you postulate is possible occurred.

Senator CORNYN. General Moseley, would you care to comment?

General MOSELEY. Yes, Senator Cornyn. Let me agree with my two colleagues, and add a bit of an Air Force perspective to that.

At the peak of Operation Iraqi Freedom, we had eight equivalents of our ten air expeditionary forces deployed. We now have three deployed. We've come down from eight to three. But our steady-state requirement, or our steady-state desire, is for two. So we are still stressing the system while we're trying to reconstitute and recapitalize.

We're working the challenges of resetting the people, which gets us to the training, that gets us to the munitions, the training munitions; it also gets us to the notion of refitting the vehicles, things such as fuel bladders, tents, our expeditionary combat support, et cetera. We are still in the business of reconstituting. Some of that, I mentioned in my opening statement, will even take us out to 2007. So any serious degradation in the budget that allows us to reconstitute and recapitalize would have impacts on us.

Senator CORNYN. General Huly.

General HULY. Yes, sir. The Marine Corps has an active component of about 175,000 active-duty marines. Today, about 50,000 of them are forward-deployed, and that includes about 5,000 reservists, give or take a couple of hundred, one way or the other. Our annual budget, peacetime, is about $16 billion. We have not compiled all the costs for OIF and where we are with Iraqi Freedom-2 right now, but probably somewhere in the neighborhood of about $2.5 billion is what that will cost us per year. That does not include such unforeseen contingencies as Haiti or other events like that.

The importance of that supplement is that it will pay for that $2.5 billion additional price tag that we weren't expecting. If we didn't get that, which is the crux of your question, what would that effect? It would affect our procurement of the replacements for the aging aircraft, the weapons systems, the communications that we need to continue to invest in to keep ourselves modern on the battlefield, the training and the quality-of-life initiatives. We would be just barely—we would be making our investment in the operations and maintenance to sustain that.

Senator CORNYN. Mr. Chairman, if you'll permit me a concluding question, let me just ask General Casey to comment on this. Last year, Congress passed an $87 billion supplemental which included funds for force-protection items like up-armored high-mobility multipurpose wheeled vehicles (HMMWVs) and advanced body armor. Can you give this subcommittee an idea of what this funding has meant, in terms of the safety of our troops, in terms of providing the resources that our troops have needed in order to accomplish the objectives that the commander in chief has asked of you?

General CASEY. Senator, I can. It has enabled us to significantly increase the protection for our soldiers throughout the theater, Afghanistan and Iraq.

Senator CORNYN. Is it true that that came in the nature of improved-armor HMMWVs and body-armor protection, things as basic as that?

General CASEY. Absolutely, Senator. In fact, I think it's been reported here in the hearings over the last week or so, that there is sufficient body armor, with the special protection plates, in the theater now to equip every soldier. There's some distribution to Af-

ghanistan to fill out about a thousand, but everybody in Iraq has the body armor with the small arms protective inserts (SAPI) plates in it, and every soldier crossing the border in this new rotation will cross the border wearing the SAPI plates, the complete outfit.

With respect to the up-armored HMMWVs, we started off, last November, with the requirement of about 35- or 3,600. The requirement's up to 4,100 now. We have over 2,100 hard HMMWVs in theater. We're also, with the money that you provided, actively pursuing armored kits. Our intent is to provide armored kits for 8,400 HMMWVs, and we expect to have those kits available by August.

Senator CORNYN. Finally, is it fair to conclude if the Congress had not stepped up and funded this $87 billion supplemental, that it would have meant, or resulted in, increased casualties on the battlefield as a result of the failure to provide those up-armored HMMWVs and body armor?

General CASEY. Either that, Senator, or we would have had to gut the Army budget to find the money to do this. We're committed to making sure our soldiers have the right equipment, one way or the other.

Senator CORNYN. Thank you, Mr. Chairman.

General CASEY. Thank you.

Senator CORNYN. Thank you, sir.

Senator ENSIGN. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. I want to thank all of you all for being here, and join my colleagues in telling you how much we appreciate your service.

General Casey, let me ask you a couple of questions about this budget. First, with regard to fiscal year 2004, Secretary Brownlee testified last week that he had a commitment from the Office of the Secretary of Defense (OSD) that they will provide additional funds to the Army to get them through the remainder of the fiscal year. Are you aware of that commitment?

General CASEY. I saw the tape of the hearing, but we have the same commitment from the people we work with.

Senator PRYOR. Okay. How much money do you expect the Army will need? What is your understanding of where that money will come from?

General CASEY. Senator, we're going through our mid-year review cycle starting next month, and so I'll have a much better feel for how much that we'll require here to get through 2004. So I can get back with you when we're doing that and give you a better idea of what it is.

Senator PRYOR. Yeah, I wish you would.

[The information referred to follows:]

As part of the mid-year review process, we are looking at our execution and our requirements for the remainder of the year. We will conduct our internal Army review over the next 6 weeks in preparation for our review with the Office of the Secretary of Defense (OSD). When we complete our review, we will know what we need for the remainder of the year, and OSD has committed to addressing our needs during their review. I do not know the source of additional funds, but I understand OSD has some assets left in the Iraq Freedom Fund.

Senator PRYOR. Do you have a preliminary number, or just a ballpark?

General CASEY. I don't right now. No, Senator.

Senator PRYOR. Second, for the next fiscal year, 2005, by my calculations the Army's current budget request is for $26 billion in O&M. If the spending continues next year at the rate you've been going in recent years, I think the Army will run out of O&M dollars within 6 months, in about March. In your judgement—and, first, am I correct in that assumption? Second, in your judgement, how long can the Army wait for a supplemental before you either start having to increase the price tag on the supplemental or you have to cut into other programs in a harmful way?

General CASEY. Senator, I'm tracking about $30 billion to $32.5 billion in O&M for 2005. But the gist of your question is—we think we can cash-flow the first two quarters of 2005 in the O&M, and probably run out of money around the end of March. That's what we're projecting.

Senator PRYOR. Okay. Do you—and I'm assuming it's way too early for this, but do you have any sense of what your supplemental request might be?

I mean, it sounds like, if I understand what all of you all are saying, is that you're coming in with this budget, but you all anticipate the probability that you'll have a supplemental request. Am I correct in that?

General CASEY. We know we will have a supplemental request.

Senator PRYOR. I guess what I'm trying to get a handle on is just a general sense of how large you think those supplemental requests will be for your various Services. Do you have any sense of that, or is it just too early to know?

General CASEY. Sir, I don't, other than going back and looking at last year, or going back and adding up the monthly burn rates. Those are the best projections that we have right now.

Senator PRYOR. I assume there are some variables right now you just don't know. But it is fair to say that you all anticipate needing a supplemental. Is everybody in agreement with that?

Admiral MULLEN. Yes, sir.

General MOSELEY. Yes, sir.

General HULY. Yes, sir.

Senator PRYOR. Let's see. Again, General Casey, not to keep you in the hot-seat, but Arkansas, of course, has the National Guard unit, 39th Infantry Brigade, that's about to head that direction. In fact, I've been down to Fort Polk and Fort Hood to see them do their training. I cannot tell you how many family members have contacted our office, in one way or another, about personal body armor. So I'm glad to hear you say that they all will have it as they cross into the theater. But I must tell you that Secretary Brownlee, back in November of last year, testified before the committee that they would receive it by December 31, and that didn't happen. Then I went down to Fort Hood, Texas, to see the Guard troops down there, and they were assured, at that time, that they would receive it at Fort Hood, and that didn't happen. But are you telling me and telling the subcommittee today that you are confident, a hundred-percent sure, that they will all receive their body armor by the time they actually go into Iraq?

General CASEY. Senator, you can tell those families that I'm a hundred-percent sure that they will all receive their body armor before they go into Iraq.

Senator PRYOR. Great. That's good news. We've been assuring them, because the Army's been giving us the assurance, but that's good to know.

General CASEY. So, I've seen e-mail traffic where the commander of the brigade sent a note to someone on his forward party, who said, "Is it really there?" and the note came back, said, "Yeah, it is."

Senator PRYOR. Good, great. Well, that's good news. I believe it is. But, again, I just wanted to ask that for my constituents' sake.

Another thing is, if I can sort of jump tracks here just a little bit, we all have the base realignment and closure (BRAC) round coming up, and there's something that we're aware of in Arkansas, and that's white phosphorous production. I assume all of you all, in some capacity, use white phosphorous. It's my understanding that the—there's only one place that produces it for us, and that's the Pine Bluff Arsenal in my State, and it's my understanding that the private sector does not want to produce white phosphorous because they don't do enough volume, and also there are liability issues. It's very dangerous material. My question is, If we do close the Pine Bluff Arsenal, do you have any sense of where we might get white phosphorous for military uses? General Casey, I'll just ask you first. Have you given that any thought, has that hit your radar screen yet?

General CASEY. No, sir, it has not, Senator. I wouldn't even want to speculate. I'll look at it and see if there's other alternatives, but——

[The information referred to follows:]

Pine Bluff Arsenal (PBA) is our only source for loading white phosphorous into munitions. The PBA buys the white phosphorous from commercial manufacturers.

The Army owned industrial base for producing ammunition is inefficiently configured for current and future production requirements. Our strategy is to use the joint, comprehensive and capability-based fiscal year 2005 Base Realignment and Closure (BRAC 2005) analysis to define and implement an efficiently-sized Government-owned industrial base. In order for the BRAC 2005 analysis to truly be comprehensive, Pine Bluff Arsenal and all other Army industrial installations are being analyzed. The Office of the Secretary of Defense has given us clear guidance not to discuss specific "what if" scenarios.

Senator PRYOR. Would any of you all have any comment on that? That's just something that we're certainly aware of in Arkansas, because, they do produce it. It's very dangerous stuff. Senator Inhofe mentioned, a few moments ago, about some of the environmental concerns, encroachments concerns, around the facilities, and I can assure you around that arsenal there is no concern, even though they produce very dangerous material in the Pine Bluff Arsenal.

If I also, General Casey, I promise you, I don't want to just——

[Laughter.]

General CASEY. Can I introduce my colleagues? [Laughter.]

Senator PRYOR. I don't want to pick on you, I'm sorry, but it just so happens that my first few questions are for you.

But as I understand the fiscal year 2005 budget, you've asked for 108 PAC–3 missiles. The contractor, as I understand it, is facilitized for 144 missiles a year. I believe, in years past, we've authorized 144 or more per year. If we could find the money in this fiscal year, would you be willing to accept 144, in terms of, is there

a need for that many? Or is the previous authorization just too high? Do you know?

General CASEY. Senator, the 108 we've asked for will allow us to backfill what we've used and give us some hedge for the future, so we think that's what we need.

Senator PRYOR. Okay. 108.

General CASEY. 108, yes, sir.

Senator PRYOR. Is 144 too many? Is that excess?

General CASEY. It's more than we need right now, yes, sir.

Senator PRYOR. Okay. It's more than you'll anticipate that you'll need, I assume from your answer.

Mr. Chairman, I have one last question for General Casey, if that's okay; there's the line-of-sight anti-tank weapon, called LOSAT. I understand LOSAT is something that has a lot of promise and has proven effective and it appears to be a weapons system that is very good and will be very helpful to our light divisions, especially. But I also notice that you're fielding only one LOSAT battalion in this budget. My question is why? Part of my question is, I know there is an untested, unproven technology system called the compact kinetic energy missile (CKEM) system that is still, sort of, in process of being developed, and I was curious if you're going to kind of do a technology leap, so to speak, and maybe try to go for this newer technology if it proves doable, or if there's another reason why you've only funded one LOSAT battalion.

General CASEY. That system, the one battalion that we're fielding, is designed to go to the 82nd Airborne Division to improve their anti-tank capability.

I have to be candid with you, Senator, as we go to this concept of modularity that I discussed in my opening statement, one-of-a-kind units like that are not necessarily what we're looking for. Add to that the Javelins, up in Cincinnati, that has come online and really gives the infantry soldier a great anti-tank capability. We're actively looking at the LOSAT and asking ourselves the questions about whether that is the system that we still need.

Senator PRYOR. Is one of the problems with LOSAT is that it is not flexible enough? Is that right? It's got a limited usefulness for military purposes, and maybe the Javelin and other systems have more flexibility?

General CASEY. There are other systems that are available. Again, we're trying to get away from funding one-of-a-kind-like units, and so that all of our units are more deployable and more packageable.

Senator PRYOR. Thank you, Mr. Chairman.

Senator ENSIGN. I think what we'll do is maybe have another brief round of questions for those who want to stay, but we'll try to get the generals out here as quickly as possible.

I just want to follow up. First of all, I want to thank you. In that round of BRAC, we're going to preserve Pine Bluff, but I understand some other bases in Arkansas are going to close, so I appreciate your offering that. [Laughter.]

Just joking. But, anyway, what I want to follow up on because I think we always have to remind ourselves—and the two meetings that I had earlier this week, we talked a little about this—we have to constantly remind ourselves that the taxpayers' deserve good

stewardship. The primary function of the Federal Government is the defense of our country. To that end, we need to do everything that we can to fund the Services in the way that they need to be funded, but I just want to constantly remind all of you, when you bring things to us, that you have scrubbed it in every possible way that you can scrub it. Admiral Mullen, this is just a reminder, because you did say you—I remember, earlier in your testimony, where you said that there is no fat in readiness. There's fat in everything. Okay? The total number may not be fat, but there's fat in every kind of program that we have within the Federal Government, just like there is in the private sector. We constantly have to be looking and challenging ourselves, "How can we do it better, more efficiently, less money?" Sometimes we need to spend more money, but we constantly need the reminder that these are the taxpayers' dollars that they worked hard for, and we want to do our best with them. That's just a brief commentary.

I do want to follow up just a little bit along the lines of the followup—what Senator Cornyn talked about, because there were some statements made in the press this last week that we sent our military into Iraq without being prepared. Matter of fact, the—well, what was the quote here? Yeah, just basically, we're not, "not prepared for the present conflict in Iraq." I had a little trouble with that statement, considering how extraordinarily well our military did. But could each of you—if they weren't prepared, and then we don't give them the money, the $87 billion and the $67 billion—we found some—there's always deficiencies. I mean, no matter what. We go in right now—if we go in 10 years from now, we're always going to find areas of weakness. I mean, that's part of a military conflict, in doing analysis, where were we weaker and where we could have been stronger.

But could each of you address the following. First of all, did you feel that the services were doing their utmost, along with Congress—whether we were prepared for the conflict in Iraq. Could you each provide just a brief comment on that.

General CASEY. Senator, first of all, I believe that we were very well prepared in all of the Services. The comment I think you're referring to came out of Secretary Brownlee's testimony. I reviewed the tape, and you may have the transcript there, but that was taken out of context. He was replying to a question on the up-armored HMMWVs, and he was talking specifically about that aspect of the preparations, not about the whole force.

Senator ENSIGN. So that comment was taken out of context, from the Secretary of the Army.

General CASEY. Yes, sir.

Senator ENSIGN. Okay.

Admiral.

Admiral MULLEN. Mr. Chairman, the Navy was better prepared than I have seen it throughout my career. That gets back to the readiness investment I talked about, and clearly we were ready, and the troops performed consistently with that readiness.

Senator ENSIGN. Thank you.

General Moseley.

General MOSELEY. Mr. Chairman, I would have to tell you that the Air Force, or all airmen, whether they were Navy, Marine, or

Air Force, were exceptionally well prepared. The United States Air Force, 70 percent of our force is combat-experienced. We went into OEF and OIF fully understanding what was expected of us. So I believe that that was certainly taken out of context, and I would take issue with anyone that criticized our magnificent airmen, whether they are sailors or marines or U.S. Air Force.

Senator ENSIGN. General.

General HULY. Sir, we fought the Iraqis some 12 years ago. We learned our lessons, and we trained. We had sufficient indications and warnings that we were going to go into this conflict, and I believe we were very well prepared to go do that. I think that's evidenced by the fact that we exceeded our expectations, accomplished the mission in a shorter period of time, with far fewer losses than we even anticipated ourselves. That's not to say that we haven't learned some lessons. We're applying those lessons that we've learned now; in future conflicts we'll even be better prepared.

Senator ENSIGN. Thank you. Thank you, all of you, for the service that you provide for our country, as well as the men and women who are serving out there. I'm going to make one last comment, and then I'll turn it over to Senator Akaka for a second round.

I visited Iraq in December. I happened to be fortunate enough to be there the day that they captured Saddam Hussein, and it was quite an extraordinary experience for this Senator. While you're there, what struck me the most was the missions that our military men and women were doing that weren't part of their normal duties. The extraordinary risks that they were taking on their own to try to win the hearts and the minds of the Iraqi people. When they're out there amongst the Iraqi people, they're taking risks, and when they were painting schools and building some of the things on their own, just doing little projects on their own, especially up in the Tikrit region, which was obviously still one of the more dangerous regions, there was risk. If I thought I was proud to be an American before I went there, I came away appreciating more what our service men and women do than ever before. So I just wanted to let you know that anytime I address them, and anytime I see somebody in uniform today, or who had served in uniform, I want to say thank you to you and to all of them for their service.

Senator AKAKA. Mr. Chairman, I have questions here, and after hearing the statement you just made, I want to put my questions in the record. [Laughter.]

Also I want to say that his statement is one that makes us proud of what's happening there. Our military people are taking on jobs that are more diplomatic today, in working with the people wherever they are, as he mentioned, and so I want to end with what he just said, praising our military forces for what they're doing.

Thank you very much.

Senator ENSIGN. Okay.

Senator Cornyn.

Senator CORNYN. Well, I know I'm taking some risk asking questions after that, but I certainly concur. But I would be remiss if I didn't ask you about the Base Realignment and Closing Commission. I know the vice chiefs play a key role in that process. Of course, the Secretary came out with some guidelines in December,

and held those up for public comment. Of course, we've known for a long time that joint warfighting capability is key to our military in this new kind of environment that we are in. But, of course, the guidelines were pretty bare bones, and I know we'll put some meat on them as time goes by. But I'd just like to hear from each of you gentlemen, who are the key players in this process. As far as you're concerned, what is your definition, or what do you believe the appropriate approach to joint warfighting training and readiness—what does that mean, from your standpoint?

Starting with General Casey.

General CASEY. Senator, I've been being told, since I came in the Army as a lieutenant, that you have to train the way you fight. It's clear to all of us at this table, and our bosses, especially after watching what happened in Afghanistan and Iraqi Freedom, that we are going to fight jointly when we fight in support of this Nation. So we are working initiatives with each of the Services here to improve our ability to schedule our training together, to ensure that the right pieces of our force are supporting Air Force training, and vice versa.

We are also, as part of this, of the BRAC processes in the building, working very closely to ensure that we are leveraging all of the joint bases for all of the Services. We are all part of the BRAC leadership here in the building, as you mentioned.

Senator CORNYN. Mike? Admiral Mullen?

Admiral MULLEN. Senator, as we have been going through this over many months now, and will for the foreseeable future, through the rest of this year, certainly, it is dominantly a joint perspective, and that is very significantly a guiding principle for us. The criteria to which you referred, I think, were the recently-published-for-comment military value criteria. As I have immersed myself in this process over the last several months, I recognize the responsibilities I have this year, there probably is not one that's more significant, in terms of making sure it comes out right. I see it, at this point, as an extremely fair way to go. I recognize that it is challenging for lots of reasons.

In the end, we want the best military capability, and I would say joint-military capability, to be the result of what the outcome of this is. I have felt, for many years, that it's heroic—it has been heroic on the part of Congress to set this Commission up, or this process up. From what I've seen so far, it's a very fair process. There's a lot of data. This is going to be a data-intense, very well analyzed process, from what I can tell so far.

I also am convinced that we do have some excess capacity that we are paying for, between 20 and 25 percent, and that that is costing us resources that we could better well-spend on the kinds of capabilities that we're talking about today that we need for the future.

Senator CORNYN. General Moseley.

General MOSELEY. Senator Cornyn, let me add, to my two joint colleagues, that I echo the notion that joint training is absolutely required.

I would also add to that, joint rehearsals are absolutely required, which takes you to the notion of having the ranges configured properly and having the ability to get on the range into layout sce-

narios, a lot like we did prior to Operation Iraqi Freedom in the ranges out in Nevada that Chairman Ensign is familiar with. We went out multiple times with the joint team and set the conditions out there to rehearse exactly what we were looking at relative to specific mission areas. Those ranges are very critical, and the ability to do that is essential to a commander.

I would also say the ability to do home-station training, the blocking and tackling, prior to being able to go do this serious joint training is also a fundamental requirement. Whether those are artillery ranges, whether those are rifle ranges, whether those are just vehicle operating areas, or for the Navy to be able to steam and to sail, that the blocking and tackling that leads up to those fundamental joint excursions, rehearsals, and training are absolutely essential to us. We have to find ways to better set those conditions, and we have to find ways to better train.

Senator CORNYN. General Huly.

General HULY. Sir, we've just completed the most significant operational joint evolution that the Armed Forces of the United States have ever gone through. Having said that, we were very successful, but there's still room for improvement. Those improvements will be made on the training fields, and those training fields will not only give us the opportunity to train as we fight, as General Casey said, but it'll also point out where we need to improve upon the development of our joint equipment and our joint processes of doctrine and coming up with how we're going—our tactics and techniques and procedures of the future.

We need the opportunity to do that, and that is on the bases that are becoming more and more limited. Now, I recognize that there is probably some excess capacity out there. We, in the Marine Corps, certainly support, ardently support, the BRAC process. We don't have anything to contribute at this time to that process, but we look, fondly, at how the other Services are doing in opportunities that will still be out there for us to train with them on their installations, as well as ours.

Senator CORNYN. Well, in closing, let me just say I want to commend each of you. The wide-open spaces of Texas——[Laughter.]

—it's a great place to train, wonderful quality of life for our military, and not as many problems as other places, with encroachment of populations. With that, I'll stop the commercial, Mr. Chairman, turn it back to you.

Senator ENSIGN. Second only to Nevada, we appreciate——[Laughter.]

Well, thank each and every one of you for your testimony. I know the duties you have keep you very busy, just like ours, but these oversight hearings and getting information from you so that we can help you do your jobs the best and keep that best-prepared, best-trained, best military in the world, I think, is a very important part of the process. So thank you very much.

The hearing is concluded.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN ENSIGN

JUSTIFICATION FOR REAL FUNDING GROWTH INCREASES FOR READINESS PROGRAMS

1. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, the President's fiscal year 2005 budget request for the operation and maintenance accounts of the Services totals approximately $103 billion. This represents more than 5 percent real growth in funding for accounts directly related to the near-term readiness of the Armed Forces. While there are many that have strong opinions about increasing budgets for defense programs, I also know that we are receiving reports highlighting potential readiness issues. For example, a December 2003 review by the General Accounting Office reported their concerns with the condition of more than half of the weapons systems that they analyzed. What is your assessment of how the fiscal year 2005 budget request will support critical readiness programs and enable the men and women of your Services to successfully prepare for and accomplish their missions?

General CASEY. We believe that the Army's fiscal year 2005 President's budget request fully supports the readiness of the Army's units to prepare for execution of wartime missions. We are a Nation at war. As such, we have adjusted our priorities to allocate funding to ensure that our soldiers are well prepared to succeed on the battlefield. Based on the funds available to us, we have provided financial support to programs in direct support of the soldier. As a result, overall real program growth in operations and maintenance, Army is over $1 billion—4 percent real growth beyond inflation and other pricing adjustments. Much of this growth is in accounts that directly support readiness, such as operational tempo, training ranges, training support, military exercises, and depot maintenance. In addition, we needed to rectify serious under funding of Army installation operations, and have begun to do so in this budget. Even so, shortcomings in base support persist because of overall budget constraints. While very few budget programs are fully financed, we believe we have enhanced our critical readiness programs and have balanced the risk in support areas such as facilities and base support.

Admiral MULLEN. I am confident that our critical readiness programs are properly funded within our fiscal year 2005 budget request, delivering the right readiness at the right cost to the taxpayer. The fiscal year 2005 Navy budget proposal was crafted through a rigorous and analytically-based review with Navy leadership heavily involved. This was a complex but important process designed to achieve the required high level of operational readiness. We took a more integrated review of these accounts to balance our investment in them, taking well-considered trade-offs only after reviewing the risks and balancing, on the whole, our current readiness needs with future readiness investments. The lessons learned from Operation Iraqi Freedom (OIF) thus far reaffirm that the capabilities-based investment strategy, new warfighting concepts and enabling technologies we are now pursuing in our Sea Power 21 vision are on the right course. This allows us to support our overall critical readiness programs and ensure our naval personnel are properly trained and equipped to carry out their assigned missions now and in the future.

General MOSELEY. Delivering precise combat power anywhere at anytime remains a top priority for the Air Force. To this end, we continue to pay close attention and place necessary resources in all readiness programs as we transform and retool to meet global threats. For example, in the fiscal year 2005 President's budget request, we have added resources to keep pace with our aging weapon systems. As a result, we've increased depot maintenance, contractor logistic support, and field maintenance to allow our forces to remain the most proficient in the world.

General HULY. During fiscal year 2004, the United States is responding to a wide range of challenges across the globe, including fighting the long-term global war on terrorism, rebuilding Iraq into a peaceful, productive member of the world community, and preventing the spread of weapons of mass destruction. In this era, the Nation needs forces that are highly mobile, flexible, and adaptable.

These characteristics define the Marine Corps, and they must continue to do so in the future. The fiscal year 2005 Operation and Maintenance budget supports critical readiness programs within the Marine Corps Operating Forces, comprised of three active Marine Expeditionary Forces (MEFs). Each MEF consists of a command element, one infantry division, one air wing, and one force service support group. This budget provides critical training and equipment maintenance funds to Marine Corps Force Commanders so they can provide combat ready forces to the combatant commanders.

MEFs provide a highly trained, versatile expeditionary force capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with Maritime Prepositioning Force (MPF) assets, allows for the rapid de-

ployment of appropriately sized and equipped forces. These forces possess the firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations. Embedded within each MEF is the capability to source a Marine Expeditionary Brigade (MEB).

These funds also support the 4th MEB Antiterrorism (AT), whose mission is to detect, deter, defend, and conduct initial incident response to combat the threat of worldwide terrorism. The 4th MEB (AT) is the only MEB that has permanently dedicated structure. The budget also supports the readiness posture of Marine Operating Forces and continues the fielding of improved combat equipment and clothing for the individual marine, enabling them to successfully prepare for and accomplish their mission.

2. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, why is this level of funding necessary to sustain the readiness of your Services?

General CASEY. Because we are at war, we cannot risk being unready. While we rely on supplemental funding to finance the incremental costs of combat operations, we owe it to our soldiers and our citizens to maintain the tough realistic training, necessary maintenance, and adequate support to personnel that a baseline operations and maintenance Army budget provides. We believe this budget reflects an appropriate balance among many competing demands and should receive your full support.

Admiral MULLEN. The funding we are requesting for readiness is the result of a lengthy, analytically-based and detailed review of integrated requirements, balancing our current readiness needs with our future readiness investments. In developing our fiscal year 2005 budget request, we started from a common framework that readiness at any cost is not the answer. As we built our request, we took an integrated look across all of our readiness accounts to find efficiencies and, in some cases, took some well-considered risk to balance current readiness needs with our future readiness investments. These efforts will not affect our ability to meet our assigned missions. Since these readiness accounts are at the appropriate levels; however, any reduction to these accounts would lower our readiness below requirements. In the end, I am confident that our fiscal year 2005 budget request delivers the Nation the right readiness at the right cost to our taxpayers.

General MOSELEY. Air Force warfighting capabilities depend on solid training and a sustainable battle rhythm. While we've increased funding in our flying operations areas, costs are rising to maintain our aging systems (i.e., KC–135 engine struts, F–15 horizontal material replacement, A–10 wing refurbishment, etc.). We believe the funds provided in the fiscal year 2005 President's budget request is at the level needed to provide trained forces to our combatant commanders while sustaining readiness.

General HULY. All of the Services are challenged with balancing competing priorities within readiness, training, and supporting establishment accounts in a fiscally constrained environment. The Marine corps uses the Program Objective Memorandum (POM) process to determine funding levels for all programs. Our requested funding level to sustain Marine Corps readiness is necessary based on requirements submitted from the Operating Forces weighed against all other Marine Corps programs and priorities.

3. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, what are the potential implications that could result from reducing funds for these readiness programs?

General CASEY. In this budget, we already accept risk in areas such as base operations and facilities; therefore these programs have very little capacity to absorb additional reductions. As a consequence, they cannot buffer readiness programs from the adverse effects of unspecified or general budget reductions. If training, operational tempo, depot maintenance, or other critical readiness programs were to be reduced, it would send a message to our soldiers and our adversaries that we cannot fully support our top priority. Reductions in these programs would have a direct impact to the Army's ability to successfully prosecute the global war on terrorism, impairing our preparations that are necessary to fight and win future actions.

Admiral MULLEN. Navy's budget submission is already lean. Through the Navy's analytically-based and detailed Integrated Requirements Capability Assessment (IRCA) process, we've developed a well-defined readiness requirement that, through consideration by senior Navy leadership, already takes some well-studied risk in the readiness accounts to meet future readiness investment requirements. Since our budget is already programmed at the appropriate level for the risk we are willing

to accept, any significant reduction in readiness accounts poses a higher, unacceptable and unplanned risk to our combat capability.

General MOSELEY. Reduced program funding will create an inevitable decline in Air Force readiness levels. Significant reductions in readiness resulting from greatly increased commitments and burdensome tempo beginning in fiscal year 2002 and continuing through today were mitigated through increased funding. The increased flying operations budget, with associated funds for consumables, spare parts, fuels, and training, offset the adverse effects of high tempo and an aging fleet.

By reducing funds to these programs, readiness will continue to decline throughout the Air Force's reconstitution efforts similar to readiness degradation experienced prior to and after Operation Enduring Freedom/Operation Iraqi Freedom. Supplemental authorization increases were a key component for mitigating the effects of high operations tempo.

General HULY. The fiscal year 2005 budget request for Marine Corps readiness programs is adequate considering the need to balance those programs against competing priorities of maintenance, modernization and infrastructure within a fiscally constrained environment. Any reduction in operation and maintenance, Marine Corps funding would have real programmatic impact on our readiness, training, and supporting establishment accounts. Reductions to the readiness accounts would impact our essential operations and maintenance efforts that are focused on maintaining unit readiness, such as organic, intermediate and depot maintenance of our combat and support equipment. Other items impacted could be corrosion control and purchase of secondary reparable components for Marine Corps vehicles and equipment. Such reductions therefore lead to greater inefficiencies as those efforts must be delayed or deferred, with the attendant result of higher future year operations and maintenance costs.

REBALANCING ACTIVE AND RESERVE MANPOWER

4. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, I believe that Secretary Rumsfeld is moving in the right direction with the rebalancing initiative to make the current levels of Active and Reserve Force manpower more accessible, usable, and available to meet national security requirements. How are each of your Services progressing on rebalancing active and Reserve manpower?

General CASEY. The Army is aggressively rebalancing capabilities within, and between, its active and Reserve components. These efforts will increase high demand capabilities, such as military police and civil affairs, decrease reliance on Reserve component units early in an operation, and divest of cold war structure that is no longer relevant for our current security environment. However, there is no current or planned rebalancing of manpower strengths between components. Although the active component is temporarily increasing its ranks by 30,000 soldiers to restructure its formations while fighting the global war on terrorism, it is important to note that we are not altering the programmed strength of our Reserve components.

Admiral MULLEN. As an important element of the total force, the Navy's Reserve supports routine fleet operations and provides critical surge and sustainment capabilities to meet real world contingencies. Providing a more tightly integrated force creates the opportunity for reservists to train, deploy, and operate alongside their active counterparts using current doctrine, concepts, and tactics, as well as the most modern equipment in the Navy's inventory.

To support active-Reserve integration, the CNO and senior fleet leadership have taken ownership of their Reserve, from recruiting and training, to equipment and readiness. The fleet is identifying the capabilities it will require the Navy Reserve to provide an input that the Active and Reserve components together will use to design and shape the force. This new sense of ownership will build closer day-to-day operational relationships and allow for the seamless connection of total force capabilities in the right place, and at the right time.

The near term goal for the Navy is to provide a Reserve force shaped by fleet requirements and driven by SeaPower 21. To achieve this goal, we will continue to align, measure risk, present options, and rapidly move ahead with assignment of units and personnel to match requirements with capabilities. These assessments will be driven by the question: What resources can we apply that will enhance effectiveness and efficiency, and will contribute to warfighting wholeness? If the analysis indicates that the number of reservists should be adjusted to meet current requirements and future capabilities, we will make that happen. If that means that some equipment must be retired or realigned to support the Active Force, then we will

ensure that the Navy's Reserve is integrated with the fleet and trains on and operates the Navy's newest, most capable platforms and systems.

For the first time ever, one fleet commander acting for all other Navy commanders, is conducting a Zero Based Review (ZBR), where every Reserve unit and billet is being reviewed for capability relevance and alignment with fleet requirements, and then forwarded to CNO for inclusion in future budget deliberations and requests. The Navy Reserve will continue to provide mission capable units and individuals to the Navy-Marine Corps team throughout the full range of operations, from peace to war, and will do so in a much more efficient and integrated manner. The Navy has taken charge of its Reserve Force to further enable it to provide predictable and effective support to the fleet, ready and fully integrated, in the most efficient manner possible.

To fully realize SeaPower 21, and under the guidance of Commander, Fleet Forces Command, the Navy and its Reserve will align, organize, integrate, and transform around the four warfighting pillars of Sea Strike, Sea Shield, Sea Base, and FORCEnet. To provide sufficient operational range and depth to many of these capabilities, and to efficiently and effectively meet its requirements as part of the Joint Force, Navy must leverage its investment in the extraordinary capabilities, critical skills, innovative nature, and entrepreneurial spirit of its Reserve personnel. The active component is currently engaged to clearly articulate requirements for the Navy Reserve. CFFC's Reserve integration cell will soon recommend the future Reserve Force structure necessary to meet these fleet capability requirements.

We are embedding key full-time support staff in headquarters, fleet and type commands. We have developed strategic linkages between Reserve Forces Command and Fleet Forces Command with tangible results, and continue to build new bridges throughout the Navy. This was done to more closely align Reserve and Active Forces and to improve combat effectiveness and efficiency. These actions will strengthen ties between the Navy's Active and Reserve Forces and are the first steps in an overall initiative that seeks to define, and subsequently forge a cohesive "total force" team that can more effectively satisfy the Navy's operational requirements. We will continue to identify and propose practical ways to better integrate reservists and equipment with the fleet, and have taken steps to accelerate and solidify our integration efforts.

General MOSELEY. The Air Force is reshaping its total force mix and is on target to meet peacetime and contingency requirements. We do not need to extensively rebalance to solve a spike in requirements due to major contingency operations. We will continue to review our force balance against the backdrop of current and future contingency and peacetime operations as we go through our program review for the Program Objective Memorandum 2006.

The Air Force leverages the Reserve component to be fiscally responsible and cost effective. We use that capability only at the right time and in the right amount. Prior to September 11, mobility operations did not require the extensive Reserve call-ups that were characteristic of Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle (OIF/OEF/ONE). The OEF/OIF efforts are not a new steady state as evidenced by our gradual reduction in operations tempo over the last 2 years. During OIF, we selectively mobilized the Reserve component to fulfill combatant commander requirements that could not be met by a combination of Active Forces, Reserve full-time personnel, and volunteers. We deactivated many of these forces as soon as the requirements were met. Since last August, we have demobilized over 15,000 of our mobility personnel. These are smart, cost effective business practices that work well for the Air Force and our Nation.

The Air Force continues to aggressively pursue rebalancing initiatives as discussed with the Secretary of Defense. We call this the Future Total Force. We have created a Future Total Force office within our headquarters to explore new organizational constructs that will strive to integrate active, Guard, and Reserve units. We continue to explore integration opportunities to maximize capability and efficiency through innovative organizational constructs; for example, blended wing, associate program, and aircraft, manpower and mission conversions. Further, as we continue to work on redefining our Manpower Requirements Determination process, it will incorporate all components of our workforce. By achieving integration of some units, we will increase available manpower and take advantage of Reserve component experience during surge operations, while keeping overhead lean during peacetime. As we divest legacy weapon systems, we will increase investments in unmanned aerial vehicles; space capabilities; and intelligence, surveillance, and reconnaissance systems. These investments translate into roles and missions that are ideally suited for the Guard and Reserve. Our developing concepts of operations put many Guard, Reserve, or blended units into front-line combat roles while reducing the need to mobilize.

General HULY. The mission of the Marine Corps Reserve is to augment and reinforce active component (AC) units during war and other operational contingencies. Selected Marine Corps Reserve (SMCR) units are assigned in the Secretary of Defense' Forces for the combatant commanders memorandum and are included in all the war plans. To effectively augment and reinforce the AC, SMCR units maintain the same training standards as AC units. It is important to note that the Reserve component (RC) in the Marine Total Force structure plays a unique role that is distinct from the RC of other Services. Typically mobilization of Reserve Forces is only necessary for large-scale contingencies pursuant to the warfighting requirements of combatant commanders. To date, the Corps has incorporated transformational changes as a result of the global war on terror. The 4th Marine Expeditionary Brigade (Anti-Terrorism), Air-Naval Gunfire Liaison Companies, and Reserve Intelligence Battalion are all examples of structure the Corps has added, or in the case of the Reserve Intelligence Battalion, will add, to get us to the appropriate capabilities with the right mix of active component and Reserve component marines and assets. The Corps remains committed to rebalancing efforts that optimize our ability to carry out our mission

In the spring of 2004, the Marine Corps conducted a comprehensive review to determine how we needed to modify our force structure to better prosecute the global war on terrorism and meet national security requirements. As a result of this review, the Marine Corps approved numerous changes to both our Active and Reserve Force structure; these changes are being implemented in the fiscal year 2005–2008 time frame.

In the active component, the USMC is establishing two additional Infantry Battalions, three Light Armored Reconnaissance (LAR) Companies, two Force Reconnaissance Platoons and an additional Air-Naval Gunfire Liaison Company (ANGLICO). We will also augment our existing EOD, Intelligence, Aviation Support, Civil Affairs, C4, and Psychological Operations assets.

In the Reserve component, we are establishing an Intelligence Support Battalion, a Security/Anti-Terrorism Battalion, and two additional LAR companies. We will also augment existing capabilities in the areas of civil affairs and command, control, communications and computers (C4). In addition, we are restructuring some Reserve units converting them to Individual Mobilization Augmentee (IMA) Detachments. This allows us easier and more timely access to these Marine reservists to support contingency operations. The Marine Corps will continue to evaluate our force structure to ensure that it provides needed capabilities in a timely manner to support our national security requirements.

5. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, are their any particular challenges as you execute your plans and how do you propose to resolve those challenges?

General CASEY. The largest challenges will undoubtedly center on sustaining required force levels for future operations in Iraq, Afghanistan, Bosnia, Kosovo, and other parts of the globe while restructuring our formations. If force requirements increase, it will delay Army efforts to transform. Our ability to access the Reserve components for rotational overseas missions and homeland defense will also prove challenging if current mobilization levels persist. For those capabilities required to support current operations, the Army will continue to seek relief through contracts, indigenous forces, and/or from other Services.

Admiral MULLEN. There are challenges to completing active-Reserve integration (ARI). These issues are being addressed head-on by the CNO and senior fleet and Navy Reserve leadership. Availability and accessibility of both active and Reserve capabilities are the functional drivers behind Navy's ARI. To gain combat effectiveness and economic efficiency, the Navy is fully integrating its Reserve under the Fleet Response Plan (FRP) through both unit level and individual augmentation during day-to-day operational support. Under FRP, we will also maintain the ability to mobilize reservists and equipment to support expanded surge operations around the globe. The fundamental construct of FRP is a surge-ready fleet, able to sail to any troubled spot in the world, swiftly defeat the enemy, and then reconstitute in minimum time. Therefore, the Navy and its Reserve will continually be in a surge status requiring minimum time to reset. Experienced and trained Reserve personnel are ideally suited for this surge capability. The basic 24 drill days per year and 14 days of annual training are provided at about 20 percent of the cost of full time personnel, and they leverage prior Navy investment in training while maintaining a continuum of service. Most reservists have both fleet experience and critical civilian skills to contribute to this concept of efficient utilization, and will fit perfectly into the unique surge mission requirements of the Navy Reserve as envisioned in Seapower 21.

Full integration will ensure that Navy reservists in aviation Fleet Response Units (FRU) will be able to quickly activate and support global operations under FRP. The result is a Reserve Force that is better prepared and more capable for both unit and individual mobilization requirements. Co-locating our Reserve personnel and hardware with their supported fleet units streamlines the activation process enabling individuals to train alongside, and be more familiar, with the units they will augment, training and operating state-of-the-art equipment, as well as leveraging Active Force tactics and doctrine.

Realizing some total force objectives will aid in overcoming the challenges of ARI.

• Service Predictability: Every sailor in the Navy Reserve wants to make a difference and needs to know with reasonable advance notice, when and where they will train or perform fleet operational support, whether mobilized, on active duty orders or on routine drills. As part of a fully integrated force, reservists will train or perform meaningful work that provides or enhances capabilities required by the fleet. Additionally, individual reservists will be able to anticipate drills and periods of active duty through processes that will track and match necessary skills to appropriate billets or orders.

• Periodicity: Individual reservists' availability varies during the year and with each employer. These periods of availability can be leveraged to enable each sailor to provide meaningful fleet support. "Flexible drilling" is encouraged to allow reservists to combine traditional drill weekends to serve for a week once a quarter, two weeks every 6 months, or even for several weeks once a year to satisfy participation requirements. If a unit or individual is called to mobilize, reservists will receive as much notice as is possible, with a target of 30 days, to help minimize potential employer or family conflicts.

• Pay and Benefits: Whether drilling, performing active duty for training or mobilized, reservists should be confident of receiving pay and allowances commensurate with benefits earned by the active sailors with whom they are working. They should be assured that their benefits will appropriately address their individual and family needs, whether serving at home or abroad. Development of a single pay and benefits system continues to be a priority to standardize the administration of both active and Reserve personnel in all services. Navy is pushing to accelerate introduction of DFAS' Forward Compatible Pay System (an interim step toward DIMHRS) that will eliminate pay problems associated with changes in service status and shorten mobilization timelines.

General MOSELEY. There are a host of challenges that we must address to allow us to successfully reshape the Air Force to meet the ever-changing demands of our Nation for air and space power. These issues run the gamut of law, policy and procedures, but they can be remedied. First, weld like to thank the Members of Congress for assisting us in overcoming some of the Title 10 and Title 32 limitations through recent changes to those laws, allowing us to create a unique unit at Robins Air Force Base, Georgia. By addressing the obstacles to integration as a Total Force, we were successfully able to integrate two different units and forge a blended unit in which our active-duty and Reserve personnel train like they fight, as one team. We may require your additional assistance in the future as we begin to explore and expand this blended unit concept within the Air Force.

Our efforts to optimize the synergies of integration have introduced a new set of challenges. By studying the intricacies of integrated force constructs we are separating myth from fact and identifying the most challenging aspects of true co-operation. While recognizing the unique cultural aspects of our Active, Guard, and Reserve Forces we must work towards developing a common culture that relies on the strengths of all three components and shares the positive aspects of each culture to maximize our capabilities. To do this, our next generations of leaders, military and civilian, are being educated to sharpen their awareness of the legal aspects, policies and procedures of each component. Where the active component provides a guaranteed, on-call resource pool, the Reserve component brings an invaluable experience base and a 72-hour contingency response. Having highly experienced personnel working side-by-side with our young airmen saves countless dollars in training, seasons our more junior active personnel, and ensures training pipelines continue to flow during normal deployment rotations.

More challenges remain, such as our aircraft recapitalization efforts. The average age of our aircraft fleet is 23 years. Some of our oldest aircraft are well over 40 years in age. When it comes to hardware, time is the enemy. As part of our effort to recapitalize our aircraft, we need not only to divest the older airframes but also re-invest any manpower savings from divested aircraft. In this way, we can reduce or avoid maintenance costs associated with older airframes, while simultaneously increasing availability of newer airframes through increased number of aircrews and maintenance personnel. Naturally, our efforts will be impacted by the impend-

ing Base Realignment and Closure process which will allow us to shed excess infrastructure in order achieve greater operating efficiencies while avoiding unnecessary operating costs. A final set of challenges is generated as we examine legacy missions performed by the Reserve component and consider the Reserve component's potential for new roles in emerging missions, such as homeland security.

General HULY. As alluded to in response to questions #4 the Corps' approach to utilization of the Reserve component mitigates the problems faced by the other Services. Specifically, the mix of Active Component-Reserve Component (AC–RC) marines are relatively well balanced. The Corps' AC–RC mix has effectively minimized the amount of stress placed on Reserve units that need to mobilize in order to carry out the mission that the AC is unable to cover. It should be noted that the Corps continues to look for ways to improve upon its current utilization of AC–RC units as we strive to maintain the right balance of forces to accomplish present and future missions.

COST MODEL FOR DETERMINING ESTIMATES TO REPAIR/REPLACE OIF EQUIPMENT

6. Senator ENSIGN. General Casey, you testified before the House Armed Services Committee last fall that the Army's estimates for repairing and maintaining equipment used to date in Iraq, the basis for the fiscal year 2004 supplemental request to Congress, was calculated from a model that relied on information developed from recovering from the 1991 combat operations in Iraq. Has the Army made any changes to this cost model since you testified before the House?

General CASEY. We modeled our requirement to reconstitute the Army units, based largely on our experiences in Operations Desert Shield and Desert Storm. The model that we used to develop our fiscal year 2004 supplemental requirements is actually owned by Office of the Secretary of Defense (OSD), so I will have to defer to the OSD Comptroller's office to answer the fine details of the algorithms, but I understand that the cost factors are regularly updated. Because of our experiences following Operations Desert Shield and Desert Storm, we knew that our equipment was sustaining far more wear and tear that it would have in a more normal environment. Army assessment teams estimated that we would need about $1.2 billion more than the model estimated, along with $1.5 billion for depot maintenance, entirely outside of the model.

7. Senator ENSIGN. General Casey, have the unfunded requirements for repairing and maintaining equipment been updated to reflect those changes?

General CASEY. The cost factors have not been updated since we built our supplemental request, but as I said, they are updated regularly. We will use the data and experience we collect from maintaining and repairing our Operation Iraqi Freedom (OIF) 1 equipment to improve our estimates and methods for maintaining and funding subsequent OIF rotations.

"RESETTING" THE FORCES

8. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, one of the challenges for each of you has been to ensure that forces that have returned from deployments overseas in support of Operation Iraqi Freedom and Operation Enduring Freedom have adequate resources for recovery and repair. Resetting or reconstituting—as it is referred to by the Services—includes a variety of recovery actions, including taking time for personnel to recover and to sharpen their military skills, as well as repairing or replacing any equipment that was damaged during the deployment. What is the status of resetting forces in your Services?

General CASEY. Resetting the forces, which includes personnel, equipment, and training is ongoing and will continue as units redeploy. The Army is on track, with the exception of aviation, to meet our reset goal of 6 months for active units and 1 year for Reserve Forces. Aviation reset has slipped to the right due to long lead-time repair parts and repair parts availability. An assessment is ongoing to determine the impact of the slippage. U.S. Army Forces Command, U.S. Army Europe, and U.S. Army Pacific units are maximizing continental United States and outside the continental United States based installations, depots, and commercial repair facilities to execute equipment reset. To the extent possible, Headquarters, Army Materiel Command (AMC) is resetting equipment in theater to support current operations and future requirements. Additionally, AMC and Headquarters, Department of the Army, are working to identify excess to be used as "seed" assets to prime the repair line.

Simultaneously with equipment reset is personnel and training. Soldiers are receiving regeneration training to acclimate from a combat environment to peacetime as well as incorporating lessons learned into individual and collective combat tasks. Additionally, to evaluate and validate combat readiness units conduct a certification exercise at one of the combat training centers.

Admiral MULLEN. I have made a point of using the term constitute vice reconstitute as we are truly leaning forward while undergoing a transformation as we set the force. Through this operational transformation, we will be fully ready to provide combat forces on par with the OIF effort later this year.

General MOSELEY. Approximately 90 percent of the Air Expeditionary Force (AEF), including its integral low density/high demand assets has been able to reset. However, a continued high operations tempo (OPTEMPO) is having an impact on our reconstitution efforts and extending the time to fully restore our personnel and equipment to pre-OIF levels. Given this continuing OPTEMPO, it will be difficult for the remaining 10 percent of the AEF to begin reconstitution before March 2005. Our objectives for resetting the force fall into three main categories which include: (1) restoring our equipment to the combat effective state required to fight in the future; (2) incorporating lessons learned to enhance existing platforms and integrate valuable new technologies, and (3) properly equipping our forces currently engaged in stability operations to accomplish the mission. As we focus on these objectives, we emphasize that our goal is to reconstitute warfighting capabilities, not specific equipment items.

We maintain our focus on these objectives while supporting combatant commander requirements across the full spectrum of operations. The Chief of Staff of the Air Force has emphasized our most valuable asset, our people, be given the opportunity to recover at home after lengthy and difficult deployments. He's directed our major commands to implement a post-deployment stand-down program as another quality of life initiative. The reconstitution that follows will have a major focus on training. The emphasis will be on task proficiency as opposed to training event currency. We are transforming our training programs to better provide ready and capable forces to the combatant commanders.

General HULY. We have established a methodology to track the accelerated usage of equipment in order to make prudent decisions to maintain Marine Corps capability in the future. Because of the stress OIF I placed on our equipment, we are evaluating critical life cycle degradation and the need to match shortfalls with our Total Life Cycle Management Plan. In resetting the force we are evaluating the condition of our equipment returning from Iraq and then making prudent decisions regarding what needs to be replaced, refurbished, repaired or deferred until a new capability is available. In some instances deferring equipment replacement until the next generation capability is available is the smart choice. Since we have not yet completed our evaluation of equipment items returning from Iraq and assessed all of the options available, a definitive list of replacement items or alternate procurement is not yet available.

Maritime Prepositioning Force (MPF): We've fully reconstituted 1 of 11 Maritime Prepositioning Ships. The remainder are being reconstituted in accordance with the MPF Maintenance Cycle 8 (MMC–8).

The AV–8B Harrier aircraft: We experienced increased operational tempo and the loss of a Harrier during operations. Since that aircraft is no longer being produced, we plan to wait until the successor aircraft, the Joint Strike Fighter VSTOL variant, begins delivery in fiscal year 2008.

9. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, how are you managing the resources that have been provided by Congress for resetting your forces?

General CASEY. As units begin to redeploy from the Iraqi and Afghanistan theaters of operation, the Army will continue to reset or set the force to meet future requirements. The goal is for all returning active component units to achieve a sufficient level of combat readiness within 6 months of equipment arrival at home station. Reserve component units will likely take longer to achieve the desired readiness level, and the working assumption is that Reserve units will take 1 year to reestablish pre-deployment readiness after equipment returns to home station.

Readiness involves three essential components—people, equipment, and training. It is only by addressing our soldiers' needs, reconstituting our organizational equipment, and training to standard on our collective combat tasks that units will return to an acceptable readiness level. Army units will also be reorganizing during the reset period. The culminating event of these intense reconstitution efforts should be a certification exercise at one of the combat training centers. By adopting such an aggressive approach, the Army will continue to ensure its ability to meet the com-

batant commanders' near-term requirements. The intent is to return units to pre-hostility readiness levels while continuing to support the warfight, transform, modernize, and recapitalize.

The Army standards established for setting the force are: (1) bring all equipment to 10/20 standards; (2) where sensible, upgrade capability implementing Operation Iraqi Freedom/Operation Enduring Freedom lessons learned; (3) replace obsolete equipment in pre-positioned stocks; and (4) reconfigure Army pre-positioned stocks to be more strategically relevant and responsive. The requirements were broken into two major sections, maintenance/repair and equipment investment. To prioritize requirements, the Army developed a tiering methodology based on timing and associated risk.

Admiral MULLEN. In my fall 2003 testimony, I illustrated several of the largest challenges to set the force. In that testimony, I discussed spares, depot maintenance, precision-guided munitions, EA–6B wing panels and F/A–18 ancillary equipment. The fiscal year 2004 supplemental funding provided by Congress was applied to the immediate needs of these critical capabilities; we thank you for approving the supplemental last fall. The emergency war supplemental also financed $2.1 billion of Navy depot maintenance. These funds were used to maintain and restore our ships, aircraft, equipment and materiel to a high level of readiness. The scope of many planned availabilities were expanded to quickly improve ship and aircraft readiness levels to support the continued prosecution of the global war on terror. We have used your support to achieve, and crafted our fiscal year 2005 budget request to now maintain, the Navy's force constitution; our fiscal year 2005 budget request keeps us on track for the future.

General MOSELEY. The Air Force is extremely appreciative of the fiscal year 2004 Reconstruction of Iraq and Afghanistan Supplemental. In terms of readiness, the funds are providing great dividends in paving the way for us to prosecute this Nation's National Strategy without unduly impeding our peacetime efforts and programs. Our combatant commanders have been balancing requirements and resources to ensure the most effective use of taxpayer's dollars. As our units and equipment returned from their tour of duty in the desert, we are revaluating the equipment that should be left at the base in case of future contingencies and the materiel that can be moved to active bases. Equally important, we are also evaluating equipment in terms of the best place to fix. As aircraft and similar equipment return, we determine whether we fix locally or send to depot. Our men and women are constantly examining out fleet to make smart decisions on the proper source and type of repair. While reconstituting equipment is important, we are also reconstituting capabilities. With our fighter and bomber forces ready to resume normal rotations, the Air Force is beginning to return to pre-Operation Iraqi Freedom rotational cycles. In large part, the funds supported by your committee allowed us to ensure we maintain combat readiness in light of our rapid pace of global activities.

General HULY. Managing the resources for resetting the force is perhaps the most challenging aspect of global war on terrorism. Our principle focus continues to be on funding current operations and in providing force protection gear to our marines. Because of vehicle combat losses, higher operating tempo and the harsh environment, a significant portion of our ground equipment inventory used in Iraq and Afghanistan has experienced accelerated usage or may be uneconomical to repair and must be replaced. Decisions on whether or how best to repair/replace this equipment, or accept a certain level of attrition, requires careful evaluation. The Marine Corps is participating in the Stress on Equipment analysis that will help us to determine the correct strategies for major equipment repair/replacement. That effort is integral to making informed and prudent resource decisions for resetting the force. Meanwhile, the Marine Corps continues to use the supplemental funding provided by the Congress to fund replacement equipment in support of our MPS squadrons, depot maintenance for repairs to our land vehicles and aircraft, and to replace ammunition expended. Such efforts help to reduce the time it will take to reset the force back to pre-OIF/OEF levels.

10. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, have adequate resources been provided to ensure that units have recovered from their deployment and are prepared for future missions?

General CASEY. The Army requires $1.2 billion to fully fund the reset of Operation Iraqi Freedom (OIF) 1 and Operation Enduring Freedom (OEF) 4 units to ensure combat capability is restored. The fiscal year 2004 Emergency Supplemental funded approximately $2 billion of a $3 billion unit-level repair requirement and $1.2 billion of a $1.4 billion depot maintenance requirement. Additionally, the Army staff is developing cost estimates for reconstitution of OIF–2/OEF–5 units and sustainment of

our forces while deployed in the theater of operations. However, it is too early to state these estimates with a high degree of confidence.

We believe that the fiscal year 2005 President's budget request will adequately fund our peacetime operational tempo. However, without reset funds, we will be forced to take risk and support the reset effort from within the base budget.

Admiral MULLEN. Yes, adequate resources have been provided to constitute the fleet after OIF and the Navy will be able to field forces on par with the OIF effort later this year, culminating the fleet-wide implementation of one facet of the Navy's organizational transformation, the Fleet Response Plan (FRP).

In the CNO's Guidance for 2004, one of his major action items was to "deliver the right readiness." It was clear in responding to OIF that the Navy could not best meet the long-term global war on terrorism force requirements using its traditional employment methods; we are truly involved in transforming how we get our develop ready forces. The FRP is among the most important of those transformations and is the real reason we can provide such an immediate surge capability close on the heels of major combat operations.

The FRP strengthens the Navy's commitment to provide combat-ready forces to combatant commanders overseas in areas of vital U.S. interest. The Navy has been, is now, and will always be a rotationally deployed force. FRP fundamentally changes the way we get the fleet ready. While continuing to rotationally deploy forces overseas, FRP institutionalizes a higher level of force employability and provides the surge capability necessitated by the global security environment. At the same time, we respond more flexibly by deploying for a purpose and add to the security of our forces by becoming less predictable to those that would do us harm.

The ramp-up to support OIF, permitting the extended arrival window of five Carrier Strike Groups at the outset, was impressive but we cannot count on a passive competitor in the future. The 21st century presents our Nation with varied and deadly new threats, including regional adversaries armed with growing anti-access capabilities and international terrorist and criminal organizations. Countering such enemies and consistent with guidance espoused within our National Security Strategy, Navy reviewed the best way to transform its fleet employment policy. Last May, the Chief of Naval Operations approved FRP, redefining our readiness process, and in doing so, provided a more responsive force to meet our defense and military strategies, and presenting the President with more force employment options. A premium is placed on ready, flexible forces able to pulse rapidly either to augment forward-deployed forces or respond to crises in remote and widely separated locations.

By refining our maintenance, training and manning schedules, we have institutionalized the capability to provide six Carrier Strike Groups (CSG) within 30 days and an additional two CSGs within 90 days, more commonly known as "Six plus Two." CSGs are highlighted here because they are the most complex components to prepare for deployment, but FRP applies to the entire fleet. With the implementation of FRP, half of Navy forces could be ready to provide homeland defense and be either forward deployed or ready to surge forward with overwhelming and decisive combat power.

We are now focusing our readiness efforts on achieving rapid deployability once a strike group has emerged from an extended maintenance period. This is a significant mind-shift change from the old way of achieving deployment readiness on the verge of the scheduled deployment date. The result is a period of extended readiness that nearly doubles former readiness windows. Though the time that platforms are available for employment will increase the total time sailors are deployed will not.

General MOSELEY. We believe the fiscal year 2004 Reconstruction of Iraq and Afghanistan Supplemental was properly sized at the time to address our immediate needs for prosecution of the war and reconstitution efforts. The Air Force, like our sister Services, is first balancing its wartime requirements within available funding levels. Where possible, less urgent requirements are deferred to a later time without jeopardizing the state of readiness and our ability to meet our wartime mission requirements. At the pace and demands of operations to date, we believe we can manage this risk during the execution year. However, if operational demands accelerate later in the year, we may have to reevaluate our ability to sustain our efforts without additional help (supplemental or reprogramming).

General HULY. Prior to their OIF II deployment, the Marine Corps received supplemental monies for identified, but unfunded, equipment. This support, combined with training specifically designed and focused on future Iraq deployments, has enhanced the marines capabilities and mission flexibility. The Marine Corps continues to evaluate its force reconstitution requirements and is making maximum use of the funding already provided to mitigate any shortfalls.

LOGISTICS PROBLEMS

11. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, there were a number of articles in the press, particularly during the first few months of operations in Iraq, that reported on a variety of problems associated with the logistics support for operations in the Iraq theater of operations. Shortages of ammo, spare parts, and fuel were a few of the examples cited. Some have suggested that many of these problems were the result of too few inventories. Others suggested that these shortages were associated with the rapid advance of combat units into Iraq. Recent findings by the GAO indicate that some problems continue to exist. The GAO, for example, reported a $1.2 billion difference between the amount of material shipped to the theater and the amount that units acknowledge receiving. What is your assessment of the supply throughput to the forces in the field? Are inventories of spares, ammunition, etc., of sufficient inventories to support the current pace of operations?

General CASEY. Supply throughput to the field has improved dramatically over the last 6 months and units are receiving requested supplies in a timely manner. Early deploying units did experience problems with receiving shipments of needed supplies. The Army identified the problem with mis-shipments of repair parts by consolidating the delivery of full pallets of repair parts on a single pallet destined to a specific supply warehouse in theater. The method of "pure palleting" supplies has dramatically improved the percentage of supplies reaching the correct unit and has reduced the time it takes to reach the unit.

In respect to current spares inventories and ammunition, the supply position of critical items is improving and is able to meet requirements for units in theater. After years of successfully reducing inventories to meet congressionally mandated targets for inventory reduction, additional monies received in 2003 are beginning to add back repair parts and ammunition items. Increases in operational tempo, coupled with environmental factors, have increased the demands for repair parts and ammunition. The Army continues to invest heavily in the repair of unserviceable items as the first option for replenishing inventory and satisfying demands. Depot repair production is up over last year; however, higher demand is requiring the Army to increase quantities for procurement and in some cases initiate emergency buys on selected critical items.

Admiral MULLEN. My assessment, based on Navy's history of operating in the area at this pace, is that the supply throughput is adequate and inventories are sufficient. For over a decade, the Navy has maintained almost continually a Carrier Strike Group presence in the fifth Fleet AOR. The logistics pipeline into the region is mature and highly productive, providing support in an accountable and timely fashion. Current Navy operations closely parallel the OPTEMPO we've maintained in the region for years and the Navy supply system is resourced to support the level of operations currently underway.

General MOSELEY. As our supply metrics will attest, our overall spares support to the field is at its highest point since the early 1990s. Previous operations and exercises have highlighted the need to begin planning combat support and sustainment in concert with the mission planning. To cover wartime/contingency operations, the Air Force approves additive levels of essential spares, or Readiness Spares Packages (RSPs). These RSP assets are deployed along with the weapon system to sustain operations until normal supply channels are established to provide routine re-supply capability.

Our success in supporting contingency operations is evident in that the Air Force supported over 860 Air Force aircraft in the area of responsibility (AOR) at 27 locations and filled over 82,000 requisitions. At the height of Operation Iraqi Freedom, over 9,000 high priority requisitions were delivered with an average Logistics Response Time (entire pipeline from requisition to customer receipt in the AOR) of 12 days vs. 21 days prior to September 11. Most importantly, no sorties were lost due to lack of parts or munitions.

Based on current classified operation requirements and stockpile inventories, the munitions inventories are sufficient to maintain the current pace of Air Force operations.

The Air Force has a number of transformation initiatives in varying states of implementation that will further enhance our ability to support supply throughput to our deployed forces. These initiatives focus on managing our supply chain from end-to-end to increase availability and improve affordability. We are changing our processes and providing the tools necessary to support our vision.

General HULY. The success of the supply throughput was challenged by our lack of in-transit visibility (ITV). The lack of asset visibility on unit stocks and ITV on ordered items made it difficult to identify actual shortages, to locate needed items

within stocks for reallocation, and to direct and track the movement of ordered items to requesting units. This resulted in delays, shortages, and at times an inability to expedite critical parts.

Lack of visibility for OEF/OIF I in the supply chain resulted in duplicative ordering of some spares, which produced an impression of high usage early on. Additionally, lack of in-theater ground transportation assets to push supplies forward of the port of debarkation was a problem.

Today, OIF II presents significantly different conditions under which logistics is provided to the operating forces than did OIF I. The theater of operations is logistically more mature, forces are operating in relatively static locations as opposed to conducting a continuous assault over hundreds of miles, and the numbers of marines and equipment in theater are significantly smaller than during OIF I.

Spare/repair parts availability for ground equipment is sufficient; our current inventory is adequate to support operations. With our improvements to our distribution system we anticipate no difficulty in keeping up with the current pace of operations.

Regarding ammunition, there have been no significant ammunition shortages based on Marine Forces identified requirements. Prior to hostile action commencement, the Marine Corps experienced very minor deficiencies to fulfill the total combat requirement; however, as identified by the Marine Central Command at the time, no deficiency was characterized as a 'showstopper'. Current inventory levels are sufficient for both training and war Reserve requirements. Our practice of fully funding all ammunition requirements to the maximum practicable, has positioned the USMC to limit the surge requirement stress we have placed on the industrial base to only small production increases. Current on hand stocks are sufficient for the current pace of known contingencies.

The Marine Corps lessons learned from OEF/OIF affirmed we are on the right track with our Logistics Modernization efforts. Our focus on total asset visibility and enhanced maintenance concepts, all supported by our Global Combat Support System-Marine Corps (GCSS–MC), will ensure excellence in logistics support, through the logistics chain, both in deployed and garrison operating environments.

12. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, in cases where there may be shortfalls, what steps have the Services taken to increase the efficiency of supply support to units in Iraq?

General CASEY. The Army has implemented solutions in four key areas to increase the speed and accuracy of supply shipments to Iraq. The Army has ensured logistical requirements can be sent directly to the United States by an assured information technology infrastructure supported by commercial satellite equipment. This is allowing the Army to "see" requirements in real time. The Army is reducing the chance for misrouting of critical supplies by building pure pallets of supplies earmarked for a specific unit. This initiative allows the Army to speed the supplies to its final destination without having to repackage the supplies for onward movement. The Army is supporting the U.S. Transportation Command (TRANSCOM) initiative for a theater Deployment Distribution Operation Center to help synchronize distribution of materiel from origin to final destination by optimizing strategic and theater lift. This initiative has resulted in improved reliability, enhanced materiel visibility, increased speed, and improved customer confidence. Finally, the U.S. Army Materiel Command has deployed forward repair activities in Iraq to support the requirement for repairing critical repair parts in theater.

Admiral MULLEN. The Navy has aggressively supported our Marine Corps teammates in Iraq. For example, cargo handling units are deployed along the supply chain to speed the uninterrupted flow of replenishment parts to deployed forces and the return of failed critical components back to repair depots. A new program to ease the occasional difficulty encountered by Seabee battalions in obtaining quality construction materials is in the final stages of completion, integrating elements of both pre-positioning and responsive, multi-national vendors located in areas where we need them.

From a joint perspective, we have provided resources to support TRANSCOM and General Handy's efforts to improve "last mile" material distribution for all units operating in Iraq. Establishment of the CENTCOM Deployment Distribution Operations Center (CDDOC) is providing the structure, capabilities, and oversight to synchronize all levels (strategic through tactical) of personnel and cargo distribution. This center is focusing on eliminating bottlenecks and ensuring unimpeded throughput of forces and material, enhancing logistic support for units in theater.

General MOSELEY. Several initiatives have been undertaken to optimize supply support in Iraq.

The concept of the Regional Supply Squadron (RSS) was born during the Desert Shield/Storm experience, when the Air Force Contingency Supply Support Activity was activated to centrally manage supply support to deployed units. The RSS is aimed at providing improved spares supply chain command and control by focusing the efforts of all elements of the spares supply chain on the same goal . . . weapon system availability.

The core Agile Combat Support (ACS) principles of responsiveness, time definite delivery and resupply, continental United States reach back, and leveraging information technology place strong demands on materiel management activities sustaining the Air and Space Expeditionary Force. The key ACS tenet "train the way we fight" mandates an RSS structure that seamlessly supports both peacetime requirements of supported major commands and contingency requirements of combatant commands.

The Air Force implemented the High Impact Target (HIT) list of all "problem" items by soliciting input from the major commands concerning items driving deployed aircraft Mission Incapable Supply due to the increased operations tempo. This process was expanded to encompass Defense Logistics Agency managed items along with monitoring outstanding Air Force contracts on HIT list items.

The Air Force and major commands have daily briefings on the status of deployed aircraft and engines to ensure supply issues and parts shortages are tracked to completion.

Under DOD guidelines, the Air Force has instituted the Spares Priority Release Sequence that prioritizes Joint Chief of Staff (JCS) requirements, regardless of priority, ahead of Air Force non-JCS requirements. This prioritization process ensures that Air Force deployed/tasked unit requirements are satisfied prior to other non-tasked unit requirements.

General HULY. We overcame our supply issues by enhancing in-transit visibility and by outsourcing some air transportation requirements where feasible. We have implemented Radio Frequency Identification (RFID) Tag technology, and partnered with the Defense Logistics Agency (DLA) for pure pallet packaging. Containers and pallets that were multi-packed for various units across the services had to be broken down and manually sorted, then rebuilt before delivery to the tactical end user, adding significantly to the distribution timeline. This issue has been resolved using the pure-pallet initiative. The pallet is built with items destined for a particular support site in Iraq. DLA, traditionally a wholesale distributor, is now extending their supply chain management functions to the Service-managed retail inventory level.

We have partnered with the Army and Navy for supply and distribution systems to leverage existing airlift channels to the maximum extent. As a result of these initiatives, we are moving spare/repair parts sustainment stock more quickly through the distribution transportation system and pushing these stocks forward within 24 hours after they arrive at the aerial port of debarkation (APOD).

Another challenge was the difficulty in communicating requisitions to the supporting Theater Support Command for common item support due to the incompatible supply and warehousing information systems. The materiel distribution process was cumbersome at best. This issue was also resolved using the pure-pallet initiative from DLA.

FLEET RESPONSE PLAN: FLEET PRESENCE

13. Senator ENSIGN. Admiral Mullen, fleet presence around the world has been the foundation of the Navy's operating concept for over two centuries. In the age of carrier battle groups, when any crisis emerged in the last 50 years, one of the first questions from every president since FDR has been: "Where are the carriers?" I understand that the Navy has implemented a new operating concept called the Fleet Response Plan. As I understand it, this new concept of operations is predicated on maintaining a Navy ready to "surge" when required. What are the benefits of this new operating concept?

Admiral MULLEN. Senator, the FRP strengthens the Navy's commitment to routinely provide forces through flexible deployments to combatant commanders and additional combat-ready forces, faster, in times of need. To be certain, the Navy was, is, and always will be a rotationally deployed force operating overseas in areas of vital U.S. interest. When needed in times of major crisis, the FRP enables the U.S. Navy to respond with—to "surge"—a greater number of forces and significantly more combat power than under previous plans, providing flexible and combat-credible options for the President.

The FRP realigns our readiness processes and ensures that more forces achieve combat readiness sooner after a major maintenance period and then maintain that

combat readiness for an extended period. In doing so, FRP provides the capability to employ up to eight Carrier Strike Groups in a contingency response; this is fifty percent more than possible under prior methods. This additional surge capability does not come at any cost to the Navy's commitment to rotationally deploy forces overseas but ensures as many forces as possible operating in home waters are combat ready.

The FRP has also resulted in new force packages, like the Expeditionary Strike Group (ESG) that couples the deep striking power of cruisers, destroyers, and submarines with the proven forcible entry capabilities of our marines embarked in Navy ships. ESGs provide increased capability to the joint combatant commander that is persistent and sovereign. The future addition of DD(X) and JSF STOVL will enhance further the robust and flexible portfolio of combat capability of ESGs. Over the next few years, two new SEAL teams and four SSGNs will be fielded, enhancing the FRP and the projection of naval power and influence.

14. Senator ENSIGN. Admiral Mullen, how does the Navy's FRP continue to maintain worldwide fleet presence?

Admiral MULLEN. Responding to the new world security environment, it was clear that the Navy could not best meet the long-term force requirements of global war on terrorism using its traditional employment methods; we are truly involved in transforming how we get our forces ready and increasing the combat readiness return on the taxpayer dollar. The FRP is among the most important of those transformations and is the real reason we can now provide such an immediate surge capability close on the heels of major combat operations.

The FRP strengthens the Navy's commitment to routinely provide forces through flexible deployments to combatant commanders and additional combat-ready forces, faster, in times of need. Specifically, the FRP maintains the Navy's traditional commitment to rotationally deploy forces overseas in areas of vital U.S. interest. These capabilities-based forces are ready to respond across the entire spectrum of international engagement, from diplomacy to major crises—anytime, anywhere, in the far corners of the world, without a permission slip. Furthermore, FRP also ensures that forces operating in home waters quickly achieve and then maintain a combat-ready level of readiness, providing more options to the President and additional forces for crisis response or homeland security, as required. When coupled with the Joint Staff deployment policies, naval forces can be more flexibly employed to meet the near term demands of the security strategy.

Naval forces will continue to deploy and provide a global naval presence based on combatant commander prioritized and validated requirements. FRP provides these ready forces overseas to meet the new planning requirements of 10–30–30; detering crises, defeating the intentions of an adversary, or winning decisively against a major enemy with speed.

15. Senator ENSIGN. Admiral Mullen, to what degree has this program been coordinated with the regional combatant commanders?

Admiral MULLEN. The Combatant Commanders (COCOMs) have had full visibility on the Fleet Response Plan as it was implemented. COCOM staffs were briefed and the principles themselves by the Chief of Naval Operations at a combatant commander conference in 2003, with regular updates continuing. The Navy continues to meet Global Naval Force Presence Policy (GNFPP) requirements every day and now—under FRP—exhibits improved readiness and the ability to surge deploy additional combat ready forces in times of national need.

Fleet Forces Command coordinates all presence and force flow through the naval component commanders who in turn discuss options with their COCOMs. In those few cases where the Service needs differ from the COCOM requirements, the Joint Chiefs provide arbitration of the issues prior to SECDEF approval, as they routinely have for many years. In aggregate, the Fleet Response Plan increases, not decreases, the total forces available to combatant commanders by having combat-ready forces rotationally deployed overseas as well as operating in home waters, available at the direction of the President or Secretary of Defense.

FLEET RESPONSE PLAN: AVIATION TRAINING

16. Senator ENSIGN. Admiral Mullen, I understand that as a result of implementing the Fleet Response Plan, the Navy will decrease flying hours for aviators. Part of this decrease will be due to adjusting training cycles and part will be, according to press reports, an increased reliance on simulator training. A good deal of Navy aviation training occurs over the skies of Fallon, Nevada, and much of that training

is not simulator based. What are the implications for Navy training at Fallon with implementation of the Fleet Response Plan?

Admiral MULLEN. There are minimal implications to training at the Fallon Range Training Complex (FRTC) as a result of FRP implementation. The increased use of simulators is predominantly in basic pilot training. Basic pilot training is accomplished at aviators' home stations whereas advanced, live, large force training exercises and other unique events are conducted at FRTC.

TRAINING OF NAVY/MARINE CORPS TRAINING AT EGLIN AIR FORCE BASE: COST ASSESSMENT

17. Senator ENSIGN. Admiral Mullen and General Huly, the Navy and Marine Corps did a great deal of work to find alternative locations to conduct joint task force training when it was determined that training facilities on the island of Vieques would be closed. The Navy programmed over $400 million into the budget last year for upgrades to facilities, for instrumentation and range upgrades, environmental costs, and exercise support as a result of relocating training from Vieques. The costs for supporting Navy training at Eglin Air Force Base were based on the Navy's old operating concept and old fleet formations. What are the implications for training on the Florida ranges with the implementation of the Fleet Response Plan and the creation of carrier strike groups (CSGs) and expeditionary strike groups (ESGs)?

Admiral MULLEN. For ESGs and CSGs, training on Florida ranges will increase due to the loss of the Atlantic Fleet Warfare Training Facility (AFWTF) and the emphasis of the Fleet Response Plan on maintaining high level of readiness. The displaced training shift to Florida and other locations will take place on other Navy training ranges, Major Range Test Facility Base (MRTFB) ranges (Eglin), and USAF training ranges (Avon Park). While there is a cost to train on MRTFBs, such as the Eglin AFB ranges, these have been included in the President's budget. The Navy plans to operate in the Gulf of Mexico only outside of the hurricane season. When limited access to the Gulf is coupled with the fact that the MRTFB ranges rightly give scheduling priority to test events, CSGs/ESGs may not always use the Eglin AFB ranges during their training. Navy also trains on MRTFBs only on a not-to-interfere-with basis to the test community. However, the Navy, Air Force, and Marine Corps have signed an agreement called the Overarching Range Cooperative Agreement (ORCA) that establishes protocols to schedule the use of one another's ranges and accommodate the joint use of those ranges. We use this agreement when the Navy desires to operate at Eglin AFB. The Navy has recently conducted a CSG and ESG exercise using Eglin and plans to use Eglin as an option for training in the future. Additionally, if the Navy only operates along the east coast, we will still use all the Florida ranges, including Eglin AFB, for strike training.

General HULY. The Florida ranges provided a limited training venue for amphibious forces in support of a naval campaign. However, when these ranges are used in conjunction with other ranges along the east coast, then that training venue expands to an enhanced environment that links into the training transformation initiatives of the Navy/Marine Corps.

Overall problems that made using Eglin, at best, a secondary option for training are:

- Difficulty coordinating
- No naval gun fire
- Rigid range requirements
- Air-centric
- Limited offload (LHA)
- High demand with AF training
- Overall time (sailing from east coast NC/VA AOA)
- Expense

TRAINING OF NAVY/MARINE CORPS TRAINING AT EGLIN AIR FORCE BASE: ALTERNATIVE LOCATIONS

18. Senator ENSIGN. General Huly, your prepared testimony, and the testimony of the Commandant of the Marine Corps before the full committee a few weeks ago, both indicate that the Marine Corps is continuing to explore other alternatives to conducting Marine Corps training at Florida locations. What are those alternate locations and what are examples of some of the benefits that those alternative locations will provide?

General HULY. The Marine Corps is continuing to assess the potential and value of expanding the training capability of its installations at Camp Lejeune and Cherry Point, North Carolina. Improving specific capabilities at these locations will provide a direct benefit to the forces resident at those locations and will ideally provide a more robust regional naval expeditionary training capability, when incorporated with the capabilities at the other naval facilities in the North Carolina and Virginia Capes geographic area. Specific benefits that these alternate locations would provide are:

(1) Proximity to existing east coast Navy and Marine Corps installations eases operational/deployment tempo considerations
(2) Usable year-round (no standing restrictions due to hurricane concerns June-October)
(3) Lower costs to transit to/from training areas and train on USN/USMC installations
(4) Investments in infrastructure benefit not only the Marine Expeditionary Unit but also the entire II Marine Expeditionary Force
(5) Camp Lejeune supports integrated live fire, to include live naval gunfire from ship-to-shore
(6) Significantly lower costs to conduct large-scale amphibious training at Camp Lejeune and Cherry Point vice the Eglin Major Range and Test Facility Base.

TRAINING OF NAVY/MARINE CORPS UNITS AT EGLIN AIR FORCE BASE: IMPLICATIONS FOR AIR FORCE

19. Senator ENSIGN. General Moseley, in 2001 and 2002, the 46th Test Wing, Eglin Air Force Base, documented 9,129 and 8,856 test missions completed, respectively, on the Eglin range. Please provide an update of test missions conducted at the Eglin Range Complex. Please state how many missions were requested, how many missions were scheduled, and how many missions were conducted for calendar year 2003 and calendar year-to-date for 2004. Please apportion each data set by month and by customer.

General MOSELEY. A total of 10,107 missions were conducted at Eglin Air Force Base in 2001, which included 4,419 tests and 5,688 training. In 2002 a total of 10,300 missions were conducted of which 4,317 were tests and 5,983 were training. In 2003, 10,331 missions were conducted of which 4,273 were tests and 6,058 training. Initial data for 2004 shows a total of 1,761 missions conducted of which 803 were tests and 958 training. The attached spreadsheets contain the data requested.

As the data used for this response does not exactly match the mission numbers shown in the question, we are providing 2001 and 2002 data in addition to that requested for 2003 and 2004 in order to provide a consistent data set over the time span.

Spreadsheet number 1 shows Eglin Air Force Base test and training missions requested, scheduled, and conducted by month for calendar years 2001, 2002, 2003, and initial data for January and February 2004. This data source does not identify specific customers.

Spreadsheet number 2 shows test and training sorties scheduled over the time span and identifies specific customers. Please note that the number of sorties will not match the number of missions as a single mission may involve several sorties.

Spread Sheet #1

Eglin Mission Analysis Air & Ground

CY01 Month	Requested All Type Msns	Scheduled All Type Msns	Conducted All Type Msns	Requested Test Msns	Scheduled Test Msns	Conducted Test Msns	Requested Training Msns	Scheduled Training Msns	Conducted Training Msns
January	1112	943	834	519	419	353	593	524	481
February	1010	848	696	512	403	309	498	445	393
March	1122	952	800	516	413	307	606	539	493
April	1168	977	860	570	452	373	598	525	487
May	1207	987	893	594	457	398	613	530	495
June	1129	977	861	572	489	418	557	488	443
July	1123	980	856	475	406	348	646	572	510
August	1431	1125	956	746	548	447	685	577	509
September	1314	1042	774	649	495	357	665	557	417
October	1384	1105	874	703	530	439	675	575	435
November	1153	934	821	544	414	335	589	520	486
December	1114	868	762	556	412	343	548	476	439
Total	14247	11758	10107	6962	5430	4419	7285	6328	5868
CY02 Month									
January	1135	942	817	492	389	306	643	553	511
February	1213	984	850	560	434	353	653	550	497
March	1271	1091	915	678	566	447	593	525	468
April	1207	993	848	541	409	323	666	584	525
May	1307	1095	967	674	514	436	633	581	531
June	1173	974	832	596	452	355	575	522	477
July	1301	1088	902	675	504	396	626	564	506
August	1315	1046	613	686	492	407	629	554	506
September	1248	1058	820	589	461	343	659	597	477
October	1351	1100	921	716	520	400	635	580	521
November	989	861	754	442	353	286	547	488	458
December	1019	881	761	426	321	255	593	560	506
Total	14529	12083	10300	7077	5415	4317	7462	6668	5983
CY03 Month									
January	1158	948	834	547	408	334	611	542	500
February	1123	961	811	602	460	370	521	481	441
March	1200	968	850	572	462	380	628	536	470
April	1201	999	674	551	428	361	650	571	513
May	1274	976	839	641	446	357	633	530	482
June	1405	1079	922	738	536	436	667	541	486
July	1377	1083	906	654	473	357	723	610	549
August	1376	1052	896	652	451	338	724	601	558
September	1243	1056	929	536	446	388	707	620	581
October	1272	1061	950	550	434	369	722	627	581
November	1067	910	910	469	386	334	578	524	476
December	1016	812	710	411	324	289	605	488	441
Total	14712	11845	10331	6943	5274	4273	7789	6671	6058
CY04 Month									
January	1197	1066	909	588	524	411	611	542	498
February	1263	1064	852	657	539	392	606	525	460
Total	2460	2130	1761	1243	1063	803	1217	1067	958

Spread Sheet #2

Eglin-Only TW - Test FY	Scheduled Sorties	Eglin-Only Other Test FY	Scheduled Sorties	Eglin-Only Training FY	Scheduled Sorties	TOTAL Sorties
2004 Projection	*1045.4*	*2004 Projection*	*4406.4*	*2004 Projection*	*39979.2*	*45432*
2004 (Oct - Feb)	486	2004 (Oct - Feb)	1835	2004 (Oct - Feb)	16558	18880
2003	1439	2003	4642	2003	41129	47210
2002	1783	2002	4600	2002	36941	43334
2001	1658	2001	4825	2001	43371	49854

Notes:

1. Commercial air traffic is not included -- currently, 80,000 movements per year at VPS and Destin controlled by Eglin's ATC.
2. Sortie numbers include: 33FW, 16 SOW, 919 SOW, 325 FW, 53 Wing, 46TW, and other aircraft deployed onto the Eglin Range.

STRING OF FIRINGS OF NAVY COMMANDING OFFICERS

20. Senator ENSIGN. Admiral Mullen, the press is reporting that there were a number of commanding officers of Navy ships that were relieved from their commands. Reports state as many as 22 commanding officers have been relieved in the past year. How many commanding officers have been relieved of their command in

the past year, how does that number compare to previous years and what actions is the Navy taking to address this problem?

Admiral MULLEN. Since May 2003, 20 commanding officers have been removed from operational command due to misconduct or a loss of confidence in their ability to lead. Of that total across the Service, 11 were in command of surface ships, 3 of aviation squadrons, and 4 of submarines.

Overall, the gross number is statistically higher for 2003 compared with previous years. The data alone, however, does not support any readily distinguishable trend or pattern in terms of casual factors. Consequently, I have directed an internal review of the cases to determine if there are any distinguishable patterns or trends and, if so, corrective recommendations. Each detachment is carefully reviewed and given due process and each of these were justified by the facts of the individual case; indeed, detachment was critical in order to maintain high standards in general, and the special trust and confidence placed in commanding officers in particular.

ARMY AND MARINE CORPS PREPOSITIONED STOCKPILES

21. Senator ENSIGN. General Casey and General Huly, both the Army and the Marine Corps used both land-based and sea-based prepositioned stockpiles for major combat operations in Iraq. I understand the Army is continuing to use those assets and the Marine Corps is once again drawing on prepositioned stockpiles as Marine Corps units return to Iraq. Since the forces have transitioned from combat operations to stability operations, to what extent have your Services begun to return equipment to the prepositioned stockpiles that will not be required due to this change in operations?

General CASEY. The reset of Army Prepositioned Stocks (APS) is being impacted by the continued use of APS equipment in Southwest Asia (SWA). As an example, over 3,800 individual vehicles from APS have recently been issued in support of theater requirements. This presents a challenge in accomplishing APS reset. APS equipment will be used to support future Operation Iraqi Freedom (OIF) rotations. This is the top priority for APS maintenance efforts both in and out of theater and comprises a significant percentage of the APS equipment remaining in SWA, again limiting our ability to fully reset APS.

APS reset actions have been accomplished on APS–4 (Korea), two ammunition ships, the 1 × 1 for Guam/Saipan, and the 1 × 1 for Diego Garcia, which is being prepared to go afloat. Additionally, 48 percent of the combat support/combat service support equipment for the second large medium speed roll-on/roll-off ship for Guam/Saipan has been removed from SWA and is undergoing repair in Charleston, South Carolina. The Army will attempt to complete fill of this ship; however, continued use of APS equipment in SWA may prevent this.

General HULY. The transition from combat operations to stability operations influenced the decision an withdrawal requirements from the First Marine Expeditionary Force (I MEF) concerning use of Maritime Prepositioning Force (MPF) equipment. The combination of an established logistics infrastructure and force composition to support the stabilization mission contributed to a selective (or tailored) approach to withdrawing specific equipment and supplies from the MPF. This selective approach resulted in a reduction in the requirement for much of the prepositioned sustainment stocks (i.e., Meals Ready to Eat (MREs), ammunition, package Petroleum Oil and Lubricants (POL), fortification, or medical supplies) and focused on our prepositioned Principal End Items (Class II/VII). As a result, the sustainment items not required to support OIF–II, but normally used in the first 30 days to support a Marine Expeditionary Brigade (MEB), are in the process of being returned to prepositioning stocks to support the rebuilding of our other prepositioning squadrons. As a result of the OIF II deployment of MPS principal end items, asset availability continues to be the major challenge in returning equipment to the prepositioning programs.

22. Senator ENSIGN. General Casey and General Huly, what are the particular challenges associated with this process?

General CASEY. As previously noted, the continued use of APS equipment in Southwest Asia is impacting APS reset. Support to future Operation Iraqi Freedom (OIF) rotations will also require a large amount of APS equipment. This has the benefits of reducing home station equipment requirements, reducing the amount of strategic lift needed, and leaves a pool of equipment in the continental United States in case it is needed to support contingency operations elsewhere in the world. However, by utilizing APS equipment, the Army limits its ability to fully reset APS.

Additionally, the continued use of APS equipment in theater will result in higher maintenance costs and increased numbers of replacements in the future.

A major challenge will be funding. The supplemental funding we received this year was instrumental in resetting parts of APS. However, with much of the APS equipment remaining in theater supporting current operations and future OIF rotations, our reconstitution burden will only increase. The Army has an approved APS future strategy that we are continuing to refine, but without adequate funding, this strategy may be at risk.

General HULY. Utilizing prepositioning assets for long-term employment (6 months and beyond) creates challenges at the Service level to adjust/shift the institutionalized support infrastructure (i.e., Depot maintenance, Master Work schedule, service contracts, outsourcing, etc) from long-term, pre-programmed, and budgeted workflow to short-term, reactive resource management that impacts fiscal efficiencies and strains workflow capacity. The long-term employment of principal end items has created an equipment availability problem that will only be alleviated by additional investments, redistribution from the operating forces or return of assets currently employed in contingencies. An extended equipment availability problem may result in gapping the Marine Corps prepositioning maintenance cycle at Blount Island Command, Jacksonville, Florida, which has the potential to degrade long-term operational capability and debilitate the Marine Corps ability to restart the maintenance cycle contract.

23. Senator ENSIGN. General Casey and General Huly, how are you using your reset plans to redeploy pre-positioned assets for future missions?

General CASEY. The Army leadership recognized before Operation Iraqi Freedom (OIF) that the APS strategy that was based on Cold War realities had to change in order to meet Army transformation goals and to address the world's changing environment. OIF afforded the Army the opportunity to implement its new APS strategy in concert with Army setting the force plans.

This new APS strategy is capabilities based and supports the defense strategy by emphasizing rapid force closure, enhanced strategic responsiveness, and provides flexible deterrent options to the regional combatant commanders across the full spectrum of operations.

Under this strategy, the Army will maintain land based APS in Northeast Asia, Southwest Asia, and Europe. The APS afloat program has changed to an Army Regional Flotilla (ARF) concept where the afloat capabilities are dispersed geographically in critical regions to provide a set of modular capabilities. Each ARF will be comprised of five ships with a total of three flotillas located in the Mediterranean, Diego Garcia, and Guam/Saipan.

The approved APS reset timeline is currently being executed in accordance with Army setting the force priorities. Recent APS reset actions have allowed the Army to place critical APS assets in Korea, Diego Garcia, and Guam/Saipan. These actions have mitigated some risk in three of four critical regions; however, current operations continue to impact full APS reset. The Army leadership has recognized for sometime that the timeline may have to be adjusted. This decision is still pending. As the Army goes forward, we will continue to place prepositioned assets in those areas deemed most critical preparing the Army for success in future missions.

General HULY. Our focus is reconstituting a second MPF squadron (MPSRON–1) between now and April 2005. Additionally, we continue to assess what resources are available or needed to begin to reconstitute a third MPF squadron (MPSRON–2) beginning in May 2005 and ending in April 2006. Due to equipment maintenance capacity and/or asset availability, the reality may be that MPSRON–2 is not reconstituted until the OIF mission is complete and the returning equipment is repaired with associated equipment re-installed. Once the employing MEF determines their OIF III equipment requirements and external sourcing shortfalls, we will be able to better assess our ability to reconstitute MPSRON–2 and return our prepositioning capability to pre-OIF attainment and readiness status.

ARMY GROUND AND AVIATION OPERATING TEMPO REQUIREMENTS

24. Senator ENSIGN. General Casey, the Army has faced a number of challenges in trying to ensure that Army pilots and tank commanders complete the number of flying hours and tank miles planned for their training. For example, the Army was authorized funding in fiscal year 2004 for 913 tank miles, but believes that it will execute closer to 899 this year. With respect to aviation training time, the Army continues to fall short of the stated requirement for 14.5 hours/crew/month. Are deployments for contingency operations the major cause for under executing ground

and air training time, or are there other factors, for example, are the required number of hours required to maintain ready air crews and tank crews correct, and what steps is the Army taking to address this issue?

General CASEY. Ground—The Army was authorized 913 tank miles, but we subsequently developed major command (MACOM) unique training strategies that updated the training requirement from 913 to 899 miles. MACOM strategies more accurately depict and estimate training requirements taking into account such factors as political and geographic constraints to training. Since 2001, the Army has executed its training mission and, in fiscal year 2004, execution is on track to meet or exceed projections. Our Combined Arms Training Strategy (CATS) is working and sustaining our warfighting readiness. We see the results every day in Afghanistan and Iraq. As the Army transforms and fields units of action and implements the force stabilization initiative, we expect to further modify our training strategy.

Air—The CATS requirement for the modified table of equipment combat aviation units is an average of 14.5 hours/crew/month. In the first 5 months of fiscal year 2004, the active Army is on track to meet or exceed its air training requirements. The Army believes the CATS is accurate, however, a new training strategy is being developed as a result of the mix of pilots and aircraft as we move aircraft and pilots from the Corps into the Divisions under the Aviation Implementation Plan concept. The under execution of the flying hour program in the past was primarily due to three major factors: (1) Aviation Transformation Plan (divestiture of several Vietnam-era aircraft, re-sized units and movement of aircraft to other active component units and into the Reserve component to replace shortages); (2) Aviation units deployments to/from Bosnia, Kosovo, and Afghanistan requiring additional maintenance down time and 3 months ship and recovery time; and (3) Safety of flight (SOF) messages increased from an average of 12 between fiscal years 1997–1999, to 35 between fiscal years 2000–2002, that caused numerous aircraft groundings waiting for new or improved parts. SOFs were down to 13 in fiscal year 2003 that helped increase execution to 14.1 hours/crew/month at home station. Currently there are six SOFs through February 2004.

AIR FORCE AVIATION OPERATING TEMPO REQUIREMENTS

25. Senator ENSIGN. General Moseley, I note that the budget request includes a reduction of approximately 20,000 hours for Air Force pilots. What is the reason behind this reduction and what are the implications for pilot training?

General MOSELEY. The major issue contributing to the "20,000" flying hour reduction was Air Education and Training Command's (AETC) canceling of Undergraduate Pilot Training class 05–15. This action provided funds to AETC to help build their fiscal year 2005 command program. It was managed so that it supported the reduction of over absorption pressures in the Air Force Operational Units and a reduction of stress on Field Training Units. The related fiscal year 2005 undergraduate pilot production adjustment was from 1,100 to 1,014.

CAPACITY AT DEPOTS TO EXECUTE PLANNED MAINTENANCE

26. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, I am particularly pleased to read that the fiscal year 2005 budget request includes increases for most of your depot maintenance programs—in some cases, significant increases. How does this level of funding address continuing concerns about maintenance backlog?

General CASEY. The Army defines the backlog as unfunded requirements. Depot maintenance requirements include the following: end-item overhauls and repairs, missile certifications, watercraft certifications, embedded software maintenance, calibration support to units, technical support to lower levels of maintenance, and the recapitalization program. The Army's recapitalization program is fully funded. Funding for depot maintenance commodities is at levels in accordance with Army depot maintenance priorities and is balanced against other key Army programs. As equipment continues to age, and current operational tempo levels continue, sustainment costs will also increase. While depot maintenance funding increases slightly from fiscal year 2004–2005 (excluding the fiscal year 2004 supplemental), backlog continues at higher than acceptable levels.

Admiral MULLEN. Annual deferred ship maintenance has been reduced every year since fiscal year 2000. The fiscal year 2005 budget request provides the funding necessary to keep deferred maintenance low and maintain high fleet readiness.

For aircraft depot maintenance, we have selected a more appropriate metric based on readiness levels rather than maintenance backlog. For airframes, the fiscal year

2005 program of record is resourced to achieve the CNO readiness goal of 100 percent Primary Aircraft Authorized (PAA) for deployed/work-up squadrons and 90 percent PAA for non-deployed squadrons. In addition, through this year's cycle we were provided an additional $33 million of funding to meet 100 percent of the planned inductions for the fleet's critical aircraft. This level of programming enables the Navy to meet operational commitments and achieve flight line aircraft entitlements for critical type-model-series. For engine depot maintenance, the fiscal year 2005 Program of Record is financed to achieve the CNO readiness goal of zero bare firewalls and 90 percent of the ready-for-issue spares.

General MOSELEY. Air Force depot backlog has decreased in recent years due to supplemental and global war on terrorism funding. While the Air Force increased funding in the fiscal year 2005 President's budget (PB) for depot maintenance (82 percent—up from 77 percent in fiscal year 2004 PB), we are still projecting 39 aircraft and 60 engine deferrals, which are included on the Air Force's Unfunded Priority List ($242.8 million).

General HULY. The Marine Corps Depot Maintenance program funding line remains consistent from fiscal year 2004 to fiscal year 2005 and meets immediate readiness needs and maintains an acceptable level of depot maintenance backlog.

27. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, are there any constraints at your depots that would preclude your Service from executing the planned level of depot maintenance?

General CASEY. The Army and its depots are on track to execute all planned depot maintenance workload. To accommodate the additional reset workload, the depots have added second and third shifts, added additional production lines, increased overtime, hired government and contract employees, expanded contract hours, and implemented process improvements. Even with this increased production, the depots have not yet reached their maximum production capabilities and retain an ability to increase production further to meet the demands of future rotations.

Admiral MULLEN. The Navy carefully plans its maintenance and there are no known constraints that would preclude depots from executing the planned level of depot maintenance. A particular depot may experience a short-term workload perturbation, usually accommodated by civilian overtime and/or augmented by contractor artisans. Long-term workload perturbations are accommodated through hiring additional personnel, contractor augmentation and/or direct assignment of work to commercial and inter-service depots.

General MOSELEY. No. We have the capacity to support workload that may generate as a result of real world operations and reconstitution efforts. We are meeting all demands and expect to continue to do so.

General HULY. Marine Corps Depots have the ability to execute all planned depot level requirements. A primary constraint for the Marine Corps in the near term is asset availability for planned depot maintenance. Given the current operational tempo, many Marine Corps assets are committed to support OIF II. This unplanned commitment of assets initially slowed down asset availability for induction into the depot maintenance cycle. However new induction plans for assets for depot maintenance are being reviewed and continue to be updated to ensure asset availability.

INVENTORIES OF SPARE PARTS

28. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, in the build-up to, and execution of, decisive operations in Iraq, many had expressed concern that the pace of operations had "emptied the shelves" of essential spare parts—particularly in the Army. What is your assessment of the impact of current operations on spare part inventories?

General CASEY. During fiscal year 2003, several Army-managed spares, critical in support of the global war on terrorism and Operation Iraqi Freedom, were in short supply. Intensive management efforts on the part of the U.S. Army Materiel Command's commodity commands have, in most cases, been able to alleviate or significantly reduce these shortfalls. However, the continued extremely high operational tempo keeps the delicate balance of parts availability and available resources precarious necessitating continuous oversight to preclude recurring shortages.

Admiral MULLEN. Spare parts inventories fully support current operations and the Navy has maintained a similar level of OPTEMPO in the region for many years. The Navy supply system is resourced to support the level of operations currently underway.

General MOSELEY. The Air Force's spare parts inventory has remained essentially level over the last 3 years, although our supply performance (in terms of mission

capable hours lost due to lack of spares) has steadily improved. Aircraft grounded for lack of parts and aircraft cannibalized for parts have remained approximately the same as before Operation Iraqi Freedom. Our Air Force supply records indicate the Readiness Spares Package assets (along with rapid re-supply operations) were very successful in keeping weapon systems operational during the overall conflict.

General HULY. Lack of visibility for OEF/OIF I in the supply chain resulted in duplicative ordering of some spares, which produced an impression of high usage early on. The combination of normal operating stock and prepositioned assets on Maritime Prepositioning Ships (MPS) mitigated the impact. The Marine Corps experienced minimal spares impact as a result of operations. We overcame the visibility problems by using the commercial freight company, Dalsey, Hillblom & Lynn (DHL), to provide quick response to the operating forces in Kuwait. Because the Marine Corps has an end-to-end supply chain secondary reparable management program, we were able to minimize the impact to operations. The impact of current operations on spare parts inventories is improving.

29. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, to what degree can the industrial base support requirements for spare parts?

General CASEY. The industrial base adequately and satisfactorily supports spare part requirements within contractual and material lead times. A great majority of spare parts (80 percent) are under the Defense Logistics Agency (DLA) management, and the U.S. Army Materiel Command (AMC) manages the remainder. Overall spares support from AMC's major subordinate commands and DLA's supply centers was tremendous. However, critical items remain critical items even in a time of war. Our industrial base responded to the challenges and surged production on several key items such as tracks, road wheels, batteries, and rotor blades in support of the high level of conflict intensity. Our experience with the industrial base for this effort has been extremely positive, and many of our contractors have given us their full support.

Admiral MULLEN. The industrial base is adequately supporting the requirements for spare parts. Performance based logistic contracts in addition to the retirement of older ships and airframes have eased the occurrence of spare parts shortages in general.

General MOSELEY. The aging fleet is increasing operating costs and impacting readiness. Office of the Secretary of Defense has formed the Joint Council for Aging Aircraft and the Air Force has established an aging aircraft office at our Air Force Materiel Command to provide an Enterprise Management Approach. We have formed a Diminishing Manufacturing Source and Material Shortages Program to address solutions such as redesign, and qualification of additional manufacturers to include aftermarket sources for parts manufacturers. We also have asked Air Force Research Laboratory to assess the industrial base.

The Air Force, along with the other Services, are developing and implementing capabilities to respond to the issue of parts availability. Our aging fleet and some newer systems continue to experience component availability problems. This is mainly with microelectronic items but other commodity groups are impacted. We expect that our current acquisition processes will keep us in step with the industrial base and therefore, allow us to make rapid changes as needed.

General HULY. Industry did respond to most of our surge requirements for spares and repair parts for ground equipment. Additionally, the Marine Corps leveraged our industrial base surge capability for NBC equipment, and most recently, body armor. Also, the requirement to armor plate our vehicles was met with quick, decisive response from the commercial sector as well as our own depot expertise. Marine Corps depots manufactured and shipped vehicle hardening to meet the recent I MEF OIF–II requirement. For their expertise and devotion, they were recently awarded the Meritorious Unit Citation by the Secretary of the Navy.

30. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, what programs do each of your Services have in place to manage procurement and distribution of essential spare parts?

General CASEY. The U.S. Army Materiel Command prioritizes the distribution and procurement of all essential spares based on the priority of need for each customer. Procurements are awarded based on funds availability. Currently, fiscal years 2002 and 2003 spare parts procurement for peacetime requirements and procurement in support contingency operations are on contract.

As with any massive deployment, there are challenges in meeting the distribution. Multiple consignee shipments being broken down, separated, and delivered to the requesting combat unit resulted in extensive delays at the Theater Distribution

Center. The Defense Distribution Center is now building pure pallets to be sent directly to the requesting major combat units. Additional transportation assets, both ground and theater air, have been allocated to move parts into the maneuver area. The Defense Logistics Agency (DLA) has been asked to stand up a theater distribution center similar to its operation at Susquehanna, Pennsylvania. This, coupled with U.S. Transportation Command initiatives, will smooth the path to the port or rail stop.

Admiral MULLEN. Navy's global supply chain is structured to support naval operations worldwide in areas of vital U.S. interest, in peace and war. The Navy system is focused on timely delivery of validated requirements anywhere in the world, including procurement, stocking, and expeditious movement of essential parts. Part visibility and tracking in the logistic pipeline ensures efficient movement from manufacturer to end-user. Parts are stocked aboard ships and submarines based upon the contribution to achieving a weapon system readiness goal. To meet the parts demand of afloat units, Navy has robustly funded the wholesale requirement to ensure system responsiveness. Increasingly, we use our commercial partners via performance based agreements to improve the availability of mission essential parts that have historically not satisfied the fleet's demand in a timely fashion. To support sustainment, critical parts that have been used and are in need of repair are flagged for expeditious movement back to depots for rapid return to the fleet. There are isolated cases where support does not meet fleet requirements, but these are exceptional support challenges and not driven by lack of funding or current operations. Overall, from end to end, we have the supply chain about right, particularly for essential items.

General MOSELEY. Processes and procedures are in place to accelerate procurement actions in response to an emergency, including contingencies. Procedures are also in place that allow for expedited delivery, including direct delivery to the user.

The Air Force Procurement and Supply Chain Management transformation initiative incorporates a shift toward management of material based on a commodity-centric approach, links purchasing and supply chain management to the Air Force procurement and logistics strategic goals. The objective is to align policies, processes, people, and technology to facilitate continuous improvement to reduce total ownership costs, manage risks, and improve performance (quality, responsiveness, reliability, and flexibility).

With the increase in operations, a focused cell was established to provide a "one-stop shopping" for shippers of Air Force Cargo. The Continental United States (CONUS) Distribution Management Cell has refined the skills resident within the Shipper Service Control Office and the Air Clearance Authority to provide a service to expedite, locate or divert cargo to meet our customer's needs. The CONUS Distribution Management Cell is composed of a command and control cell at Wright Patterson Air Force Base, and forward located personnel at Norfolk Naval Air Terminal, Dover Air Force Base, and Travis Air Force Base. The CONUS Distribution Management Cell is positioned to directly support Operation Enduring Freedom/Operation Iraqi Freedom (OEF/OIF) activities as well as any other operations needing specialized support in asset visibility and expeditious movement of Air Force cargo.

An OEF/OIF shipment tool was developed in response to a United States Air Forces, United States Central Command request to automate important shipment data and policy directives. The shipment tool summarizes by week, the transit time performance to all OEF/OIF locations for Air Mobility Command and commercial carrier modes. Additionally, delays such as cargo frustration, incorrect routing and customs delays are shown to highlight problems encountered in various shipping modes. Shippers as well as decisionmakers use this data to determine preferred modes and carriers.

Another initiative that has helped optimize mode and carrier selection is our partnerships with the World Wide Express carriers. On a weekly basis, commercial carrier performance from an Air Force perspective is forwarded to the carriers for their comments. Feedback from the carriers usually detail problems they are having, get-well plans and carrier specific routing. If carrier performance trends indicate poor performance then a change in shipping mode or carrier is considered and/or implemented. Monthly conference calls with the carriers and carrier representatives located in the area of responsibility have been effective in relaying Air Force priorities and concerns.

General HULY. The Marine Corps has an end-to-end supply chain secondary reparable management program. As a result, reparables are reordered based on failures and replenishment of those items at predetermined points as a result of the collaborative planning process. Visibility of essential spare parts coming from the continental United States was one of the greatest challenges during OIF. A recent initiative to mitigate those challenges is the implementation of Radio Frequency Identification

(RFID) tags. We are using RFID tags on all sustainment cargo (e.g., boxes, pallets, containers) for OIF–II and will apply tags and interrogate down to the tactical level. We plan to use RFID technology to obtain visibility to the battalion level and to push tagged shipments as far forward as possible. Distribution teams with interrogators are established at key nodes in theater to employ RFID visibility to the tactical level. While we are working the initial RFID implementation now, the end state is full integration into the end-to-end distribution process.

DEPOT-LEVEL REPAIR/MAINTENANCE OF EQUIPMENT USED IN IRAQ

31. Senator ENSIGN. General Casey and General Huly, Army and Marine Corps armored and mechanized vehicles, helicopters, and other equipment have been tried and demonstrated durable and reliable, without question, in the harsh Iraqi environment. As this equipment comes off the line for depot-level repairs and servicing, what is the strategy of the Army and Marine Corps to quickly and effectively make repairs and return the equipment to the warfighters?

General CASEY. The Army has established extensive ground, aviation, and communications and electronics sustainment programs in theater to support the warfight. The three primary locations where maintenance is performed are Tikrit, Anaconda, and Arifjan. The U.S. Army Tank—automotive and Armaments Command, Rock Island, Illinois, has established Forward Repair Activities (FRA) composed of select capabilities from both Anniston and Red River Army Depots (Anaconda and Arifjan) to provide support to combat and tactical equipment. A HMMWV support center was established in Iraq (Anaconda) on October 29, 2003, to provide wheeled vehicle services. The Army is also in the final planning stages for establishing an intermediate level maintenance Heavy Tactical Vehicle Support Center in Iraq. The U.S. Army Communications—Electronics Command, Fort Monmouth, New Jersey, FRA (Tikrit and Arifjan) supports the Mobile Subscriber Equipment, communications security, intelligence electronic warfare, logistics automation programs, and other general communications and electronic items. Technicians from Tobyhanna Army Depot are supporting logistics automation hardware, Common Ground Stations, and the Firefinder radar systems. The U.S. Army Aviation and Missile Command, Redstone Arsenal, Alabama, has an Aviation Classification Repair Activity Depot (AVCRAD) and a Mast Mounted Sight Team (Arifjan) capable of providing theater level intermediate and selected depot support for all Army aviation systems in the area of responsibility. The AVCRAD also supports aircraft phase maintenance and conducts the processing and deprocessing of aircraft at the port. Teams are also on the ground inspecting, assessing, repairing, and servicing equipment; building wheel assemblies; applying add-on armor; inspecting and evaluating battle damage costs; and identifying and inspecting and processing repairables for retrograde to the United States.

To accommodate the reset workload done at the depots in the U.S., the depots have added second and third shifts, additional production lines, increased overtime, hired government employees and increased contractor support, and implemented process improvements.

General HULY. The Marine Corps strategy includes early identification of requirements, use of forward deployed contact teams, and maximum use of remain behind equipment to quickly and effectively repair and return equipment to the warfighter.

Early identification of requirements was accomplished by contact teams sent in theater to conduct assessments of damaged and dead lined principal end items. As a result of early identification of requirements, the Marine Corps made sourcing decisions that expedited the repair process. Blount Island Command dispatched a large contingent of forward deployed contact teams to initiate on site repairs and begin Maritime Preposition Force reconstitution. Marine Corps Logistics Command dispatched contact teams to assess the condition of Remain Behind Equipment (RBE). The contact teams identified the RBE that was operational capable and available for MPF reconstitution, equipment that needed repair and could be repaired on site, and equipment requiring depot level repair.

32. Senator ENSIGN. General Casey and General Huly, to what degree are the maintenance depots being used to effect repairs?

General CASEY. In fiscal year 2004, the Army received $1.2 billion for emergency supplemental reset funding for depot level overhauls and rebuilds in addition to our peacetime budget for depot maintenance. The Army is using reset funding to have its industrial base and industry partners restore key combat systems to the condition our equipment was in when it deployed with our soldiers. To accommodate the reset workload, the depots have added second and third shifts, additional production

lines, increased overtime, hired government employees, expanded contract hours, and implemented process improvements. Even with the increased production, the depots have not yet reached their maximum production potential and retain an ability to increase production further to meet the demands of future rotations.

The U.S. Army Tank—automotive and Armaments Command, Rock Island, Illinois, has established forward repair activities composed of select capabilities from both Anniston and Red River Army Depots (Anaconda and Arifjan) to provide support to combat and tactical equipment. Technicians from Tobyhanna Army Depot are supporting logistics automation hardware, Common Ground Stations, and the Firefinder radar systems.

General HULY. The Marine Corps Depots have a major role in returning the operating forces to full mission capable. Both Depots are multi-commodity centers that can repair most Marine Corps ground combat equipment and are committed 100 percent to reconstitution efforts for Maritime Preposition Program and the MARFORs. Marine Corps Depots accelerated execution is providing timely support to the reconstitution effort.

ARMY AMENDED BUDGET REQUEST

33. Senator ENSIGN. General Casey, the Army recently cancelled the Commanche helicopter program. As a result of the cancellation, the President has submitted a revised budget request for the Army for fiscal year 2005. The request indicates an increase of $57.0 million for the Army operation and maintenance account for the Army's Flying Hour Program. The request also indicates a decrease of $48.2 million from the Army National Guard from the Guard's Flying Hour Program. What are the implications for the aviation training programs of the Army and of the National Guard as a result of these funding realignments?

General CASEY. Active Army Flying Hour Program (FHP): Although the Army requested an increase of $57.8 million for the Operation and Maintenance, Army (OMA) appropriation, only $33.9 million is designated for the FHP. The remainder of the $57.8 million is designated for other aviation requirements (i.e., publications, $6.8 million; logistics programs, $2.9 million; flight training, $10.2 million; doctrine development, $4 million). The FHP increase funds the Army's move to the new modular unit structure by moving aviation units from the Corps into the Divisions, converting the 3rd Infantry Division, 101st Airborne Division (Air Assault), 10th Mountain Division, 4th Infantry Division and the 4th Air Troop/2nd Armor Cavalry Regiment by the end of fiscal year 2005. The Army changed the mix of line pilots and staff pilots in units that increased flight hours in modernized aircraft. This movement to modular units caused the changes to aircraft allocation and crew mix for UH–60, OH–58A1C, OH–58D and AH–64. More AH–64 Apache helicopters and pilots will be retained in the Active Force and all Attack Battalions will be converted to the more expensive AH–64D Longbows by 2005. Also, the Aviation School's Program of Instruction (POI) for Implementing Flight School XXI changed causing a 12 percent increase in flight hours but only a three percent increase in cost by using more hours in less expensive TH–67 and OH–58AC aircraft.

Army National Guard FHP: New force structure changes for the Army National Guard (ARNG) are based on the Aviation Implementation Plan. The $48.2 million reduction in the President's fiscal year 2005 budget submission incorporates force structure changes in the Army National Guard (ARNG) FHP. The changes affect mix of aircraft and pilots for the entire fleet of aircraft. The primary reduction in cost is a result of the elimination of 6 Divisional Cavalry Squadrons (12 Air Troops and 6 Aviation Unit Maintenance Troops) and 1 Attack Battalion as a result of new Army aviation designs. In addition, one of the ARNG Attack Battalions originally scheduled for conversion to the AH–64D Longbow will remain equipped with the older AH–64A.

34. Senator ENSIGN. General Casey, what does this mean in terms of hours flown per air crew per month (the Army/Army National Guard metric for aviation training)?

General CASEY. Active Army Flying Hour Program (FHP): We have not changed our crew operational tempo training strategy in fiscal year 2005—remains at 14.5 hours/crew/month. However, the strategy will increase slightly as more aviation units are transformed into the new modular unit structures (14.6 in fiscal year 2006 and 14.7 in fiscal year 2007 and out). The Aviation Implementation Plan's new modular unit structure changed the mix of line pilots that fly more hours than the battalion's staff pilots in combat units. This change increased flight hours in modernized aircraft. The plan changes the FHP based on aircraft reallocation and crew mix

for OH–58D, UH–60, CH–47D, and AH–64. More AH–64 Apache helicopters and pilots will be retained in the Active Force and all will be converted to the more expensive AH–64D Longbows by 2005. We are retaining more UH–60As that are more expensive to fly than the UH–60Ls. Also, the Aviation School's program of instruction for Implementing Flight School XXI changed causing an increase in flight hours and cost.

Army National Guard (ARNG) FHP: The ARNG aviation training strategy has changed slightly upwards from 9.7 to 9.9 hours/crew/month. The increase is due to the change in the mix of pilots and aircraft in the modified table of equipment combat units. Overall, the ARNG reduced authorized units, pilots and aircraft, which is the reason for the decrease in funding.

BUDGETING FOR TRAINING EVENTS AT MAJOR RANGE AND TEST FACILITY BASES

35. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, one of the challenges identified with the growing use of Major Range Test Facility Bases (MRTFB)-designated activities for training purposes is financial solvency of the MRTFB. It has been suggested that the services include funding for training at MRTFBs in their Program Object Memorandums (POMs). How does your Service budget for training at MRTFBs?

General CASEY. Army MRTFBs do not program for training on their ranges other than for the Integrated Training Area Management (ITAM) program. The Army Test and Evaluation Command (ATEC) programs ITAM requirements for White Sands Missile Range, Yuma Proving Ground, Arizona; Dugway Proving Grounds, Utah; and Aberdeen Proving Ground, Maryland. ITAM supports land management and maintenance at those locations. Requirements are based on both testing and training activities. ATEC does not program for range operations and range modernization in support of training. Units using MRTFB for training are normally required to reimburse the installation for range operations support. Such funds would come from the unit's operational tempo.

Admiral MULLEN. Fleet commands budget for exercise activity on MRTFBs from the Operation and Maintenance, Navy (O&M,N) account. These O&M,N resources pay for training exercise support on MRTFBs and the amount budgeted is developed using historical expenditures.

General MOSELEY. The Air Force programs for training activities on the six Air Force MRTFBs, however not all training activities and units are included in the POM submission.

The POM submission includes training funds only for the MRTFB's host units. For example, Nevada Test and Training Range's (NTTR) host unit is the Air Combat Command (ACC) wing at Nellis Air Force Base, thus these units are budgeted for operations on NTTR, while no other units are included in the POM submission. This rule applies to Utah Test and Training Range (UTTR) as well with the exception that UTTR's POM submission accommodates training for all ACC units. Large-scale exercises on NTTR, i.e., Red Flags, are included in the POM by the major commands in their Combat Air Forces Exercise and Readiness Training Periodic Inspection. Otherwise, no other training on MRTFBs is included in the POM submission.

General HULY. Currently, the Marine Corps does not have any MRTFBs so therefore we don't budget for them. However, we do our testing at Eglin AFB. The Air Force budgets for normal throughput at their activity. When the Marine Corps has additional students to train, we forward a Military Interdepartmental Purchase Request for the additional cost only. Eglin AFB determines cost based on which course it is and services needed.

Fiscal year 2004 global war on terrorism paid for 16 additional students at a cost of $290,000 for the Navy Explosive Ordnance School.

Fiscal year 2005 global war on terrorism paid for 76 additional students at a cost of $479,000 for the Navy Explosive Ordnance School.

36. Senator ENSIGN. General Casey, Admiral Mullen, General Moseley, and General Huly, to what degree is budgeting captured in the current POM development process?

General CASEY. Only Integrated Training Area Management is programmed to support training on the Army Test and Evaluation Command major range test facility bases.

Admiral MULLEN. The Operation and Maintenance, Navy (O&M,N) account budgets projected workload for exercise support on ranges, to include training on the Major Range Test Facility Bases. Fleet commands resource these requirements within their budgets from the O&M,N account.

General MOSELEY. Budgeting for training activities at Major Range and Test Facility Bases (MRTFBs) follows the established Air Force process and is captured in the respective Air Force Major Command (MAJCOM) budgets. The current Air Force Planning Programming Budgeting and Execution process allocates a fair-share portion of overall Total Obligation Authority to each MAJCOM. Each MAJCOM allocates funding for their programs based on required capabilities and current fiscal realities. If a MAJCOM has a funding shortfall or excess, the issue is elevated through the Air Force Corporate Structure process. The Corporate Structure then ranks MAJCOM issues in accordance with Air Force priorities, balancing disconnects and initiatives against offsets. The Air Force Corporate Structure sees programmatic issues for training events at MRTFBs during the POM only if the MAJCOM has a broken program, a new program or is offering up funding from a program. In short, program growth for MRTFBs is reviewed at the MAJCOM and air staff level and competes for funding based on MAJCOM priorities and Air Force priorities. MAJCOM priorities that don't receive funding are consolidated and prioritized in the Air Force unfunded requirements list.

General HULY. The POM development process captures all scheduled training events at major range and test facility bases. Due to deployments and other operational requirements, these schedules are subject to change, and the corresponding adjustment in resources are addressed in the year of execution through the budgeting process.

QUESTION SUBMITTED BY SENATOR JEFF SESSIONS

AIR FORCE C–5 FLEET

37. Senator SESSIONS. General Moseley, I am truly disturbed that your C–5 fleet appears to be standing into trouble. We have a set of programs on the books to upgrade the C–5s, the Avionics Modernization Program (AMP) which is a comprehensive upgrade to the Avionics package, and the Reliability and Re-engining Program (RERP) that fixes the engines. I'm told these upgrades, in addition to improving the safety of flight, will save over $1 million a day in operations costs and may save over $8 billion through the Future Years Defense Program (FYDP). Yet these programs were a bill payer in the Air Force budget this year, and these badly needed upgrades are not even on your unfunded list. I have heard further that your lead contractor, Lockheed Martin, may be having trouble on the AMP software part of this and that the program may slip even further than the year that the AMP program has already slipped. Now with the C–5s in their current condition, it appears they experience a lot of downtime, and many folks were upset that we leased Antonov 124s where a company from the Ukraine flew our heavy lift missions on a Air Force subcontract for close to $50 million during Operation Iraqi Freedom. What is the plan for bringing these AMP and RERP upgrade programs back on track to bolster the readiness of our heavy airlift fleet or is the C–5 a divestment target?

General MOSELEY. With regard to C–5 AMP, last fall Lockheed Martin briefed the program office of a 4-month slip in flight test completion from June 2004 to October 2004. Since that time the Air Force has been notified that flight test completion has been slipped to January 2005. Funds were transferred from RERP to AMP in fiscal year 2005 for Research, Development, Testing and Evaluation (RDT&E) and spare parts. A C–5 must be AMP'd prior to being RERP'd due to avionics required for the new engines. Therefore, our first priority is to ensure that AMP is a success and remains on track. The current Air Force program procures 55 kits by the end of fiscal year 2006. Procurement of additional AMP kits will be addressed by the Air Force during our fiscal year 2006 budget deliberation process.

Budget decisions removed RERP funds to pay for higher Air Force priorities. Initial estimates from the program office indicated a one-year slip in RERP RDT&E and procurement. Since those initial estimates, the program office has restructured the program to bring RDT&E back to the original schedule, however procurement has been slipped 1 year. Three RERP kits were procured in fiscal year 2004 for RDT&E. During the fiscal year 2006 budget deliberation process the Air Force will evaluate several C–5 RERP options that keep this important program on track with Air Force mobility requirements.

QUESTIONS SUBMITTED BY SENATOR SAXBY CHAMBLISS

AERIAL COMMON SENSOR PROGRAM

38. Senator CHAMBLISS. Admiral Mullen, I am pleased that the Army and Navy are teaming on the Aerial Common Sensor (ACS) program and believe that the more our military approaches programs jointly the more efficient we will be and the more value we will get for the taxpayers' money. However, I have some specific concerns about the way the ACS program is being competed. As you may know, the Army program manager for the ACS program made the comment regarding the ACS platform that, "It's like buying a car. I would love to have a Lexus or a Mercedes, but my checkbook doesn't afford that, I get the minimum needs of a car that I have to have." Now when it comes to fighting a war, collecting sensitive intelligence in hostile environments, and ensuring the safety of our men and women in uniform, I think that statement is a just a little bit shortsighted. Can you comment on the Navy's requirements for the ACS program, both regarding the sensors and the platform, and what intelligence collection requirements you would not be able to meet if you procured a platform that meets the minimum threshold versus the more rigorous, objective requirements?

Admiral MULLEN. The proposed ACS will meet the Navy's requirements, exceeding EP–3E capabilities in both mission sensors and aircraft performance while expanding the mission beyond the current Signals Intelligence (SIGINT)—only capability. ACS mission systems represent a significant improvement over the current EP–3E capabilities, performing SIGINT (Communications Intelligence (COMINT), Electronic Intelligence (ELINT), and special signals), Imagery (Electro-Optic, Infrared and Synthetic Aperture Radar) and Measurement and Signature Intelligence (MASINT). Additionally, ACS will exceed EP–3E aircraft performance capabilities in terms of speed, altitude, and on-station coverage while also meeting the EP–3E's maximum range criteria, significantly surpassing the EP–3E's capabilities and meeting Navy intelligence collection requirements even at the threshold requirement.

DEFENSE PLANNING GUIDANCE EMPHASIS ON PERFORMANCE BASED LOGISTICS

39. Senator CHAMBLISS. General Moseley, in your written statement you focus quite a bit on depot maintenance programs and funding. I am pleased that the Air Force has a depot maintenance strategy and is committed to it. I think the other Services would benefit from having a similar strategy for their depot maintenance work. Apparently the most recent Defense Planning Guidance issued in February 2004 requires that all acquisition category 1 and 2 programs be reviewed for the application of performance based logistics. I believe in performance based logistics, but it often implies contractor support rather than in-house depot maintenance, and the idea that we may be moving toward a paradigm where we automatically assume that maintenance of major weapons systems will be performed by contractors concerns me. We have already seen this with the 767 tanker lease contract. What is the intent and logic of this defense planning guidance directed review and does it indicate that DOD is moving toward contracting out the workload for our core logistics capabilities?

General MOSELEY. The Air Force agrees that current operations in Operation Enduring Freedom—Afghanistan and Operation Iraqi Freedom reinforce the value in terms of readiness, logistics footprint and costs, of weapon systems operating under Performance Based Logistics (PBL) arrangements (e.g. F–18E/F, C–17, F–117). PBL is the Air Force preferred product support strategy for sustaining our systems.

PBL does not imply contractor support rather than organic support. PBL places full accountability for product support on the program manager using public, private, or a partnership between public and private sector providers.

PBL will not impact core logistics capabilities, since, by law, core logistics capabilities must be performed in Government-owned and Government-operated (including Government personnel and Government-owned and Government-operated equipment) facilities. We are able to meet core logistics capabilities through partnerships that incorporate the tenets of PBL. A good example is the C–17 PBL partnership between the contractor and our Air Force depots on core workloads. These partnerships will stand up core capabilities at all three Air Force depots. WR–ALC currently performs depot maintenance on C–17 aircraft. The Air Force is establishing additional core capability to perform avionics work at WR–ALC, auxiliary power units at OO–ALC, and pneudraulics and displays at OC–ALC. The Air Force will continue to meet the requirements of the law.

BLOUNT ISLAND/MARINE CORPS LOGISTICS BASE ALBANY

40. Senator CHAMBLISS. General Huly, I was pleased to see you refer to Blount Island so extensively in your written statement. They and the Marine Corps Logistics Base in Albany, Georgia, play an absolutely central role in maintaining equipment and supplying the Marine Corps' fleet of maritime preposition ships. From your comments in your written statement on depot maintenance, it sounds like the Marine Corps has requested less depot maintenance funding than you really need because your depots do not have the capacity to handle the workload the Marine Corps requires. It also sounds like you are not able to make equipment available for depot maintenance at the appropriate intervals simply because you need the equipment in the field so badly. Is it true that the capacity of Marine Corps depots is insufficient to perform your required workload, and what is your long-term plan for modernizing and improving the efficiency of your depots in order to expand capacity so they can meet all of the Marine Corps logistics requirements?

General HULY. The capacity of Marine Corps depots is sufficient to perform the required workload. The depots can be operated at a surge capacity and contracted support can be brought in to manage increased workloads requiring rapid turnaround. The Marine Corps' organic facilities have the capability to increase production to meet surge demands through the use of overtime and working additional hours on the weekends, without being augmented by additional facilities, equipment, or personnel. If necessary, additional temporary personnel can be hired to handle increased demand.

All Marine Corps Depot level requirements are being accomplished through organic and commercial repair sources as required. The long term plan is to transform the depots into a premier source of repair in the Department of Defense, seeking workload outside the Marine Corps to augment funded requirements and sustain critical skill sets. Public-private partnering ventures are being developed to strengthen the Marine Corps' competitive position and leverage expertise from both the public and private sectors. The long term strategy includes modernizing the depots to provide continuing support resulting from new equipment acquisitions. Significant efficiencies continue to be realized within the Marine Corps Depots as a result of process improvements such as Theory of Constraints, Lean Thinking, and International Organization for Standardization (ISO) certification.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

TOMAHAWK MISSILES

41. Senator AKAKA. Admiral Mullen, your testimony cites additional investments in Tomahawk missiles, among other things, as the result of lessons learned in Operations Iraqi Freedom and Enduring Freedom. However, Tomahawks are also on the Navy's unfunded priority list. How much have you invested in Tomahawks, and why have you not funded them more robustly if they are an important warfighting capability?

Admiral MULLEN. The Navy has significantly invested in the Tomahawk weapon system which has repeatedly proven itself a valuable and versatile weapon, investing $402.5 million in research, development, test, and evaluation, Navy (RDT&E-N) funding from fiscal year 1998 through fiscal year 2004 towards the development of the Tactical Tomahawk Missile; $510 million in the weapon (WPN) account in fiscal year 2002 and fiscal year 2003; and the fiscal year 2005 President's budget request contains $2.199 billion in weapons procurement funding for fiscal year 2004–2009. This reflects $65 million additional funding for fiscal year 2005 above the fiscal year 2004 President's budget request profile. Also, the CNO unfunded list contains two unfunded requests: one for additional Special Tooling and Special Test Equipment to increase production capacity, and a second for an additional 163 Tactical Tomahawk missiles. By balancing the proper mix of other weapon systems capabilities in combination with those of Tactical Tomahawk, the fiscal year 2005 President's budget request represents the best balance of resources to requirements across the Department of Defense.

FLYING AND STEAMING HOUR REDUCTIONS

42. Senator AKAKA. Admiral Mullen, your statement acknowledges that the Navy has reduced its goals both for steaming days and for flying hours in this year's budget request. I know that all of the Services are facing severe budgetary pressures, and that you are trying to be as responsible as possible with your funding.

However, I am concerned when these pressures appear to lead to things like lowering required goals and decreasing readiness. I have a couple of questions about this, but I also want to state that this is an area where I am particularly concerned about the relationship between the Navy and the Marine Corps, with respect to funding. What I mean by that is, even if the Navy decides that it can afford to reduce its flying hour requirements, for example, I sincerely hope that these decisions are not forced upon the Marine Corps, which might have a different view. Therefore, I hope that the fiscal year 2006 budget request will reflect whatever the independent judgments are of the Navy and Marine Corps about flying hour needs, in particular. Was the flying hour reduction in this year's Navy budget request driven by financial or operational concerns and what about the reduction in ship steaming days?

Admiral MULLEN. Our fiscal year 2005 budget request is the result of a conscious, detailed, analytically-based effort to balance current readiness needs and future readiness investments. Through an expansion of our training cycle, efficiencies gained from shore-based training, and increased utilization of flight simulators, we were able to reduce flying hours and non-deployed steaming days while still maintaining a readiness posture that supports the Fleet Response Plan. Simulators systems have matured and become more widely available, providing a realistic imposition of important combat and emergency situations that are simply too risky for basic training in a live training environment (e.g., airframe threatening aircraft emergencies, multiple weapon firings, etc.), enhancing the overall regimen of both aviation and shipboard training.

Concerning the Marine Corps Flying Hour Program, the Marine Corps independently constructs its overall requirements in general and its type/model/series training and readiness requirements in particular, reflecting the significant differences in composition and mission requirements of the two air fleets. Similar to the Navy, however, the Marine Corps has also somewhat reduced their overall flying hour requirement—which is fully funded—after a detailed review of their training and readiness requirements and historical execution data.

READINESS

43. Senator AKAKA. Admiral Mullen, what analysis has the Navy done to demonstrate that less ready is still ready enough, or, put differently, why were we previously paying for readiness we didn't need?

Admiral MULLEN. The Navy achieved over the last 4 years—and is now maintaining—its highest, sustained level of readiness force-wide seen in modern times. Indeed, only through your support and very aggressive funding on readiness accounts by the CNO and Navy over the past 4 years was the Navy able to implement such a far-reaching and transformational force employment program like the Fleet Response plan (FRP). FRP is among the most important of Navy's transformation efforts; it strengthens—not lessens—the Navy's readiness and its commitment to routinely provide forces through flexible deployments to combatant commanders and additional combat-ready forces, faster, in times of need.

FRP maintains the Navy's traditional commitment to deploy forces overseas in areas of vital U.S. interest. These capabilities-based forces are ready to respond across the entire spectrum of international engagement, from diplomacy to major crises—anytime, anywhere, in the far corners of the world, without a permission slip. Furthermore, FRP also ensures that forces operating in home waters quickly achieve and then maintain a combat-ready level of readiness, providing more options to the President and additional forces for crisis response or homeland security, as required. When coupled with the Joint Staff deployment policies, naval forces can be more flexibly employed to meet the near term demands of the security strategy.

We also continue to find new ways to enhance our current readiness. We have, in particular, judiciously substituted flying and steaming hours—where practical and where it makes sense—with additional simulator time, decreasing our budget requirements but enhancing our training. Only recently have we reached the point in terms of technological maturity and fielded systems, particularly concerning multi-ship exercises, that we can conduct realistic combat training across multiple platforms in a simulated but realistic combat environment. Aviation simulators continue to improve, enhancing overall pilot training by the imposition of risky aircraft casualties not prudent in live training.

DEPOT MAINTENANCE

44. Senator AKAKA. Admiral Mullen, you state that the efficiencies will be achieved both in depot maintenance and by increasing reliance on simulations. What evidence do you have the maintenance efficiencies will actually be realized?

Admiral MULLEN. Our aviation depots are in the midst of a transformation that will provide increased readiness to meet our national security needs. Our AirSpeed initiative is aggressively applying best business practices proven to work in industry such as Lean, Theory of Constraints, and the principles of Six Sigma. We are confident that we will actually realize efficiencies from these practices because, first, they are being instituted where we have identified strong parallels to the business model from which they were drawn, and, second, we are already seeing positive results. For example, using lean techniques, which focus on improving processes by reducing non-value added steps, we have been able to reduce the cycle time on F/A–18 brake assemblies by 68 percent. We have seen a 30-percent decrease in turn-around time on the fiscal year 2004 aircraft engine using Lean techniques in conjunction with a Performance Based Logistics initiative. Using Theory of Constraints, which focuses on identifying constraints in the process and minimizing their impact on, overall process efficiency, we have been able to improve turn-around time on H–53 standard depot maintenance by 10 percent. Based on the improvements we have seen, the Naval Aviation Depots are expanding the use of these proven process improvement techniques, where appropriate, across a growing number of aircraft, engine and component programs. This will allow us to move toward achieving "Cost-Wise-Readiness" and allow the Navy/Marine Corps aviation team to effectively and efficiently support the fleet.

45. Senator AKAKA. Admiral Mullen, as for simulations, are you buying additional simulators to support your new strategy or just making increased use of ones you already own, and if it is the latter, do you have enough simulators in the right locations to support your new strategy?

Admiral MULLEN. The Navy is procuring some new simulators to support the training strategy included in this budget as well as upgrading some existing ones. The simulators are in the right locations to support our greatest training needs.

FLEET RESPONSE PLAN

46. Senator AKAKA. General Huly, what are the implications of the Fleet Response Plan (FRP) for the Marine Corps, and do you have any particular areas of concern?

General HULY. To meet emerging threats in the global war on terrorism, the Chief of Naval Operations directed the Navy to find ways to provide additional forces in support of national objectives. From this directive have come three concepts: Fleet Response Plan (FRP), Flexible Deployment Concept (FDC), and SeaSwap.

- FRP: By adjusting maintenance cycles, training cycles, and revising ship manning this seeks to provide more units to surge in response to unplanned contingencies and keep individual units surge capable for a longer period of time. This is designed to produce a consistent level of sufficient readiness to enable short notice deployment whereas the previous pattern demanded nearly perfect condition and training prior to deployment and acknowledged substandard conditions following.

  FRP has the potential to increase overall capability.

  USMC Position:

  - FRP has not yet been applied to Amphibious Shipping.
  - The Marine Corps believes forward "Presence is the Purpose." The Marine Expeditionary Unit (Special Operations Capable) [MEU(SOC)] is a highly trained, specialized, and cohesive force, with a very deliberate Predeployment Training Program. This program provides the Combat Commanders with MEU(SOC) that are able to respond to a wide range of missions rapidly (due to forward presence) and ensures a significant degree of parity due to the certification process required for each unit prior to deployment. If FRP does not require reduction in Navy support of MEU forward presence, then improved readiness of non-deployed assets is attractive. Other available Marine Forces could deploy with these surge ready assets should contingencies occur.
  - The MEU(SOC) program provides highly trained units designed for forward deployment based upon the Global Naval Forward Presence Policy schedule. FRP does not necessarily threaten this highly used capability but if the potential gains of FRP require reduced forward presence deploy-

ments, as is the Navy Philosophy in Carrier FRP, then geographic commanders will be denied some portion of the MEU (SOC) forward presence that has proven so useful in recent memory. Further, current USMC efforts to increase SOCOM/USMC cooperation in global war on terrorism depend on forward presence.

• FDC: This concept intends to minimize 'wasted' employment of naval forces and provide improved employment options. It codifies the Navy vision of "Presence with a Purpose," and seeks for sake of economy to retain its ships in homeport or in local operating areas unless needed in direct support of concrete national objectives.

USMC Position:

• When applied to amphibious shipping it is a direct counter to the philosophy of forward presence as deterrence and crisis response, or "Presence is the Purpose."

• "Presence with a Purpose" (per FDC) equates to fewer days forward deployed.

• Combatant commander requirements still call for a 3.0 forward presence or greater (one MEU continuously in each CENTCOM, EUCOM, and PACOM), currently being met by a 2.5 presence. OIF/OEF have further increased the utility of MEUs.

• Crisis Response times are a relevant concern, and surging from homeport in lieu of responding from the immediate vicinity yields far greater operational risk.

• SeaSwap: A concept that maximizes the naval capability deployed forward while minimizing the expenses inherent in forward basing. In this model the ships remain forward deployed while the entire crew complement is exchanged. Crews are rotationally deployed for approximately 6 months, removing the need for PCS orders, support housing ashore, and the administrative structure to support dependents.

USMC Position:

• Positive in this plan is the elimination of transit time to the theater of operations.

• Offsetting that will be the impacts associated with turnover of equipment in theater, and potential impact on overall capabilities as the marines and sailors re-orient and regain full operational readiness.

• As ships, even within the same class, can vary significantly there will certainly be challenges associated with working up in CONUS on one set of ships and then falling in upon another in theater.

Summation: It is the position of the United States Marine Corps that the FRP, FDC, and Sea Swap concepts are viable, relevant, and offer potential efficiencies. However, we must be sure we are not losing critical capability in exchange for as yet unproven benefits. When and how these plans are implemented could impact the United States Marine Corps ability to remain the Nation's multi-purpose "911" force. We must remain cautious as we explore the potential of future concepts and avoid further decrease in relevant forward deployed capability in support of Combatant Commander requirements. Efforts to increase the readiness of non-deployed amphibious shipping are welcomed as well as implementation of proven concepts that meet forward presence requirements more efficiently.

DEPOT MAINTENANCE

47. Senator AKAKA. General Huly, I am concerned about funding for depot maintenance. As I understand it, both the Army and the Marine Corps are facing significant increases in maintenance associated with operations in Iraq and Afghanistan that will not be fully covered by supplemental funds. In addition, the FY05 budget request does not come close to meeting your ongoing requirements to maintain equipment. The Marine Corps only funded 65 percent of its known requirements. Your statement suggests that this is because much of your equipment is being used and is not available to go to the depots. However, the number one unfunded operations and maintenance requirement is for depot maintenance—an additional $43 million. So I am a little confused—is there additional depot maintenance that needs to be done, and that could in fact be done if you received additional funding, or is the equipment not there?

General HULY. The Marine Corps has additional depot maintenance requirements for fiscal year 2005 that have been identified in the Unfunded Programs List. Given the current operational tempo, many Marine Corps assets are currently committed

to support OIF II. This unplanned commitment of assets initially slowed down asset availability for induction into the depot maintenance cycle. However, new plans have been developed and continue to be updated to ensure asset availability. The equipment that would be repaired with an additional $43 million has been validated and will be available for repair.

UNFUNDED PRIORITY LIST

48. Senator AKAKA. General Huly, is $43 million the maximum amount of additional funding that could be executed if we were able to provide it, or are there additional unfunded requirements that did not make the priority list?

General HULY. The Marine Corps Depot Maintenance Program could execute additional fiscal year 2005 funding if provided. The Unfunded Programs List request of $43 million represents the highest priority of remaining requirements. The Marine Corps continues to analyze equipment usage as a result of OIF I and OIF II to determine if additional requirements exist.

FORCE RESETTING

49. Senator AKAKA. General Casey and General Moseley, how much additional funding would you require to fully meet your known "reset" maintenance requirements, as well as to maintain your equipment during normal peacetime operations?

General CASEY. The Army needs $1.2 billion to reset Operation Iraqi Freedom (OIF) 1 and Operation Enduring Freedom (OEF) 4. The total cost requirement to reconstitute OIF–1 and OEF–4 was $3.4 billion, $2.9 billion for organic maintenance at installations and $1.5 billion for depot maintenance. The fiscal year 2004 supplemental funded $2 billion of a $3 billion requirement and $1.2 billion of the $1.4 depot requirement. Additionally, the Army staff is developing cost estimates for repair of OIF–2/0EF–5. However, it is too early to identify those estimates with any fidelity. Without reset dollars, we will be forced to take risk and fund within the base budget.

We do not anticipate a request for additional funds to maintain equipment during normal operating tempo as long as the Army receives the funds requested in fiscal year 2005 President's budget.

General MOSELEY. The Air Force requested $242.8 million on the fiscal year 2005 Unfunded Priority List for depot maintenance. This funding would eliminate 39 aircraft and 60 engine deferrals. It also provides the Air Force opportunities to complete $10 million in Intercontinental Ballistic Missile maintenance in lieu of deferring the workload.

50. Senator AKAKA. General Casey and General Moseley, what do you believe are the immediate and longer-term readiness impacts if these funds do not materialize?

General CASEY. The Army will not be able to provide trained and ready forces to combatant commanders in the numbers or with the capabilities they require. The immediate impact would stall the current momentum we have established for setting the force and produce a cascading effect for purchasing parts, services, and reconditioning of equipment, resulting in a backlog. Initially the impact may be minimized by the diversion of peacetime parts or cash flowing this requirement to address the shortfall, but this would delay rather than fix the problem. The future readiness of the Army is largely dependent upon the timely reconstitution of forces returning from Operation Iraqi Freedom and Operation Enduring Freedom. Any decrement or delay in funding this effort will result in a decrease in readiness and degradation in the units' ability to conduct subsequent operations. The long-term impact would be the Army's ability to provide trained and ready forces to combatant commanders for ongoing missions and other worldwide commitments.

General MOSELEY. If funds do not materialize, 39 aircraft and 60 engine depot inductions will be deferred. This places an additional workload on blue-suit maintainers to perform extension inspections and additional hourly inspections to ensure safety of flight. potential grounding of some aircraft and/or engines could occur through expiration of time or defects detected during extension inspections.

SPARE PARTS

51. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, one of the issues I want to ensure we get an update on is the one that always seems to be identified as a problem after every major operation, and that is spare parts. Can each of you please briefly summarize your Service's experience

with parts supply during Operation Iraqi Freedom, any problems you might continue to have and how they will be resolved, and any concerns you might have about spare parts funding either for the remainder of fiscal year 2004 or in fiscal year 2005?

General CASEY. Inadequate spares in sustainment stocks and Authorized Stockage List (ASL) create a potential readiness issue. Long lead times for delivery of stocks and increased usage of repair parts during contingency operations have adversely impacted Army's ability to replenish ASLs and sustain equipment readiness. Currently, Army has over $7 billion dollars in spare parts due from procurement contracts and repair facilities. Spares needed to support contingency operations are not projected during our peacetime budget operations.

As reflected in the logistics focus area, connect the logistician and integrate the supply chain, there are three fundamental problems with parts support for Operation Iraqi Freedom (OIF): lack of communications connectivity for supply activities, distribution challenges, and the availability of selected items of materiel.

Constant movement over extended distances during the early phases of the operation precluded focused maintenance actions along with the associated parts requisitioning. The communication connectivity challenge has now been overcome by the purchase of commercial satellite equipment for the tactical supply activities in theater. Equipped with these terminals, OIF supply activities are now communicating their requirements daily.

When materiel ordered in the early phase began arriving, movement was constrained by the lack of secure distribution routes and the limited availability of transportation. Constrained distribution capability and the prioritization of supplies moving forward were initially weighted on other than repair parts. Initially, more than 90 percent of available transportation assets were consumed moving water, food, and fuel. Transportation challenges have also been addressed and are showing improvements as more ground and theater air assets are being used to transport parts to maneuver units. Additionally, this is greatly facilitated by the Defense Distribution Center building pure pallets of repair parts for major maneuver elements.

Increasing demands of OIF significantly impacted batteries and tracks. Unanticipated high usage levels resulting from the increased operating tempo and the desert environment caused temporary but critical shortfalls until production and deliveries were able to catch up. Actual OIF demands for repair parts for Abrams, Bradley, Palladin, and HMMWVs, especially suspension parts, exceeded anticipated demand factors by 6–10 times greater than normal peacetime usage.

Admiral MULLEN. To ensure Navy could sustain extended combat operations, we invested resources above peacetime levels in the repairable supply chain well ahead of hostilities. As a result, ships and submarines deployed with the necessary spares onboard to successfully execute their missions and were adequately supplied throughout OIF. Parts availability and the transportation pipeline met Navy's requirement to support the continuous operations of seven carrier and nine expeditionary strike groups. Today, our Navy continues to experience the benefits of a robust supply system and, provided there is no significant increase in OPTEMPO, parts availability is expected to remain acceptable.

General MOSELEY. The Air Force does not have any congressional spare parts funding issues for fiscal year 2004 or fiscal year 2005. Due to robust funding of the flying hour program, backorders have decreased, cannibalization rates are down, and aircraft not mission capable for supply are at the best rate since 1995.

General HULY. Lack of visibility for OEF/OIF I in the supply chain resulted in duplicative ordering of some spares, which produced an impression of high usage early on. We have implemented Radio Frequency Identification (RFID) tag technology, partnered with Defense Logistics Agency (DLA) for pure pallet packaging, and partnered with the Army and Navy for supply chain distribution support. The impact of current operations on spare parts inventories is improving. DLA traditionally was a wholesale distributor. DLA is now extending its supply chain management functions to the Service-managed retail inventory level. In the future, we will increase our partnership efforts with DLA applying a National Inventory Management System (NIMS) concept. NIMS will replace distinct wholesale and retail inventories with a nationally integrated inventory. It will provide the Services with a much clearer view of immediate stock requirements and minimize the Service's financial investment in stocks. Class IX (spare and repair parts) availability for ground equipment was not necessarily the problem; parts were generally available from DLA and industry, BA–5590 batteries were the exception. The problem was two-fold: (1) industry's inability to respond to surge requirements in the time frame required, and (2) funding constraints given the high daily usage and associated cost. Marine Air-Ground Task Force (MAGTF) End-to-End (E2E) Distribution will provide the tactical Marine the methods and tools to seamlessly execute inbound and

outbound movements for all classes of supply while maintaining Total Asset Visibility/In-Transit Visibility throughout the distribution pipeline. Working with our industrial base partners, who will be required to assign RFID tags—both passive and active—will provide visibility of assets on the shelves. As our industrial base partners see the usage increase they can be more proactive in getting supplies back on the shelves. MAGTF E2E distribution will facilitate the flow of material through the logistics chain, both in deployed and garrison operating environments.

With respect to fiscal year 2004 and fiscal year 2005 funding concerns, there were no spare parts funding requests for ground equipment on the Unfunded Programs List for either of those years. However, there was funding for spares imbedded in the overall fiscal year 2003 Supplemental for Reconstitution request. Currently, we are evaluating the total force constitution that will determine the stress on equipment repairs required at the depot level and Blount Island Command to replenish our Maritime Prepositioning Ships. Additionally, we will identify the amount of Class IX spare parts and secondary reparables needed by Marine Forces to conduct in-theater repairs to restore equipment to a full operational condition and extend the service life.

52. Senator AKAKA. Admiral Mullen, I understand that the Navy may have identified a spares shortfall of $500 million over the Future Years Defense Program. Is that the case? What is the Navy's shortfall in spares funding, if any?

Admiral MULLEN. As a result of the PR–05 Integrated Readiness Capability Assessment (IRCA), spares were funded to 100 percent of the post-IRCA requirement. Growth in future requirements has occurred through the expansion of Navy's recapitalization and will be addressed within POM–06. As a follower recapitalization account, the spares tail will be adjusted accordingly to follow these changes in program, and are thus continually changing year to year. This is particularly true as the Navy divests several older weapon platforms with significant spare parts tails. In all cases, however, routine resource sponsor adjustments to the spares account take into full consideration the attendant risks of a navy adjustments in terms of both timing—specifically in cases of divesture—and funding levels, accepting only well-understood conditions. In the final assessment of spares funding, Navy is—under the Fleet Response Plan—ensuring that more operational fleet units maintain a higher level of combat readiness for a longer duration than in the past, deploying units as a matter of routine but also ready to respond with significant forces if necessary.

TRAINING AT EGLIN AFB

53. Senator AKAKA. General Huly, you say in your statement that the Marine Corps is evaluating whether training at Eglin Air Force Base in Florida is cost effective, and that you are examining other options. Eglin was supposed to provide the best solution for training to compensate for the loss of Vieques. What are the specific problems you are experiencing at Eglin, and what changed from the analysis you did prior to commencing exercises at Eglin that would cause you to pursue other options?

General HULY. There are several challenges in conducting large-scale amphibious and ground training aboard the Eglin AFB Major Range and Test Facility Base (MRTFB) range complex as a result of fundamental cultural differences between the testing and training communities. These challenges and limitations include the lack of an integrated and instrumented ground training range infrastructure, test directive process inflexibility, inability to conduct live naval gunfire from ship-to-shore, and the high costs to conduct training at Eglin. The Marine Corps programmed its training costs for Eglin at approximately $450,000 per exercise based on a series of cost estimates from Eglin. Due to Eglin's decision to conduct the first exercise with exclusive use of the ranges by the exercise force, the actual MRTFB costs became significantly higher, nearly $1.25 million. As a result of these limitations and high costs at Eglin, the Marine Corps is continuing to assess the potential and value of expanding the training capability of its installations at Camp Lejeune and Cherry Point, NC. The benefits that these alternate locations would provide are:

(1) Proximity to existing east coast Navy and Marine Corps installations eases operational/deployment tempo considerations;

(2) Usable year-round (no naval restrictions due to hurricane concerns June-October);

(3) Lower costs to transit to/from training areas and train on USN/USMC installations;

(4) Investments in infrastructure benefit not only the Marine Expeditionary Unit but also the entire II Marine Expeditionary Force;
(5) Camp Lejeune supports integrated live fire, to include live naval gunfire from ship-to-shore;
(6) Significantly lower costs to conduct large-scale amphibious training at Camp Lejeune and Cherry Point vice the Eglin MRTFB.

54. Senator AKAKA. General Huly, what other venues do you believe might be available that would provide the necessary training, and when do you expect to make a decision about whether you will move training somewhere else?
General HULY. Both the Navy and the Marine Corps are planning to use Eglin for training in some capacity for the foreseeable future. The Marine Corps is continuing to assess the potential and value of expanding the training capability of its installations at Camp Lejeune and Cherry Point, NC. Improving specific capabilities at these locations will provide a direct benefit to the forces resident at those locations and provide a more robust regional naval expeditionary training capability, particularly when incorporating the capabilities at the other naval facilities in the North Carolina and Virginia Capes geographic area. The Marine Corps will continue to seek new training venues and locations, both within the United States and abroad, that may offer site-specific training opportunities or enhance the operating forces' overall regional training capability.

55. Senator AKAKA. General Huly, can you describe what specific changes to test facility regulations are necessary to improve training at Eglin?
General HULY. The Marine Corps requires a naval expeditionary warfare training venue for use during an advanced phase of the pre-deployment training cycle. This venue must:

(1) provide tactical flexibility to the commander in planning and execution of training events;
(2) exercise decisionmaking skills of units and leaders;
(3) forge Navy and Marine Corps interoperability in a dynamic, realistic training environment;
(4) provide a dynamic, adaptable battle-space operating area vice simply range-space.

The Marine Corps must not compromise training standards due to Major Range and Test Facility Base inflexible test scheduling processes or high costs to train. Should the Marine Corps continue using Eglin for naval expeditionary force training, costs to train must be controlled. Rigid test scheduling process must adapt to accommodate the training requirements of large-scale amphibious and ground training exercises which require expansive battlespace. Department of the Navy/Department of Defense should make significant investments at Eglin to provide substantial infrastructure, ground range, and instrumentation upgrades to make it of equal or better training value than existing North Carolina training areas. These improvements could include development of proximate ground maneuver and dud-producing impact areas, and instrumentation that supports training feedback of live-fire tactical maneuver.

56. Senator AKAKA. Admiral Mullen, the Navy has also begun training at Eglin. Are you experiencing similar challenges, and do you agree with the Navy that changes in the test range regulations are needed to improve the Navy's training?
Admiral MULLEN. Navy has trained on its west coast test ranges for some time, and has experienced the same financial issues as experienced recently at Eglin AFB. While the ability to mission fund some of the assets on test ranges would lower the cost to train, the events conducted on the major range test facility bases are already high quality due to the high fidelity equipment required by the testing mission. Close coordination with the test ranges facilitates effective fleet use for training on a not-to-interfere basis, which should be preserved to provide fleet access to the ranges and efficient use of these range resources while still ensuring the RDT&E community is given priority access to the resources required to adequately field new systems to the fleet.

HAITI

57. Senator AKAKA. General Huly, I know that you have a number of marines who are on the ground doing great work bringing stability to Haiti. How long do you expect this mission to continue, and what is the impact on 2 MEF as it supports these forces?

General HULY. The target date for transition and Transfer of Authority from the current Multi-National Interim Force Haiti (MIFH) to a U.N. led coalition is 1 June. Impact on II MEF will be minimal as long as the transition is accomplished in accordance with the published timelines. 3d Bn, 8th Marines deployed to Haiti as part of the Air Contingency Marine Air-Ground Task Force (MAGTF). They were originally on the OIF II–2 Force List. CMC requested and SECDEF approved the activation of 1st Bn, 23d Marines in order to fill the requirement in support of OIF II–2.

58. Senator AKAKA. General Huly, does the Haiti operation have any impact on the Marine Corps' ability to support operations in Iraq and Afghanistan or elsewhere in the world?

General HULY. The target date for transition and Transfer of Authority from the current MIFH to a U.N. led coalition is 1 June. Impact on ongoing Operations Enduring Freedom and Iraqi Freedom will be minimal as long as the transition is accomplished in accordance with the published timelines.

JOINT NATIONAL TRAINING CAPABILITY

59. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, I know all of you are participating in DOD's effort to establish a Joint National Training Capability (JNTC), and that Joint Forces Command recently directed the first JNTC event. Can each of you please give me your perspective on how JNTC is progressing, as well as a quick assessment of the initial event and are there any improvements or refinements that you think are necessary?

General CASEY. Through efforts to date, the Services, Joint Forces Command, and the Joint and Office of the Secretary of Defense (OSD) staffs have achieved considerable agreement about how to build the best possible JNTC. JNTC is being developed to train both operational and tactical level units and headquarters. For operational level units, it provides a superb training opportunity for commanders and staffs of all potential joint force headquarters; Army headquarters that must be prepared to function as a Joint task force command, or Army headquarters that must be prepared to function as Joint Force Land Component Command. JNTC for tactical level units ensures they have the opportunity to train joint and interoperability tasks within a "true" joint context, that is, as close as possible to how they will perform during actual operations. In addition, JNTC at the tactical level gives the Army a greater opportunity to train "joint" early in a soldier's career.

The initial event was the first of four OSD-directed, Commander U.S. Joint Forces Command sponsored JNTC exercises leading up to JNTC Initial Operating Capability not later than October 1, 2004 with the final operating capability scheduled for fiscal year 2009. The initial event provided joint context for an Army National Training Center rotation, an Air Force Air Warrior rotation, part of a Marine Corps Combined Arms Exercise rotation at Twentynine Palms, and a Navy Surface Launched Missile Exercise run virtually from three ships pier side at San Diego, California. Three major technical tests were conducted at the exercise locations to test the links between the live, virtual, and constructive instrumentation and simulation systems. While operating with service specific command and control systems proved challenging, it did not result in any degradation to the network and the subsequent training event. Integration of multiple Service tactical exercises into a single coherent scenario was also challenging, but through Service collaboration, advances were made towards the end of truly integrated joint training. The progress made in developing a tactical-level JNTC capability, as demonstrated in January's first ever JNTC event will reinforce our efforts in fully integrating joint training capabilities for all tactical level units, without significantly increasing deployment and operating tempo demands on tactical units.

Admiral MULLEN. The JNTC continues to make steady, positive progress. The initial event was the first full tactical exercise of joint close air support conducted within an enhanced joint context and assessed to defined conditions and measures. In a significant improvement over previous events, the execise incorporated the most credible live and simulated opposing force ever constructed for such a large event. While Navy participation was limited due to the nature of the exercise, it included several geographically dispersed elements participating both live and virtually.

In order to maintain the level of operational tempo important to the well-being of our sailors and their families, it is important to build JNTC participation upon existing Service-specific training and within the existing Chairman's Exercise Program. The Navy's Fleet Response Plan requires the capability to train Strike Groups

in geographically distributed Fleet concentration areas. The infrastructure of JNTC should and will support this requirement, and the addition of joint forces to Navy training events will enhance our overall effectiveness. A concerted and collaborative joint effort is essential to create JNTC that supports all of the Services' joint needs. This approach builds individual Service core capabilities while improving the joint context of training.

General MOSELEY. JNTC is just getting started but will greatly enhance joint training at all levels. The addition of virtual and constructive simulations to JNTC exercises provides participants much needed joint context, increases training realism, and enhances home station training quality, while reducing personnel tempo and deployment costs. JNTC range instrumentation upgrades are also having a major impact on the quality of training received by improving threat, scoring, and feedback systems. In a collaborative way, Air Force and other Service's organizations are providing valuable operational, technical, and program expertise to assist the Office of the Secretary of Defense, the Joint Staff, Joint Forces Command, and combatant commanders with JNTC implementation. JNTC is on track to achieve Initial Operating Capability (IOC) in October 2004 as planned.

The January 2004 Western Range Complex JNTC event was the first of four JNTC events in fiscal year 2004 that define JNTC IOC. It created an expanded, dynamic training venue for the Services while reducing the costly requirement to transport exercise participants, their equipment, and maintainers to a distant exercise location. Also, with the integration of sophisticated virtual and computer-generated force elements, the training was more complete and realistic than in previous non-JNTC joint exercises.

Preparing our forces to deal with constantly changing real world asymmetric threats is a huge challenge. In many cases, joint operations have far exceeded our training capability to prepare our forces—individuals, units, and staffs. JNTC has taken on this challenge to blend the training environment and the operational environment to prepare our forces under dynamic, adaptive conditions that ultimately focus on mission rehearsal and true joint performance. The bottom line is that this program must be fully funded to provide JNTC the resources to prepare our warfighters to meet the challenges to fight and defeat the global threats they face.

General HULY. From the Marine Corps perspective, the Joint National Training Capability is progressing as well as can be expected considering current operational commitments and fiscal constraints. With forces deployed in support of Operation Iraqi Freedom and Operation Enduring Freedom, as well as other commitments the Marine Corps has around the world, forces available to conduct these exercises are at a premium. We must ensure the JNTC events schedule reflects well-defined training requirements and are not conducted simply in order to fill the yearly schedule.

The Marine Corps was a full partner in the January 2004 Western Range Complex Horizontal Training Event via the Combined Arms Exercise at the MAGTF Training Command, Twentynine Palms, CA, and learned valuable lessons from the event. The Marine Corps feels that there was valuable training for the service members that were in direct support of the Joint Close Air Support Missions, whether in the air or on the ground. Two areas that require further work are better defining both the training audience and appropriate levels of command, and continuing to refine the Joint Tactical Tasks that the forces are to execute and be assessed.

CORROSION

60. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, one issue I have long been concerned with is corrosion; obviously, military forces in Hawaii constantly experience the effects of hot, wet weather, and their equipment and facilities are subject to severe corrosion problems. This affects their equipment readiness, their manpower and maintenance costs, and their personnel requirements. I am very proud of the actions this committee has taken, along with our House counterparts, to raise the issue of corrosion prevention to a higher level within the Department of Defense, and to require DOD to centralize policy and oversight of the Services' corrosion efforts in the office of the DOD Director of Corrosion Policy. Our intent in creating a central corrosion office was not to increase bureaucracy, but instead to drive common regulations and testing requirements and to break down information barriers between the Services and between the equipment and facilities communities. I am interested, therefore, in your perspectives on DOD's current level of effort on, and attention to, corrosion, the impact that you see of corrosion on your forces and your budgets, and any additional steps that might be taken to reduce the impact of corrosion and other factors that drive high life-cycle

costs, especially on the operations and maintenance side. Could each of you please comment whether your Service has begun to work together with the DOD Director of Corrosion Policy to address this issue fully and, to address corrosion, has your Service begun requiring that corrosion plans be developed for all equipment and facilities, or do you anticipate doing so?

General CASEY. The Army Corrosion Program is managed by the U.S. Army Materiel Command where the Program Officer, Army Corrosion Program sits as an Executive Committee member of the DOD Corrosion Prevention and Control Integrating Product Team lead by the DOD Corrosion Policy and Oversight Office. To date, there have been four Corrosion Forums, in which each Service provided input to DOD on policy, standards, capabilities, and requirements. It is in these joint committee meetings that the Army participates with the other military Services to execute the directives of the Bob Stump Act.

Among the efforts the Army has brought to bear in the fight on corrosion is the work accomplished in Hawaii and Texas. The Hawaii corrosion program is evolving into an Army Corrosion Center of Technology. Army prototyped its first Corrosion Control Center (CCC) for tactical vehicles and associated equipment at Schofield Barracks, established the Pacific Rim Corrosion Center at the University of Hawaii, and will install a newly designed Clearwater Rinse Facility at Wheeler Army Air Field in the coming year that could become the prototype for other Army aviation units. Successes in the Army's Hawaii corrosion prevention and control initiatives led to the installation of a similar CCC at Fort Hood, Texas, and plans for expansion to Fort Polk, Louisiana, with others to follow.

Admiral MULLEN. The Navy is aggressively supporting Mr. Wynne's efforts as the designated DOD Corrosion Executive and has participated in the DOD Corrosion Working IPT to develop plans and strategies to mitigate the effects of corrosion. As part of this working team, we assisted in the development of the DOD policy letter, the formulation of the DOD Strategic Plan submitted to Congress last fall, and the development of the revised DOD 5000.2. The most significant policy achievement to date has been the DOD Corrosion Prevention and Control Guidebook, which has already been passed to our acquisition programs. Since this policy was released, several programs such as the V–22, H–1, and MMA are already developing comprehensive Corrosion Prevention and Control Plans and we anticipate continuing the introduction of these plans for selected equipment. Coupled with appropriate funding profiles and sufficient fiscal empowerment for the program manager, long-term corrosion prevention will have a significant impact on life-cycle costs.

The Navy has also supported the program through information sharing. When Mr. Wynne first announced the formation of a working team, the Navy leveraged existing Aging Aircraft efforts under the Joint Aeronautical Commanders Group (JACG). The Joint Council on Aging Aircraft (JCAA) developed a robust program to facilitate transition of the latest technologies and tools to the fleet, resulting in decreased maintenance man-hours and improved readiness. A joint effort from its inception, the corrosion team has set the example by jointly evaluating and qualifying new products, effectively identifying cross-service/agency transition opportunities, increasing the sharing/acceptance of inter-service test data and results, and reducing the time to implement effective tools to detect, mitigate and remove corrosion. This joint corrosion group is also leveraging existing DOD-wide, Coast Guard and industry science and technology resources that are currently developing improved corrosion detection technology and improved protection systems.

Recent accomplishments in the battle against corrosion are encouraging, and these changes, as well as other technologies and processes, continue to be promising in the fight against corrosion. For instance, sustaining engineering resources enable Reliability Centered Maintenance (RCM) evaluations to effectively tailor and integrate the proposed changes into platform lifecycle support plans; upgraded data systems ensure relevant/timely information down to the component level for informed trades; and available corrosion publications and related training enable timely change implementation.

General MOSELEY. Yes, the Air Force is working closely with the DOD Director of Corrosion Policy and Oversight (DCPO). An Air Force team has participated in the DCPO's working forums since April 2003, led by our Air Force Corrosion Prevention and Control Office, including representatives from the Air Force Research Laboratory, Air Force Coatings Technology Integration Office, Air Force Civil Engineering Support Agency, and Headquarters United States Air Force Maintenance Management Division. This team helped develop the new DOD corrosion policy; led the compilation and reporting of the DOD cost of corrosion maintenance; led the writing of the DOD Corrosion Prevention and Control Planning Guidebook; and is leading the Air Force's current effort to propose high-value corrosion projects for fiscal year 2005 DOD funding.

We are implementing the new DOD policy (OSD–AT&L memo November 2003), which requires corrosion planning by all acquisition programs (for both equipment and facilities). The new policy has been communicated to the Assistant Secretary of the Air Force, Secretary of the Air Force for Acquisitions, Headquarters United States Air Force, Air Force Program Executive Officers (PEO), and system program managers. The DOD Corrosion Prevention and Control Planning Guidebook has been provided to PEOs and program managers to assist them in their planning. Air Force Instructions are already in place that require corrosion programs, covering the entire life cycle, including design, procurement, operation, and sustainment.

General HULY. The Marine Corps is actively engaged in supporting the efforts of the DOD Director of Corrosion Policy and Oversight through active participation in DOD Corrosion Forums and Working Integrated Product Teams (WIPTs) that seek opportunities to reduce corrosion, increase readiness, improve morale, and reduce costs associated with corrosion control.

In support of the long term strategy of the DOD Corrosion Office, the Marine Corps chairs the sub-committee on communication and outreach, whose goal is the initiation of the DOD Corrosion Exchange Web site for the collection and dissemination of corrosion data and information.

The Marine Corps Corrosion Prevention and Control (CPAC) Program Management Office, along with organizations at HQMC, are developing several low risk Corrosion Control Projects using proven technologies. These projects will focus on support for Marine Corps Ground Combat and Support Equipment located throughout the world by detecting and treating corrosion earlier and more precisely.

We are evaluating corrosion upgrades in the following areas:

Corrosion Service Teams. Focused on providing operator level support in the battle against corrosion.

Long Term Storage. Indoor storage located near the warfighter used to store assets both long-term and in a ready-to-roll mode.

On the Lot Storage. Takes advantage of current technology and outdoor storage methods, where applicable and cost effective.

Wash Rack Upgrades. Upgrades to the old pre-established wash racks used throughout the Marine Corps through a modernization program.

Additional funding will be requested in order to support the project plans upon approval by DOD Corrosion Office.

The Marine Corps program has been working closely with the DOD Corrosion Exchange Web site by disseminating posted information to the operating forces using links from the Marine Corps CPAC Web site. The information is constantly changing, but the site remains a user-friendly location for the dissemination of information as intended.

The Marine Corps CPAC Program Management Office has helped to develop the DOD Corrosion Control and Prevention Planning Guidebook. The objective is to provide acquisition program managers with a tool that provides guidance in developing and implementing a Corrosion Prevention and Control Plan for all weapons systems.

HQMC and the Marine Corps CPAC Program focus on extending the useful life of all Marine Corps tactical ground and ground support equipment by reducing maintenance requirements and associated costs due to corrosion damage. Additional funding for these efforts is desired to ensure continued operation of Corrosion Service Teams, Equipment Storage Programs, and Wash Rack up-grades. For corrosion fighting efforts to be effective, continued support throughout DOD would be required.

REDUCTION OF STEAMING DAYS FOR MINE HUNTERS

61. Senator AKAKA. Admiral Mullen, I understand that while your budget request funds an average of 51 steaming days for all ship classes, some particular ship classes such as mine hunters had their steaming days reduced rather dramatically, and that the Navy intends to make up any resulting training shortfalls primarily through simulation. How did the Navy determine which ship classes would have their more realistic training reduced?

Admiral MULLEN. Our budget funds an average of 51 deployed steaming days and 24 non-deployed steaming days per quarter for all active ships (less carriers and the submarine force), to include mine warfare ships. Further, all Reserve ships are budgeted for 51 deployed steaming days and 18 non-deployed steaming days per quarter. In the fiscal year 2004 budget submission, non-deployed steaming days for Reserve mine warfare ships was budgeted at 28 steaming days per quarter, while all other Reserve ships were budgeted at 18 steaming days per quarter. Our current fiscal year 2005 budget reflects the adjustment to budget Reserve mine hunter

steaming days consistent with that of other Reserve ships and to reflect actual steaming days being executed by the Reserve mine warfare ships.

62. Senator AKAKA. Admiral Mullen, how does simulation support for mine hunters compare to simulations for other ship classes, in terms of the number of simulators fielded and the quality of the resulting training?

Admiral MULLEN. Simulation support for minehunters is provided through the Mine Warfare Training Center, located in Ingleside, TX. The simulation support for minehunting platforms compares equitably to other ship classes, respective to the mission requirements and size of the ship class, and provides high quality training ashore that enhances live training at sea.

STRAIN ON COMMAND AND CONTROL UNITS

63. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, given the number of operating locations and current commitments, I would expect that the strain on command and control assets is very large. I know, too, that despite unprecedented levels of cooperation and integration in Operation Iraqi Freedom, our forces continue to have problems with interoperability, communication on the move, and bandwidth constraints. Please characterize the current level of stress your service is experiencing for command and control units and equipment, and describe what changes you think are necessary, to include any requirements for additional funding, to help improve the command and control situation.

General CASEY. We thank the committee for its concern on the effects of the worldwide deployments of Army command and control (C2) units in support of our efforts in Southwest Asia and elsewhere supporting operations in the global war on terrorism. We find those effects most apparent in establishing a rotation of C2 units into Iraq and Afghanistan while complying with deployment and dwell time guidelines. This was made more challenging by the unprecedented numbers of C2 units used in the successful preparation and prosecution of Operation Enduring Freedom and Operation Iraqi Freedom. Because of the unconventional nature of the operations and the distances involved, more units were used than pre-OIF doctrine foresaw. This was especially true of echelons above corps and corps level area signal battalion units in the preparation for offensive operations and the current support and sustainment operations.

The primary effect of this has been a more intensive management of both Reserve and active component units to ensure that dwell time on home station before redeployment does not break the 12-month guideline established by the Army leadership.

Fortunately, two ongoing programs, 3rd Army's theater C4 commercialization and the Modularity efforts initiated by the Chief of Staff, will support major improvements in bandwidth and joint interoperability at all levels. The C4 commercialization program will start to provide major reductions in echelons above corps and corps level C2 units required in theater beyond OIF 3.

Theater C4 commercialization has already started fielding commercial communications equipment and contracted personnel replacing an abundance of military provided C4 capabilities and C2 units. This effort results in a robust and interoperable theater backbone communications system with a greater capacity in both data and voice communications and interconnects the division, corps, joint task force and combatant command elements to ensure radically improved command and control communications to OEF/OIF.

The conversion of the 3rd Infantry Division into four modular units of action (UA) and a unit of employment (UE) will provide a tremendous C4 improvement. This conversion into the more modular UA/UE structure is accompanied by the fielding of major improvements of battle command equipment and higher bandwidth beyond line of sight satellite communications down to the battalion level. This provides the improvements in command and control and intelligence, surveillance, and reconnaissance services documented as shortfalls in OIF lessons learned.

These improvements in conjunction with continued intensive management by the joint and Army staffs will provide the necessary means to relieve the stress the current worldwide operating tempo has induced in Army C2 units. Adequate support and funding of both programs are crucial to maintaining the momentum established in transforming our Army to cope with the new demands of global war on terrorism.

Admiral MULLEN. Stress on some of our C2 systems, for example tactical data links, is evident. We are addressing these challenges by moving to more and more capable systems. We are phasing out capacity-limited systems such as Link 11 (TADIL–A) and moving to the much more robust Link 16 (TADIL–J). We found in

recent operations, such as Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF), that the size of area involved in the conflict and the dispersion of forces has created challenges in delivering the operational data to all the locations that need the information. These shortfalls have been identified by the Combatant Commanders and returning forces and we are moving rapidly to correct the deficiencies. One interim solution that produces significant capability is the NAVEUR Theater Maritime Fusion Center to provide 24/7 fusion of all Tactical Data Link and Common Operational Picture (COP) information. This Fusion Center bridges several seams: between Carrier Strike Groups (CSGs) and other forces, between fleet and shore, and between the Tactical Data Links and the COP systems.

During OIF, available SATCOM bandwidth in all bands was insufficient to meet demand in the forward theaters of EUCOM, CENTCOM and PACOM. This strain affected data communications; Tomahawk Land-Attack Missile (TLAM) operations; intelligence and strike planning; and voice communications in all areas, as affected bands included SHF (Defense Satellite Communications System (DSCS) and commercial); Extremely High Frequency (EHF) (both Low Data Rate and Medium Data Rate) Ultra-High Frequency (UHF); and commercial narrowband (INMARSAT). Close cooperation among the forward theaters resulted in a worldwide reallocation among all bands sufficient to meet the minimum requirements. This shortfall is being addressed by greater capacity systems such as the Wideband Gapfiller Satellite (WGS), the Multi-User Objective System (MUOS) and the planned Transformational Communications Architecture (TCA) SATCOM Roadmap. Navy must continue to field upgrades afloat to take advantage of this, especially for smaller vessels that provide Sea Strike capabilities in CSG/Expeditionary Strike Groups (ESGs). Ashore, we will take advantage of the Defense Information Systems Agency (DISA) Global Information Grid (GIG) to provide better bandwidth using improved fiber optic paths, as well as taking advantage of economies of scale.

As we move to a more joint, networked force the requirement to execute timely command and control of forces continues to increase. Additionally, in our continuing efforts to avoid blue-on-blue engagements of not only our own forces, but those of our Allied and Coalition partners, the ability to maintain continuous situational awareness has become more and more challenging. The requirement remains for a coherent global coalition C4 architecture with ease of information transfer and capability to establish new networks seamlessly as operations dictate. There needs to be a streamlined strategy for releasing information to allies and coalition partners as well as resources devoted to technically achieving this result.

Warfighters use a variety of systems to develop and maintain situational awareness, but there is no single integrated common operational picture. This requires operators to be adept on multiple systems and results in operator information overload as they work to mentally integrate the various pictures while executing multiple functions. Many of our curret systems were not designed to handle the amount of data that is currently required to achieve true network centric operations. Although we have made progress in increasing data throughput on the larger ships typically used by at-sea commanders (CVNs, LHAs, LHDs, and LCCs), smaller escorting and supporting ships continue to have very limited capability. Available funding and the budget process limit the speed at which we are able to provide new technology to improve this capability.

Current overall funding in the President's budget is adequate to meet current program goals. There are, of course, areas where additional funds would accelerate completion or enhancement of C2 system capabilities. For instance, there are currently shortfalls in shore pier and training infrastructure that prevent full utilization of synthetic training capabilities. Completion and modernization of this infrastructure is necessary to allow the most efficient utilization of C2 bandwidth and to train effectively while maximizing available resources as was recently demonstrated by the Multi-Battle Group Inport Exercise (MBGIE) that linked together three CSGs from both coasts. The Navy is also migrating from its service-unique global communications architecture to fully use the GIG and DOD teleports. This effort, both complex and expensive, is essential to ensuring efficient, high capacity joint interoperability. Simultaneously, as the transformation to Internet Protocol (IP) routed networks occurs, the Navy needs the tools to monitor and operate its networks to ensure efficient, reliable command and control at sea.

General MOSELEY. Our Theater Air Control System (TACS) elements, the Air Operations Center (AOC), Airborne Warning And Control System (AWACS), Joint Surveillance Target Attack Radar System (JSTARS), Control and Reporting Centers (CRC), Air Support Operations Centers (ASOC) and Tactical Air Control Parties (TACP) remain engaged in operations abroad and at home, The AOC, CRC, ASOC/TACP, and JSTARS are key Command and Control (C2) Battle management nodes in Operation Iraqi Freedom and Operation Enduring Freedom, AWACS, CRCs, and

our Air Defense Sectors are engaged in homeland defense missions such as ONE, AWACS, and JSTARS simultaneously support operations while in Global Military Force Policy Reconstitution. Reconstitution will help build a sustainable AWACS and JSTARS force. The approach to AOC as a Weapon System will equally enhance stability for operational level C2 warfighters. Efforts to standardize Joint Terminal Attack Controller equipment, training, tactics, and procedures will benefit Close Air Support C2, The recent force structure improvements to the CRC, including the addition of a third crew per weapon system will stabilize this ground based radar system. The stressors are unique to each C2 weapon system and there is no single solution; however, manpower is a common thread that needs to be addressed. Some positions need to be validated, funded, and filled, while others simply need time to reconstitute. Focusing on C2 system manpower will allow us to sustain today's operations as well as prepare for the next fight.

Interoperability and integration, communication on the move, and bandwidth are certainly key elements of successful employment of our TACS in planning and executing operations. Voice and digital connectivity are required to vertically and horizontally integrate with each other, attack and support assets, as well as with our sister Services. Our forces continue to overcome challenges with communications and interoperability, and bandwidth constraints by participating in Joint, Service, and coalition programs such as the Family of Interoperable Operational Pictures. C2-enabling capability initiatives are underway which employ joint-level standards, including Configuration Management and implementation coordinating committees as well as the endeavor to fully implement Link-16. In addition we are working closely with the Army on the development and fielding of the Joint Tactical Radio System and the Joint Blue Force Situational Awareness (JBFSA), an initiative to standardize flow of blue force data amongst Service C2 systems to assist in the prevention of fratricide. The Joint Forces Command sponsored Joint Battle Management C2 Roadmap is designed to harmonize requirements and acquisition activities among the Services and will help create an integrated, interoperable, sustainable C2 weapons system supportable at all levels of planning and execution. Funding initiatives such as these will improve machine-to-machine interfaces required for timely and accurate prosecution of operations.

General HULY. The Marine Corps continues to maintain a high state of readiness for communications assets currently employed supporting Operations Iraqi Freedom (OIF) and Enduring Freedom (OEF). This high level of readiness is attributed to disciplined and aggressive maintenance procedures as well as timely rotation of principle end items. The current operational environment continues to redefine the way we have traditionally employed communications across the battlefield. Today there is a much larger requirement to push data, and video capability down to lower tactical echelons of the Marine Air Ground Task Force.

The challenge we have today is to continue to support the increasing communication requirements with the current table of equipment. Operational requirements dictate that additional bandwidth be available at the lowest tactical levels to support enhanced ability to share situational awareness. Old tables of equipment do not support a 'digital battlefield.' Increased bandwidth communications requirements at lower echelons coupled with the requirement to sustain a dispersed force across a large area of responsibility and the need to track all entities (to include combat service support elements) across the battlefield has stretched our current inventory of equipment. Additionally, requirements to provide communications assets to Military and Police Assistance Teams to train Iraqi Forces has exacerbated this challenge. Current operational tasking outpaces our table of equipment for many high demand command and control items. This creates challenges to support home-station pre-deployment training as well as other contingencies.

Efforts are underway to converge Army and Marine Corps friendly force tracking capabilities that will provide over-the-horizon/on-the-move capability while improving information exchange between the Services and coalition forces at the lowest level. We have approved and are executing a plan to develop a single capability among the services that includes both hardware and software solutions. Based on efforts to date, significant enhancements have already been realized; but much remains to be done in this area to extend this capability to joint and coalition partners. The goal for completion of this effort is fiscal year 2007. We have also made significant strides in increasing the density of Blue Force Situational Awareness devices on the battlefield. Recent analysis indicated that our initial acquisition objective of 4,500 devices was insufficient. We have determined that we need to procure 14,500 devices that will allow us to field such a capability to every command and control platform in the Marine Corps and up to 40 percent of all other vehicle assets. Finally, our Communication-On-The-Move-Network-Digital-Over-The-Horizon-

Relay initiative will provide the radio transmission capability required to bridge between echelons beyond line of site.

We are addressing many of these increased command and control requirements by 'cross-leveling' equipment between forces returning from OIF and forces preparing to deploy to OIF. This practice ensures that forces deploying can meet the command and control requirements in theater but creates shortfalls at home station for training.

To satisfy demands for bandwidth we contract for commercial services. We are concerned with the increasing costs associated with sustaining the commercial communication equipment and services to support OIF and OEF. To date, the sustainment of these commercial initiatives have almost exclusively been funded via annual supplemental appropriations.

The fiscal year 2005 supplemental and cross leveling efforts will help alleviate some of the stress on our command and control assets in the near term. We are examining additional ways to alleviate some of the strain on command and control assets while ensuring sufficient assets to train with at home station.

UNIT MANNING POLICY

64. Senator AKAKA. General Casey, I want to applaud the Army for the depth and magnitude of the changes you are making to try to change your force to be better suited to current needs. One of the Chief of Staff's key initiatives in that regard is unit manning, or the plan to stabilize personnel in a given unit for an entire 3 year assignment. As I understand it, one of the primary rationales for unit manning is that it will improve cohesion, which in turn will presumably improve performance. I have a couple of questions about the logic behind this plan. Can you explain to me exactly what the problem is that unit manning is trying to solve and how you know that you have it? If it is a lack of cohesion, and therefore performance, are there instances you can point to where additional cohesion would have helped?

General CASEY. Senator, unit focused stabilization (formerly referred to as unit manning), is directed at making more capable and combat-ready forces that are agile and deployable in support of an expeditionary Army at war. In light of this guidance, unit focused stabilization, and more specifically lifecycle manning, is designed to focus all personnel turbulence of a brigade-sized unit to a focused two-month window, called the reset phase. The unit then trains to build from individual through full collective capability in a training phase. Finally, the unit is validated or certified at its collective capability and enters the ready phase (approximately 30 months in length). While in this phase, the unit continues to build capabilities through accretive training events. Unlike units manned under the individual replacement system of today, the unit is more agile and maintains continuity of personnel through deployments. Because the entire team has remained together through the entire training phase, each soldier knows his or her part in the mission. The unit can deploy and immediately enter the fight if necessary. The unit of today cannot make that claim. In any given year, approximately 30 percent of the unit "turns over" through normal assignments and separations. A 2000 Rand study reviewed three units, that when notified for deployment, had to exchange up to 40 percent of their assigned unit personnel as these soldiers did not meet peacetime deployability criteria. Each of these units then had to integrate and train these new soldiers to form a unit prior to deployment. Similarly, when the 3rd Infantry Division (3ID) deployed for Iraq, the Army had to first institute Stop Loss/Stop Move in order to keep the majority of the soldiers with their units, but still approximately 30 percent of the soldiers had less than 1 year with their unit and had not been fully trained as a member of the unit. Fortunately, units of 3ID had a number of months to train at team, squad, platoon, and company level in the desert while awaiting initiation of combat. Unit Focused Stability—lifecycle manning reduces or eliminates the need for Stop Loss/Stop Move as the unit and all assigned soldiers are on a common timeline synchronized to the operational cycle of the unit. The team that trains together, deploys together and fights together eliminating going to war with a "pick-up team" and the need/requirement to spend months training while in a forward location awaiting the order to fight. Cohesion is many things to many people, and a number of studies have shown a positive correlation between certain types of cohesion and performance. Cohesion, while important, is not the final goal—agile, combat-ready formations that maintain their continuity during deployments are.

65. Senator AKAKA. General Casey, can you explain why some units like the 82nd Airborne or the 101st Screaming Eagles are able to achieve greater cohesion under

an individual replacement system, and why you can't use the same methodology to increase cohesion in other units without going through the turmoil of implementing a unit manning system?

General CASEY. The units mentioned certainly have very high esprit-de-corps, but cohesion as a term is too ambiguous in this context. Units can be filled with highly motivated, vocal, aggressive individuals who enjoy being together both militarily and socially yet not have trained to the requisite collective capability to accomplish their mission and return. These same units realize approximately 30 percent personnel turbulence annually driven by a combination of factors including enlistment contracts, reenlistment rates, global presence and overseas tour lengths, and promotion timing. In order for a unit to support an expeditionary Army at war, the unit must be fully trained at its wartime mission. Soldiers trained to a "razor's edge" have the best chance of completing their mission with the fewest casualties. When soldiers are continuously entering and leaving the unit, building and sustaining the highest levels of collective capability is difficult or impossible. The unit must continually start each major training cycle with the basics to fully integrate the newest members, whether new to the unit or new to their position within the unit.

Task cohesion, specifically the alignment of all members of the team towards attainment of a collective goal, is the most important form of cohesion for a military unit. Numerous studies have indicated a positive correlation between task cohesion and performance. In addition, many studies have shown that successful performance increases cohesion, which can lead to a positive feedback loop in which increased cohesion improves performance, which increases cohesion, etc. It is next to impossible to reap the benefits from this feedback loop when 30 percent of the unit is continually new and did not attend the last successful training events or missions. Shared experiences, trials, and tribulations, which were overcome as a team lead to effective units and also build cohesive units.

DEFENSE READINESS REPORTING SYSTEM

66. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, the Office of the Secretary of Defense (OSD) has highlighted the importance of the Defense Readiness Reporting System (DRRS) as a vast improvement over the way current readiness reporting is conducted. I wanted to get each of your views on how this program is moving ahead and the benefits it offers, but I also wanted to get a commitment from each of you that you will ensure your Service is doing all that it can to share access to data and information to ensure that DRRS will be a success. What do each of you see as the primary benefits of DRRS and will you make sure your Service is doing all that it can to support it?

General CASEY. The primary benefit of DRRS, as it is currently envisioned, will be rapid integration of readiness data into war gaming and scenario analysis. The Army is the lead Service in support of the OSD effort to develop the DRRS and will continue to provide access to required information. We are beginning with personnel information and expect a demonstration of DRRS initial operational capability by September 2004. OSD expects to achieve full operational capability in fiscal year 2007, and the Army will continue to support that goal.

Admiral MULLEN. Navy is working closely with OSD personnel and readiness (P&R) and has already created a working prototype called DRRS–N, building on the new Navy Training Information Management System (NTIMS) which translates fleet training data into mission-oriented capabilities. DRRS–N is a capability based readiness system that captures and aggregates all Navy readiness data for direct use by Navy leaders and DRRS. Navy is openly sharing the data and information necessary to support the overall OSD (P&R) DRR effort. The greatest benefit of DRRS–N is its ability to provide usable readiness information in near-real time vice the time-late, platform-centric data that is currently collected. As a result, DRRS–N and DRRS will improve the quality and more accurately reflect the true current readiness of naval forces worldwide for the benefit of all levels of leadership, from unit commanders through senior staff members.

General MOSELEY. The Headquarters, United States Air Force staff is working closely with OSD to ensure DRRS is a success for both the DOD. and the Air Force. DRRS initiates a significant change in readiness reporting which shifts the emphasis away from simply counting resources. With DRRS, we'll evaluate our units' ability to execute their warfighting tasks and also assess the capabilities needed to provide the desired effect in the battlespace. DRRS' primary benefit is in answering the question, "ready for what?" With any new system of this magnitude, we can anticipate some bumps in the road, but we've already taken several steps to support the DRRS construct. We formed a team to review and update the mission essential

tasks we perform in support of the National Military Strategy. We also have another team focusing on the inter-related databases and systems architectures required for future readiness reporting and force management. Recently, we issued an Information/Data Management Strategy that sets the path to achieve the objectives of the Department of Defense, Netcentric Data Strategy. One of the tenets of the strategy is to enable the sharing/reuse of data to support improved readiness reporting. We are currently in discussion with OSD to facilitate access to our personnel system, the Military Personnel Data System (MILPDS), and will later move to logistics and other data. We look forward to continuing support to DRRS to dramatically improve readiness reporting.

General HULY. DRRS will enable every unit commander to report his unit training objectives in a very candid and open manner. His objectives can then be reviewed by all authorized users of the system. Deficiencies can be expressed in terms of personnel, equipment, or time required to train, which should refine our resource allocation processes. The prime benefit of the DRRS system will be the recognition of our perpetual commitment to warfighting excellence as exhibited by our comprehensive training programs coupled with the presentation of our fiscal requirements to sustain them. The Marine Corps is committed to working with the Joint Staff and OSD to harness the technology required to implement this decision support tool as an initial first step toward a truly net-centric world.

FUNDING OF ONGOING OPERATIONS

67. Senator AKAKA. General Casey, the committee has heard a lot of testimony in the last month on the amount of funding the Services have to continue funding ongoing operations for the rest of the fiscal year. I want to ask you a couple of questions about this. For fiscal year 2004, Secretary Brownlee testified last week that he had a commitment from OSD that they will provide additional funds to the Army to get them through the remainder of this fiscal year. Are you aware of this commitment? If so, how much money do you expect that the Army will need, and what is your understanding of where the funds will come from?

General CASEY. The OSD is committed to supporting the combatant commander. As the Army is shouldering most of the burden for fighting the war on terror, I would expect that OSD will provide some additional funding, but I don't how much they have the ability to provide.

Over the next 6 or 8 weeks, we will conduct mid-year reviews with all of our commands to determine the size of any shortfalls we have. We will prioritize the shortfalls and do some reallocation among commands to fund everything we can. After we get this consolidated picture, we will meet with OSD to conduct a similar review at the Service level. As far as the source of funding, assuming that there is no additional funding coming into the Department of Defense (DOD), OSD would have to use some of Secretary's reprogramming authority and reallocate funding within DOD.

OPERATIONS AND MAINTENANCE FUNDING

68. Senator AKAKA. General Casey, for next fiscal year, by my calculations, if the Army's current budget request is approved unchanged, you will have $26 billion in operation and maintenance (O&M) funding. If spending continues at about the current rate, the Army should have completely exhausted its O&M dollars within 6 months, or by the end of March a year from now. In your judgment, how long can the Army wait for a supplemental before you start either increasing the size of the eventual bill and/or cutting into other programs in a harmful way?

General CASEY. If our fiscal year 2005 bum rate were similar to fiscal year 2004, we would exhaust our O&M base budget in March 2005. I do not know the extent to which a late supplemental will increase the eventual bill, but it would have some effect on readiness and other programs. From the beginning of the year, we will be forced to borrow from base programs to fund global war on terrorism. If the Secretary of Defense has sufficient temporary authorities to support the temporary redistribution of funds across the Department of Defense, we may be able to support the global war on terrorism without irreparably harming our base programs and with repayment on receipt of a supplemental.

69. Senator AKAKA. General Huly, the Marine Corps' O&M budget is only $3.6 billion. If costs in Iraq remain high, this does not give you much flexibility to "cash flow" to support your deployed forces. How long do you expect your fiscal year 2005

budget, if approved at the requested level, could support Marine Corps operations at current spending rates?

General HULY. Based on the $25 billion supplemental, funds should be more than adequate for the first 5 months of fiscal year 2005. We will submit a supplemental request in February 2005 to cover the remainder of the fiscal year. We do not anticipate any problems supporting our deployed troops.

NATIONAL GUARD TRAINING

70. Senator AKAKA. General Casey, we share what I am sure is great pride in our National Guard and the great things they are doing for our country. I have some concern, however, about how they are trained for deployments. I know that some of the brigades that were recently deployed to Iraq were trained by active component division headquarters and their subordinate training support brigades. However, some of the Guard units have expressed concern that they have not had sufficient ownership of their training, which seems odd given that many of them have equal or greater amounts of experience than their active duty counterparts. Is the Army aware of this problem, and are you taking steps to ensure that the enhanced brigades that have recently been activated will have responsibility for their training that is commensurate with their experience?

General CASEY. The training division of the Army Directorate of the National Guard Bureau addressed a similar question in January 2004 in an information paper. The enclosed paper states that U.S. Army Forces Command (FORSCOM) Regulation 500–3–1, paragraph 3.1.6 states the continental United States Army (CONUSA) exercises operational command over active component installations for mobilization, deployment training, and execution. The CONUSA commander has command from the date of mobilization until arrival at the power projection platform/power support platform (PPP/PSP). While the regulation states the CONUSA has operational command, it is Army policy and is clearly stated in Field Manual (FM) 7–1. The unit commander is responsible for the wartime readiness of all elements in the formation. The commander is, therefore, the primary trainer of the organization. . ." The problem of training ownership and training validation continues to vex leaders. With cooperation and understanding, Reserve and active component commanders can solve their training ownership problems.

INFORMATION PAPER

NGB-ART-C
5 April 2004

SUBJECT: Active Component Evaluation of ARNG Units Upon Mobilization

1. Purpose. To provide information about Active Component command evaluation of ARNG units upon mobilization and its use of Training Support Brigades (TSB) in that process.

2. Facts.

a. Forces Command (FORSCOM) Regulation (FORMDEPS) 500-3-1, para 3.1.6 states the Continental US Army (CONUSA) exercises operational command over active component installations for mobilization, deployment training and execution. The CONUSA commander has command from the date of mobilization until arrival at the Power Projection Platform/Power Support Platform (PPP/PSP). Command may be exercised through the State Joint Forces Headquarters if the State Joint Forces Command has been mobilized or federalized. FORMDEPS further states that the PPP/PSP will, receive, house, support, redistribute resources, train and validate units for deployment.

b. The PPP/PSP installation commander, which can be an Installation Management Agency (IMA) Colonel, assumes command of ARNG units upon mobilization while ARNG United States Army Reserve General Officer Commands (GOCOMs) are validated by the CONUSA commander.

c. Validation is a command function. Validation is a process requiring the assessment of many areas to include training. Validation ensures a unit not meeting the minimum deployability criteria isn't deployed without the approval of the supported Combatant Commander.

d. Validation of training status and mission capability is based upon recent unit status reports, annual training performance, and evaluation by the TSB, Readiness Group and other qualified personnel. The above information means that once mobilized, ARNG units come under the command of an appropriate active component officer/commander. The responsible officer/commander uses the TSB and its subordinate battalions (TSBns) to ensure training readiness is monitored, measured, and a minimum required capability is achieved.

e. The above facts do not minimize the responsibility or authority of unit commanders. In accordance with FM 7-0, para 1-31: "The unit commander is responsible for the wartime readiness of all elements in the formation. The commander is, therefore, the primary trainer of the organization..." Furthermore, IAW para 2-2, "Commanders are responsible for the training and performance of their soldiers and units." It is the unit commander who leads soldiers in a hostile theater.

ACTION OFFICER: LTC Ernest Audino/607-7311
APPROVED BY: LTG Roger C. Schultz/ 607-7000

OPERATIONAL COMMITMENTS

71. Senator AKAKA. General Casey and General Huly, the level of operational commitments for Army and Marine forces is incredibly high right now. I know that your Services will do whatever it takes to meet the national needs, but I want to get a better sense for the level of stress your units are facing. How would you characterize the current level of stress, and how does it compare, in your experience, to past levels of commitment? More specifically, how many major units do you have that are reporting readiness levels of C-3 or below, and how long do you expect these levels to persist?

General CASEY. The Army has no major deployed units reporting C–3 or less as of March 15, 2004. The Army priority remains winning the global war on terrorism while posturing to meet the requirements of the National Defense Strategy. Our soldiers are combat experienced, better trained, more capable, and better equipped now than at any other time in history, and our major combat units will remain ready to execute future contingency operations. The Army is entering one of the most demanding periods in its history, but the coming months will also offer unique opportunities to regenerate combat power while increasing the capabilities of Army units. The combination of reconstitution and supplemental funding will allow us to reset returning units and add additional combat brigades through modularity, while ensuring units remain capable and ready. The Army goal is to reconstitute Active units within 6 months or less of their return to home station. Reserve component units will likely require 6 to 12 months after their equipment arrives at home station to attain pre-deployment readiness levels. In order to meet this goal, the Army established C–3 as the minimum readiness goal for redeploying units to help minimize the time required for units to achieve C–1 readiness levels and capabilities. The Army also initiated a new policy requiring commanders of deployed units to assess and forecast their readiness levels over the estimated redeployment timeframe as part of the monthly-deployed unit status report. Additionally, the Army established the Reset Task Force, a post Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) reconstitution/reset effort designed to: (1) continue support to combatant commanders; (2) return redeployed forces to pre-employment readiness levels while continuing transformation; (3) reestablish and restructure Army pre-positioned stocks to support rapid deployments around the world; and (4) integrate reset procedures into transformation, reorganization, modernization, and recapitalization efforts to posture the Army for future operations. The Army has done the necessary planning, applied available funding, and is executing reset activities with priority going to units redeployed from current missions and preparing for future contingency plans. The end-state will be a trained, well equipped, capable, and battle tested force resourced to successfully prosecute the global war on terrorism, build additional combat force structure, and posture the Army for future requirements.

General HULY. The Marine Corps is being stretched in ways planners never anticipated. We have marines in Iraq, with more on the way, Afghanistan, Haiti, Africa as well as those marines stationed in Japan. While our marines are keeping their chins up, the strain is showing on people and equipment alike. Marines are being ordered to accelerate deployments to Iraq and discussions continue on whether to extend those already there. Seventeen percent of our Active Forces are reporting degraded readiness with 54 percent of these units reporting equipment as the degrader. Despite our efforts, it is anticipated that these levels will persist, or even increase, as long as substantial force commitments to OIF/OEF persist.

AREAS OF STRAIN AND COMMITMENT LEVELS

72. Senator AKAKA. General Casey and General Huly, what is your Service's particular areas of strain, and what, if anything, can be done to alleviate those concerns?

General CASEY. Today our Army is executing operations in defense of the homeland (Operation Noble Eagle), stability and support operations in the Balkans (Stabilization Force/Kosovo Force), peacekeeping in the Sinai as part of the Multinational Force and Observers (MFO) and combat operations in Iraq and Afghanistan (Operations Iraqi Freedom/Enduring Freedom) (OIF/OEF). We are also forward stationed in Korea and elsewhere. Approximately two-thirds of our active and Reserve combat formations were deployed in fiscal year 2003 and will be deployed in fiscal year 2004. To mitigate risk, the Army is embarking on a series of initiatives.

An essential initiative is resetting forces returning from OIF and OEF to a standard higher than before their deployment. Introduction of new technologies for battle command and new concepts and designs for modularized capabilities are examples of these improvements. Another initiative establishes force stabilization measures to

reduce turbulence for soldiers, units, and their families. Predictability of rotations, to include the essential training and exercise periods that prepare units for combat deployments and operations, is an important measure to reduce stress and other force management risks.

The Army is internally rebalancing active and Reserve component forces to better posture our existing force structure to meet global commitments. One example of a near-term measure taken by the Army is the formation of 18 provisional military police comies in the Army National Guard using field artillery formations that were not stressed. Between fiscal years 2004–2009 the Army is converting approximately 30,000 spaces of cold war structure to capabilities needed for homeland defense and the global war on terrorism (civil affairs, military police, psychological operations, other Special Operations Forces, etc.).

The Army has also begun to increase the number of available combat brigades through modular reorganization. Newly restructured, trained and equipped forces provide campaign quality capabilities that are responsive and agile for both rapid deployment and sustained full-spectrum combat operations. This increase in available brigades allows the Army to improve strategic flexibility, sustain a predictable rotation cycle and permit the Reserve component to reset. To facilitate this end-state, the Army has been authorized to increase temporarily its level of manning. These measures will mitigate risk and ultimately provide increased capability to combatant commanders.

General HULY. The Marine Corps' particular areas of concern with regard to strain on the force are personnel and equipment. As a result of the current operational demands associated with the global war on terrorism, Marine Corps units are rotating at a higher rate. The Marine Corps tries to maintain a 1:3 deployment ratio for active component marines. This means for every one day deployed a Marine is not deployed for 3 days. This ratio has proven historically sustainable with no undue stress on the force. We are currently at a 1:1 unit deployment ratio. We are concerned about the effect that an increase in deployment tempo may have on retention rates. As of 2 April 2004, the Marine Corps had 2,270 active component and 1,963 Reserve component marines who have exceeded the 400 out of the preceding 730 days deployment tempo threshold (less than a 1:1 ratio). 43,948 active component and 16,644 Reserve component marines have exceeded 180 days of deployment tempo (less than a 1:3 ratio). The degree to which the number of marines with less than a 1:3 deployment ratio will increase will depend on the duration of the increase in deployment tempo. Inasmuch as possible, the Marine Corps is striving to maintain normal personnel assignment policies. For Operation Iraqi Freedom II we will mitigate deployment tempo by limiting the requirement for a 14 month presence to only those marines serving in the I MEF command element. Marine units supporting I MEF will rotate on 7-month deployments, which is more in line with our normal deployment rotation periods.

Regarding the strain on equipment, we are using our equipment at a much higher tempo for sustained periods in combat conditions. It will take time to return the Maritime Prepositioning Force program to pre-Operation Iraqi Freedom employment capability, and the use of Maritime Prepositioning Squadron assets in support of Operation Iraqi Freedom II may extend reconstitution. One squadron is essentially complete and ready to respond to any contingency. Several ships in the other two squadrons had completed reconstitution, but those ships have since been used to support the Marine forces deploying for Operation Iraqi Freedom II. The current schedule has one Maritime Prepositioning Squadron completing its scheduled maintenance cycle in April 2005, and the second squadron concluding its scheduled maintenance cycle in April 2006. The time it will take until we have all three squadrons fully overhauled will be a function of additional equipment requirements in support of Operation Iraqi Freedom II, Corps-wide equipment readiness, and the condition of the equipment that returns from Operation Iraqi Freedom II. In any case, reconstitution of our forces and Maritime Prepositioning Squadrons will be a challenge for at least a couple more years.

73. Senator AKAKA. General Casey and General Huly, how do current commitment levels affect your Service's ability to respond both to any possible additional contingencies, for instance in Venezuela, or to meet additional requests for forces coming out of Operations Iraqi Freedom and Enduring Freedom?

General CASEY. The Army retains the ability to respond to contingencies and crisis around the world by maintaining a Brigade-size element that can respond on short notice. In addition, the Army remains strategically postured, and can meet the operational needs of joint force commanders, and the force management challenges for operations in Iraq and Afghanistan.

General HULY. The Marine Corps, as directed by Commander, U.S. Joint Forces Command, maintains a rapidly deployable force called the Air Contingency MAGTF (ACM). The ACM is home-stationed in Camp Lejeune, NC and is currently deployed to Haiti conducting Peacekeeping Operations. The target date for transition and Transfer of Authority from the current Multi-National Interim Force Haiti (MIFH) to a U.N. led coalition was late June 2004. Impact on ongoing Operations such as Enduring Freedom and Iraqi Freedom will be minimal as long as the transition is accomplished in accordance with the published timelines. Once the ACM is redeployed from Haiti and reconstituted in Camp Lejuene the ACM will be ready to respond to any regional contingencies such as a potential crisis in Venezuela.

74. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, General Jones testified before the Senate Armed Services Committee last week that European Command has done extensive cost analyses of any upgrades that might be needed to ranges in Eastern Europe and Africa as DOD moves to implement its new overseas presence policy. Have any of your Services participated in those cost analyses? If so, what is your understanding of the costs associated with expanding the areas where forces will train in European Command and when do you expect to request those funds?

General CASEY. The U.S. Army, Europe (USAREUR) staff has participated in the assessments of range capabilities at Eastern European sites proposed for U.S. use by European Command. Specific range upgrade requirements have not yet been identified; however, the Office of the Deputy Chief of Staff, G–3, is ready to address these as USAREUR establishes them. The G–3 staff also meets formally with the major Army commands on a semi-annual basis to review all Army range issues and requirements. As a contingency, we will provide USAREUR with a supplemental range package of portable targetry and range support equipment in fiscal year 2004. This package will permit USAREUR to begin to rapidly improve Eastern European ranges when they are identified and when appropriate approval for their use is granted. The Grafenwoehr and Hohenfels Major Training Areas (GTA/HTA) in Germany, remain central to the Army's training range capabilities for both permanent and rotational forces stationed in Europe. We will continue to improve GTA and HTA to provide the range capability required of our Future Force, as well as our joint partners.

Admiral MULLEN. The Navy is exploring the possibility of improving select infrastructure on some foreign ranges in North Africa and Eastern Europe, but no cost analysis has been performed at this time. Any required funds will be included in future years budget requests.

General MOSELEY. In order to take advantage of potential savings of the United States Air Forces in Europe, the Integrated Global Presence and Basing Strategy initiative as defined in the Strategic Planning Guidance, "Shape Force Posture," there will need to be some improvements to an existing range and the creation of a new range with advanced electronic capabilities. The United States Air Forces in Europe has participated in these costs analyses. The improved and new European ranges would obviate the necessity for expensive Weapons Training Deployments to the Continental United States. If the necessary upgrades are made and additional range areas created, the considerable yearly savings will offset the costs associated with this initiative. Since this initiative is listed in the Strategic Planning Guidance, it is scheduled to be part of the fiscal year 2006–fiscal year 2011 Program Objective Memorandum submissions. Savings will be realized. Therefore, commensurate requests for these range additions will be forthcoming.

General HULY. The Marine Corps has not participated in any cost analyses relating to Ranges/Training areas in Eastern Europe and Africa.

AMMUNITION PRODUCTION

75. Senator AKAKA. General Casey, the Army continues to face severe shortfalls in ammunition. I understand that you are looking at this problem and possible solutions, although it seems apparent that the Army will not be able to afford to make any serious progress on this issue for some time in the future. General Schoomaker also testified that the Army is considering adding additional production capacity to help increase the rate at which ammunition can be bought. What is the total amount of the ammunition shortfall and how does the Army expect to address it? What is the Army's plan to increase ammunition production?

General CASEY. The current requirement for small arms ammunition has five parts: (1) training; (2) war reserve; (3) current operations in Iraq and Afghanistan; (4) support to other Services under the single manager for conventional ammunition

program; and (5) testing. Annual requirements have ramped up from 1.1 billion rounds in fiscal year 2004 to 1.74 billion rounds annually through fiscal year 2009. The current serviceable inventory is approximately 1.1 billion rounds (which is spread among stateside depots and worldwide Army prepositioned stockpiles). However, this inventory is being depleted at a higher rate than we are currently able to refill it.

The Army's sole production facility for small arms ammunition is Lake City Army Ammunition Plant, Independence, Missouri. Under the current contact, the operating contractor, ATK-Alliant Techsystems, has the capacity to produce at the rate of 1.2 billion rounds annually. Our first step in taking care of the shortfall has been to fully fund Lake City to produce at capacity. While Lake City is ramping up production, the Army has awarded contracts to two commercial vendors for 140 million rounds to support the training base. We are working toward long-term goals of increasing the capacity of Lake City to produce 1.5 billion rounds annually and establish commercial sources for an additional 300–500 million rounds per year.

READINESS CONCERNS

76. Senator AKAKA. General Casey, Admiral Mullen, General Moseley, and General Huly, would each of you please tell me your primary readiness concerns for the coming year?

General CASEY. The Army provided to Congress its fiscal year 2005 shortfalls on March 23, 2004. This list laid out our readiness concerns: vehicle bolt-on ballistic armor, modularity, reset the force, replacement of combat-battle loss equipment, uparmored HMMWVs, and military construction. In addition, the Army will be resetting units from Operations Iraqi Freedom and Enduring Freedom, transforming brigades into modular units of action, and preparing units for deployment to continuing operations. Congressional support in the form of adds and supplemental funding will address these concerns.

Admiral MULLEN. We have submitted what I would characterize as a "lean" budget request, judiciously balancing current readiness needs with future readiness investments. I believe we have trimmed all of the "fat" from our readiness accounts, and that these accounts ar resourced to deliver the required readiness levels. I consider the risks we've taken to be well thought out and executable, but any additional reductions to these accounts would, in my mind, put readiness at some new, higher and unacceptable level of risk.

More immediately, the challenges I discussed during my verbal testimony remain. These include the capacity of the public ship repair industrial base, fatigue life issues for our EA–6B and P–3 aircraft, our stockpiles of precision-guided munitions, and encroachment on our training areas.

General MOSELEY. The Air Force's primary readiness concerns are Operations Tempo (OPTEMPO) and aging weapon systems. The increased OPTEMPO, particularly during the past year, had impacts on Air Force readiness, particularly among low density/high demand (LD/HD) assets, as units experienced training and equipment/supply strains. Training levels were impacted as deployed personnel and instructors were not available in some systems. This affected aircrew training as well as the balance between enlisted skill levels (3-level vs. 5/7-levels). LD/HD communities are affected the roost if aircraft and instructors are not available to train initial qualification students in career fields that are already stressed. OPTEMPO also affects equipment and supplies as they are used at a faster rate as the level of demand increases for contingencies. While we have experienced reconstitution success and returned to our Air Expeditionary Forces Battle Rhythm for most assets, increased OPTEMPO would have further impacts on our readiness.

Aging aircraft are also a concern as the average age of the total fleet is now 23 years. Technical surprises such as those driven by high cycle fatigue, corrosion, and aging composites may impact the future reliability/maintainability of our fleet and reduce our ability to preserve its readiness.

General HULY. The Marine Corps' primary readiness concerns for the coming year are the management of the operational tempo (OPTEMPO) of our units, active and Reserve, and the effect on personnel tempo (PERSTEMPO), as well as the repair or replacement of equipment as we support operational commitments worldwide.

Prior to September 2001, the Marine Corps maintained a 2.7:1 unit-level rotation ratio. As a result of operational commitments in support of the global war on terrorism, our OPTEMPO has increased to a 1:1 ratio. Our near-term goal is to return to a 2:1 ratio by fiscal year 2006.

The Marine Corps' back-to-back participation in OIF I&II is straining our materiel readiness, particularly the maintenance of our Maritime Prepositioning Force

equipment. Presently, we are meeting our operational requirements within the constraints of our fiscal year 2004 global war on terrorism funding and depot maintenance capabilities.

PREPOSITIONED STOCKS

77. Senator AKAKA. General Huly, you state that reconstituting the Marine Corps' maritime prepositioning squadrons will be a challenge for the next few years, and that right now, only one of the three squadrons is available for contingency response. Are we using any equipment from that squadron in Haiti?

General HULY. Currently, no prepositioned equipment and supplies are being used in support of operations being conducted in Haiti. Marine units are using their organic assets for that mission.

78. Senator AKAKA. General Huly, what risks are associated with there only being one maritime prepositioning squadron available?

General HULY. This question should also be directed to combatant commanders since they are the ones who are actually supported with the prepositioned squadrons. The Marine Corps' role is merely a force provider in support of combatant commander requirements. That said, the combatant commanders who are most directly impacted by the one squadron currently offloaded and the other squadron currently cycling through maintenance have assessed the risks entailed with this situation. Risks are deemed mitigated through various global sourcing and use of CONUS-based units and equipment sets. This will add strategic lift requirements to Commander, U.S. Transportation Command (CDRUSTRANSCOM); therefore, I recommend this question be directed toward the CDRUSTRANSCOM staff with an eye toward gauging the impact of moving globally sourced and/or CONUS based assets to support combatant command requirements. If events remain as currently scheduled, spring 2005 is when we expect to have our second squadron complete its maintenance cycle and fully capable of supporting combatant commander assigned missions. However, between now and then, individual ships from that squadron will be completing their maintenance actions. This translates to the following: By April 2004, two ships will ready; by July 2004, three ships will be ready; by December 2004, four ships will be ready; and the final ship of that squadron becomes ready by March 2005. The third squadron will then commence its maintenance cycle and is scheduled to conclude that cycle by spring 2006.

79. Senator AKAKA. General Casey, what is the status of Army prepositioned equipment and what risks are there to it not being fully available for some time to come?

General CASEY. APS reset actions have been accomplished on APS–4 (Korea), two ammunition ships, the 1×1 for Guam/Saipan, and the 1×1 for Diego Garcia, which is being prepared to go afloat. Additionally, 48 percent of the combat support/combat service support equipment for the second large-medium speed roll-on/roll-off ship for Guam/Saipan has been removed from Southwest Asia (SWA) and is undergoing repair in Charleston, South Carolina. The Army will attempt to complete fill of this ship; however, continued use of APS equipment in SWA may prevent this.

Currently, the Army has adequate combat power in APS to support one swiftly defeat the effort scenario and other contingencies, as directed. The APS–4 (Korea) brigade set is in a "ready to fight" condition. The combat power in the two afloat brigade sets is rated green. Lacking is the equipment needed to support these sets for an extended period of time once employed.

The continued use of APS equipment to support current operations in SWA does present limited risk to possible near term Army operations. These risks have been identified and mitigation strategies have been reviewed and implemented. The Army leadership has determined that the best use of APS equipment currently is to support operations in SWA and future Operation Iraqi Freedom rotations.

QUESTION SUBMITTED BY SENATOR BILL NELSON

80. Senator BILL NELSON. General Casey, at the January 2004 Senate Armed Services Committee hearing with the Joint Chiefs, I asked the Chief of Staff of the Army, General Schoomaker, about a decision in the DOD fiscal year 2005 budget process that reduced funding for Army Guard and Reserve training by $600 million. At the time of the hearing, General Schoomaker and Lieutenant General Steve Blum (Chief of the National Guard Bureau) did not seem fully aware of the specific nature of this reduction. The Army has had time to research this. I have been told

privately that this reduction is a heavy hit on the Reserve component readiness and that it has a significant negative impact on the Guard and Reserve ability to reset the force returning from Operation Iraqi Freedom. It seems contradictory to want to reset the Army, both active and Reserve components, without the required funds in hand or a supplemental planned; and, it seems potentially disastrous for the Reserve component to try to reset its force when they are already $600 million behind their peacetime requirement. Please provide the committee with an update on the resolution of this situation.

General CASEY. The Reserve component training budget ensures the funds necessary to conduct military occupational specialty training (individual training), professional military education training (leader training), and the necessary operational tempo to support collective training for those units preparing for mobilization and deployment while in a Reserve status, as well as enabling recently demobilized units to maintain their readiness edge. The Army is committed to ensuring that any future Reserve component cost avoidance will be used for resetting its Reserve component units. In addition, the Army plans to address both Active and Reserve component unfunded reset requirements in the fiscal year 2005 supplemental request.

[Whereupon, at 4:20 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

TUESDAY, MARCH 23, 2004

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

DEPARTMENT OF DEFENSE FINANCIAL MANAGEMENT

The subcommittee met pursuant to notice at 2:30 p.m. in room SR–222, Russell Senate Office Building, Senator John Ensign (chairman of the subcommittee) presiding.

Committee members present: Senators McCain, Allard, Ensign, Levin, Akaka, and Pryor.

Majority staff members present: William C. Greenwalt, professional staff member; and Gregory T. Kiley, professional staff member.

Minority staff member present: Peter K. Levine, minority counsel.

Staff assistants present: Andrew W. Florell, Sara R. Mareno, and Bridget E. Ward.

Committee members' assistants present: Lance Landry, assistant to Senator Allard; and D'Arcy Grisier, assistant to Senator Ensign.

OPENING STATEMENT OF SENATOR JOHN ENSIGN, CHAIRMAN

Senator ENSIGN. The Readiness and Management Support Subcommittee meets this afternoon to receive testimony on the state of financial management within the Department of Defense (DOD). We are honored to have both the Comptroller General of the United States, David Walker, and the Under Secretary of Defense, Comptroller, Dov Zakheim, before us today.

I welcome both of you. I understand that Secretary Zakheim will return to the private sector after April 15. I want to thank him not only for his appearance today but for the service he has given our Nation as the Under Secretary of Defense.

Though some may consider this a somewhat arcane topic, the presence of both of you here demonstrates the high level of attention this subject demands. Proper financial management and accurate reporting of how defense dollars are spent are critical requirements for decisionmakers and those responsible for oversight of those decisions.

Lack of auditable and repeatable financial statements may call into question the resource decisions made within the Department and make carrying out our constitutional responsibilities for oversight of those decisions more difficult. The American taxpayers deserve better; and working together, we must do better.

Two years ago, this subcommittee, under Senator Akaka's leadership, met and received testimony from the same two witnesses before us today. That hearing proved very informative in discussing the shortfalls of financial management within the Department of Defense and in laying out a framework to address those problems.

Today we are here to receive an update of that hearing. I would especially appreciate your straightforward assessment of the progress made and the obstacles remaining toward achieving clean, auditable statements and developing accurate and timely financial management information to support effective decisionmaking in the Department of Defense.

Two years ago, Secretary Zakheim presented a plan to develop a comprehensive architecture for financial management systems. While it appears those plans and time lines were optimistic, it is also apparent that progress has been made. DOD has reported progress in several areas, including: reported improvements in contract payment backlogs and payment recording errors; improved purchase and travel card management; the number of purchase cards has been reduced by 50 percent—travel card delinquencies are down; and there was the completion of an initial draft financial management enterprise architecture in May 2003.

As we enter another election season and as you, Secretary Zakheim, prepare to step down from your post, I am concerned that such gains may be lost during any transition period, regardless of who wins the next election. Previous administrations have launched reform efforts, only to be replaced by the reform efforts of succeeding administrations or Pentagon leadership teams. Already the separate Services have briefed the committee on their financial management systems plans that include milestones in conflict with the Office of the Secretary of Defense (OSD)-established time lines and funding shortfalls.

We must continue the progress made in this vital area of financial management reform. We owe the American taxpayer no less. Improving DOD's financial management will require the support of several more successive administrations. In that light, as you present your testimony, can either of you suggest possible legislative actions or funding requirements, that Congress may make to ensure that the progress gained so far will not be lost and a solid foundation will remain for continued financial management improvement?

Gentlemen, thank you again for the time to appear before the subcommittee today. I look forward to your testimony.

But first, Senator Akaka, do you have any opening remarks?

STATEMENT OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I, too, want to welcome our two witnesses, Secretary Zakheim and Comptroller General Walker, to this hearing. This is a follow-up, as was mentioned by the chairman, of a hearing 2 years ago on the same

subject. I believe today that the Department will never be managed efficiently until it can get its financial house in order.

When we met 2 years ago, DOD Comptroller Dov Zakheim told us that the Department was committed to the highest levels of addressing problems in the Department's financial management systems. He told us that the Department would establish a new financial management systems architecture, covering all of the Department's business systems within a year. He told us that he would start implementing DOD-wide solutions, on a prototype basis, by the middle of 2003. He told us that he would control the Department's investments in free-standing business systems until the new plan was in place to avoid expenditures on stand-alone systems that would not meet the Department's needs.

I know that Dr. Zakheim has retained his commitment to this issue throughout his tenure as DOD Comptroller. Unfortunately, it does not appear that he has been able to overcome the Department's institutional resistance to change. Two years after our last hearing, the Department still does not have a working blueprint for a new financial management system, still has not started to field new systems based on such a road map, and still does not have an effective system in place to control and coordinate investments in business systems by individual DOD organizations.

In short, we are pretty much where we started. I hope that today's hearing will give us an opportunity to focus not only on what has gone wrong but on how we can move forward in a constructive way to address the underlying problems. So, I look forward to the testimony of our witnesses, Mr. Chairman.

Senator ENSIGN. Thank you, Senator Akaka.

Mr. Walker, why do you not start us off today?

STATEMENT OF HON. DAVID M. WALKER, COMPTROLLER GENERAL OF THE UNITED STATES GENERAL ACCOUNTING OFFICE (GAO)

Mr. WALKER. Thank you, Mr. Chairman, Senator Akaka. It is a pleasure to be back before you. I want to commend this subcommittee for staying with this issue. I mean, like so many issues that have been decades in the making, it is going to take time to be able to deal with it. We are going to go from patience, to persistence, to perseverance, to pain before ultimately we prevail. But it is important that we do prevail.

I think the bottom line would be as follows: During the last 2 years, progress has been made, but much work remains to be done. Sounds like a GAO report, does it not?

I think we have to keep in mind that it took decades for DOD to get in the position where it is, that DOD is number one in the world in fighting and winning armed conflicts. Nobody is even close. But as I have said before, they are a D, graded on a curve, in economy, efficiency, transparency, and accountability.

There is no question that Secretary Zakheim, all the way up to Secretary Rumsfeld, has been dedicated to trying to deal with the process problems of which financial management is only a sub-set of a much bigger management challenge. They have made some progress. But I think that it is going to take considerably more time before they are going to ultimately prevail.

With regard to financial management, there has been a date set by DOD and by the administration to try to achieve a clean opinion on the financial statements of DOD, namely for fiscal year 2007. I think that is an ambitious and an aggressive date. But obviously, I think it is important that you have some goals and milestones, and you try to do what you can to try to hit them.

Clearly, the lack of an opinion on the financial statements of the Department of Defense is the single largest obstacle to the GAO being able to render an opinion on the consolidated financial statements of the U.S. Government.

You also mentioned, Senator Akaka, about the issue of the enterprise architecture. First, it was talked about as a financial management system. Financial management is a sub-set of an overall business management information system. Yes, they do have the first version of an enterprise architecture but they have much more work to do. It is my understanding they expect to come up with at least a couple of other versions of that architecture this year.

In my opinion, Mr. Chairman and Senator Akaka, I think if you look on page 9 and page 15 of my testimony, I talk about some of the underlying causes for the current challenges and some of the ways forward in key for successful reform. I will just mention a couple of things off the top of my head and then turn it over to Secretary Zakheim to be able to cover his opening remarks.

In my view, there are several things that are going to be absolutely essential, two of which may require legislation. We need to have a top-level management official at level-two level within DOD. It could be Deputy Secretary for Management; it could be Principal Under Secretary for Management; call it whatever you want—the title is not important. However, the level-two is important. This position should be focused full time on trying to deal with DOD's business transformational challenges. That means financial management, information technology, human capital strategy, contract management, et cetera, et cetera, et cetera.

DOD has currently 9 of 25 high-risk areas in the Federal Government. The Secretary, the Deputy Secretary, the Under Secretaries, including Secretary Zakheim, have full-time jobs just dealing with the tremendous complexity of the Department of Defense, which is arguably the largest single entity on Earth, as a single entity.

So, we need somebody focused full time with the responsibility and the accountability to make progress with regard these challenges on a strategic, integrated basis. We have recommended that there be statutory criteria for what type of experience the person should have. This is not a policy person. This is a management and leadership professional.

This person could come from the private sector, they could come from the public sector. But the fact of the matter is that they would have to have demonstrated successful experience in similar positions and also have some understanding of how the Federal Government operates and, hopefully, the Department of Defense. They need to have a term appointment, preferably 5 to 7 years; they need to have a performance contract; and, they need to be held accountable for results.

Second, we also need to look at how DOD's resources are allocated, especially for systems development on the business side, and to have more control over those resources by the functional areas, or the so-called domains, rather than by the Services. I think that it is critically important to make sure that we do not have everybody doing their own thing and a further balkanization of the business side of the house.

Third, Congress gave the Department of Defense the National Security Personnel System Act, which gives the Department an opportunity to fundamentally reform its human capital policies and practices. Secretary of the Navy Gordon England is taking a leadership role here, along with Under Secretary of Defense for Personnel and Readiness David Chu. One key here will be to make sure that in implementing that legislation that DOD aligns their institutional, unit, and the individual performance measurement reward systems to try to achieve desired outcomes and to also do it in a way that prevents abuse of employees. I think this is critically important.

If you do these three things, and if you have sustained attention on these issues over a period of time, I think we can eventually solve the problem. I question whether we will ever solve the problem if we do not do at least those three things.

Thank you.

[The prepared statement of Mr. Walker follows:]

PREPARED STATEMENT BY DAVID M. WALKER

Mr. Chairman and members of the subcommittee: It is a pleasure to be back again to discuss financial management and related business transformation efforts at the Department of Defense (DOD). At the outset, I would like to thank the subcommittee for having this hearing and acknowledge the important role hearings such as this one serve in providing a catalyst for business transformation at DOD. The involvement of this subcommittee is critical to ultimately assuring public confidence in DOD as a steward that is accountable for its finances. DOD's substantial longstanding financial and business management problems adversely affect the economy, effectiveness, and efficiency of its operations, and have resulted in a lack of adequate transparency and appropriate accountability across all major business areas. As a result, DOD does not have timely, reliable information for management to use in making informed decisions. Further, as our reports continue to show, these problems result in significant fraud, waste, and abuse and hinder DOD's attempts to develop world-class operations and activities to support its forces. Of the 25 areas on GAO's government-wide "high risk" list, 6 are DOD program areas, and the Department shares responsibility for 3 other high-risk areas that are government-wide in scope.[1] The problems we continue to identify relate to human capital challenges, ineffective internal control and processes, and duplicative and stovepiped business systems. The seriousness of DOD's financial management weaknesses underscores the importance of no longer condoning "status quo" business operations at DOD.

Although the underlying operational conditions remain fundamentally unchanged since I last testified before this subcommittee in March 2002, DOD has taken action to begin addressing a number of these challenges as part of its business transformation effort. Business transformation has been a priority of Secretary Rumsfeld. For example, DOD has been granted additional human capital flexibilities and is in the process of developing a new personnel management system for its civilian employees. In addition, through its Business Management Modernization Program (BMMP), DOD is continuing its efforts to develop and implement a business enter-

[1] U.S. General Accounting Office, High-Risk Series: An Update, GAO–03–119 (Washington, DC: January 2003). The nine interrelated high-risk areas that represent the greatest challenge to DOD's development of world-class business operations to support its forces are: contract management, financial management, human capital management, information security, support infrastructure management, inventory management, real property, systems modernization, and weapon systems acquisition.

prise architecture and establish effective management and control over its business system modernization investments. To date, however, tangible evidence of improvements in DOD business operations remains limited to specific business process areas, such as DOD's purchase card program, where improvements have generally resulted from increased management focus and better internal control rather than from major modifications to automated systems. It is important to note that some of the key elements I highlight in this testimony as necessary for successful business transformation were critical to the success of several narrowly defined initiatives that I will discuss today.

Because DOD is one of the largest and most complex organizations in the world, overhauling its financial management and related business operations represents a huge management challenge. In fiscal year 2003, DOD reported that its operations involved over $1 trillion in assets, nearly $1.6 trillion in liabilities, approximately 3.3 million military and civilian personnel, and disbursements of over $416 billion. Moreover, execution of DOD operations spans a wide range of defense organizations, including the military services and their respective major commands and functional activities, numerous large defense agencies and field activities, and various combatant and joint operational commands that are responsible for military operations for specific geographic regions or theaters of operations. To execute these military operations, the department performs an assortment of interrelated and interdependent business process areas, including logistics management, procurement, healthcare management, and financial management. Secretary Rumsfeld has estimated that successful improvements to DOD's business operations could save the department 5 percent of its budget a year. Using DOD's reported fiscal year 2004 budget amounts, this percentage would equate to approximately $22 billion a year in savings.

Two years ago, I testified on the challenges DOD faces in transforming its financial management and related business operations and systems, and I discussed several key elements necessary for reform to succeed.[2] If the past has taught us anything, it is that addressing the Department's serious financial and related business process weaknesses will not be easy. For several years, we have reported on DOD's efforts to improve the effectiveness and efficiency of its business operations and actions needed to achieve and sustain reform. Many of the same underlying causes, such as lack of sustained leadership, cultural resistance to change, parochialism, and stovepiped operations, that impeded the success of previous administrations in addressing DOD's problems continue today. If DOD is unable to address these underlying causes that have resulted in the failure of previous broad-based reform efforts, improvements will remain marginal, confined to narrowly defined business process areas and incremental improvements in human capital policies, business processes, internal control systems, and information technologies.

Today, I will provide my perspectives on: (1) the impact that long-standing financial management and related business process weaknesses continue to have on DOD's business operations; (2) underlying causes that have impeded the success of prior efforts; (3) keys to successful reform; and (4) the status of current DOD business transformation efforts. In addition, I will offer two suggestions for legislative consideration, which I believe will provide the sustained top-level leadership and accountability necessary for the overall business transformation effort to succeed. My statement is based on previous GAO reports as well as on our review of the work of other DOD auditors and recent DOD reports and studies.

IMPACT OF FINANCIAL MANAGEMENT AND RELATED BUSINESS PROCESS WEAKNESSES

As I previously stated, and we have reported on for several years, DOD faces a range of financial management and related business process challenges that are complex, longstanding, pervasive, and deeply rooted in virtually all business operations throughout the Department. As I recently testified and as discussed in our latest financial audit report,[3] DOD's financial management deficiencies, taken together, continue to represent the single largest obstacle to achieving an unqualified opinion on the U.S. government's consolidated financial statements. To date, none of the military services has passed the test of an independent financial audit be-

[2] U.S. General Accounting Office, DOD Financial Management: Integrated Approach, Accountability, Transparency, and Incentives Are Keys to Effective Reform, GAO–02–497T (Washington, DC: Mar. 6, 2002).

[3] U.S. General Accounting Office, Fiscal Year 2003 U.S. Government Financial Statements: Sustained Improvement in Federal Financial Management Is Crucial to Addressing Our Nation's Future Fiscal Challenges, GAO–04–477T (Washington, DC: Mar. 3, 2004).

cause of pervasive weaknesses in internal control and processes and fundamentally flawed business systems.

In identifying improved financial performance as one of its five government-wide initiatives, the President's Management Agenda recognized that obtaining a clean (unqualified) financial audit opinion is a basic prescription for any well-managed organization. At the same time, it recognized that without sound internal control and accurate and timely financial and performance information, it is not possible to accomplish the President's agenda and secure the best performance and highest measure of accountability for the American people. The Joint Financial Management Improvement Program (JFMIP)[4] principals have defined certain measures, in addition to receiving an unqualified financial statement audit opinion, for achieving financial management success. These additional measures include: (1) being able to routinely provide timely, accurate, and useful financial and performance information; (2) having no material internal control weaknesses or material noncompliance with laws and regulations; and (3) meeting the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). Unfortunately, DOD does not meet any of these conditions. For example, for fiscal year 2003, the DOD Inspector General issued a disclaimer of opinion on DOD's financial statements, citing 11 material weaknesses in internal control and noncompliance with FFMIA requirements.

Recent audits and investigations by GAO and DOD auditors continue to confirm the existence of pervasive weaknesses in DOD's financial management and related business processes and systems. These problems have: (1) resulted in a lack of reliable information needed to make sound decisions and report on the status of DOD activities, including accountability of assets, through financial and other reports to Congress and DOD decisionmakers; (2) hindered its operational efficiency; (3) adversely affected mission performance; and (4) left the Department vulnerable to fraud, waste, and abuse. For example:

- 450 of the 481 mobilized Army National Guard soldiers from 6 GAO case study Special Forces and Military Police units[5] had at least one pay problem associated with their mobilization. DOD's inability to provide timely and accurate payments to these soldiers, many of whom risked their lives in recent Iraq or Afghanistan missions, distracted them from their missions, imposed financial hardships on the soldiers and their families, and has had a negative impact on retention. (GAO–04–89, Nov. 13, 2003)
- DOD incurred substantial logistical support problems as a result of weak distribution and accountability processes and controls over supplies and equipment shipments in support of Operation Iraqi Freedom activities, similar to those encountered during the prior gulf war. These weaknesses resulted in: (1) supply shortages; (2) backlogs of materials delivered in theater but not delivered to the requesting activity; (3) a discrepancy of $1.2 billion between the amount of materiel shipped and that acknowledged by the activity as received; (4) cannibalization of vehicles; and (5) duplicate supply requisitions. (GAO–04–305R, Dec. 18, 2003).
- Inadequate asset visibility and accountability resulted in DOD selling new Joint Service Lightweight Integrated Suit Technology (JSLIST)—the current chemical and biological protective garment used by our military forces—on the internet for $3 each (coat and trousers) while at the same time buying them for over $200 each. DOD has acknowledged that these garments should have been restricted to DOD use only and therefore should not have been available to the public. (GAO–02–873T, June 25, 2002).
- Inadequate asset accountability also resulted in DOD's inability to locate and remove over 250,000 defective Battle Dress Overgarments (BDOs)—the predecessor of JSLIST—from its inventory. Subsequently, we found that DOD had sold many of these defective suits to the public, including 379 that we purchased in an undercover operation. In addition, DOD may have issued over 4,700 of the defective BDO suits to local law enforcement agencies. Although local law enforcement agencies are most likely to be the first

[4] JFMIP is a joint undertaking of the Office of Management and Budget, GAO, the Department of Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government.

[5] The six case study units reviewed include the Colorado B Company, Virginia B Company, West Virginia C Company, Mississippi 114th Military Police Company, California 49th Military Police Headquarters and Headquarters Detachment, and the Maryland 200th Military Police Company. In addition, our limited review of pay experiences of soldiers in the Colorado Army Guard's 220th Military Police Company, who are recently returned from Iraq, indicated that some of the same types of pay problems that we found in our case studies had also affected them.

responders to a terrorist attack, DOD failed to inform these agencies that using these BDO suits could result in death or serious injury. (GAO–04–15NI, Nov. 19, 2003)

• Tens of millions of dollars are not being collected each year by military treatment facilities from third-party insurers because key information required to effectively bill and collect from third-party insurers is often not properly collected, recorded, or used by the military treatment facilities. (GAO–04–322R, Feb. 20, 2004)

• Our analysis of data on more than 50,000 maintenance work orders opened during the deployments of 6 battle groups indicated that about 29,000 orders (58 percent) could not be completed because the needed repair parts were not available on board ship. This condition was a result of inaccurate ship configuration records and incomplete, outdated, or erroneous historical parts demand data. Such problems not only have a detrimental impact on mission readiness, they may also increase operational costs due to delays in repairing equipment and holding unneeded spare parts inventory. (GAO–03–887, Aug. 29, 2003)

• DOD sold excess biological laboratory equipment, including a biological safety cabinet, a bacteriological incubator, a centrifuge, and other items that could be used to produce biological warfare agents. Using a fictitious company and fictitious individual identities, we were able to purchase a large number of new and usable equipment items over the Internet from DOD. Although the production of biological warfare agents requires a high degree of expertise, the ease with which these items were obtained through public sales increases the risk that terrorists could obtain and use them to produce biological agents that could be used against the United States. (GAO–04–81TNI, Oct. 7, 2003)

• Based on statistical sampling, we estimated that 72 percent of the over 68,000 premium class airline tickets DOD purchased for fiscal years 2001 and 2002 was not properly authorized and that 73 percent was not properly justified. During fiscal years 2001 and 2002, DOD spent almost $124 million on premium class tickets that included at least one leg in premium class—usually business class. Because each premium class ticket cost the government up to thousands of dollars more than a coach class ticket, unauthorized premium class travel resulted in millions of dollars of unnecessary costs being incurred annually. (GAO–04–229T, Nov. 6, 2003)

• Some DOD contractors have been abusing the Federal tax system with little or no consequence, and DOD is not collecting as much in unpaid taxes as it could. Under the Debt Collection Improvement Act of 1996, DOD is responsible—working with the Treasury Department—for offsetting payments made to contractors to collect funds owed, such as unpaid Federal taxes. However, we found that DOD had collected only $687,000 of unpaid taxes over the last 6 years. We estimated that at least $100 million could be collected annually from DOD contractors through effective implementation of levy and debt collection programs. (GAO–04–95, Feb. 12, 2004)

• DOD continues to lack a complete inventory of contaminated real property sites, which affects not only DOD's ability to assess the potential environmental impact and to plan, estimate costs, and fund cleanup activities, as appropriate, but also its ability to minimize the risk of civilian exposure to unexploded ordnance. The risk of such exposure is expected to grow with the increase in development and recreational activities on land once used by the military for munitions-related activities (e.g., live-fire testing and training). (GAO–04–147, Dec. 19, 2003)

• DOD's Space and Naval Warfare Systems Command working capital fund activities used accounting entries to manipulate the amount of customer orders for the sole purpose of reducing the actual dollar amounts reported to Congress for work that had been ordered and funded (obligated) by customers but not yet completed by fiscal year end. As a result, congressional and DOD decisionmakers did not have the reliable information they needed to make decisions regarding the level of funding to be provided to working capital fund customers. (GAO–03–668, July 1, 2003)

• Our review of fiscal year 2002 data revealed that about $1 of every $4 in contract payment transactions in DOD's Mechanization of Contract Administration Services (MOCAS) system was for adjustments to previously recorded payments—$49 billion of adjustments out of $198 billion in disbursement, collection, and adjustment transactions. According to DOD, the cost of researching and making adjustments to accounting records was

about $34 million in fiscal year 2002, primarily to pay hundreds of DOD and contractor staff. (GAO–03–727, Aug. 8, 2003)

• DOD and congressional decisionmakers lack reliable data upon which to base sourcing decisions due to weaknesses in DOD's data-gathering, reporting, and financial systems. As in the past, we have identified significant errors and omissions in the data submitted to Congress regarding the amount of each military service's depot maintenance work out-sourced or performed in-house. As a result, both DOD and Congress lack assurances that the dollar amounts of public-private sector workloads reported by military services are reliable. (GAO–03–1023, Sept. 15, 2003)

• DOD's information technology (IT) budget submissions to Congress for fiscal year 2004 contained material inconsistencies, inaccuracies, or omissions that limited its reliability. For example, we identified discrepancies totaling about $1.6 billion between two primary parts of the submission—the IT budget summary report and the detailed Capital Investments Reports on each IT initiative. These problems were largely attributable to insufficient management attention and limitations in departmental policies and procedures, such as guidance in DOD's Financial Management Regulations, and to shortcomings in systems that support budget-related activities. (GAO–04–115, Dec. 19, 2003)

• Since the mid-1980s, we have reported that DOD uses overly optimistic planning assumptions to estimate its annual budget request. These same assumptions are reflected in its Future Years Defense Program, which reports projected spending for the current budget year and at least 4 succeeding years. In addition, in February 2004 the Congressional Budget Office projected that DOD's demand for resources would grow to about $473 billion a year by fiscal year 2009. DOD's own estimate for that same year was only $439 billion.[6] As a result of DOD's continuing use of optimistic assumptions, DOD has too many programs for the available dollars, which often leads to program instability, costly program stretch-outs, and program termination. Over the past few years, the mismatch between programs and budgets has continued, particularly in the area of weapons systems acquisition. For example, in January 2003, we reported that the estimated costs of developing eight major weapons systems had increased from about $47 billion in fiscal year 1998 to about $72 billion by fiscal year 2003.[7] (GAO–03–98, January 2003)

• DOD did not know the size of its security clearance backlog at the end of September 2003 and had not estimated a backlog since January 2000. Using September 2003 data, we estimated that DOD had a backlog of roughly 360,000 investigative and adjudicative cases, but the actual backlog size is uncertain. DOD's failure to eliminate and accurately assess the size of its backlog may have adverse affects. For example, delays in updating overdue clearances for personnel doing classified work may increase national security risks and slowness in issuing new clearances can increase the costs of doing classified government work. (GAO–04–344, Feb. 9, 2004)

These examples clearly demonstrate not only the severity of DOD's current problems, but also the importance of reforming financial management and related business operations to improve mission support and the economy and efficiency of DOD's operations, and to provide for transparency and accountability to Congress and American taxpayers.

UNDERLYING CAUSES OF FINANCIAL AND RELATED BUSINESS PROCESS TRANSFORMATION CHALLENGES

The underlying causes of DOD's financial management and related business process and system weaknesses are generally the same ones I outlined in my prior testimony before this subcommittee 2 years ago. For each of the problems cited in the previous section, we found that one or more of these causes were contributing factors. Over the years, the department has undertaken many initiatives intended to transform its business operations department-wide and improve the reliability of in-

[6] Congressional Budget Office, The Long-Term Implications of Current Defense Plans: Detailed Update for Fiscal Year 2004 (www.cbo.gov, February 2004). Figures from this report are in constant fiscal year 2004 dollars.

[7] U.S. General Accounting Office, Major Management Challenges and Program Risks: Department of Defense, GAO–03–98 (Washington, DC: January 2003). Figures from this report are in constant fiscal year 2003 dollars.

formation for decisionmaking and reporting but has not had much success because it has not addressed the following four underlying causes:

- a lack of sustained top-level leadership and management accountability for correcting problems;
- deeply embedded cultural resistance to change, including military service parochialism and stovepiped operations;
- a lack of results-oriented goals and performance measures and monitoring; and
- inadequate incentives and accountability mechanisms relating to business transformation efforts.

If not properly addressed, these root causes will likely result in the failure of current DOD initiatives.

Lack of Sustained Leadership and Adequate Accountability

DOD has not routinely assigned accountability for performance to specific organizations or individuals who have sufficient authority to accomplish desired goals. For example, under the Chief Financial Officers Act of 1990,[8] it is the responsibility of the agency Chief Financial Officer (CFO) to establish the mission and vision for the agency's future financial management and to direct, manage, and provide oversight of financial management operations. However, at DOD, the Comptroller—who is by statute the department's CFO—has direct responsibility for only an estimated 20 percent of the data relied on to carry out the department's financial management operations. The other 80 percent comes from DOD's other business operations and is under the control and authority of other DOD officials.

In addition, DOD's past experience has suggested that top management has not had a proactive, consistent, and continuing role in integrating daily operations for achieving business transformation related performance goals. It is imperative that major improvement initiatives have the direct, active support and involvement of the Secretary and Deputy Secretary of Defense to ensure that daily activities throughout the department remain focused on achieving shared, agency-wide outcomes and success. While the current DOD leadership, such as the Secretary, Deputy Secretary, and Comptroller have certainly demonstrated their commitment to reforming the Department, the magnitude and nature of day-to-day demands placed on these leaders following the events of September 11, 2001, clearly affect the level of oversight and involvement in business transformation efforts that these leaders can sustain. Given the importance of DOD's business transformation effort, it is imperative that it receive the sustained leadership needed to improve the economy, efficiency, and effectiveness of DOD's business operations. Based on our surveys of best practices of world-class organizations,[9] strong executive CFO and Chief Information Officer leadership is essential to: (1) making financial management an entity-wide priority; (2) providing meaningful information to decisionmakers; (3) building a team of people that delivers results; and (4) effectively leveraging technology to achieve stated goals and objectives.

Cultural Resistance and Parochialism

Cultural resistance to change, military service parochialism, and stovepiped operations have all contributed significantly to the failure of previous attempts to implement broad-based management reforms at DOD. The Department has acknowledged that it confronts decades-old problems deeply grounded in the bureaucratic history and operating practices of a complex, multifaceted organization. Recent audits reveal that DOD has made only small inroads in addressing these challenges. For example, the Bob Stump National Defense Authorization Act for Fiscal Year 2003[10] requires the DOD Comptroller to determine that each financial system improvement meets the specific conditions called for in the act before DOD obligates funds in amounts exceeding $1 million. However, we found that most system improvement efforts were not reviewed by the DOD Comptroller, as required, and that DOD continued to lack a mechanism for proactively identifying system improvement initiatives. We asked for, but DOD did not provide, comprehensive data for obligations in excess of $1 million for business system modernization. Based on the limited in-

[8] Chief Financial Officers Act of 1990, Pub. L. No. 101–576, 104 Stat. 2842, Nov. 15, 1990 (codified, as amended in scattered sections of title 31, United States Code).

[9] U.S. General Accounting Office, Executive Guide: Creating Value Through World-class Financial Management, GAO/AIMD–00–134 (Washington, DC: April 2000) and U.S. General Accounting Office, Executive Guide: Maximizing the Success of Chief Information Officers: Learning From Leading Organizations, GAO–01–376G (Washington, DC: February 2001).

[10] Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107–314, § 1004(d), 116 Stat. 2458, 2629, Dec. 2, 2002.

formation provided, we found that as of December 2003, business system modernization efforts with reported obligations totaling over $479 million were not referred to the DOD Comptroller for review for fiscal years 2003 and 2004.

In addition, in September 2003,[11] we reported that DOD continues to use a stovepiped approach to develop and fund its business system investments. Specifically, we found that DOD components receive and control funding for business systems investments without being subject to the scrutiny of the DOD Comptroller. DOD's ability to address its current "business-as-usual" approach to business system investments is further hampered by its lack of: (1) a complete inventory of business systems (a condition we first highlighted in 1998); (2) a standard definition of what constitutes a business system; (3) a well-defined enterprise architecture; and (4) an effective approach for controlling financial system improvements before making obligations exceeding $1 million. Until DOD develops and implements an effective strategy for overcoming resistance, parochialism, and stovepiped operations, reform will fail and "business-as-usual" will continue at the department.

Lack of Goals and Performance Measures

At a programmatic level, the lack of clear, linked goals and performance measures handicapped DOD's past reform efforts. As a result, DOD managers lacked straightforward roadmaps showing how their work contributed to attaining the Department's strategic goals, and they risked operating autonomously rather than collectively. As of March 2004, DOD has formulated Department-wide performance goals and measures and continues to refine and align them with the outcomes described in its strategic plan—the September 2001 Quadrennial Defense Review (QDR). The QDR outlined a new risk management framework, consisting of four dimensions of risk—force management, operational, future challenges, and institutional—to use in considering trade-offs among defense objectives and resource constraints. According to DOD's Fiscal Year 2003 Annual Report to the President and Congress, these risk areas are to form the basis for DOD's annual performance goals. They will be used to track performance results and will be linked to resources. As of March 2004, the department is still in the process of implementing this approach on a Department-wide basis.

DOD currently has plans to institutionalize performance management by aligning management activities with the President's Management Agenda. As part of this effort, DOD linked its fiscal year 2004 budget resources with metrics for broad program areas, e.g., air combat, airlift, and basic research in the Office of Management and Budget's (OMB) Program Assessment Rating Tool.[12] We have not reviewed DOD's efforts to link resources to metrics; however, some of our recent work notes the lack of clearly defined performance goals and measures in the management of such areas as defense inventory and military pay.[13]

Lack of Incentives for Change

The final underlying cause of the Department's long-standing inability to carry out needed fundamental reform has been the lack of incentives for making more than incremental change to existing "business-as-usual" operations, systems, and organizational structures. Traditionally, DOD has focused on justifying its need for more funding rather than on the outcomes its programs have produced. DOD has historically measured its performance by the amount of money spent, people em-

---

[11] U.S. General Accounting Office, DOD Business Systems Modernization: Important Progress Made to Develop Business Enterprise Architecture, but Much Work Remains, GAO–03–1018 (Washington, DC: Sept. 19, 2003).

[12] OMB developed the Program Assessment Rating Tool to strength the process for assessing the effectiveness of programs across the Federal Government. For fiscal year 2004, OMB rated the following 12 defense program areas: Air Combat; Airlift; Basic Research; Chemical Demilitarization; Communications Infrastructure; Defense Health; Energy Conservation Improvement; Facilities Sustainment, Restoration, Modernization, and Demolition; Housing; Missile Defense; Recruiting; and Shipbuilding. DOD linked metrics for these program areas, which represent 20 percent of the department's fiscal year 2004 budget; it linked another 20 percent in the 2005 budget and 30 percent in the 2006 budget, for a total of 70 percent.

[13] In July 2003, we reported that DOD and the military services do not have an effective approach to prevent and mitigate equipment corrosion, and that DOD's strategic plan should contain clearly defined goals; measurable, outcome-oriented objectives; and performance measures. (U.S. General Accounting Office, Defense Management: Opportunities to Reduce Corrosion Costs and Increase Readiness, GAO–03–753 (Washington, DC: July 7, 2003)). Similarly, in January 2004 we testified that existing processes and controls used to provide pay and allowances to mobilized Army Guard personnel prevented DOD from being able to reasonably assure timely and accurate payroll payments. We stated that DOD needs to establish a unified set of policies and procedures, as well as performance measures in the pay area (U.S. General Accounting Office, Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems, GAO–04–413T (Washington, DC: Jan. 28, 2004)).

ployed, or number of tasks completed. Incentives for its decisionmakers to implement changed behavior have been minimal or nonexistent.

The lack of incentive to change is evident in the business systems modernization area. Despite DOD's acknowledgement that many of its systems are error prone, duplicative, and stovepiped, DOD continues to allow its component organizations to make their own investment decisions, following different approaches and criteria. These stovepiped decisionmaking processes have contributed to the department's current complex, error-prone environment of approximately 2,300 systems. In March 2003, we reported that ineffective program management and oversight, as well as a lack of accountability, resulted in DOD continuing to invest hundreds of millions of dollars in system modernization efforts without any assurance that the projects will produce operational improvements commensurate with the amount invested.[14] For example, the estimated cost of one of the business system investment projects that we reviewed increased by as much as $274 million, while its schedule slipped by almost 4 years. After spending $126 million, DOD terminated that project in December 2002, citing poor performance and increasing costs. GAO and the DOD Inspector General (DODIG) have identified numerous business system modernization efforts that cost more than planned, take years longer than planned, and fall short of delivering planned or needed capabilities. Despite this track record, DOD continues to increase spending on business systems while at the same time it lacks the effective management and oversight needed to achieve real results. Without appropriate incentives to improve their project management, ongoing oversight, and adequate accountability mechanisms, DOD components will continue to develop duplicative and nonintegrated systems that are inconsistent with the Secretary's vision for reform.

To effect real change, actions are needed to: (1) break down parochialism and reward behaviors that meet DOD-wide goals; (2) develop incentives that motivate decisionmakers to initiate and implement efforts that are consistent with better program outcomes, including saying "no" or pulling the plug on a system or program that is failing; and (3) facilitate a congressional focus on results-oriented management, particularly with respect to resource-allocation decisions.

KEYS TO SUCCESSFUL REFORM AND CURRENT STATUS OF REFORM EFFORTS

Over the years, we have given DOD credit for beginning numerous initiatives intended to improve its business operations. Unfortunately, most of these initiatives failed to achieve their intended objective in part, we believe, because they failed to incorporate key elements that in our experience shows are critical to successful reform. Today, I would like to discuss two very important broad-based initiatives DOD currently has underway that, if properly developed and implemented, will result in significant improvements in DOD's business operations. In addition to these broad-based initiatives, DOD has undertaken several interim initiatives in recent years that have resulted in tangible, although limited, improvements. We believe that these tangible improvements were possible because DOD incorporated many of the key elements critical for reform. Furthermore, I would like to offer two suggestions for legislative consideration that I believe could significantly increase the likelihood of a successful business transformation effort at DOD.

Keys to Successful Reform

As I have previously testified,[15] and the success of the more narrowly defined DOD initiatives I will discuss later illustrate, the following key elements collectively will enable the department to effectively address the underlying causes of its inability to resolve its longstanding financial and business management problems. These elements are

- addressing the Department's financial management and related business operational challenges as part of a comprehensive, integrated, DOD-wide strategic plan for business reform;
- providing for sustained and committed leadership by top management, including but not limited to the Secretary of Defense,
- establishing resource control over business systems investments;
- establishing clear lines of responsibility, authority, and accountability;
- incorporating results-oriented performance measures and monitoring progress tied to key financial and business transformation objectives;

[14] U.S. General Accounting Office, DOD Business Systems Modernization: Continued Investment in Key Accounting Systems Needs to be Justified, GAO–03–465 (Washington, DC: Mar. 28, 2003).

[15] GAO–02–497T.

- providing appropriate incentives or consequences for action or inaction;
- establishing an enterprise architecture to guide and direct business systems modernization investments; and
- ensuring effective oversight and monitoring.

For the most part, these elements, which should not be viewed as independent actions but rather as a set of interrelated and interdependent actions, are consistent with those discussed in the Department's April 2001 financial management transformation report.[16] The degree to which DOD incorporates them into its current reform efforts—both long and short term—will be a deciding factor in whether these efforts are successful.

Human Capital Initiative

Human capital challenges at DOD are crosscutting and impact the effectiveness of all of its business operations. Effective human capital strategies are necessary for any business transformation to succeed at DOD. For several years, we have reported[17] that many of DOD's business process and control weaknesses were attributable in part to human capital issues. Recent audits of DOD's military payroll and the individually billed travel card program further highlight the adverse impact that outdated and inadequate human capital practices, such as insufficient staffing, training, and monitoring of performance, continue to have on DOD business operations.

I strongly support the need for modernizing Federal human capital policies both within DOD and for the Federal Government at large. We have found that a critical success factor for overall organizational transformation is the use of a modern, effective, credible, and integrated performance management system to define responsibility and assure accountability for achieving desired goals and objectives. Such a performance management system can help manage and direct the transformation process by linking performance expectations to an employee's role in the transformation process. GAO has found that there are significant opportunities to use the performance management system to explicitly link senior executive expectations for performance to results-oriented goals. There is a need to hold senior executives accountable for demonstrating competencies in leading and facilitating change and fostering collaboration both within and across organizational boundaries to achieve results. Setting and meeting expectations such as these will be critical to achieving needed transformation changes. Simply put, DOD must convince people throughout the Department that they must change business-as-usual practices or they are likely to face serious consequences, personally and organizationally. DOD has already applied this principle at the Defense Finance and Accounting Service (DFAS). For example, DFAS managers—and sometimes staff—are rated and rewarded based on their ability to reach specific annual performance goals. But linking employee pay to the achievement of measurable performance goals must be done within the context of a credible human capital system that includes adequate safeguards.

The National Defense Authorization Act for Fiscal Year 2004[18] authorized DOD to establish a National Security Personnel System for its civilian employees that is modern, flexible, and consistent with the merit principles outlined by the act. This legislation requires DOD to develop a human capital system that is consistent with many of the practices that we have laid out for an effective human capital system, including a modern and results-oriented performance management system. However, in our opinion, DOD does not yet have the necessary institutional infrastructure in place within its organization to support an effective human capital transformation effort. This institutional infrastructure must include, at a minimum,

- a human capital planning process that integrates the department's human capital policies, strategies, and programs for both civilian (including contractors) and military personnel, with its program goals, mission, and desired outcomes;
- the capabilities to effectively develop and implement a new human capital system, and
- a modern, effective, credible, and hopefully validated performance management system that includes a set of adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure the fair, effective, and credible implementation of the system.

---

[16] Department of Defense, Transforming Department of Defense Financial Management: A Strategy for Change, (Washington, DC: Apr. 13, 2001).

[17] U.S. General Accounting Office, Major Management Challenges and Program Risks: Department of Defense, GAO–01–244 (Washington, DC: Jan.1, 2001).

[18] National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108–136, § 1101, 117 Stat. 1392, 1621, Nov. 24, 2003 (amending subpart I of part III of title 5, United States Code).

The results of our review of DOD's strategic human capital planning efforts along with the use of human capital flexibilities and related human capital efforts across government underscore the importance of such an institutional infrastructure in developing and effectively implementing new personnel authorities. In the absence of this critical element, the new human capital authorities will provide little advantage and could actually end up doing damage if not properly implemented.

As DOD develops regulations to implement its new civilian personnel system, the Department needs to do the following.

- Ensure the active involvement of the Office of Personnel Management (OPM) in the development process, given the significant implications that changes in DOD regulations may have on governmentwide human capital policies.[19]
- Ensure the involvement of civilian employees and unions in the development of a new personnel system. The law calls for DOD to involve employees, especially in the design of its new performance management system. Involving employees in planning helps to develop agency goals and objectives that incorporate insights about operations from a front-line perspective. It can also serve to increase employees' understanding and acceptance of organizational goals and improve motivation and morale.
- Use a phased approach to implementing the system in recognition that different parts of the organization will have different levels of readiness and different capabilities to implement new authorities. Moreover, a phased approach allows for learning so that appropriate adjustments and midcourse corrections can be made before the regulations are fully implemented Department-wide. In this regard, DOD has indicated that it plans to implement its new human capital system for 300,000 civilian employees by October 1, 2004. It is highly unlikely that DOD will have employed an appropriate process and implemented an appropriate infrastructure to achieve this objective.

It is worth mentioning here that the Department of Homeland Security (DHS) is also currently developing a new human capital system. DHS is using a collaborative process that facilitates participation from all levels of DHS, and directly involves OPM. We found that the DHS process to date has generally reflected the important elements of a successful transformation, including effective communication and employee involvement.[20] In addition, DHS plans to implement the job evaluation, pay, and performance management system in phases to allow time for final design, training, and careful implementation. I believe that DOD could benefit from employing a more inclusive process and phased implementation approach similar to the process used by DHS.

BUSINESS MANAGEMENT MODERNIZATION PROGRAM (BMMP)

Another broad-based initiative that is vital to the Department's efforts to transform DOD business operations is the BMMP, which the Department established in July 2001. The purpose of the BMMP is to oversee development and implementation of a Department-wide business enterprise architecture (BEA), transition plan, and related efforts to ensure that DOD business system investments are consistent with the architecture. A well-defined and properly implemented business enterprise architecture can provide assurance that the Department invests in integrated enterprise-wide business solutions and, conversely, can help move resources away from nonintegrated business system development efforts. As we reported in July 2003,[21] within 1 year DOD developed an initial version of its Department-wide architecture for modernizing its current financial and business operations and systems. Thus far, DOD has expended tremendous effort and resources and has made important progress towards complying with legislative requirements. However, substantial work remains before the architecture will begin to have a tangible impact on improving DOD's overall business operations. I cannot overemphasize the degree of difficulty DOD faces in developing and implementing a well-defined architecture to provide the foundation that will guide its overall business transformation effort.

---

[19] U.S. General Accounting Office, Defense Transformation: Preliminary Observations on DOD's Proposed Civilian Personnel Reforms, GAO–03–717T (Washington, DC: Apr. 29, 2003).

[20] U.S. General Accounting Office, Human Capital: DHS Personnel System Design Effort Provides for Collaboration and Employee Participation, GAO–03–1099 (Washington, DC: Sep. 30, 2003).

[21] U.S. General Accounting Office, Business Systems Modernization: Summary of GAO's Assessment of the Department of Defense's Initial Business Enterprise Architecture, GAO–03–877R (Washington, DC: July 7, 2003).

On the positive side, during its initial efforts to develop the architecture, the Department established some of the architecture management capabilities advocated by best practices and Federal guidance,[22] such as establishing a program office, designating a chief architect, and using an architecture development methodology and automated tool. Further, DOD's initial version of its BEA provides a foundation on which to build and ultimately produce a well-defined business enterprise architecture. For example, in September 2003,[23] we reported that the "As Is" descriptions within the BEA include an inventory of about 2,300 systems in operation or under development and their characteristics. The "To Be" descriptions address, to at least some degree, how DOD intends to operate in the future, what information will be needed to support these future operations, and what technology standards should govern the design of future systems.

While some progress has been made, DOD has not yet taken important steps that are critical to its ability to successfully use the enterprise architecture to drive reform throughout the Department's overall business operations. For example, DOD has not yet defined and implemented the following.

- Detailed plans to extend and evolve its initial architecture to include the missing scope and detail required by the Bob Stump National Defense Authorization Act for Fiscal Year 2003 and other relevant architectural requirements. Specifically: (1) the initial version of the BEA excluded some relevant external requirements, such as requirements for recording revenue, and lacked or provided little descriptive content pertaining to its "As Is" and "To Be" environments; and (2) DOD had not yet developed the transition plan needed to provide a temporal road map for moving from the "As Is" to the "To Be" environment.
- An effective approach to select and control business system investments[24] for obligations exceeding $1 million. As I previously stated, and it bears repeating here, DOD components currently receive direct funding for their business systems and continue to make their own parochial decisions regarding those investments without having received the scrutiny of the DOD Comptroller as required by the Bob Stump National Defense Authorization Act for Fiscal Year 2003. Later, I will offer a suggestion for improving the management and oversight of the billions of dollars DOD invests annually in system modernization efforts.

Until DOD completes its efforts to refine and implement its enterprise architecture and transition plan, and develop and implement an effective approach for selecting and controlling business system investments, DOD will continue to lack (1) a comprehensive and integrated strategy to guide its business process and system changes, and (2) results-oriented measures to monitor and measure progress, including whether system development and modernization investment projects adequately incorporate leading practices used by the private sector and Federal requirements and achieve performance and efficiency commensurate with the cost. These elements are critical to the success of DOD's BMMP.

Developing and implementing a business enterprise architecture for an organization as large and complex as DOD is a formidable challenge but it is critical to effecting the change required to achieve the Secretary's vision of relevant, reliable, and timely financial and other management information to support the Department's vast operations. As mandated, we plan to continue to report on DOD's progress in developing the next version of its architecture, developing its transition plan, validating its "As Is" systems inventory, and controlling its system investments.

Interim Initiatives

Since DOD's overall business process transformation is a long-term effort, in the interim it is important for the Department to focus on improvements that can be made using, or requiring only minor changes to, existing automated systems and processes. As demonstrated by the examples I will highlight in this testimony, leadership, real incentives, accountability, and oversight and monitoring—key elements to successful reform—have brought about improvements in some DOD operations,

[22] U.S. General Accounting Office, Information Technology: A Framework for Assessing and Improving Enterprise Architecture Management (Version 1.1), GAO–03–584G (Washington, DC: April 2003).

[23] GAO–03–1018.

[24] Business systems include financial and non-financial systems, such as civilian personnel, finance, health, logistics, military personnel, procurement, and transportation, with the common element being the generation or use of financial data to support DOD's business operations.

such as more timely commercial payments, reduced payment recording errors, and significant reductions in individually billed travel card delinquency rates.

To help achieve the Department's goal of improved financial information, the DOD Comptroller has developed a Financial Management Balanced Scorecard that is intended to align the financial community's strategy, goals, objectives, and related performance measures with the Department-wide risk management framework established as part of DOD's QDR, and with the President's Management Agenda. To effectively implement the balanced scorecard, the Comptroller is planning to cascade the performance measures down to the military services and defense agency financial communities, along with certain specific reporting requirements. DOD has also developed a Web site where implementation information and monthly indicator updates will be made available for the financial communities' review. At the Department-wide level, certain financial metrics will be selected, consolidated, and reported to the top levels of DOD management for evaluation and comparison. These "dashboard" metrics are intended to provide key decisionmakers, including Congress, with critical performance information at a glance, in a consistent and easily understandable format.

The DFAS has been reporting the metrics cited below for several years, which, under the leadership of DFAS' Director and DOD's Comptroller, have reported improvements, including

- From April 2001 to January 2004, DOD reduced its commercial pay backlogs (payment delinquencies) by 55 percent.
- From March 2001 to December 2003, DOD reduced its payment recording errors by 33 percent.
- The delinquency rate for individually billed travel cards dropped from 18.4 percent in January 2001 to 10.7 percent in January 2004.

Using DFAS' metrics, management can quickly see when and where problems are arising and can focus additional attention on those areas. While these metrics show significant improvements from 2001 to today, statistics for the last few months show that progress has slowed or even taken a few steps backward for payment recording errors and commercial pay backlogs. Our report last year on DOD's metrics program[25] included a caution that, without modern integrated systems and the streamlined processes they engender, reported progress may not be sustainable if workload is increased.

Since we reported problems with DOD's purchase card program, DOD and the military services have taken actions to address all of our 109 recommendations. In addition, we found that DOD and the military services took action to improve the purchase card program consistent with the requirements of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 and the DOD Appropriation Act for Fiscal Year 2003.[26] Specifically, we found that DOD and the military services had done the following.

- Substantially reduced the number of purchase cards issued. According to GSA records, DOD had reduced the total number of purchase cards from about 239,000 in March 2001 to about 134,609 in January 2004. These reductions have the potential to significantly improve the management of this program.
- Issued policy guidance to field activities to (1) perform periodic reviews of all purchase card accounts to reestablish a continuing bona fide need for each card account, (2) cancel accounts that were no longer needed, and (3) devise additional controls over infrequently used accounts to protect the government from potential cardholder or outside fraudulent use.
- Issued disciplinary guidelines, separately, for civilian and military employees who engage in improper, fraudulent, abusive, or negligent use of a government charge card.

In addition, to monitor the purchase card program, the DODIG and the Navy have prototyped and are now expanding a data-mining capability to screen for and identify high-risk transactions (such as potentially fraudulent, improper, and abusive use of purchase cards) for subsequent investigation. On June 27, 2003, the DODIG issued a report[27] summarizing the results of an indepth review of purchase card transactions made by 1,357 purchase cardholders. The report identified 182

[25] U.S. General Accounting Office, Financial Management: DOD's Metrics Program Provides Focus for Improving Performance, GAO–03–457, (Washington, DC: Mar. 28, 2003).

[26] The Department of Defense Appropriations Act for Fiscal Year 2003, Pub. L. No. 107–248, § 8149, 116 Stat. 1519, 1572, Oct. 23, 2002.

[27] Department of Defense, Office of the Inspector General, Summary Report on Joint Review of Selected DOD Purchase Card Transactions, D2003–109 (Washington, DC: June 27, 2003).

cardholders who potentially used their purchase cards inappropriately or fraudulently.

We believe that consistent oversight played a major role in bringing about these improvements in DOD's purchase and travel card programs. During 2001, 2002, and 2003, seven separate congressional hearings were held on the Army and Navy purchase and individually billed travel card programs. Numerous legislative initiatives aimed at improving DOD's management and oversight of these programs also had a positive impact.

Another important initiative underway at the Department pertains to financial reporting. Under the leadership of Comptroller Zakheim, DOD is working to instill discipline into its financial reporting processes to improve the reliability of the Department's financial data. Resolution of serious financial management and related business management weaknesses is essential to achieving any opinion on the DOD consolidated financial statements. Pursuant to the requirements in section 1008 of the National Defense Authorization Act for Fiscal Year 2002,[28] DOD has reported for the past 3 years on the reliability of the department's financial statements, concluding that the Department is not able to provide adequate evidence supporting material amounts in its financial statements. Specifically, DOD stated that it was unable to comply with applicable financial reporting requirements for (1) property, plant, and equipment, (2) inventory and operating materials and supplies, (3) environmental liabilities, (4) intragovernmental eliminations and related accounting entries, (5) disbursement activity, and (6) cost accounting by responsibility segment. Although DOD represented that the military retirement health care liability data had improved for fiscal year 2003, the cost of direct health care provided by DOD-managed military treatment facilities was a significant amount of DOD's total recorded health care liability and was based on estimates for which adequate support was not available. DOD has indicated that by acknowledging its inability to produce reliable financial statements, as required by the act, the Department saves approximately $23 million a year through reduction in the level of resources needed to prepare and audit financial statements. However, DOD has set the goal of obtaining a favorable opinion on its fiscal year 2007 Department-wide financial statements. To this end, DOD components and agencies have been tasked with addressing material line item deficiencies, in conjunction with the BMMP. This is an ambitious goal and we have been requested by Congress to review the feasibility and cost effectiveness of DOD's plans for obtaining such an opinion within the stated time frame.

To instill discipline in its financial reporting process, the DOD Comptroller requires DOD's major components to prepare quarterly financial statements along with extensive footnotes that explain any improper balances or significant variances from previous year quarterly statements. All of the statements and footnotes are analyzed by Comptroller office staff and reviewed by the Comptroller. In addition, the midyear and end-of-year financial statements must be briefed to the DOD Comptroller by the military service Assistant Secretary for Financial Management or the head of the defense agency. We have observed several of these briefings and have noted that the practice of preparing and explaining interim financial statements has led to the discovery and correction of numerous recording and reporting errors.

If DOD continues to provide for active leadership, along with appropriate incentives and accountability mechanisms, improvements will continue to occur in its programs and initiatives.

Suggestions for Legislative Consideration

I would like to offer two suggestions for legislative consideration that I believe could contribute significantly to the Department's ability to not only address the impediments to DOD success but also to incorporate needed key elements to successful reform. These suggestions would include the creation of a chief management official and the centralization of responsibility and authority for business system investment decisions with the domain[29] leaders responsible for the Department's various business process areas, such as logistics and human resource management.

Chief Management Official

Previous failed attempts to improve DOD's business operations illustrate the need for sustained involvement of DOD leadership in helping to assure that the DOD's

[28] National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107–107, § 1008, 115 Stat. 1012, 1204, Dec. 28, 2001.

[29] DOD has one Enterprise Information Environment Mission, and six departmental domains including (1) acquisition/procurement, (2) finance, accounting, and financial management, (3) human resource management, (4) logistics, (5) strategic planning and budgeting, and 6) installations and environment.

financial and overall business process transformation efforts remain a priority. While the Secretary and other key DOD leaders have certainly demonstrated their commitment to the current business transformation efforts, the long-term nature of these efforts requires the development of an executive position capable of providing the strong and sustained executive leadership—over a number of years and various administrations. The day-to-day demands placed on the Secretary, the Deputy Secretary, and others make it difficult for these leaders to maintain the oversight, focus, and momentum needed to resolve the weaknesses in DOD's overall business operations. This is particularly evident given the demands that the Iraq and Afghanistan postwar reconstruction activities and the continuing war on terrorism have placed on current leaders. Likewise, the breadth and complexity of the problems preclude the Under Secretaries, such as the DOD Comptroller, from asserting the necessary authority over selected players and business areas.

While sound strategic planning is the foundation upon which to build, sustained leadership is needed to maintain the continuity needed for success. One way to ensure sustained leadership over DOD's business transformation efforts would be to create a full-time executive level II position for a chief management official who would serve as the Principal Under Secretary of Defense for Management.[30] This position would provide the sustained attention essential for addressing key stewardship responsibilities such as strategic planning, performance and financial management, and business systems modernization in an integrated manner, while also facilitating the overall business transformation operations within DOD. This position could be filled by an individual, appointed by the President and confirmed by the Senate, for a set term of 7 years with the potential for reappointment. Such an individual should have a proven track record as a business process change agent in large, complex, and diverse organizations—experience necessary to spearhead business process transformation across the department and serve as an integrator for the needed business transformation efforts. In addition, this individual would enter into an annual performance agreement with the Secretary that sets forth measurable individual goals linked to overall organizational goals in connection with the Department's overall business transformation efforts. Measurable progress towards achieving agreed upon goals would be a basis for determining the level of compensation earned, including any related bonus. In addition, this individual's achievements and compensation would be reported to Congress each year.

Central Control Over System Investments

We have made numerous recommendations to DOD intended to improve the management oversight and control of its business systems modernization investments. However, as previously mentioned, progress in achieving this control has been slow and, as a result, DOD has little or no assurance that current business systems modernization investment money is being spent in an economically efficient and effective manner. DOD's current systems investment process has contributed to the evolution of an overly complex and error-prone information technology environment containing duplicative, nonintegrated, and stovepiped systems. Given that DOD plans to spend $19 billion on business systems and related infrastructure for fiscal year 2004—including an estimated $5 billion in modernization money—it is critical that actions be taken to gain more effective control over such business systems investments.

One suggestion we have for legislative action to address this issue that is consistent with our open recommendations to DOD, is to establish specific management oversight, accountability, and control of funding with the "owners" of the various functional areas or domains. This legislation would define the scope of the various business areas (e.g., acquisition, logistics, finance, and accounting) and establish functional responsibility for management of the portfolio of business systems in that area with the relevant Under Secretary of Defense for the six departmental domains and the Chief Information Officer for the Enterprise Information Environment Mission (information technology infrastructure). For example, planning, development, acquisition, and oversight of DOD's portfolio of logistics business systems would be vested in the Under Secretary of Defense for Acquisition, Technology, and Logistics.

We believe it is critical that funds for DOD business systems be appropriated to the domain owners in order to provide for accountability, transparency, and the ability to prevent the continued parochial approach to systems development that exists

[30] On September 9, 2002, GAO convened a roundtable of executive branch leaders and management experts to discuss the Chief Operating Officer concept. For more information see U.S. General Accounting Office, Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges, GAO–03–192SP (Washington, DC: Oct. 4, 2002).

today. The domains would establish a hierarchy of investment review boards with DOD-wide representation, including the military services and Defense agencies. These boards would be responsible for reviewing and approving investments to develop, operate, maintain, and modernize business systems for the domain portfolio, including ensuring that investments were consistent with DOD's BEA. All domain owners would be responsible for coordinating their business system modernization efforts with the chief management official who would chair the Defense Business Systems Modernization Executive Committee. Domain leaders would also be required to report to Congress through the chief management official and the Secretary of Defense, on applicable business systems that are not compliant with review requirements and to include a summary justification for noncompliance.

CONCLUSION

As seen again in Iraq, the excellence of our military forces is unparalleled. However, that excellence is often achieved in the face of enormous challenges in DOD's financial management and other business areas, which have serious and far-reaching implications related to the department's operations and critical national defense mission. Our recent work has shown that DOD's longstanding financial management and business problems have resulted in fundamental operational problems, such as failure to properly pay mobilized Army Guard soldiers and the inability to provide adequate accountability and control over supplies and equipment shipments in support of Operation Iraqi Freedom. Further, the lack of adequate transparency and appropriate accountability across all business areas has resulted in certain fraud, waste, and abuse and hinders DOD's attempts to develop world-class operations and activities to support its forces. As our Nation continues to be challenged with growing budget deficits and increasing pressure to reduce spending levels, every dollar that DOD can save through improved economy and efficiency of its operations is important.

DOD's senior leaders have demonstrated a commitment to transforming the department and improving its business operations and have taken positive steps to begin this effort. We believe that our two suggested legislative initiatives will greatly improve the likelihood of meaningful, broad-based reform at DOD. The continued involvement and monitoring by congressional committees will be critical to ensure that DOD's initial transformation actions are sustained and extended and that the Department achieves its goal of securing the best performance and highest measure of accountability for the American people. I commend the subcommittee for holding this hearing and I encourage you to use this vehicle, on an annual basis, as a catalyst for long overdue business transformation at DOD.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or other members of the subcommittee may have at this time.

CONTACTS AND ACKNOWLEDGMENTS

For further information about this testimony, please contact Gregory D. Kutz at (202) 512–9095 or kutzg@gao.gov, Randolph Hite at (202) 512–3439 or hiter@gao.gov, or Evelyn Logue at (202) 512–3881. Other key contributors to this testimony include Sandra Bell, Meg Best, Molly Boyle, Mary Ellen Chervenic, Cherry Clipper, Francine Delvecchio, Abe Dymond, Gayle Fischer, Geoff Frank, John Kelly, Elizabeth Mead, John Ryan, Cary Russell, Lisa Shames, Darby Smith, Edward Stephenson, Derrick B. Stewart, Carolyn Voltz, Marilyn Wasleski, and Jenniffer Wilson.

Senator ENSIGN. Secretary Zakheim.

STATEMENT OF HON. DOV S. ZAKHEIM, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Dr. ZAKHEIM. Mr. Chairman, Senator Akaka, Senator Pryor, I am happy to be here today to update you on the ongoing transformation of DOD financial management. I have a relatively long oral statement. I debated in my own mind whether I should abbreviate it the way David Walker just did or whether I should give it to you in full. It seems to me that, as you both expressed, Senator Ensign and Senator Akaka, this is a major top-level issue. So I hope you are going to indulge me and hear me out as I go

through a lot of different issues, because I do think we have made some progress.

Also, I thank you for your kind words. This is going to be, most likely, my last appearance before the committee as Under Secretary of Defense (Comptroller). I want to thank the members and the staff for the support and also the courtesy that has been given me over the past 3 years. I remain convinced, as I did before I took this job, that congressional oversight of all facets of our national security posture is vital. The committee's leadership has been very important to helping the President and DOD fulfill their responsibilities. On behalf of the Department and on my own behalf, I want to thank you.

I also want to thank my colleague sitting next to me. With all due respect to separation of powers, David Walker has been a major source of ideas, creative and constructive criticism for the Department of Defense. We have acted on those ideas in many cases. In some cases, we are moving ahead with them, as you will see. But always, he and his staff have been people with whom we could cooperate on a highly professional basis. I want to thank him personally for that.

Turning to the subject of the hearing; first, I do want to underscore the resolve of the Department of Defense. That resolve goes beyond just those who are here for some period, whether it is longer or shorter, to sustain and expand the substantial financial management progress of the last 3 years.

It is not a simple matter, as you both have said. But we have had to face a number of challenges. I want to talk a little bit about what they were, how we have tried to overcome them, and where we are headed.

Under my Secretary of Defense's strong leadership and determination, the Department has made enormous progress in overcoming challenges that developed and persisted over the past several decades. Financial management generally has been a backwater. Only in the government could the job of a chief financial officer be less important, be less than that of comptroller. I recently read in the paper about a major corporation that promoted someone to the job of comptroller and she is going to report to the chief financial officer. It does not work that way in government.

For many years, DOD business management systems have been unable, satisfactorily, to interact with one another and facilitate the synthesis of management processes, or to provide DOD decisionmakers with timely, accurate, and reliable information, or to fulfill all financial management laws, standards, and requirements, or to produce auditable financial statements, as has already been mentioned.

The primary cause of this situation was that, for decades, each military service and most Defense Department agencies and functional communities were permitted to develop and use its own business processes and systems. There was no requirement to adhere to a DOD-wide architecture or a DOD-wide set of standards.

Inevitably, these independent systems rarely could interact with others. Their information cannot easily be exchanged nor could it be aggregated for use by senior DOD leaders. The Department's inability to produce clean, auditable financial statements reflected

the fact that DOD business systems were not designed to produce the data necessary for them.

It is important to remember that the information required for financial statement must come from very different, from many different, DOD business systems: logistics, acquisition, human resources management, and others. Most of these systems were designed primarily to manage inventory, people, and purchases, not to feed into financial statements.

In 2001, Secretary Rumsfeld and his leadership team embarked on an aggressive path to achieve the comprehensive solution needed to give the Department integrated management processes and systems and to meet Federal Government requirements, notably auditable financial statements resulting in clean, unqualified, that is, audit, opinions.

On our path to reform, we have been fortunate to have had access to private sector expertise through the Secretary of Defense's business board, 20 distinguished private sector business executives who advise the Secretary and senior DOD leaders on business management and related subjects. Defense Business Board (DBB) recommendations have been especially valuable for the management of DOD-wide reform, development of financial management metrics, reform of the defense working capital fund, and development of balanced scorecard metrics that align measurement with management risk areas.

One example that David Walker just mentioned, the idea of having an under secretary or deputy secretary for management, is a subject that was tackled by the business board. They have made recommendations for the Secretary. So, this issue is under active consideration.

Again, I am grateful to David Walker, as well as the Comptroller of the Office of Management and Budget. Both have served as observers on this board since its inception.

Now, to transfer DOD financial management, my fellow DOD leaders and I realized that we needed to transform management processes and systems in all major functional areas, not just financial. To transfer all DOD business management, we created the Business Management Modernization Program (BMMP). The centerpiece of BMMP is the transformational tool known as the Business Enterprise Architecture (BEA).

The BEA will help DOD's diverse business communities guide and constrain the transformation of their processes and systems. As we have already discussed, BMMP is a massive undertaking and will take several more years to complete. This program is as much about changing our business processes as it is about eliminating redundant and noncompatible systems. We are working to streamline, re-engineer, and standardize our business processes, not simply to improve the handling of information from those processes.

BMMP will enable us to transition from the current collection of mostly incompatible and inadequate management systems to an integrated network of systems based on the uniform implementation of requirements across the Department.

Our last completed inventory identified about 2,300 business systems. Our ongoing efforts to identify all business systems indicate

that the real total is much higher, probably at least twice as high as the number we now have. It is important to remember that we are necessarily taking a top-down incremental approach to business transformation. Our task is to transform an extraordinarily complex conglomeration of business systems. Our only practical option is to do that in increments. We cannot shut down the Department of Defense for nearly a decade, throw out all old business processes and systems, and start from scratch, guided by a fully developed comprehensive enterprise architecture.

The Department's ongoing and planned actions for BMMP are consistent with the recommendations in GAO Report 03–1018. Most of those recommendations were related to continuing development of the BEA, which we are implementing. Our aim is that each successive BEA version, and there will be successive versions, includes more of the detail needed to guide and complete fully the transformation of DOD business processes and systems.

The fiscal year 2005 budget requests $122 million to continue the transformation efforts of BMMP, including the evolution and extension of the business enterprise architecture. I urge congressional support for that request, which is critical to the business transformation that DOD, the Office of Management and Budget, and GAO all agree is vitally needed. You have already heard that our target is to have clean financial statements by 2007. You have heard that it is a challenging goal. I think it is terribly important that we stick to that goal. I think it is terribly important that Congress make sure that we stick to that goal. The money that we are asking for in order to get the enterprise architecture truly up and running is critical to the achievement of that objective.

Even though the BEA is in continuing development, the current version is sufficient to enable the Department to ensure strong oversight over ongoing and planned investment in business systems. We are accomplishing this through what we term portfolio management by each of the owners of the seven so-called domains or business areas: logistics, acquisition, installations environment, human resources management, accounting and financial management, strategic planning and budgeting, and technical infrastructure.

Basically, what this means is that you now have the various, as it were, czars of these business areas working together to deal with one of the issues that Senator Akaka raised: how do you get buy-in from the entire Department? You cannot just do it through the Comptroller. That is why we changed the program from financial management modernization to business management modernization. We have the people who are in charge of these various business areas working together to ensure that their business processes will be in conformity with the overall enterprise architecture. So, that is a major development that we did not talk about when I was here 2 years ago with Comptroller General Walker.

DOD leaders realized early on that BMMP was the only long-term, sustainable solution to its financial reporting inadequacies. But we also realized that, since it would take several years to complete development and implementation of all BMMP initiatives, that we would need faster remedies to fulfill financial reporting requirements. So, we have been advancing various complementary

measures to achieve acceptable DOD financial statements by fiscal year 2007.

I have initiated an unprecedented DOD-wide effort to attain an unqualified audit opinion on all of the Department's fiscal year 2007 financial statements. Central to this effort has been the requirement that all major DOD reporting components develop a financial management improvement plan that details how each component will overcome the deficiencies that prevent it from obtaining an unqualified audit opinion.

To ensure progress, my office conducts quarterly top-down reviews of financial statements from DOD components and tracks ongoing corrective actions year around. As Chief Financial Officer, I have required semiannual briefings by all major reporting components. I personally review progress, looking at each financial statement, including its footnotes. The DOD Inspector General (DODIG) is the responsible agent for performing audits of DOD financial statements and the systems that support the statements and for rendering an opinion on their fair presentation of DOD operations.

The DODIG expects to continue to fulfill some of this responsibility by contracting with outside auditing organizations with the requisite qualifications. To fulfill this responsibility, the DODIG estimates that its fiscal year 2004 costs will be $115 million. During fiscal year 2004, these costs will be covered by the components that are being audited.

For fiscal year 2005, the Department has requested $231 million to enable the DODIG to perform these assessments and audits. This request funds the increased involvement of the auditors, which is vital to sustaining our progress toward clean financial statements. My office, the DODIG, OMB, and the GAO continue to work together to guide this progress.

We will also be working together to ensure the wise expenditure of these fiscal year 2005 funds. This is a lot of money. But if we are going to be serious, we have to pay for the auditors. We have to pay for the people to do the job. If we want clean statements, we have to give the auditors, the Inspector General, the wherewithal to review and audit what we give them.

So, yes, there is a price to pay, but I believe it is worthwhile. I would also say that in my reviews of financial statements, sitting with me at all times are representatives of OMB and GAO and the Inspector General. You can imagine the first few times when the components came in with their financial statements and saw that there were not just going to be briefing me but GAO, DODIG, and OMB. I can tell you that has made a huge difference.

Of the 21 DOD components required to submit financial reports, 5 received clean audit opinions. One received the qualified audit opinion in fiscal year 2003, which means that one-quarter of our components already are getting opinions.

Other DOD advances toward ensuring an unqualified audit opinion on its financial statements include continuing to make corrections on the reporting of environmental liabilities, needed changes on expenditure reconciliation, and continuing progress to correct weakness in inventory evaluation. Nearly 50 percent of the Department's reporting of liabilities received favorable audit results in fiscal year 2003.

We have improved the timeliness of financial statements by reducing annual financial report production time by 45 percent in fiscal year 2004. We have improved the clarity, formatting, and footnoting of our financial statements. We are establishing a DOD audit committee. Again, this was a suggestion made by some of our partner agencies to provide a concerted senior leadership focus to achieve and sustain a favorable audit opinion and to import the best practices from other organizations who have achieved success in obtaining a favorable audit opinion.

Now, besides BMMP and direct action to achieve auditable financial statements, the Department has had other accomplishments related to its financial management. We have adopted a new approach to the management of retirement funds. In response to a recommendation by the DOD Inspector General, the Department created the DOD Investment Board to provide additional oversight over the management of eight retirement and trust funds with assets now totaling almost $250 billion.

These funds include the Medicare Eligible Retirement Health Care Fund begun in fiscal year 2003. Its assets right now total about $37 billion. But it is expected to eventually grow to over $400 billion. The new board has approved an investment strategy that aims to minimize risk and maximize return on investments. As a result of our new strategy, currently the Military Retirement Fund, with assets of about $200 billion, is earning returns that are better than those of equivalent funds, notably Vanguard and T. Rowe Price funds holding similar government securities. We are doing better than the supposed pros. Our retirement fund has better returns over a 1-year, 5-year, and 10-year period.

We have also been using another initiative that we brought into the Department's management structure over the past few years, called management initiative decisions (MIDs) to improve business processes directly. For example, we used the so-called MIDs to make two especially significant changes. We initiated the extensive use of performance metrics to measure program results and began the use of metrics to improve programs and guide budget decisions.

As my Secretary frequently says, "If you can't measure it, you don't know if you're making progress."

We also designed and launched a new 2-year planning, programming, budgeting, and execution process, whose features include a combined program and budget review and a more intensive focus on enhancing joint war-fighting capabilities. Execution leads directly into reporting that goes into financial management. So, we now have a complete flow from the planning end to the reporting end that ultimately will lead to those clean audits.

We have overhauled policies and management of DOD government charge cards, both the purchase cards and the travel cards. The problems we found centered on inadequate management control, too many cards being issued and delinquent payments on individually billed accounts. To remedy these problems, we strengthened our internal controls, increased training, curtailed and restricted cards, and developed automated surveillance tools. Reflecting our progress, for purchase cards since fiscal year 2001, we have reduced the number issued by 42 percent and we have cut delinquency payments rate in half.

For the delinquency rate for travel card, we surpassed our fiscal year 2003 balance score-card goal of 3 percent for centrally billed accounts, ending the year at 1.3 percent. For individually billed accounts, we ended the year at 5.1 percent of delinquencies, a significant reduction from the January 2003, level of 11.5 percent, which was more than twice as high.

In fiscal year 2003, we canceled 490,000 travel cards for non-use and 9,000 due to separations and retirements. There were roughly a half-million travel cards floating around that were not being used and we have gotten rid of them.

We have made progress in eliminating Anti-Deficiency Act (ADA) violations. We increased the spread of ADA investigations, which helped us to determine what went wrong in each violation and made the appropriate corrections.

Now, violations are frequently addressed with minor disciplinary actions. While some may disagree with the disciplinary decisions that were made, commanders and supervisors have been given discretion and responsibility appropriate to the facts and circumstances. But in my view, my personal view, that is still unsatisfactory. Violators tend to receive only minor punishments far too often. What kind of a signal does that send to somebody who may be contemplating an ADA violation?

If the word goes around that all you are going to get, if you are caught, is a slap on the wrist, then how are you going to deter people from trying to do just that? Spending government money inappropriately where there is no authorization to do so. I find this, and have found this, extremely frustrating. There is very little that senior civilian leaders can do to strengthen punishments because of prohibitions on command influence on the military's punishment decisions.

As long as that is the system, our hands are tied. The problem is not with individual military officers, the problem is with the system. This is a system that essentially has translated essentially a non-military impropriety into something that only the military can correct. There is a disconnect there. We need your help to fix that.

Among our other accomplishments over the past 3 years—and I will go through these quickly—we have reduced problem disbursements from $4.1 billion in January 2001 to $1 billion at the end of fiscal year 2003. Now, to say that we have $1 billion in problem disbursements is not to brag, obviously. But it is not $4.1 billion, as it was a few years back. We are now at 24 percent of the earlier level.

Problem disbursements consist of negative, unliquidated obligations; that is to say, money that you paid that you should not have and unmatched disbursements. But negative, unliquidated obligations dropped from $1.4 billion in January 2001 to only $125 million in fiscal year 2003. That is quite a drop. Unmatched disbursement dropped from $2.8 billion in January 2001, to $854 million at the end of 2003.

We have also strengthened internal controls to detect and prevent financial management mistakes. We have intensified procedures to prevent erroneous commercial payments and to recover such payments, if made. We have initiated measures to detect, reverse, and prevent the use of closed appropriations. We have initi-

ated changes in partnership with the Treasury Department so that we could improve the collection of Federal debts from delinquent DOD contractors.

We have progressed towards strengthening the professional qualifications of the DOD financial management work force; and we have, so far, cut 236 systems. That is a drop in the bucket of all those systems that are out there. But it demonstrates that we are actually eliminating systems.

In closing, I again want to thank this committee and the GAO for their interest and their support for the Department of Defense effort to transform its business management and to fulfill its financial reporting responsibilities. We are at a critical stage in our transformation. We are off to a strong start but a lot does remain to be done. We do face difficult challenges as we maneuver our way through these next several years.

This transformation is as complex and difficult as any challenge the Department has faced. I make no presumptuous statements that it compares to any war, large or small. But as a management challenge, it is as tough as any. What is at stake is nothing less than the future quality and cost of DOD management of its hundreds of billions of dollars in assets, liabilities, and appropriations; and frankly, its credibility to the American taxpayer.

Successful transformation is essential to ensuring the very best management of our defense resources and also is key to sustaining strong support to America's Armed Forces. The Department finally has a program, the Business Management Modernization Program, that is comprehensive enough, truly, to transform its business processes and systems in a sustainable way. We owe our taxpaying citizens nothing less. We need and welcome Congress' support and assistance to complete this historic undertaking.

Thank you so much.

[The prepared statement of Dr. Zakheim follows:]

PREPARED STATEMENT BY HON. DOV S. ZAKHEIM

Mr. Chairman, members of the subcommittee, I am happy to be here to update you on the ongoing transformation of Department of Defense (DOD) financial management.

Before doing that, since this is likely to be my last appearance before the Senate Armed Services Committee as Under Secretary of Defense (Comptroller), I want to thank committee members and staff for the support and courtesy given me these past 3 years. Congress's oversight of all facets of America's national security posture is vital, and the committee's leadership has been very important to helping the President and DOD fulfill their responsibilities. On behalf of the Department and myself, thank you.

Turning now to the subject of this hearing, Mr. Chairman, I first want to underscore the resolve of the DOD to sustain and expand the substantial financial management progress of the last 3 years. I am happy that the Comptroller General, David Walker, is joining the discussion today because he and his people have provided key support for our efforts. We in the Department continue to find the General Accounting Office (GAO) a major ally as we seek to improve DOD financial management. Both our Department and the GAO agree that much remains to be done. With the support of Congress and continued help from the GAO, the DOD can and must complete the planned overhaul of its financial management.

Today I want to summarize the financial management challenges DOD has faced, what we have done to overcome these challenges, and the work ahead to finish the task.

FINANCIAL MANAGEMENT CHALLENGES DOD HAS FACED

Over the past 3 years, under Secretary Rumsfeld's strong leadership and determination, the DOD has made enormous progress in overcoming financial management challenges that developed and persisted over the past several decades. Financial management generally has been a backwater. Only in government could the job of Chief Financial Officer be less important than that of Comptroller.

For many years, DOD business management systems have been unable satisfactorily to:

- Interact with one another and facilitate the synthesis of management processes;
- Provide DOD decisionmakers with timely, accurate, and reliable information;
- Fulfill all financial management laws, standards, and requirements; or
- Produce auditable financial statements.

The primary cause of this situation was that for decades each military service and most DOD agencies and functional communities were permitted to develop and use its own business processes and systems. There was no requirement to adhere to a DOD-wide architecture or set of standards. Inevitably these independent systems rarely could interact with others. Their information could not easily be exchanged nor aggregated for use by senior DOD leaders.

The Department's inability to produce clean, auditable financial statements reflected the fact that DOD business systems were not designed to produce the data necessary for such statements. It is important to remember that the information required for financial statements must come from many different DOD business systems: logistics, acquisition, human resources management, and others. Most of these systems were designed primarily to manage inventory, people, and purchases—not to feed into financial statements. Moreover, DOD accounting and finance systems were developed to track and ensure the proper expenditure of appropriated funds, not to produce auditable financial statements. Therefore, when the Government Management Results Act of 1994 mandated that the DOD and 23 other Federal agencies produce auditable financial statements, DOD systems simply were not capable of complying.

One of the most important actions of the Bush administration regarding DOD financial management was to decide that marginal changes would not be sufficient to overcome challenges that had been developing for decades. In previous administrations, marginal changes had produced only marginal results. So in 2001, Secretary Rumsfeld and his leadership team embarked on an aggressive path to achieve the comprehensive solution needed to give the Department superlative, integrated management processes and systems and to meet Federal Government requirements—notably, auditable financial statements resulting in clean (unqualified) audit opinions.

On our path to reform, we have been fortunate to have had access to private sector expertise through the Secretary's Defense Business Board (DBB)—20 distinguished private sector business executives who advise the Secretary of Defense and senior DOD leaders on business management and related subjects. DBB recommendations have been especially valuable for the management of DOD-wide reform, development of financial management metrics, reform of the defense working capital fund, and development of balanced scorecard metrics that align measurement with the key management risk areas. I am especially grateful that David Walker of the GAO, as well as the Comptroller of the Office of Management and Budget (OMB), have served as observers on this board since its inception.

BUSINESS MANAGEMENT MODERNIZATION PROGRAM

To transform DOD financial management, my fellow DOD leaders and I realized that we needed to transform management processes and systems in all major functional areas—not just financial. To transform all DOD business management, we created the Business Management Modernization Program. The centerpiece of the BMMP is the transformational tool known as the Business Enterprise Architecture (BEA). The BEA will help DOD's diverse business communities guide and constrain the transformation of their processes and systems.

BMMP is a massive undertaking and will take several more years to complete. This program is as much about changing our business processes as it is about eliminating redundant and non-compatible systems. We are working to streamline, reengineer, and standardize our business processes—not simply improve the handling of information from those processes. BMMP will enable us to transition from the current collection of mostly incompatible and inadequate management systems to an integrated network of systems, based on the uniform implementation of require-

ments across the Department. Our last completed inventory identified about 2,300 DOD business systems. Our ongoing efforts to identify all DOD business systems indicate that the real total is a much higher number.

The Department's business transformation is being guided through an extensive governance process that includes all senior DOD managers. Specific responsibilities for business transformation will be detailed in a directive to be published soon.

It is important to remember that we are necessarily taking a top-down, incremental approach to business transformation. Our task is to transform an extraordinarily complex conglomeration of business systems, and our only practical option is to do that in increments. We cannot shut down the DOD for a decade, throw out all old business processes and systems, and start from scratch guided by a fully developed, comprehensive enterprise architecture.

BMMP evolution

The Department's ongoing and planned actions for BMMP are consistent with the recommendations in GAO Report 03–1018. Most of those recommendations were related to continuing development of the BEA, which we are implementing. Our aim is that each successive BEA version includes more of the detail needed to guide and complete fully the transformation of DOD business processes and systems.

We also are aggressively building a comprehensive, detailed transition plan, which will depict the systems and schedules for migration from our legacy systems environment to the new mix of systems needed to achieve DOD business transformation goals. The transition plan will guide us from our "As Is" inefficient and ineffective environment to a "To Be" fully transformed state, which we are continuing to refine and specify.

The fiscal year 2005 budget requests $122 million to continue the transformation efforts of BMMP, including the evolution and extension of the BEA. I urge congressional support for that request, which is critical to the business transformation that DOD, OMB, and GAO all agree is vitally needed.

Controlling business systems investments

Even though the BEA is in continuing development, the current version is sufficient to enable the Department to ensure strong oversight over ongoing and planned investments in business systems. We are accomplishing this through what we term "portfolio management" by each of the owners of the 7 so-called domains or business areas: Logistics, Acquisition, Installations and Environment, Human Resources Management, Accounting and Financial Management, Strategic Planning and Budgeting, and Technical Infrastructure. Portfolio management efforts of the components that serve as "domain owners" are coordinated and integrated by the Business Modernization and Systems Integration Office, which is the program office and leader of BMMP.

Each domain owner—for example, the Under Secretary of Defense (Acquisition, Technology, and Logistics) for the acquisition domain—oversees investments in business systems for that domain. The owner is responsible for ensuring that those investments are consistent with the BEA, Transition Plan, and requirements of section 1004 of the National Defense Authorization Act for Fiscal Year 2003. Especially critical is ensuring that these investments support achievement of an unqualified audit opinion. The Department has certified some new system initiatives with investments of more than $1 million and is setting up the processes needed to review thoroughly all other like investments exceeding $1 million, as required by law.

Each domain owner will also have the lead in determining what business systems need to be phased out—and when to do so to best complement the investment in new initiatives necessary to achieve an unqualified audit opinion. Since the Department began its business transformation in early 2001, we have eliminated about 238 systems. We still have a long way to go.

PRODUCING AUDITABLE FINANCIAL STATEMENTS

DOD leaders realized early on that BMMP was the only long-term, sustainable solution to its financial reporting inadequacies. But we also realized that—since it would take several years to complete development and implementation of all BMMP initiatives—we would need faster remedies to fulfill financial reporting requirements. We, therefore, have been advancing various complementary measures to achieve acceptable DOD financial statements by fiscal year 2007.

I have initiated an unprecedented DOD-wide effort to attain an unqualified audit opinion on all of the Department's fiscal year 2007 financial statements. Central to this effort has been the requirement that all major DOD reporting components develop a Financial Management Improvement Plan that details how each component will overcome the deficiencies that prevent it from obtaining an unqualified audit

opinion. To ensure progress my office conducts quarterly top-down reviews of financial statements from DOD components and tracks ongoing corrective actions year-round. As Chief Financial Officer, I require semi-annual briefings by all major reporting components—and I personally check progress, reviewing each financial statement—including its footnotes.

DOD Improvement Plans follow a process designed to ensure that the Department complies with section 1008 of the National Defense Authorization Act for Fiscal Year 2002, which is aimed at minimizing DOD expenditures for preparing and auditing financial statements that are not likely to be reliable. The essence of the improvement plan process is:

- Components identify and correct problems with their accounting systems and financial reporting processes—problems that prevent favorable audit opinions.
- Components validate that corrections have been made and then inform the DOD Inspector General (IG) that their systems corrections and statement are ready for its review.
- The DODIG performs a limited review to confirm that a component's accounting system and financial statement is ready for a complete review.

The DODIG is the responsible agent for performing audits of DOD financial statements and the systems that support the statements and for rendering an opinion on their fair presentation of DOD operations. The IG expects to continue to fulfill some of this responsibility by contracting with outside auditing organizations with the requisite qualifications. To fulfill this responsibility, the DODIG estimates its fiscal year 2004 costs will be $115 million. During fiscal year 2004, these costs will be covered by the components being audited.

For fiscal year 2005 the Department has requested $231 million to enable the DODIG to perform these assessments and audits. This request funds the increased involvement of the auditors, which is vital to sustaining our progress toward clean financial statements. My office, the DODIG, OMB, and GAO continue to work together to guide this progress, and we will also be working together to ensure the wise expenditure of these fiscal year 2005 funds.

Of the 21 DOD components required to submit financial reports, 5 received clean audit opinions and 1 received a qualified audit opinion in fiscal year 2003. Other DOD advances toward ensuring an unqualified audit opinion on its financial statements include:

- We continue to make corrections on the reporting of environmental liabilities and needed changes on expenditure reconciliation.
- We continue progress to correct weaknesses in inventory valuation.
- Nearly 50 percent of the Department's reporting of its liabilities received favorable audit results in fiscal year 2003.
- We improved the timeliness of financial statements by reducing annual financial report production time by 45 percent in fiscal year 2004.
- We substantially improved the clarity, formatting, and footnoting of DOD financial statements. The statements and notes are more citizen-focused and carry a reader friendly analysis to show variances between comparative periods. Our ability to communicate our financial position better enables us to convey more clearly the challenges we face and the services we provide.
- We are establishing the DOD Audit Committee to provide a concerted senior leadership focus to achieve and sustain a favorable audit opinion, and import best practices from other organizations who have achieved success in obtaining a favorable audit opinion. The committee will review accounting and auditing issues and provide advice and counsel to the Secretary on solutions to resolve Department-wide challenges. It also will review DOD progress on implementing improvement plans and resolving major financial reporting deficiencies.

OTHER ACCOMPLISHMENTS

Besides BMMP and direct action to achieve auditable financial statements, the Department has had other accomplishments related to its financial management.

We have adopted a new approach to the management of retirement funds. In response to an DODIG recommendation, the Department created the DOD Investment Board to provide additional oversight over the management of eight retirement and trust funds with assets now totaling almost $250 billion. These funds include the Medicare-Eligible Retirement Health Care Fund, begun in fiscal year 2003; its assets now total $37 billion, but it is expected to grow eventually to over $400 billion. The new Board has approved an investment strategy that aims to minimize risk and maximize returns on investments. As a result of our new strategy, currently the Military Retirement Fund, with assets of about $200 billion, is earning returns that are better than those of equivalent funds—notably, Vanguard and T. Rowe Price

funds holding similar government securities. Our retirement fund has better returns over a 1-year, 5-year, and 10-year period.

We have been using Management Initiative Decisions (MIDs) to improve business processes directly. For example, we used MIDs to make two especially significant changes:

- We initiated the extensive use of performance metrics to measure program results, and began the use of those metrics to improve programs and guide budget decisions.
- We designed and launched a new 2-year Planning, Programming, Budgeting, and Execution process, whose features include a combined program and budget review and a more intense focus on enhancing joint warfighting capabilities.

We inaugurated the DOD Financial Management Balanced Scorecard Program to align financial management performance measures to the Department's overall priorities. Examples of our scorecard actions include:

- Our fiscal year 2003 goal for interest penalties for late commercial payments was that we not exceed $206 per million dollars paid. We surpassed that goal, ending fiscal year 2003 at $160 per million. We have reduced our interest penalties from $291 per million in April 2001 to $124 per million in January 2004.
- Our fiscal year 2003 goal was that we not exceed 5 percent of over aged invoices as compared to the total number of invoices on hand. We surpassed that goal, ending fiscal year 2003 at 3.66 percent backlog.

We have overhauled policies and management of DOD government charge cards (purchase cards and travel cards). The problems we found centered on inadequate management control, too many cards being issued, and delinquent payments on individually billed accounts. To remedy these problems, we strengthened our internal controls, increased training, curtailed and restricted cards, and developed automated surveillance tools. Reflecting our progress:

- For purchase cards, since fiscal year 2001 we have reduced the number issued by 42 percent and cut the delinquency payments rate in half.
- For the delinquency rate for travel cards, we surpassed our fiscal year 2003 balanced scorecard goal of 3 percent for centrally billed accounts, ending the year at 1.3 percent. For individually billed accounts, we ended the year at 5.1 percent, a significant reduction from the January 2003 level of 11.5 percent.
- In fiscal year 2003 we cancelled 490,000 travel cards for non-use and 9,000 due to separations and retirements.

We have made progress in eliminating Antideficiency Act violations. We increased the speed of ADA investigations, which helps us determine what went wrong in each violation and make the appropriate corrections. Violations are frequently addressed with minor disciplinary actions. While some may disagree with the disciplinary decisions made, commanders and supervisors have been given discretion and responsibilities appropriate to the facts and circumstances. In my personal view, violators receive only minor punishment far too often. This is frustrating, and there is little senior civilian leaders can do to strengthen punishments because of prohibitions on command influence on the military's punishment decisions. Perhaps Congress can help and find a way through this major complicating factor.

Among our other accomplishments over the past 3 years, we have:

- Reduced problem disbursements from $4.1 billion in January 2001 to $1.0 billion at the end of fiscal year 2003—just 24 percent of that earlier level. (The end of the fiscal year is the best time to measure our progress.) Problem disbursements consist of negative unliquidated obligations and unmatched disbursements.
    - Negative unliquidated obligations dropped from $1.4 billion in January 2001 to $125 million at the end of fiscal year 2003.
    - Unmatched disbursements dropped from $2.8 billion in January 2001 to $854 million at the end of fiscal year 2003.
- Strengthened internal controls to detect and prevent financial management mistakes.
- Intensified procedures to prevent erroneous commercial payments and to recover such payments if made.
- Initiated measures to detect, reverse, and prevent use of closed appropriations.
- Initiated changes in partnership with the Treasury Department to improve our collection of Federal debts from delinquent DOD contractors.
- Progressed toward strengthening the professional qualifications of the DOD financial management workforce.

CLOSING

In closing, I again want to thank this committee, and the GAO, for their interest in the DOD effort to transform its business management and to fulfill its financial reporting responsibilities. We are at a critical stage in our transformation. We are off to a strong start, but much remains to be done. We face difficult challenges as we maneuver our way during these next several years.

This transformation is as complex and difficult as any challenge the Department has faced. What is at stake is nothing less than the future quality and cost of DOD management of its hundreds of billions of dollars in assets, liabilities, and appropriations. Successful transformation is essential to ensuring the very best management of our defense resources, and also is key to sustaining strong support to America's Armed Forces. The Department finally has a program, the Business Management Modernization Program, comprehensive enough truly to transform its business processes and systems in a sustainable way. We owe our taxpaying citizens nothing less. We need and welcome Congress's support and assistance to complete this historic undertaking. Thank you.

Senator ENSIGN. Well, thank both of you for your excellent testimony. I think you have laid out the challenges before us. I agree that they are great. A big reason that they are great is because of the size of the Department of Defense. But they are not overwhelming. We must believe that we can overcome these.

Just quickly, maybe both of you can make a quick comment on this. This gets to the culture in the Services themselves. I mean, you look at the private sector, whatever their focus is, building cars, providing services, whatever it is, you have certain people in management where that is their focus. They do not want to answer, they do not want to answer, basically, to the people over here that are saying, well, what, we are public company. We have to answer to the Securities and Exchange Commission (SEC). We have to answer to our shareholders. But also, for efficiency's sake, we need to have computer systems and information systems that talk to each other, not just on financial matters but just so it is well coordinated.

Without a strong Chief Executive Officer (CEO) driving and understanding that importance, that stuff never happens in the private sector the way that it needs to happen. So, I thought it was interesting, both of you talking about the idea of somebody with the authority at the Department of Defense, and especially, Mr. Walker, your point about it being somebody who is not really a political appointee but being somebody who is there long term, who has the authority to carry through. Because you know, we have mentioned time and again that political appointments come and go and the bureaucracy just kind of says "bye-bye, I know I am still going to be here." When they welcome you in, they say: "Do not worry. Whatever you are going to try, I know I am going to be here after you leave."

So, it is very important to change the culture and the services, this person does have to have the authority and has to have the blessing of whoever the Secretary of Defense (SECDEF) is, whether it's this administration or another administration. They certainly have to have—even if they are a non-political appointment, they still have to have the support of the SECDEF.

Mr. WALKER. I think from a practical standpoint, in order for the person to be empowered and in order to be able to have the credibility both within the Department, as well as the ability for Congress to call that individual to testify, which I think would be very

important, I think from a practical standpoint, you are talking about a presidential appointee with Senate confirmation.

But what you are talking about that is different is you are talking about an individual who would have specified statutory responsibilities, that would have specified qualification requirements to be appointed, who would have a term appointment of, let us say, a 5-year to 7-year period of time, and therefore would be there hopefully long enough to really see through some of these challenging initiatives, who——

Senator ENSIGN. By the way, just getting to the 5-year to 7-year period——

Mr. WALKER. Yes.

Senator ENSIGN. I like that aspect. But I like the aspect where you talked about performance contracts and having a provision in there to be able to remove them, if they are not doing their job.

Mr. WALKER. Exactly. That would not take a statutory provision, but you could couple it with that. To have a performance contract to get things done, and if the person is not performing, then be able to remove them. They potentially could be reappointed, if they were doing a great job.

I think you could also look at some performance-based compensation here, as well as part of it. But I believe that, frankly, Dov and Secretary Wolfowitz and Secretary Rumsfeld, and the other key players at the Department of Defense have more than a full-time job. What happens is, is that people focus on the policy issues. People focus on the day-to-day issues of this large and complex and important enterprise. We do not have somebody focused over a long enough period of time solely on these business transformation challenges. I think it is critically important.

Now whether or not you need legislation, one of the things that I know that the Defense Business Board is looking at is options that may not require legislation. I think the jury is out as to whether or not you will need legislation but I believe this is of critical importance.

Dr. ZAKHEIM. As you just heard and as I had mentioned, the Defense Business Board has been looking at this and is making some recommendations to the Secretary of Defense and to Deputy Secretary Wolfowitz. I know that Dave Walker has also met with the Deputy Secretary and briefed him on this.

But one has to at the same time say, "okay, this may happen. What do we do in the interim?" One of the things that I did when I came in was to appoint two additional deputy undersecretaries, one of whom focused full time on financial management, actually management reform. I also cleaned house in my financial management office. I have a new Deputy Chief Financial Officer (DCFO), who is with me, JoAnn Boutelle. She has been with me for some time now. We actually went through two DCFOs before we chose her.

We have a whole new senior staff in that office, and they know that their reputations are going to stand or fall on how the system works. In my years in and out of the Pentagon the only way I have found to move the bureaucracy, is to give it a stake in something. Once their reason for being is tied into a particular program, then you are going to have advocates for that program.

We also found, and I mention this in terms of the so-called domain owners, that we could not do it on our own. We did have to get buy-in. We do, I believe, have buy-in for most of the OSD, if not all of the OSD senior leadership. Does that mean there are not pockets of resistance? Of course there are.

We are going to need help, I believe, from Congress, to keep shining a light on what we are doing. One suggestion I might make is that instead of having a hearing like this every 2 years, you might want to think about twice a year or at least once a year, so that you get progress reports.

One of the difficulties that I constantly encounter is that those who are less inclined to move ahead keep coming back at me and saying: "Look, do not give us timetables. Do not force us to give you dates. Let us just have it all be event driven. We will accomplish X. We will move on to Y."

Now it sounds logical, except it begs the question: How long are you going to take to accomplish X? The answer is: We just told you. Do not make us give you a timetable.

On the contrary—and I understand where Dave Walker is coming from when he says 2007 is very ambitious. If you do not have an ambitious goal, you do not have a goal. If you do not have a goal, nothing is going to happen.

So, you could help us by challenging us and saying: You gave us a timetable. How are you doing relative to that timetable? Senator Akaka raised that today. You are absolutely right.

Now, there are reasons why we slipped; and we can talk about those. But the point is, you ask us that question. You force us to be accountable. The combination of your doing that and a staff, at least in the CFO's office—a career staff that is dedicated to the success of this project, I think will help us go a long way. Hopefully we will continue to have people like Secretary Rumsfeld, who believe in this as a prime concern.

Mr. WALKER. Mr. Chairman, I would add that I do think it would be highly desirable to have this hearing at least once a year and ideally more than once a year. We are in a critical juncture at the Department of Defense. Irrespective of what the election outcome is, having ongoing oversight by this committee, and other appropriate subcommittees, and other appropriate entities in Congress, I think it is critically important, in order to maintain momentum and assure appropriate accountability for results.

Senator ENSIGN. Thank you, both.

We will just go back and forth, Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Dave Walker and Dov Zakheim, I feel that you are making a plea to us. I am glad we started 2 years ago, putting our finger on this. I know at that time we were optimistic. But this is why I am commending both of you for what you are doing and for working together in meeting this challenge, as you said that we have set forth here.

I want to commend both of you for working so hard these 2 years. Our hope, of course, is that you would come back with answers. I would tell you that I am looking upon what you said as a springboard, a springboard into accomplishing something more definite in the future. But you have put your fingers on some of

the, I guess, challenges that we have. I like the so-called simple statement that Mr. Walker had and laid down three things for us.

One was a top level official, who would have the power to make differences and top level, too. You also mentioned that we need to determine how to control our resources. The third thing was human capital. Individually, these are huge challenges. But you have put your finger on those. I am so glad to hear that you two are working on this and, of course, saying that we need other agencies to work with you on this.

So, let me start out by saying I really appreciate what you have done. This is a springboard to the future challenges.

Mr. Walker and Dr. Zakheim, when you testified—I am going back in history—2 years ago, you agreed that DOD needed investment controls to avoid wasting money on systems that would be inconsistent with the new architecture. Let me use the word architecture. I will quote Mr. Walker at that time saying, "We recommend DOD take action to establish centralized control over transformation investments to ensure that funding is provided for only those proposed investments, and systems, and business processes that are consistent with the Department's overall business process transformation strategy."

Dr. Zakheim agreed with you at that time. We included a provision requiring such an investment control system in our annual authorization. Unfortunately, GAO has told us that "the vast majority of the billions of dollars that DOD invests in business system improvements annually have not been subject to the specific investment control process" established pursuant to this requirement.

Do you both still believe that the Department needs to establish controls over proposed investments in business management systems? If so, why has the current process not worked? What do we need to fix it?

Mr. WALKER. Well, Senator, I will start. First, there are a number of circumstances in which people did seek and receive permission for the million dollar plus systems approval requirements. But there were many circumstances, as our report pointed out, where they did not.

The step that you took was obviously a step in the right direction. However, it was a system that says: ask permission. Many are not asking permission. They are asking for forgiveness.

The simple fact of the matter is, once you pass the money out, you lose control. I think that one of the things that has to be considered at the Defense Department is, the way I look at it is, there are two types of primary systems. There are warfighting systems, which is what DOD is all about. We are number one in the world in fighting and winning armed conflicts. On that, you might take one approach and you might decentralize the funding more to the different Services.

Then there are business information systems, which you have to approach on an enterprise basis, and which there really are not boundaries between the different Services. Therefore, you need to approach them on a more centralized basis. I think the responsibility, the authority, the control over the related resources ought to be more on a centralized basis.

I also think, as Secretary Zakheim mentioned, DOD has 2,300 business information systems and counting. As he said, he thinks it may be double that. Now first, if we do not know how many we have, we have a problem. Second, we need to somehow differentiate between which ones are critical stay-in-business systems, which is only a sub-set, and which ones are ones that are somebody's personal preference or something that somebody has designed for themselves over the years. If it is not a stay-in-business system, we may need to kill it.

I think we have to take the money that we free up that is not a stay-in-business system, and we have to re-deploy that money to create the future. In summary, being able to separate between warfighting and staying in-business systems, and to centralize more responsibility, authority, and control over the business system resources where people have to get approval, where they are not seeking permission, they are seeking approval; and, therefore, that would change the dynamics.

Senator ENSIGN. Before you go on, Mr. Secretary; Mr. Walker, could you just maybe give an example or two of a non-stay-in-business system?

Mr. WALKER. Well, a system that, in a particular service, in a particular command, that somebody has designed, that helps them do something that they want done but is not essential or integral to management information necessary for that Service or the Department of Defense as a whole. We can probably come up with some more specific examples. Believe me, I can assure you there are plenty out there.

Senator ENSIGN. If you could come up with, just for the record later on, just——

Mr. WALKER. No problem.

Senator ENSIGN. Get that for us, I would appreciate it.

[The information referred to follows:]

Our audit work has not focused on identifying non-stay-in-business systems, but rather on assessing DOD's ability to manage and control system investments and identify non-stay-in-business systems within its reported inventory of approximately 2,300 systems. Recent audits reveal that DOD has made only small inroads in addressing these management challenges. For example, the Bob Stump National Defense Authorization Act for Fiscal Year 2003[2] requires the DOD Comptroller to determine that each financial system improvement meets the specific conditions called for in the act before DOD obligates funds in amounts exceeding $1 million. However, we found that most system improvement efforts involving obligations over $1 million were not reviewed by the DOD Comptroller for the purpose of making that determination and that DOD continued to lack a mechanism for proactively identifying system improvement initiatives. We asked for, but DOD did not provide, comprehensive data for obligations in excess of $1 million for business system modernization. Based on a comparison of the limited information available for fiscal years 2003 and 2004, we identified $479 million in reported obligations by the military services that were not submitted to the DOD Comptroller for review.

Despite DOD's acknowledgement that many of its systems are error prone, duplicative, and stovepiped, DOD continues to allow its component organizations to make their own investments independently of one another and implement different system solutions to solve the same business problems. These stovepiped decisionmaking processes have contributed to the Department's current complex, error-prone environment, and have hindered its ability to identify systems that should be phased out. The DOD Comptroller testified at the hearing that DOD's actual systems inventory could be twice as many as the number of systems the Department currently

[2] Bob Stump National Defense Authorization Act for Fiscal Year 2003, Pub. L. No. 107–314, § 1004 (d), 116 Stat. 2458, 2629, Dec. 2, 2002.

recognizes as its systems inventory. DOD's ability to address its current "business-as-usual" approach to business system investments, including the identification on non-stay-in-business systems, is further hampered by its lack of: (1) a complete inventory of business systems (a condition we first highlighted in 1998); (2) a standard definition of what constitutes a business system; (3) a well-defined enterprise architecture; and (4) an effective approach for the control and accountability over business system investments.

In March 2003, we reported that ineffective program management and oversight, as well as a lack of accountability, resulted in DOD continuing to invest hundreds of millions of dollars in system modernization efforts without any assurance that the projects will produce operational improvements commensurate with the amount invested.[3] We have identified several DOD business system modernization efforts in enclosure 1 that were not economically justified on the basis of cost, benefits, and risk; will take years longer than planned; and have fallen short of delivering planned or needed capabilities. For more information, please contact Greg Kutz, Director, Financial Management and Assurance at 202–512–9095 or Darby Smith, Assistant Director at 202–512–7803, or smithd@gao.gov.

EXAMPLES OF TROUBLED DOD SYSTEM INITIATIVES

Defense Joint Accounting System (DJAS)

DJAS was planned as a DOD-wide solution for a portion of the Department's general ledger accounting needs only to fall significantly short of expectations and cost more than planned. In 1997 DOD selected DJAS to be the general fund accounting system for the Army and the Air Force as well as for DOD transportation and security assistance areas. Subsequently, in February 1998, DFAS decided that the Air Force could withdraw from using DJAS, because Air Force and/or DJAS processes would need significant reengineering to permit use of the joint accounting system. As a result, the Air Force initiated an effort to develop its own general fund accounting system-General Fund and Finance System. In June 2000, the DOD Inspector General reported[1] that DFAS was developing DJAS at an estimated life-cycle cost of about $700 million without demonstrating that the program was the most cost-effective alternative for providing a portion of DOD's general fund accounting. The report stated that DFAS had not developed a complete or fully supportable feasibility study, analysis of alternatives, economic analysis, acquisition program baseline, or performance measures, and had not reengineered business processes. During fiscal years 1997–2000 DFAS spent approximately $120 million on the development and implementation of DJAS. Although DFAS considers DJAS fully deployed, it is only operational at two locations—Fort Benning, Georgia, and the Missile Defense Agency. In October 2003, the DOD Comptroller placed DJAS in sustainment—that is, the system will continue to operate at existing locations, but will not be enhanced further.

Defense Procurement Payment System (DPPS)

DFAS determined the need for DPPS in April 1995. DPPS was intended to be the standard, automated information system for contract and vendor pay authorization and addressing deficiencies associated with overpayments, negative unliquidated obligations,[2] and unmatched disbursements[3]—all of which are longstanding problems in DOD. DPPS also was to incrementally replace eight contract and vendor systems. DFAS awarded a contract in June 1998 for the acquisition of a system that was intended to address DOD's contract and vendor pay deficiencies. In its assessment of the economic analysis, DOD's Program Analysis and Evaluation office questioned the validity of the estimated savings and the ability to implement DPPS within the original estimated cost and schedule. Despite these concerns, the DOD CIO granted permission to continue the project. The original full operational capability date of April 2002 slipped to December 2005—a delay of over 3 years—with the estimated cost almost doubling to $552 million. In December 2002, following our discussion with DOD Comptroller officials of DPPS cost increases and schedule slippages, the DOD Comptroller terminated DPPS.[4] In making this decision, the DOD Comptroller noted that the project was being terminated due to poor program performance and

[3] GAO–03–465.

[1] Department of Defense Office of the Inspector General, Acquisition of the Defense Joint Accounting System, Report No. D–2000–151 (Arlington, VA: June 16, 2000).

[2] Negative unliquidated obligations occur when recorded disbursements exceed recorded obligations, indicating that expenditures may exceed amounts obligated,

[3] Unmatched disbursements occur when a disbursement cannot be matched to an obligation.

[4] DOD Business Systems Modernization: Continued Investment in Key Accounting Systems Needs to be Justified, GAO–03–465 (Washington, DC: March 28, 2003).

increasing costs. At the time the decision was made, DOD had invested 7 years of effort and $126 million.

Defense Standard Disbursing System (DSDS)

Disbursing activities for DOD are largely accomplished through systems that were designed 15–20 years ago. In 1997, DFAS launched DSDS to be the single, standard DFAS automated information system for collecting, processing, recording, and reporting disbursement data and transactions for the military services and defense agencies. These disbursing functions are currently being provided by multiple automated information systems and manual activities at various DFAS locations. For DSDS, an economic analysis was prepared in September 2000. However, it had not been updated to reflect material changes in the project. For example, the full operational capability date (FOC)[5] at the time the economic analysis was prepared was February 2003. However, according to information provided by DFAS, the current FOC date was delayed to December 2005—a schedule slippage of almost 3 years.[6] In December 2003, the DOD terminated further development of DSDS after an investment of approximately $53 million.

Joint Computer Aided Acquisition and Logistics System (JCALS)

JCALS was established in 1992 to provide the functionality to manage, acquire, stock, and distribute inventory to the warfighter. In September 2002, the DOD Comptroller directed the Army to stop development of JCALS and enter the program in the sustainment mode until an updated economic analysis was approved and a determination was made to confirm that the program was affordable through the Future Years Defense Plan. In May 2003, a DOD contractor reviewed the cost, efficiency, and effectiveness of the JCALS program to ascertain whether it can provide the intended level of service to the users within budget. Overall, the contractor reported that JCALS was an inefficient program and it had not been effective in satisfying user requirements. Specifically, JCALS was costly to operate, maintain, and develop and its key stakeholders were not involved in the making of critical decisions. The study, among other things, recommended freezing all JCALS software and technology spending and improving overall program management. Acting on the results of the study, DOD has placed JCALS in sustainment. According to DOD's fiscal year 2004 IT budget submission, DOD has invested over $1 billion in JCAL since the inception of the program.

Standard Procurement System (SPS)

In November 1994, DOD began the SPS program to acquire and deploy a single automated system to perform all contract management-related functions within DOD's procurement process for all DOD organizations and activities. The goal of SPS was to replace 76 existing procurement systems with a single Departmental system. DOD estimated that SPS had a life cycle cost of approximately $3 billion over a 10-year period. According to DOD, SPS was to support about 43,000 users at over 1,000 sites worldwide and was to interface with key financial management functions, such as payment processing. Additionally, SPS was intended to replace the contract administration functions currently performed by the Mechanization of Contract Administration Services (MOCAS), a system implemented in 1968. Our July 2001 report[7] and February 2002 testimony[8] identified weaknesses in the Department's management of its investment in SPS. Specifically:

- The Department had not economically justified its investment in the program because its latest (January 2000) analysis of costs and benefits was not credible. Further, this analysis showed that the system, as defined, was not a cost-beneficial investment.
- The Department had not effectively addressed the inherent risks associated with investing in a program as large and lengthy as SPS because it had not divided the program into incremental investment decisions that coincided with incremental releases of system capabilities.
- Although the Department committed to fully implementing the system by March 31, 2000, this target date had slipped by over 3½ years to Septem-

[5] The full operational capability date represents the date that a system will be operating at all intended locations.

[6] DOD Business Systems Modernization: Continued Investment in Key Accounting Systems Needs to be Justified, GAO–03–465 (Washington, DC: March 28, 2003).

[7] U.S. General Accounting Office, DOD Systems Modernization: Continued Investment in the Standard Procurement System Has Not Been Justified, GAO–01–682 (Washington, DC: July 31, 2001).

[8] U.S. General Accounting Office, DOD's Standard Procurement System: Continued Investment Has Yet to Be Justified, GAO–02–392T (Washington, DC: Feb. 7, 2002).

ber 30, 2003. In an October 2003 briefing to the DOD Comptroller, the SPS Program Manager estimated that SPS would be completed in fiscal year 2006.

• Defense Travel System (DTS). In July 2002,[9] the DOD Inspector General raised concerns that DTS remained a program at high risk of not being an effective solution in streamlining the DOD travel management process. The report stated that "The Defense Travel System was being substantially developed without the requisite requirements, cost, performance, and schedule documents and analyses needed as the foundation for assessing the effectiveness of the system and its return on investment." The report further noted there was increased risk that the $114.8 million, and 6 years of effort already invested will not fully realize all goals to reengineer temporary duty travel, make better use of IT and provide an integrated travel system. Additionally, the DOD Inspector General reported that DTS was to cost approximately $491.9 million (approximately 87 percent more than the original contract cost of $263.7 million), and DOD estimated that deployment will not be completed until fiscal year 2006, approximately 4 years behind schedule.

Dr. ZAKHEIM. As you just heard, I think part of the problem is having visibility into what is out there. For instance, just in the logistics area alone, we reckon there are about 3,000 systems that we still have to get our hands around. Well, that would already kick the number up from about 2,400 to about 5,400, more than twice as much.

What has been happening is that we get requests from the Services, from the components, to approve their moving ahead with new systems that invariably, we are told, will eliminate some others. Then the question becomes: Are these systems just optimized for the Service or do they fit within this enterprise architecture? That is the key question. Because you know, you sub-optimize at the level above the optimal.

So if it as the commander's level, it is optimal. At the admiral's level or the general's level, it is sub-optimal. By the time you get to the top, it is chaotic.

We have eliminated 238 systems. In terms of the systems that are a million dollars or above, we have reviewed 60 systems, and approved 44, because they are consistent with our understanding of the architecture. We have essentially thrown out 16. For systems under a million dollars, we have reviewed 53 systems and approved 27, and 26 are still under review.

But the real key is to get each of these business sectors, like logistics or health or installations and environment, to be responsible for the modernization of the systems within their sector. We have a steering committee that brings the heads of all these sectors together. Nevertheless, these sector's offices have only just been established.

So, it is going to take a little time before they are able to do what we have pretty much been doing in the financial management arena. I still believe, as I said 2 years ago, that we can get rid of 90 percent of these systems. That will still leave maybe 500 systems. That is a lot. But I think it is do-able. The fact that we have got rid of nearly 250 systems, even without the system being fully established, where we have all these domain owners working together, gives you an indication that we are on the right track.

Senator ENSIGN. Senator Allard.

[9] Department of Defense Office of the Inspector General, Allegations to the Defense Hotline on the Management of the Defense Travel System, D–2002–124 (Arlington, VA: July 1, 2002).

Senator ALLARD. Mr. Chairman, thank you.

Secretary Zakheim, I understand that you are retiring and I want to wish you well.

Dr. ZAKHEIM. Thank you.

Senator ALLARD. I do have a question that came up last November. I hope nobody has asked this question, Mr. Chairman. There was a GAO report issued about the Army National Guard being mobilized. Out of the 481 guardsman in the case study, 450 had problems associated with their pay. I wondered how you were dealing with this problem and if we were getting this issue pretty well resolved within the Department.

Dr. ZAKHEIM. First of all, of course, DFAS, the finance and accounting system, is working with the Army. The problem is that the system was set up so that we paid Reserve component soldiers for their monthly drills. It was not really set up to do what it is doing now, which is to pay tens of thousands of Reserve component soldiers who are on extended active duty.

Should it have taken that into account? In theory, of course it should have. Because when someone signs up, he or she does not just sign up to do monthly drills. You sign up for the potential of being on extended duty. But that is what the system was designed to do.

So, you are starting with a system that was not entirely appropriate for the challenge at hand. So, what have we done? We are increasing training at the mobilization and demobilization sites, at the U.S. property and finance offices, and in theaters overseas. We are increasing compliance review. We are having staff assistant visits to ensure that whoever is processing National Guard pay understands and complies with these procedures, that we pay our Guard in a timely fashion. We have a new review process for mobilization and demobilization.

Part of the problem was that when people came home, they were not necessarily being paid by the right organization or the right place for the right activity. So, we are doing a lot in the way of training, a lot in the way of oversight, to deal with what seems to have been a systemic problem.

Senator ALLARD. The bottom line is that if that GAO study was done today, would the results be substantially better?

Dr. ZAKHEIM. Substantially? I do not know. I would not venture to say. Would they be better? Yes. Would we be able to point to system improvements? I think the answer is yes.

Senator ALLARD. Well, you know and I know it is an inconvenience for your Department; but it is an inconvenience for these guys to go overseas and serve. They never counted on this. It is a inconvenience for the employers; a lot of people are being inconvenienced. I think that it is inexcusable for them to have to wait any length of time for them to get their money. It is something that we need to get resolved.

Dr. ZAKHEIM. I could not agree more. I do not think it is an inconvenience for the Department; it is our responsibility.

Senator ALLARD. Yes.

Dr. ZAKHEIM. We have to fix it; and we are trying to.

Senator ALLARD. Well, I hope you can.

Yes, Mr. Walker?

Mr. WALKER. Senator Allard, I think this is a good example of how poor financial management systems have real-life consequences on people's lives. This is not just some theoretical or arcane kind of issue. The fact of the matter is, in the absence of having modern, effective, integrated financial management systems, you cannot pay people the right amount on time. That will, in time, have very real implications, not only with regard to their quality of life today and their family situation today, but it could very well have very real implications on the ability to attract and retain a motivated and qualified force.

These are not just financial management issues or business issues. They have long-range implications, as well as real-life implications for our troops and their families.

Dr. ZAKHEIM. One other thing. May I, Senator?

Senator ALLARD. Yes.

Dr. ZAKHEIM. One other thing. When you get rid of a system, you have to have a replacement. That is part of the difficulty. I mean, we have a system we are going to bring in called forward compatible pay (FCP), which is going to help with a lot of this. It is not going to be ready until 2006. Now could it be accelerated? The people who are experts tell me that they cannot. That is why we are doing a lot more in the way of training and just oversight until the system comes into play. It is a problem.

Again, when you talk about 5,000 systems out there, every single one of those has some kind of implication. Each time you want to get rid of one, you had better have something to replace it or else you have nothing at all.

Senator ALLARD. Yes. Well, I understand. But I just cannot overemphasize how strong I feel. I do not think I am the only one on the committee that feels that our Reserve and Guard people are making a lot of sacrifices. We do not want to inconvenience them. Their families are making a huge sacrifice. So, I think even more so in some regard than what the regular enlisted people are, because this is something that was unexpected. All of a sudden they feel they are being used in their deployment in operation tempos (OPTEMPOs) much higher than what they had ever counted on.

So, I think the whole committee would probably be very appreciative if you can get this turned around. So that, if there is another GAO study, we are not looking at something like this. That is the only thing I can say. I know you are doing your best but just to let you know how important it is to many of us.

Dr. ZAKHEIM. We all understand that. I was out in Iraq 3 weeks ago; and Afghanistan. Better than half the time, it seems, I am speaking to a reservist.

Senator ALLARD. Yes. Most of the morale over there is pretty good.

Dr. ZAKHEIM. Excellent.

Senator ALLARD. I was over last week myself. I think the food is pretty good. They are happy about that.

Dr. ZAKHEIM. We have worked on it.

Senator ALLARD. The question is the problem, I think. I mean, the paychecks.

Dr. ZAKHEIM. Yes, I agree.

Senator ALLARD. We do need to resolve that, if you would, please.

Mr. Chairman, I think my time has expired. If not, I have another question or two.

Senator ENSIGN. Senator Levin?

Senator LEVIN. Thank you, Mr. Chairman.

Welcome to both of you. Dr. Zakheim, good luck to you.

Dr. ZAKHEIM. Thank you.

Senator LEVIN. I know, as others have said, you are leaving. You have worked hard to improve the systems we are talking about today. Hopefully, you will have great success in wherever you land.

Dr. ZAKHEIM. Thank you.

Senator LEVIN. A couple years ago, before this subcommittee, I think both you, Mr. Walker, and I think it was the DODIG, spoke about the auditing issue, whether we put the plans in place before we do the auditing and whether it is worth it to spend a lot of money on auditing before our financial management is reformed. This is what you told us, Mr. Walker, and I want to just see if this is still your position:

> "Previous financial management improvement plans that the DOD submitted to Congress have simply been compilations of data on the stove-piped approaches to financial management improvements received from the various DOD components. It is our understanding that DOD plans to change its approach and anchor its plans in an enterprise system architecture. Given the size, complexity, and deeply ingrained nature of the financial management problems facing DOD, heroic end-of-the-year efforts relied upon by some agencies to develop auditable financial statement balances are not feasible at DOD. Instead, a sustained focus on the underlying problems impeding the development of reliable financial data throughout the Department will be necessary and is the best course of action."

Is that still your position?

Mr. WALKER. I agree with that. They need to get their systems and controls in place. Frankly, not only is it not possible or appropriate to engage in heroic actions after the end of the year, the Secretary of the Treasury, the Director of OMB, and I have agreed to accelerate the due dates for financial statement audits for the individual agencies and the government as a whole. Specifically, in fiscal year 2004, the agencies are supposed to report by November 15, which is 45 days after the end of the year, with audited financial statements. The consolidated audit due date will be 75 days after the end of year. So, it would be physically impossible to engage in the historical type of "heroic efforts."

But yes, I believe it is important we focus on the systems and controls to make sure that we get it right and that we need to be concerned about cost benefit considerations in allocating resources to various activities.

Senator LEVIN. Okay. Now, this is what the DODIG said at the same hearing along the same lines. "Due to overall resource constraints, it would be impossible to provide audit support in the crucial systems improvement area, if we were forced to expend resources on labor-intensive efforts to audit the convoluted workarounds and poorly documented transaction that currently characterize most major DOD financial statements. By rejecting the no-

tion that financial statements compiled by special efforts would bypass or override official accounting systems are worth their high cost or constitute progress, you have reintroduced an appropriate sense of proportion."

Now, that was the DODIG, which was similar to what you have told us here again today, Mr. Walker.

Here is the question: Dr. Zakheim, when you appeared before the committee a couple years ago, you agreed that the Department's financial problems had to be attacked at the root by developing and fielding new systems. By the way, then the Department had a goal: establish an objective of achieving financial statements that could be audited by the end of fiscal year 2004. The military services were required to draft plans for achieving that objective.

Then the Inspector General came in, reviewed the plans, and determined that it would cost billions of dollars and would not achieve sustainable results, so the Department dropped that objective. Now, the Department has established a goal of achieving financial statements that can be audited by the end of fiscal year 2007. The military services, however, tell us that they cannot have business management systems in place before 2012.

So, you are proposing to increase your audit spending by $231 million in fiscal year 2005 and $1 billion over the Future Years Defense Program (FYDP). So, would that not lead to exactly the same kind of labor-intensive efforts to audit convoluted work-arounds and poorly documented transactions, to use the IG's words of a couple years ago, that we have been warned against? In other words, would we not be better off spending the $1 billion that we are talking about on new systems to address the underlying problems?

Dr. ZAKHEIM. The figure that we are requesting was developed together with the IG. We have worked together with the IG on the principle that we are not asking them to audit where bandaids are really what are being put in place. I do not challenge the statement you just read, Senator. In fact, in a number of cases where certain of the components said that they thought they were auditable, the IG took a look and said, "No, we don't think they're ready."

2007 is definitely a reach. What I cannot have, and I do not think anybody would want, is to allow a kind of rolling objective. So, one year we will be told 2009, and as we come closer to it, it will be 2010. In fact, this is the first I have heard of 2012, because one of the Services came back to us and said, no, they could not do it until 2009. I consulted with OMB. I consulted with the IG. We made it very clear to them that they were supposed to go for 2007. They gave us a list of milestones and achievements, literally line by line by in the financial statements, when they are going to get things done. They did not like having to do it.

What we need, I believe, Senator, is continued pushing from this subcommittee and others to make sure that, in fact, they stick with the timetables they have already given us. I am not even going to ask you who went and told you this. All I will say is it does not do anyone any good, if they come to me and my staff and the IG and their staff and OMB and their staff, because we work all together on this and say, okay, here is the timetable you asked for. Then they go off and say, well, we cannot really meet that.

That means that they are not serious with either you or us. I think that we need your help to keep their feet to the fire.

Senator LEVIN. Okay. My time is up, but I would like you to look at the Navy template. This is for improving their systems, not for their statements. But this goes out to fiscal year 2012/2013, depending on——

Dr. ZAKHEIM. Systems improvement, Senator, we are going to continue to improve our systems even after we have clean audits. My concern is that we do not waste taxpayer money on coming up with phony clean audits. That is not what we want. We want to have the information available that generates the audits from the bottom up; 2007 is a goal that the DOD components have signed up to, at least one Service quite reluctantly. But they have done it.

They will continue to modernize their systems. We will continue to have the oversight. We ask you to oversee us.

Senator LEVIN. Well, we will do that even without a request. [Laughter]

Thank you, Mr. Chairman.

Senator ENSIGN. Senator McCain.

Senator MCCAIN. Thank you.

Mr. Walker, in your written testimony, you report that billions of dollars are lost through fraud, waste, and abuse resulting from poor financial management within the Department of Defense. Can you give us some examples of that?

Mr. WALKER. Well, examples are, as Secretary Zakheim mentioned, they have thousands of legacy, non-integrated systems. In many cases, you can have a circumstance in which DOD has inventory, they just do not know where it is. Therefore, they have difficulty in being able to identify it; and, therefore, being able to recover it. Or in certain circumstances they may have more items in their inventory than the system notes. Therefore they continue to order items when they do not really need to order items.

Those would be a couple of examples and those can be big ticket numbers.

Senator MCCAIN. As we know, when defense spending is restrained, which some of us think is going to happen within the next couple of years, because of pressures of the deficit, readiness suffers usually first and then new acquisitions. Do you think that we are going to have a tough choice to make when we are talking about new aircraft, tactical aircraft?

Mr. WALKER. Senator, I think we are going to have a number of tough choices to make in the Defense Department. That is one of them, yes.

Senator MCCAIN. Do you think that we can afford both an F–22 and a Joint Strike Fighter?

Mr. WALKER. Well, Senator, what I can tell you is, if you look at the difference between what the Services want and what the likely funding patterns are going to be, there is a huge gap. We have said on the record that we believe that there needs to be a new business case done, with a comprehensive threat and risk assessment, with regard to the F–22. It is not a matter of if we are going to build it. It is a matter of how many we are going to build and at what cost and with what consequences.

Senator MCCAIN. Are you concerned about the cost escalation of the F–22?

Mr. WALKER. Absolutely.

Senator MCCAIN. That cost has been roughly?

Mr. WALKER. It is now up over $255 million a copy.

I can provide that for the record. But it has escalated tremendously.

[The information referred to follows:]

The average total acquisition unit cost of the F/A–22 is approximately $255.9 million. For more information regarding the F/A–22 program, please contact Allen Li at 202–512–4841 or Michael Hazard at 937–258–7917, or hazardm@gao.gov.

Senator, all too frequently what ends up happening, it is the plug-and-pray approach. By that, I mean Congress will appropriate X amount of money, you divide the cost per copy to tell you how many you can buy, and you pray that Congress will give you more money.

But as you properly pointed out, the fact of the matter is we are facing real, serious fiscal constrains. It is only a matter of time before it is going to hit the Defense Department.

I might also mention, Senator, and then I will stop, if you want to ask a follow-up——

Senator MCCAIN. No. Please.

Mr. WALKER. One of the biggest problems that they have is not just the platforms, it is the personnel cost. The personnel costs are really rising very dramatically. The health care costs are really out of control. The fact of the matter is, one of the things I think that Congress needs to consider is that while there may be certain aspects of the military that need to get more money and are not being compensated adequately, I would respectfully suggest that it is not necessarily the same at all levels and all Services and all occupations; and that we might need to think about a more targeted approach, just as on the civilian side as to how we compensate people.

Senator MCCAIN. For example?

Mr. WALKER. Well, for example, one of the things that is being talked about is an across-the-board 3.5 percent adjustment for every level, every Service, and every occupation. My question is: what is the empirical data for that? I have seen surveys, both conducted by GAO, as well as some conducted by DOD, saying that the single biggest problem they have in attracting and retaining qualified people is the OPTEMPO and the quality of life. While there are selected compensation problems at certain levels and occupations, there is not a pervasive problem in the Services. Health care is clearly a major challenge.

Senator MCCAIN. Well, before we got on to health care, we do things like sea pay and hazardous pay, overseas pay, and separation allowances. There are a number of things that we already do. You are suggesting we do more?

Mr. WALKER. Well, I am suggesting that just as in the civilian work force, where we end up having across-the-board adjustments that everybody ends up getting it, no matter what your level, no matter what your skills are, no matter what your location is, no matter what your performance is, we might need to think about taking a more targeted approach to allocating those resources.

Senator MCCAIN. Describe the health care problem. Is it the expansion of health care for veterans? Is it the overall health care costs? Is it eligibility for health care? What are the prime sources of this challenge that we face?

Mr. WALKER. It is a multi-dimensional problem, Senator.

Senator MCCAIN. Dr. Zakheim, I would be glad for you to follow up.

Mr. WALKER. In fact, I would hope he would.

Senator MCCAIN. Go ahead.

Mr. WALKER. Senator, I think it is a multi-dimensional problem. First, I think DOD is a sub-set of the health care problem that the Federal Government has, which is a sub-set of the health care problem our entire nation has. Health care spending is growing much faster than inflation, and much faster than Gross Domestic Product (GDP) growth. The cost growth is driven not just by cost of health care well in excess of inflation, but additional utilization and intensity. Congress has, over the past several years, expanded health care benefits for the military and for their families to the extent of——

Senator MCCAIN. Including guardsmen and reservists.

Mr. WALKER. That is correct. It has also considered doing even more. I think one of the things——

Senator MCCAIN. These are congressional actions more than executive branch actions.

Mr. WALKER. These are congressional actions.

Senator MCCAIN. They, for once, take the side of the executive branch.

Mr. WALKER. Thank you, Senator; and I am not in the executive branch. Let the record show I am in the legislative branch. I am an Article I person myself. But——

Senator MCCAIN. Yes. Go ahead.

Mr. WALKER. But I think——

Senator MCCAIN. I am saying that for Dr. Zakheim's benefit.

Mr. WALKER. Well, I am saying that for my benefit and GAO's, quite frankly, Senator.

Senator MCCAIN. You hope he will take it back, right?

Mr. WALKER. But Senator, I think one point—I testified before the House Rules Committee this morning about the budget situation. One of the things I think we need to realize is, when Congress is debating fiscal proposals, whether it is spending or taxes, one of the things that it needs to do is think about the long-term cost implications of short-term actions; that does not currently get done.

You stood up on the floor, for example, of the Senate and talked about the long-term costs of the Medicare Part D benefit. The trustees came out today, $8.1 trillion on a discounted present value basis. That is how much money you would have to have today invested at Treasury rates to deliver on that promise over the next 75 years.

Similar issues with regard to health care costs for military, civilians, or others.

Senator MCCAIN. I understand that. I would like Dr. Zakheim to respond. But I would just very quickly—but when we hear about soldiers coming back from Iraq in inadequate facilities, we act. We have no other choice. We hear about guardsmen and reservists who

are on active duty and serving in Iraq or Afghanistan and their families are not getting health care. Then we react.

It is hard for any of us to stand up and talk about the long-term implications when we are in a war. But I think it is very helpful to have your voice out there. I think you have a 15-year term. Is that——

Mr. WALKER. That is it, Senator. I have 9½ years left. I hope we get a clean opinion on the financials before the end of my term.

Senator MCCAIN. Well, about 6 years from now we will start questioning your judgment. [Laughter.]

But it is very helpful to have your voice warning us of these things. But I also hope you understand, and I know you do, that we see on the front page of the newspaper soldiers coming back wounded from Iraq, who are living in substandard conditions at Fort whatever-it-was; I have forgotten now. We need your continued voice of caution.

Yours, too, Dr. Zakheim. Secretary Zakheim, please go ahead.

Dr. ZAKHEIM. Yes. Thank you, Senator. I certainly share Mr. Walker's concerns about the defense health program. I just wanted really to point out two additional factors that he did not mention.

The first is, as you well know, TRICARE is still a relatively new system. The first few years of TRICARE, people were not really sure whether this system would work out or not. So, they hung on to their own individual health care plans. Word of mouth has now spread that TRICARE is a very good system and so, we are now seeing more and more people transfer, particularly veterans, to TRICARE.

That means that the original estimated costs of what this would—the impact on the defense budget, if I could use that term, is likely to be much higher than we originally anticipated, precisely because the system is so good.

Senator MCCAIN. Has there ever been an entitlement program whose costs were not more than anticipated in history?

Dr. ZAKHEIM. I will not argue that point with you, sir.

The second factor is, when we talk about the Reserves in particular, as you well know, when they are on active duty, they are covered by the defense health program, TRICARE.

Senator MCCAIN. I think I might have been speaking of Guard.

Dr. ZAKHEIM. Guard is a little bit different, yes. But nevertheless, the question is how far to extend the benefit. How many of these folks are really not covered by anything else? In other words, are we going to be providing an additional subsidy to the people so they can simply buy health care more cheaply than they otherwise would in their civilian life? Then the question really becomes are we now shortchanging the active folks because they do not have that privilege?

Mr. WALKER. Senator, that is a key point, the targeting. If you look at how the benefit was expanded, it was available to a broad range of people. Many of these people already had private health insurance through their employer. Since there is a huge subsidy available through the TRICARE program, then you are going to get adverse selection. If the program is good and you can end up getting it at a small fraction of the cost of what you pay for your employer-provided coverage, then they are going to end up dumping

their employer-provided coverage, and they are going to go with TRICARE.

Senator MCCAIN. Well, I think obviously this is an issue we need to pursue a lot more, because of the unintended consequences, as well as intended. I thank you.

Secretary Zakheim, I wish you every success in your future endeavors. Thank you for your service.

Dr. ZAKHEIM. Thank you, Senator.

Senator ENSIGN. I want to follow up. Secretary Zakheim, you had talked about the 5000 systems.

Senator MCCAIN. Mr. Chairman, may I submit my questions? I have to leave.

Senator ENSIGN. Yes, indeed.

Senator MCCAIN. Secretary Zakheim, if you would, provide to the committee the Service's plans to meet that 2007 deadline for clean financial statements. Could you provide that——

Dr. ZAKHEIM. Certainly, sir.

[The information referred to follows:]

Response retained in committee files.

Senator MCCAIN. Thank you.

Sorry to interrupt you.

Senator ENSIGN. No problem.

The 5,000 total systems that you all talked about; and I believe you said about 90 percent of them you believe can be done away with and replaced. There could be some huge cost savings. Do you have just a gut-level feeling? I am not going to hold you to the numbers. Obviously, you are not going to be here anyway. But do you have any just gut-level, are we talking billions of dollars, though?

Dr. ZAKHEIM. My guess is probably. I cannot give you the foggiest notion of what it will total to, in part because some of these systems are smaller than others. The ones that we have the least visibility into, the ones below the radar screen, are likely to be the smaller ones, are likely to be the less expensive ones. Logic points in that direction.

But clearly, you are talking about efficiencies. I think, though, the real issue is not so much the savings, which there will be. The real issue is the visibility. I do not know how one can continue to make decisions, quick decisions, money management and cash flow decisions, in the middle of a year with a $400 billion budget, without that kind of visibility.

I mean, we have always been geared, and rightly so, to having all our figures essentially responding to the demands of Congress that we provide budgets. So, everything is in terms of budgets. But budgets are just estimates. I mean, I have been on the soap box for the last 2 years saying I need more transfer authority, simply because right now I only have three-quarters of a percent to manage within a $400 billion budget. It is all the same thing. It is a question of visibility. It is a question of how you move your monies. It is a question of how you make your choices.

So yes, I believe there will be savings. But more important, I think we are going to have better, more efficient management.

Senator ENSIGN. I have a follow-up question. But Mr. Walker, you wanted to respond.

Mr. WALKER. Billions. On the business side, the DOD spends right now about $19 billion a year just on management information systems, and another $10 billion plus a year on warfighting information systems. Of the $19 billion, about $14 billion is for current legacy systems and about $5 billion is for modernization. But sometimes you have to spend money up front to save money down the road and that is part of the issue.

Senator ENSIGN. I just want to kind of paint a picture here, so I get what you are recommending, Mr. Secretary. I will just start with a quick anecdote. When I was first running for office in my State, and I met with the person in charge of the welfare systems in the State of Nevada, she told me that within 6 months, they were going to have this new computer system to help manage everything. It was a proprietary system, and it was going to cost, oh, I forget how many million dollars that it was going to cost.

That computer system came on-line last year, 10 years later, and at a cost of about, I think it was, six to seven times more than the original cost, because it was a proprietary system. The first year that it was in place, as I recall, the State of Nevada, because the system did not work very well, became subject to some of the penalties under the Welfare Reform Law.

The bottom line was that proprietary system. When the systems themselves are centralized, and not the architecture, not basically the oversight, I can see a need for centralizing. But I am hoping that you are not calling for a centralizing of the system, you are calling for a centralizing of the oversight. As long as things are compatible with the architecture, and as much as possible, that it would be off-the-shelf-type of systems, whether they are financial or otherwise.

Could you just kind of give me a picture of what you are looking at?

Dr. ZAKHEIM. That is absolutely right. I mean, the thing that has to be central is the architecture. Everything has to be compatible. When I say 90 percent, again, as I said, we are still talking about 500 systems. Maybe it will be 80 percent. Maybe it will be 1,000 systems.

The point is, first, we will know what systems we use. Second, they will all interact. Right now, we do not know all the systems we have; and by definition, they do not interact.

Now obviously, if you build the great computer HAL or something, you are going up the wrong path. That is not what we are talking about here. What we are talking about is nicking down the number of systems, having the visibility and the compatibility amongst them so that we can make decisions. What is central is the architecture. That is absolutely right.

Senator ENSIGN. Well, I appreciate the time lines. Dr. Zakheim, Secretary Zakheim, what you said concerning not having goals, that maybe they are unrealistic goals. First of all, coming—I have had a lot more experience in a private sector, I realize we are dealing with probably one of the best performing, most inefficient bureaucracies in the entire government. I realize the challenges are much greater than a private sector system. But coming from the

private sector, it seems to me that these goals seem even way too far out. It almost boggles my mind that those goals that people are saying are unrealistic.

I guess that tells us the enormity of the challenge that is before us. I appreciate, Mr. Walker, what you said about how you have to spend money sometimes to save money, especially when you are looking at long-term costs. A lot of this is long-term. If we spend more money up front, do we save more money in the long run, if I may be so bold?

Dr. ZAKHEIM. First of all, to deal with the first part of your question, one of the things we did when we were initiating how we were going to approach this enterprise architecture is go around to private industry, see what they had done. The one that keeps sticking in my mind is Gillette, a $9 billion company at the time. It took them 5 years.

Here we are $400 billion, revenues from Congress, as it were. Now by that measure, it would take us 1,000 years. So obviously that does not work. On the other hand, we saw that even companies that had done this, and there were some that were still working the problem, some that thought they had finished and really had not finished. We even went to the British Ministry of Defense, who thought they had finished and were still improving, that it was going to take longer.

So, what we had to do was balance the desire to get this thing done with the reality that this is just a huge operation. Now clearly, on the one hand, we were unrealistic when we testified 2 years ago and said this thing can be done in 2004. At the same time, I do not want people saying, well, let us kick it off until 2010.

2007 seems to me to be a reach but not an unreasonable reach, sort of like a kid who applies to a college that you just might make it but it is a reach. It is that idea. We want to push as hard as we can.

If we spent more money, frankly, one has to be judicious about that, too. We are asking again for something over $100 million, in addition to what we are asking for the IG's audit capability. But frankly, I do not think that if we doubled the request, we would halve the time.

Senator ENSIGN. Thank you. Yes, Mr. Walker?

Mr. WALKER. Mr. Chairman, I think——

Senator ENSIGN. Mr. Walker and then Senator Akaka is next.

Mr. WALKER. I think you need a detailed project plan, which obviously has a lot of other interim milestones. I hate to use a sports analogy, but I will. You have to hit some doubles and singles. You have to make sure that you are building towards the ultimate objective and that each of the key milestones are generating a positive return on investment.

I do think that Congress is going to need to very closely monitor how progress is being made, all the more reason for more frequent oversight hearings, and to determine an appropriate resource allocation on building the systems, enhancing the controls, versus the audit side. Because I think it is going to take the periodic and ongoing monitoring to make sure you get that right.

Dr. ZAKHEIM. Perhaps I was not clear, if I may add. In the plans that we have from the Services, from the various components, to

get to 2007, we have intermediate milestones. That is why, I think, as David Walker just said, it is so important that we do a check on those.

Senator ENSIGN. Well, here is how this subcommittee can partner with you. First of all, we will have more frequent oversight hearings. That is a commitment from the chairman. But also, if we can get a fairly detailed plan from you that we can help you in holding your feet to the fire and the various branches' feet to the fire, as well.

Dr. ZAKHEIM. We have those and we will get them to you for the record.

[The information referred to follows:]

Response retained in committee files.

Senator ENSIGN. Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

When I think back about the reports that we have received from you in 1999 and also in 2001, how high risk this financial management is with DOD, it makes it very important that we really bear down on this. As I mentioned earlier, I thank you for your efforts in doing this and to detail some of the challenges that we are facing.

One of them that you mentioned and that was mentioned here, Mr. Walker, was the reform of human capital practices. You prepared a statement that included a discussion of the implementation of new civilian personnel system authorized by last year's Defense bill. You say that in your view, DOD does not yet have the necessary institutional infrastructure in place to support an effective human capital transformation effort.

What in your view, Mr. Walker, is the likely consequence of implementing a new civilian personnel system of the kind envisioned by the Department without putting the necessary institutional infrastructure in place? Are you aware of any specific DOD plan or time line for addressing the three elements of an effective infrastructure outlined in your testimony? In the absence of such a plan or time line, what is the likelihood that the Department will have the needed infrastructure in place when they implement the new National Security Personnel System next fall?

Mr. WALKER. Well, first, Senator, let me say that I think the risk is that if the DOD does not go about this in the proper manner, if it does not have an adequate infrastructure in place, if it does not end up having appropriate safeguards, then there is a chance that they will get it wrong. If they get it wrong, not only does that have adverse consequences for the Department of Defense and its employees, it potentially has adverse consequences for the entire Federal Government, because it could undercut momentum for much needed modernization of our human capital policies and practices.

I will say that last week I sat down the Secretary of the Navy, Gordon England, who Secretary Rumsfeld has tasked to provide some additional executive oversight as a supplement to, not a substitute for, Under Secretary Chu, who is Under Secretary for Manpower, et cetera. In my conversations with Secretary England, he made it very clear that they were not going to rush to try to hit

the maximum numbers that were provided for in the statute, that he agreed very much with a lot of the recommendations that we had made, and that it is important that you get it right rather than get it quick.

Yes, you want to move expeditiously but you need to make sure that you have adequate systems and safeguards in place. Under the statute, DOD would be allowed to implement the new system for up to 300,000 people by October 1, 2004. There is no way that they can realistically do that. I think Secretary England knows that now. He is now going back to try to work with Under Secretary Chu and others to come up with a plan that will ultimately get them to where they need to be within a realistic time frame and also implementing it on an installment basis.

I think that is the way you have to do it. That is the way we did it at GAO and I am encouraged by his comments.

Dr. ZAKHEIM. Senator, I just would like to add that both Secretary England and my colleague, Under Secretary Chu, are working with the Office of Personnel Management (OPM) on this. They also have the experience and the benefit of a number of pilot projects that we already had in this regard, so that we are not working off a clean slate. With the kind of high-level fire power we have behind us, I am optimistic that we can make the kinds of changes that Congress legislated.

Mr. WALKER. Senator, I would agree, except for the fact that, as I have already testified on the record, that while there were some demonstration projects within the Department of Defense, they represented less than 5 percent of the DOD's work force. In addition, they were not representative of the balance of DOD's work force.

But that being said, I am very encouraged by the meeting that I had last week with Secretary England. We had a number of GAO experts on human capital, both externally and internally, go over and meet with a lot of DOD personnel this week. We are going to try to play a constructive role, because I think it is in DOD's interest. It is in the Federal Government's interest. It is in the country's interest.

Senator AKAKA. Mr. Walker, you stated in your testimony that as DOD develops regulations to implement its new civilian personnel system, the Department needs to ensure the active involvement of OPM, ensure the involvement of civilian employees and unions, and use a phased approach to allow for appropriate adjustments and mid-course corrections.

Are you currently reviewing the Department's efforts to implement its new National Security Personnel System? Do you know to what extent the Department is addressing these three issues? If not, will you review the implementation on our behalf and report to us on the Department's progress in developing the necessary institutional infrastructure in addressing the issues raised in your testimony?

Mr. WALKER. Senator, we do plan to monitor the design and implementation of the National Security Personnel System on an ongoing basis. After I met with Secretary England last week, it is my understanding that he has a team pulled together to try to come up with a proposed project plan within the next several weeks. I

think that will be very informative as to how they plan to proceed from here. So, we will keep this subcommittee, as well as other committees and subcommittees in Congress, apprised.

Senator AKAKA. Thank you.

Mr. Chairman, my time has expired. But let me wish Secretary Zakheim well in your future plans.

Dr. ZAKHEIM. Thank you.

Senator ENSIGN. Senator Allard.

Senator Allard. Thank you, Mr. Chairman. I just have one more issue that basically I want to cover. I do not think I will require my full amount of time.

But Dr. Zakheim, the last few years this committee has been responding to some media reports on abuse of credit cards that personnel in the Defense Department were using. As a result of that, they have inserted some provisions in previous bills about disciplinary actions when those cards are abused. This is my question: how successful has the Department been in enforcing these provisions? Have they approved accountability among their users?

Dr. ZAKHEIM. The answer is yes, we have been quite successful. As you may recall, when this thing really blew up in a big way, I put together a task force that came up, not just with an analysis of what went wrong but with real proposals as to what to do. We have been measuring our success.

For example, in the first quarter of this fiscal year 2004, we canceled 68,000 cards. We canceled 490,000 cards in fiscal year 2003 for non-use. Too many cards floating around, and people not using them. We canceled 3,000 cards in the first quarter of this year and 9,000 cards in fiscal year 2003 because of retirements. People were retiring and held onto their cards. We canceled those.

We have implemented what is called mandatory split disbursement for military personnel. That is to say, if you are at a hotel, we pay that hotel. We do not pay you. It eliminates a lot of problems that way. We also have salary offsets for both military and civilian personnel. We can take money back, if there has been some kind of irregularity.

Delinquencies, 1.7 percent of our total card holders were delinquent in February. That was on 18,000 accounts, on $10.4 million. That is quite a drop from the past.

So, whether you are looking at delinquencies, whether you are looking at the number of card holders, at the kinds of card holders—also, by the way, some of the things that have appeared in the press when people have been prosecuted, that is due to our data mining techniques. One of the things that we encourage, and we actually implemented, was checking in and finding patterns. For obvious reasons, I do not want to get into too much detail about that.

Senator ALLARD. Sure.

Dr. ZAKHEIM. But we have been able to catch folks and catch them with much more regularity. When potential fraudulent-type people realize that we are going to catch them, because others have been caught, that is a tremendous deterrent.

We have had help from Congress on this, as you well know, Senator. I believe we have made tremendous progress here. Now as far

as I am concerned, one card abused is one card too many. But we are working the numbers down.

Senator ALLARD. I guess the follow-up question is, is there anything else we can do to help you continue keeping this accountability? Is there something that we can include in legislation this year, we have not had in the past, that would help you in that regard?

Dr. ZAKHEIM. Right now I cannot think of anything off hand. On the other hand, with a little bit of time, I probably could. So, I will get you some for the record.

Senator ALLARD. Well, if you think of something, please let us know.

Dr. ZAKHEIM. Absolutely. We will get you some things for the record.

[The information referred to follows:]

Section 1009b of the National Defense Authorization Act for Fiscal Year 2004 established the requirement to evaluate an individual's credit worthiness prior to issuing a travel card and prohibits issuance if an individual is found to be not creditworthy. Similar requirements have been included in the Defense Appropriation Acts in fiscal year 2003 and fiscal year 2004. The creditworthiness requirement presents a conflict in enforcing the mandatory use provisions of the Travel and Transportation Reform Act. The creditworthiness requirement in section 1009b did not provide the authority to conduct a credit check without the individual's consent. Therefore, an individual could avoid mandatory use of the card simply by not consenting to a credit check. This poses a potential problem to the Department in that historically 20 percent of applicants decline a credit check and receive a restricted card, limited to a credit line of $2,000. The Department has already implemented a minimum cut score for military personnel below which no card is issued and has initiated its bargaining unit obligations to apply the same score to civilian applicants. However, we can implement the cut off score until bargaining obligations are met which is a lengthy process to negotiate separately with approximately 1400 bargaining units. Compounding the problem is that there is no contractual mechanism to provide credit checks on centrally billed travel cards and some suggestions that the banks may not be able to perform credit checks because those accounts are issued to the government and not the individual. Therefore the Department would have to establish an administrative structure to identify and have credit checks conducted on individuals assigned to centrally billed accounts. Prepaid cards have not been widely implemented because they do not provide the same administrative savings that the travel card provides.

In the meantime the Department has been working to establish a self-certification form that would ask the individual to attest to their current financial circumstances with penalties for providing false information. While the Department would prefer not to rely on self-certification, we do not want to lose the administrative savings provided through use of the travel card that could result from large numbers of individuals declining a credit check in order to avoid use of the card or assignment of duties related to centrally billed travel cards. Since providing the Department the authority to conduct credit check without individual consent would require a change to the Fair Credit Reporting Act, we would suggest the following change to section 1009b:

(1) The Secretary of Defense shall evaluate the creditworthiness of an employee of the Department of Defense or a member of the Armed Forces before issuing a Defense travel card to such an employee or member. The evaluation may include an examination of the individual's credit history in available credit records. The Secretary will establish a minimum credit score below which no card will be issued to the individual. Individuals who decline to consent to a credit check will only be issued a travel card with restricted limits or a prepaid card.

(2) In circumstances where a credit check is not available, such as where an individual does not provide consent to the credit check as required by law, or is assigned responsibilities related to a centrally billed account, the Secretary may develop and use an alternate approach to evaluating the creditworthiness of the individual.

Senator ALLARD. Yes. Because I was one that was in favor at one time just taking the cards away from them if they are going to abuse them. I think you have done that on those that are not using

their cards and those who are retired. I think that is responsible action, and I commend you for it. But there is a savings that goes with the use of cards, apparently——

Dr. ZAKHEIM. Yes, there is.

Senator ALLARD.—that is pretty substantial. I guess you concur that there is a savings. So, I guess whenever we can save taxpayer dollars, we want to do that, too.

Dr. ZAKHEIM. Well, that is true. Otherwise——

Senator ALLARD. But we just need to reach a proper balance here so we can take out the abuse.

Dr. ZAKHEIM. Right.

Senator ALLARD. If you come up with any ideas, well, please let us know.

Dr. ZAKHEIM. We will do that for the record. You are absolutely right, Senator. Otherwise, you would have to start up disbursing offices again. That is really quite expensive, both in terms of money and in terms of personnel.

Senator ENSIGN. Good comment, Senator.

Just both of you, I want to thank you both. It has been, I think, a terrific hearing. If we had more people, I think, like yourselves that wanted to solve problems throughout our government and working together—I just want to compliment the work that you all are doing and to stay with it. Especially Secretary Zakheim, because you will not be here, we wish you the best. But we have to figure out how to continue until we get somebody maybe that is going to be there a long period of time. The appointment-type process. In the meantime with you changing jobs, regardless of which administration comes in, we cannot afford to let the ball drop on this.

So I appreciate your commitment and what you have done. Mr. Walker, and you also, for the great work that you all have done at GAO. Just keep up the good work. Thank you very much.

Dr. ZAKHEIM. Thank you.

Mr. WALKER. Thank you.

Senator ENSIGN. Hearing adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

LEASING REVIEW PANEL

1. Senator MCCAIN. Dr. Zakheim, in December 2001, you and Secretary Aldridge established by memorandum the Department of Defense (DOD) Leasing Review Panel. Did the leasing review panel recommend favorably the Boeing 767 tanker lease? Please explain fully.

Dr. ZAKHEIM. The Leasing Review Panel never formally approved the 767 lease. As the co-chair of the panel, I believe that leasing has several potential benefits to the Department and provides greater flexibility in dealing with changing requirements. I believe that the use of multiyear leases as a means of acquiring capital assets is valid where it makes good business sense. In the case of the 767 tanker lease, the leasing review panel provided direction to the Air Force on the negotiations of a lease arrangement, but never approved the Boeing 767 tanker lease.

2. Senator MCCAIN. Dr. Zakheim, are there other leases that are being considered by this panel? Please list all programs by Service and the disposition of each.

Dr. ZAKHEIM. At the present time, there are no other leases being considered by the Leasing Review Panel. Prior to the review of the 767 tanker lease, the panel approved the multiyear lease of four 737 aircraft in June 2002.

QUESTIONS SUBMITTED BY SENATOR JEFF SESSIONS

PRIVACY PROTECTION ON TRAVEL CARDS

3. Senator SESSIONS. Dr. Zakheim, I understand that your agency is aggressively pursing the travel card program consistent with provisions in the 1998 Travel and Transportation Reform Act (TTRA), which I supported. Recently, it has come to my attention that one of my constituents has been having difficulty in obtaining assurances that his privacy data is being protected if and when he participates in the program. Mr. Gene Lenning works for the Missile Defense Agency in Huntsville, and his case was featured in the headlines of yesterday's (March 22, 2004) Federal Times (see attached). My office has also sent a letter to Secretary Rumsfeld recently on this issue as well and I am sure he is working on this case. From your perspective as comptroller, could you address for the committee if the benefits that we anticipated when we passed the TTRA, and from the travel card program are being realized. Are there savings accruing to the Department and please characterize the magnitude of efficiencies resulting from process improvements you have seen from this program?

ARMY CIVILIAN REASSIGNED JOB OVER REFUSAL TO GET TRAVEL CARD

Federal Times

Published: March 22, 2004—By Stephen Losey

Come April, Gene Lenning will have a new job for the first time in 14 years. But not by his choice.

Lenning enjoys his work as a chief engineer at the Missile Defense Agency"s ground-based interceptor project in Huntsville, AL, and wants to stay. He says the quality of his work is not an issue. In fact, he said, half an hour after he found out about the move, Lenning received a $2,000 cash award for outstanding performance.

Lenning says he is being moved to the Space and Missile Defense Command also in Huntsville—and off the ground-based interceptor project—because he refuses to sign up for a government travel card.

Lenning has two objections to the travel card: First, he said, using a travel card puts him at risk of identity theft. He does not want to give his Social Security number to Bank of America, which provides travel cards for Defense Department employees. Lenning is concerned that the bank could sell his Social Security number to another party.

Lenning has a personal credit card with another company, but he said that bank will withhold his information if he asks. He said Bank of America's travel card does not have that option.

Second, Lenning said, waiting for Defense to reimburse him and the bank for charges on a card under his name puts his credit rating at risk. If Defense is late repaying Bank of America, Lenning said, the bank could turn his account over to a collection agency or credit agency, which will hurt his credit.

Under a system called split disbursement, Defense divides money it pays for travel expenses. Out-of-pocket expenses are paid to the traveler, and payments for card charges go directly to Bank of America.

Under the 1998 Travel and Transportation Reform Act, frequent Defense travelers are required to use government-issued credit cards for travel expenses. The Defense Department says it can better manage finances with the cards.

But Lenning said the Missile Defense Agency has not addressed any of his concerns since he first learned in 2000 that he was expected to get a travel card. At that time, he asked the government if it would provide him with legal and other support in the event his identity was stolen after receiving a travel card. The Pentagon said no.

He applied for a travel card in 2000 using his payroll identification number, but was turned down. The regulations at the time allowed people with pending card applications to charge trips to their offices, and Lenning took advantage of that option. He used his office's account to Reserve trips through an online booking system called the Internet Redstone Arsenal Travel System (IRATS). But an August 2003 revision to Defense's financial management regulations closed that loophole.

In November, Lenning's travel office canceled his planned trip to Tucson, Arizona, and told him he would have to book his travel on his own, without using the online booking system. He would no longer be able to use his office's account to book trips online.

Lenning rebooked his canceled Tucson trip on his own. That was the last time he would travel for the agency. On January 6, his superiors told him not to book trips on his own, he said.

The Missile Defense Agency did not allow Lenning to book trips on IRATS because he didn't have a card, and said he could not book trips himself. Lenning was out of options, and his superiors told him he could no longer travel. Because travel is a necessary part of his job, his bosses said, he would not be able to remain there.

Army Lt. Col. Kyle Haase, Lenning's boss, declined to comment when reached on March 9. Haase is program manager for the Missile Defense Agency's ground-based interceptor's kill vehicle project, part of a multibillion-dollar defense against intercontinental ballistic missiles. The kill vehicle is the part of the interceptor that tracks and destroys an incoming nuclear missile.

Lenning said the travel problems have disrupted his job. The latest problem was that, because Lenning could not travel, he was forced to miss an important March 9 meeting in Tucson to review designs for the project.

"It's really something I should be participating in," Lenning said.

Lenning is chief engineer for the kill vehicle project and oversees 22 engineers.

Lenning said the Missile Defense Agency never told him why he could not book his travel on his own. He does not automatically object to travel cards; he just says they are not right for him.

"I'm not opposed to the card," Lenning said. "On the other hand, I don't understand why they need it. Why they're pushing so hard, I don't know."

Lenning said Defense officials have given him reasons travel cards are needed, but he says the reasons do not apply to him. Defense says the cards improve DOD cash management, reduce administrative workloads and improve service to travelers.

"The cards are mainly for the government to control [cash] advances," Lenning said. He said he has received cash advances three times during his 35 years of government service, and never in his current job.

Before Lenning was banned from traveling, he took about 25 trips each year.

Lenning was told March 3 that in about 4 weeks, he will be transferred to a similar job at the Space and Missile Defense Command in Huntsville.

The new job will pay the same salary and benefits and is not a demotion, Lenning said. But he still does not want to leave his job and the relationships he has with his co-workers and bosses.

"I've been with the program for 15 years," Lenning said. "I would like to see it to deployment."

That is why he has not yet retired. But the prospect of moving—and not knowing what his new job would be—has Lenning thinking about retirement.

"I'm much closer to the door now," Lenning said. "I'm old enough [that] I'm not looking for a new activity."

Lenning is not sure what his next step will be. He is considering a legal challenge and talking about his problem with the American Federation of Government Employees.

AFGE representative Garry Freeman said at least four Army employees in Huntsville object to applying for the cards. Some have sought changes with Bank of America to the terms of the travel card, and some cut back on their travel. Lenning is the only employee Freeman knows of who is losing his job because of his refusal to get a travel card.

A systems engineer at the Space and Missile Defense Command said his career has ground to a halt because of his objections to the travel card. The engineer, a GS–14 who asked to have his name withheld for fear of reprisal, applied for a card in November 2000, but he tried to change the terms of the Bank of America travel card contract that he did not like. For example, he said, the Defense Department should not be able to garnish cardholders' wages to settle unpaid bills without a court order. His application was refused.

Before he applied for the card, the engineer traveled at least once a month. Since then, he has traveled only once. The engineer said his superiors assign him less work because he cannot travel, and as a result, he cannot get promoted.

Bryan Hubbard, a spokesman for the Defense Finance and Accounting Service, said the Pentagon does not know how many employees refuse to apply for a travel card. That issue is handled locally and is not reported to the National office, he said.

Hubbard said Bank of America is required under contract to keep Defense employees' personal information safe.

According to the Postal Inspection Service, identity theft cost almost 10 million Americans about $5.5 billion in 2003.

Dr. ZAKHEIM. The concerns relating to privacy protections on the government travel card are addressed in the response to question #4 which follows.

With respect to benefits and savings realized through the passage and implementation of the Travel and Transportation Reform Act (TTRA), we can not provide spe-

cific dollar amounts. The intent of the TTRA was to provide a more automated and efficient method for providing the funds required to meet the Department's travel requirements. The travel card accomplishes that. The travel card is a far more efficient means of funding travel requirements than issuing cash advances, even with electronic funds transfers. The average fee on ATM transactions is approximately $3.50 compared to an administrative cost of approximately $32.00 to process a travel advance (based on fiscal year 2004 rates charged by the Defense Finance and Accounting Service). One of Mr. Lenning's objections to the travel card was that he would not request a travel advance and thus it would not cost the Department anything to allow him to use his personal card. While that may be true for Mr. Lenning, it is unlikely that the majority of the 1.1 million current Department of Defense travel card holders, who travel more than twice per year, would be equally willing to fund their own travel requirements without receiving a travel advance. Furthermore, the Department, as well as other government agencies, receives discounted airfares through the General Service Administration city pair contracts with the airlines. The government travel card is the required instrument to obtain those discounts. Since the discount varies by carrier and location, we do not have annual savings resulting from city pair usage. Prior year estimates of savings by GSA were as much as $2 billion annually of which it is reasonable to assume the Department of Defense accounts for roughly half given that the Department's travel card spend is slightly more than half of the total government spend. While city pair discounts may also be accessed through a centrally billed travel card, those cards are government liability instruments that require additional administrative work to reconcile and pay the balances due in a timely manner. Centrally billed accounts are a valuable tool to the Department to obtain access to the city pair discounts but are not the more efficient solution to providing travel funds for all other official expenses the traveler may incur.

4. Senator SESSIONS. Dr. Zakheim, I ask for your thoughts on the assurances in place for the protection of privacy data, such as our employees social security and financial information? Can you, along with Secretary Rumsfeld, ensure that Mr. Lenning at MDA receives assistance and answers to his questions as soon as possible?

Dr. ZAKHEIM. Your letter to Secretary Rumsfeld was assigned to the Defense Finance and Accounting Service for immediate response given that organization's assigned responsibilities for program management of the travel card program. A response was mailed to your office on April 9, 2004. That response explained that the General Service Administration's SmartPay master contract contains a restriction against selling, sharing, or releasing information for any purpose other than those described in the contract to any third party. In addition, Bank of America uses the same identity theft process to monitor transactions for suspicious transactions that it uses on its commercial cards. Just as with a consumer card, the individual would be asked to confirm the validity of transactions that were flagged for further review.

Social Security numbers are required by the bank in order to issue a card under provisions of the USA Patriot Act. We also match split disbursement of payments to the Bank of America to the individual's travel card account by their Social Security number.

All credit cards are vulnerable to being lost or stolen which could lead to identity theft. Use of a personal credit card instead of a government credit card would provide no additional protection while depriving the government of the administrative savings resulting from use of the government credit card.

QUESTIONS SUBMITTED BY SENATOR JAMES M. TALENT

BUSINESS MANAGEMENT MODERNIZATION PROGRAM

5. Senator TALENT. Dr. Zakheim, your March 15, 2004, Business Management Modernization Program (BMMP) Annual Report to Congress indicated that the DOD is committed to transform business operations so that accurate and timely business information is regularly available to support decisionmaking at all levels in the Department. The report states that the first of three parts of the BMMP transformation is further development planning for processes and modeling for the business enterprise architecture and estimating the total cost of the business transformation enterprise wide. This phase is not targeted to be completed until quarter 1 of fiscal year 2007. With this in mind, what near-term steps are currently being undertaken by DOD to take advantage of the innovative solutions provided by small businesses that can be in operation in 6 months, that parallel ongoing moderniza-

tion efforts and accelerate the infusion of new processes, enhanced security, and technology upgrades at costs of less than 1 percent of Defense Finance and Accounting Service (DFAS) fiscal year 2004 technology investment?

Dr. ZAKHEIM. DOD encourages small business participation in ongoing modernization efforts through existing small business set asides and small business utilization offices at the Service and component level. DOD will continue to seek small business participation as solutions are implemented by the Services and components. The Department is currently assessing opportunities to competitively acquire additional support for the BMMP and will give small businesses every opportunity to participate.

6. Senator TALENT. Dr. Zakheim, recent General Accounting Office (GAO) reports and the December 23, 2003, DOD Inspector General (DODIG) report found numerous and serious payment problems for active and Reserve military personnel. All have made recommendations on the need for new processes and technology applications to revamp DOD financial management systems. I am concerned that after more than 2 years of study and the expenditure of more than $2 billion, DFAS efforts are still in the planning stage. Knowing this, what innovative processes are currently available to you as near-term solution at relatively low cost that can be implemented over the next several months?

Dr. ZAKHEIM. DOD has established a long-term plan for the management of military personnel and pay that resolves problems currently affecting service members. The Defense Integrated Military Human Resource System (Personnel and Pay) (DIMHRS (Pers/Pay)) program, under the sponsorship of the Under Secretary of Defense, Personnel and Readiness, has established a requirements baseline and has acquired a developer/implementer contractor to support development of DIMHRS. The DIMHRS program manager is currently reviewing the schedule to determine the feasibility of accelerating the deployment of the system.

Due to the complexity and scope of delivering an integrated personnel and pay system for all military services, DOD has approved the DFAS strategy for a near term replacement of the Defense Joint Military Pay System (DIMS), the current legacy military pay system, to solve immediate payroll problems facing service members. This replacement system is called Forward Compatible Payroll (FCP). FCP is configured using the same software (People Soft HRMS/Global Payroll) and requirements as DIMHRS to ensure seamless transition to DIMHRS. Implementation of FCP will begin with the Army's Reserve components in the spring of 2005, with final implementation by the spring of 2006.

In addition to these systems solutions, we have embarked on many other initiatives to improve pay for all our service members. An executive oversight committee has been established consisting of the acting ASA (FM&C), the Director of the Army National Guard, and the acting Director of the DFAS. This committee cooperatively oversees the progress and reports on 52 action items that have been developed to address the pay problems of mobilized Guard and Reserve soldiers. This oversight committee made a commitment to provide quarterly updates to the House Government Reform Committee regarding progress made to improve pay for mobilized soldiers. The following highlights some of these actions:

a. Inspect and review. DFAS currently has a Field Compliance Team inspecting the finance sections of every mobilization/demobilization station in the Army. The team is addressing shortcomings on the spot, and is providing lessons learned across the network. A complete review of all sites will be completed by the end of May 2004.

b. Improve training and education. DFAS deploys training teams on a regular basis to Kuwait to assist finance personnel in theater. The first team completed its training in November 2003, and the second iteration will occur 16–28 May 2004. A joint team from DFAS, the United States Army Finance Command, and the Reserve Component have developed new training materials, have increased training capacity, and have taken steps to emphasize strict adherence to established finance procedures both in the continental United States and in theater. Training has also been provided to selected United States Property and Fiscal Officers and selected mobilization sites where the greatest need existed.

c. Develop a military pay "safety net" through a series of automated data reconciliation actions. DFAS conducts automated checks with the goal of ensuring that all mobilized and deployed soldiers are receiving their combat entitlements as appropriate, and with the goal of ensuring that all demobilized soldiers get their combat entitlements stopped in accurate and timely fashion. The safety net has already produced results; for example, the data reconciliation's for demobilized soldiers directly resulted in the correction of over 300 soldiers' pay accounts in March-April 2004.

d. Enhance "myPay" functionality and access. This is DFAS's web-based tool which soldiers, sailors, airmen, and marines can use to view and manage their own military pay accounts. Some of the enhancements include: capability to manage financial allotments, availability of viewing 1 year's worth of Leave and Earning statements, restricted access with view only PIN number for spouses and the capability to purchase savings bonds.

e. Automate certain entitlements on Defense Joint Military Pay System-Reserve Component (DJMS–RC). For example, Hardship Duty Pay-Location was automated in April 2004.

7. Senator TALENT. Dr. Zakheim, recent testimony and DODIG reports have stated that DFAS has spent over $2 billion to plan, study, and develop transition timelines for technology hardware in an attempt to change the system in its entirety. In the private sector, successful technology transition is often best managed by transforming the whole through introducing scalable innovative solutions to the parts, allowing for continued upgrades and integrations. As the bulk of these innovative solutions have come from quick moving agile small businesses, it concerns me that according to the BMMP Web site there is no small business office. What steps have you taken to get small business more involved in the process of transforming the DOD financial management system?

Dr. ZAKHEIM. The Department's program office with responsibility for implementing business transformation, Business Modernization System Integration, conducts regular industry day conferences to alert small businesses about DOD business and financial transformation efforts. We also post industry day related information to the BMMP Web site.

8. Senator TALENT. Dr. Zakheim, Web based financial services allow real-time accounting and data retrieval in the credit card, debit card, securities trading, and commercial banking sectors. Utilizing service provider solutions for these applications has measurably increased internet security without large infrastructure costs. Knowing these facts, what steps have you taken to infuse these technologies and processes into the current financial management systems at DOD?

Dr. ZAKHEIM. The Business Enterprise Architecture is a blueprint to guide DOD's diverse business communities in transforming their processes and systems. It will describe the requirements that DOD business processes and systems must meet to achieve goals of business transformation. DOD is implementing the Architecture and re-engineering related business practices incrementally using subject matter experts from the Department's business domains. The Architecture defines security requirements and mechanisms, such as Web based services, and other leading practices for DOD. It also extends the Department's net-centric strategy which includes services and data. The BMMP is using nine core net-centric enterprise services and is illustrating them in the architecture.

Business system improvements greater than $1 million must be certified by Office of Secretary of Defense (Comptroller) as compliant with the Business Enterprise Architecture in accordance with Section 8084 of the Fiscal Year 2004 DOD Appropriations Act. To ensure compliance with the law, DOD is implementing portfolio management policies and guidance to direct and constrain business system investments.

9. Senator TALENT. Dr. Zakheim, recent staff reductions at DFAS and a lack of upgraded technology applications and hardware are creating a number of difficult situations, to include the growing discrepancy account balances between the DOD and U.S. Treasury accounts, and the growing "unbilled hours' to the various military services and DOD agencies that DFAS services. What steps are you taking to alleviate the DFAS staffs administrative burden so that personnel can be reallocated to managing these issues?

Dr. ZAKHEIM. DFAS will continue to meet operational challenges by being strategy-based, customer-focused, and metrics-driven. Facing these challenges, DFAS will employ several important mechanisms including continual strategic planning, mid-term strategic target setting, and balanced scorecard measurement. The strategy development process at DFAS continually evaluates how DFAS can best satisfy customers' needs, and, by establishing mid-term strategic targets, helps DFAS identify flexible solutions that best accomplish those objectives. In addition, DFAS strategic targets allow for appropriate concentration of resources and focus DFAS staff members on solving specific problems.

To this end, DFAS has identified five key strategic targets to pursue. Achieving these five strategic targets will enable DFAS to deliver higher-value to the customer.

1. achieve unqualified audit opinions on the fiscal year 2007 financial statements

2. implement electronic commerce for all Commercial Pay Business Line processing by fiscal year 2005
3. pay service members what they are entitled to on the scheduled pay date
4. develop a corporate capability to deliver client unique business intelligence by fiscal year 2005
5. retain, recruit, and train a DFAS workforce capable of developing and implementing the DFAS Strategic Plan

In addition to allocating resources to important issues, these strategic targets give the workforce specific objectives, and allow for improved efficiency and productivity using outcome-based metrics that measure success in delivering products and services. Using a Balanced Scorecard approach to metrics measurement keeps a corporate focus on key indicators of success and enables all DFAS employees to remain alert to specific customer desired outcomes.

QUESTION SUBMITTED BY SENATOR LINDSEY O. GRAHAM

PAY AND ALLOWANCES TO MOBILIZED ARMY NATIONAL GUARD

10. Senator GRAHAM. Dr. Zakheim, according to a recent GAO report, the existing processes and controls used to provide pay and allowances to mobilized Army National Guard personnel are so cumbersome and complex that neither DOD nor, more importantly, the mobilized Army National Guard soldiers could be reasonably assured of timely and accurate payroll payments. In light of the significant contributions being made by members of the Guard to the war on terror, could you please comment on the steps that the Department is taking to correct this ongoing situation and when we might expect a resolution to the problem?

Dr. ZAKHEIM. We have taken immediate actions, such as, simplified remarks for special incentive pays on the Leave and Earnings Statement, provided better soldiers' instructions, and automated many of the pay transactions on the Reserve pay system. I expect that DFAS, the Army, and the Army National Guard will continue to work jointly their efforts to apply interim measures to solve pay problems by applying short-term strategies to keep the expertise of the network up to expectations regarding timely payment of our mobilized forces. At the same time. we will continue work on our interim solution, the FCP system. We have a very robust plan to field FCP to put both the active and Reserve components on one platform by next spring. Of course, continue our development of the ultimate solution, the DIMHRS, to greatly improve pay support to our soldiers.

[Whereupon, at 4:10 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

THURSDAY, APRIL 1, 2004

U.S. SENATE,
SUBCOMMITTEE ON READINESS AND
MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

MILITARY INSTALLATION PROGRAMS

The subcommittee met, pursuant to notice, at 2:32 p.m. in room SR–232A, Russell Senate Office Building, Senator John Ensign (chairman of the subcommittee) presiding.

Committee members present: Senators Ensign, Inhofe, Allard, Cornyn, and Akaka.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: L. David Cherington, counsel; William C. Greenwalt, professional staff member; and Lucian L. Niemeyer, professional staff member.

Minority staff members present: Peter K. Levine, minority counsel; and Michael J. McCord, professional staff member.

Staff assistants present: Andrew W. Florell and Pendred K. Wilson.

Committee members' assistants present: John A. Bonsell, assistant to Senator Inhofe; Lance Landry and Jayson Roehl, assistants to Senator Allard; D'Arcy Grisier, assistant to Senator Ensign; Russell J. Thomasson, assistant to Senator Cornyn; Davelyn Noelani Kalipi, assistant to Senator Akaka; William K. Sutey, assistant to Senator Bill Nelson; and Andrew Shapiro, assistant to Senator Clinton.

OPENING STATEMENT OF SENATOR JOHN ENSIGN, CHAIRMAN

Senator ENSIGN. Good afternoon. The Readiness and Management Support Subcommittee meets today to receive testimony on installation programs in the fiscal year 2005 budget request. We have also asked our witnesses to be prepared to answer questions about the base realignment and closure process.

Along with Senator Akaka, we welcome our witnesses: Raymond DuBois, Deputy Under Secretary of Defense for Installations and the Environment; Major General Larry Lust, Assistant Chief of Staff for Installation Management, United States Army; Rear Ad-

miral Christopher Weaver, Commander, Naval Installations; Brigadier General Willie Williams, Assistant Deputy Commandant, Installations and Logistics, Commandant of the Marine Corps; Major General Dean Fox, the Air Force Civil Engineer.

The fiscal year 2005 budget request for United States installations programs presents a range of new and old challenges in our committee. For example, environmental policy poses many challenges. Yet the Department continues to show its commitment to environmental stewardship by turning challenges into opportunities for success.

One area where the Department of Defense (DOD) demonstrates forward thinking is in its sustainable range management plan, a plan to help maintain ranges necessary for training and live fire testing while remaining compliant with environmental requirements.

In a parallel effort to the sustainable range management plan, the Department of Defense has requested legislation under the Readiness and Range Preservation Initiative (RRPI), which the committee has addressed in part over the past 2 years. To date the committee has passed legislation resolving three of the six RRPI legislative issues requested, but encroachment still remains a large problem for the Department, and resolving the problems laid out in RRPI will not answer all encroachment challenges facing the Armed Forces.

When the Department listed the eight issues most affecting the military's training and testing areas, four were not addressed by RRPI. Urban growth and incompatible development near military ranges and the corresponding airborne noise concerns indicate a large encroachment problem that will require active planning by the Armed Forces for decades to come. It is often not the weight of a single type of encroachment which is debilitating to a base or range, but the aggregate of several restrictions which hampers military readiness.

Turning to facility investment programs, the fiscal year 2005 budget request for military construction continues to underinvest in the replacement of deteriorated infrastructure and facilities. The Department's goal to invest in facilities by fiscal year 2008 at a rate that recapitalizes facilities every 67 years will require DOD to triple the amount of funding historically requested, a level that the General Accounting Office (GAO), in a report released in February 2004, believes is not realistic.

Another goal set by the Department is to fund the annual average facilities sustainment requirement at 95 percent. The funding for the vital maintenance necessary to keep facilities in working order has fallen victim to shortfalls in accounts for base operations, support, and facility repairs. Only a fraction of the high sustainment funding level proclaimed in budget presentations to Congress is being realized at the installation level.

This year the committee will also address the continued use of housing privatization authorities to enable the Department of Defense to quickly and efficiently upgrade or replace over 110,000 inadequate houses for our service members and their families. We are faced with a revised interpretation by the Congressional Budget Office (CBO) of the budget impact caused by the public-private

ventures. This interpretation reverses CBO's views over the past 8 years and conflicts with guidance by the Office of Management and Budget (OMB).

We look forward to testimony today by our witnesses on the successes and merits of housing privatization. Throughout this year's budget request for military construction, family housing and environmental programs, we see projects that support Defense Department initiatives to transform the organization, basing, and posture of the total force. For example, the Department continues to fund construction projects supporting homeland defense, antiterrorism, and enhanced protection for our personnel.

From a global perspective, the Secretary of Defense is currently negotiating with our allies to establish new concepts for the basing of U.S. forces while maintaining our traditional commitments. These agreements promise to enhance training opportunities and burdensharing by host countries while improving flexibility and responsiveness to our national security requirements.

We recognize that this year's request for a prudent overseas construction investment responds to the current dynamics of global basing plans. We look forward to more definitive information soon on agreements and burdensharing arrangements. We must continue to pursue every opportunity to save money so as to free up funds for our Services' transformation efforts and additional security initiatives at home.

A potentially significant source of savings to the Department is the upcoming round of base realignment and closure (BRAC) in 2005. If properly executed, it will provide an opportunity for our military to enhance our joint capabilities by realigning functions to improve joint testing and basing, improve the use of our ranges by concentrating our investments on technology and infrastructure to support joint training, and realign critical support functions to maximize economy of effort, while providing substantially more and better trained warfighters.

Some, perhaps politically motivated, have called for a suspension or a delay in the BRAC process. It would be a huge mistake, a huge mistake, to undermine this crucial opportunity to improve the quality of our forces. Congress correctly provided authorization in the Defense Department for BRAC in 2005 after the events of September 11, 2001, specifically because we realized that we could not bear the burden of excess costs to sustain a cold war posture and infrastructure in the face of a significant and menacing threat.

Despite increases in the budget, the need for savings and transformation remain. No one should play politics with a process that has the potential to save $5 billion by 2011 and $8 billion every year thereafter. This was done once during the 1996 presidential election and that unfortunate episode has delayed to date any further rationalization of our infrastructure and subsequent cost savings.

In a year where we have debated cutting the defense budget by $7 billion during a time of war, how can we delay or deny the Department the chance to save that much within the next 6 years? BRAC is a critical catalyst to our efforts to provide the American people with the strongest military forces, jointly based and trained,

operating with the most lethal effectiveness our limited resources can sustain.

I want to be clear to our witnesses and those in attendance of the gravity of this issue and the results at stake that should transcend politics.

Senator Akaka, I turn the floor over to you for any opening statements that you may have.

STATEMENT OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. Again, I feel proud working with you on this subcommittee. I want to join you in welcoming our panel this afternoon to discuss the Department's military construction, family housing, base closure, and environmental restoration and compliance programs.

We have made some considerable progress on taking care of our installations in recent years. For example, we are on track to modernize our soldiers' barracks, including the elimination of gang latrines. In 2005, we will complete the initiative begun by former Secretary of Defense Cohen to reduce average out-of-pocket family housing costs to zero. We have increased attention on the importance of putting money to sustaining our facilities. The pace of housing privatization has increased and we have given the Department new tools to work with non-Federal entities to create a buffer zone or buffer zones around defense installations.

At the same time, challenges remain. This administration's first budget in 2002 brought the recapitalization rate of DOD facilities down to 101 years, but we have not made much progress in further reducing this rate. In fact, the 2005 budget has a recapitalization rate of 107 years.

This is in large part because our installations have not shared in the tremendous funding increases the Department has received over the past few years. The administration's initial budget for 2002 requested $5.9 billion for military construction and $328 billion for the Department of Defense overall. The fiscal year 2005 budget requests $401.7 billion for DOD, an increase of $73.7 billion or 22.5 percent over year 2002. But none of this increased funding has gone to military construction. In fact, the amount requested for military construction has actually decreased, from $5.9 billion to $5.3 billion.

I am also concerned about rising base operation costs, the vast majority of which are now contracted out in ways that limit our flexibility. While I believe the new DOD standard of funding 95 percent of our facilities sustainment requirements makes sense, it will not be as effective as it should be without a similar standard to ensure that we budget adequate resources to fund our must-pay base operations bills.

Understandably, the attention of the senior DOD leadership and Congress has been focused elsewhere, on our operations in Iraq and in Afghanistan. But there are considerable challenges in the jurisdiction of the Readiness Subcommittee that demand the attention of Congress and the Department, such as resetting the force, making sure we get the best use of our test and training ranges, and how we position our forces around the world to meet the security challenges of the future.

The upcoming 2005 base closure round has gotten a great deal of attention already and in the coming year will probably dominate the discussion of basing and installations. Certainly BRAC is important. This will be the first opportunity in 10 years to realign our forces and infrastructure.

But the positioning of our forces outside the United States, which is not subject to the BRAC process, is of equal importance. There has been a great deal of speculation in the press on the global posture review, but the committee has received very little hard information from the Department. We need to get some answers very soon. In addition to their foreign policy significance, these decisions on overseas presence and basing strategy must precede and inform next year's BRAC round.

I hope the Department will seize the opportunity provided by next year's BRAC process to reduce excess infrastructure and enhance the joint warfighting abilities of our forces by taking new steps in joint basing and joint use of our bases and ranges. As the Department studies its own requirements leading up to next year's BRAC recommendations, it is imperative that the Department consider the reality that national security is now broader than just the Department of Defense and that the missions and needs of other agencies, such as the Departments of Homeland Security and Veterans Affairs, must be taken into account.

Finally, Mr. Chairman, I want to say a word about something that is not yet before us. DOD officials recently informed us that they plan to resubmit their legislative proposals to exempt certain DOD activities from the Clean Air Act (CAA), Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and Resource Conservation and Recovery Act of 1976 (RCRA) within the next week or two. These proposals have been criticized in the past by State and local government agencies and have been rejected by the last two Congresses. They are not as important to military training and readiness as the legislative proposals we have already enacted, but they would have a much more direct impact on human health and the environment.

I am concerned that to date we have not seen these proposals from DOD, particularly since the short time remaining for public review makes it difficult to have the kind of reasoned discussion necessary to develop a legislative solution that could be passed by the Senate.

Thank you very much, Mr. Chairman.

Senator ENSIGN. Thank you, Senator Akaka.

Senator INHOFE. Can I just make a brief comment?

Senator ENSIGN. Senator Inhofe.

Senator INHOFE. Just a brief comment, Mr. Chairman. I listened to Senator Akaka. He makes a lot of sense on some of the problems and the timing. I have questioned this timing even before the acceleration of the war that is going on right now. We are at war. We have the global posturing review, and the tight Federal budget.

When you look at the savings—and I have been through every one of them. I was elected in 1986, so I have been here through the whole concept. I was here and actually developed the process with Congressman Armey. I think some of these rounds have been

good and have eliminated I think some 92 installations that should have been eliminated.

Right now it is a different situation than we have been in, and I am concerned. Let me just throw out a couple of things and maybe you can address these in your opening remarks. One is the estimates of savings and the timing of those savings is never accurate, but what is certain is the cost up front is high. It is estimated in this case to be $15 billion. If there is ever a time when we are trying to make up for some of the problems we had in the 1990s with our military in terms of modernization and end strength and all the problems that everyone in here is aware of, this is that time when we need every precious dollar that we can get, not just to fight the war, but to start rebuilding, the rebuilding process. There is not a person in front of me who does not understand that and appreciate that.

I have become very interested in General Jones' efforts in the restructuring and how we are looking at Western Europe, as Senator Akaka points out, some of the challenges, some of the environmental encroachments on our bases. I say to my good Marine and Navy friends, I fought the battle of Vieques for 3 years and lost and it was not much fun, but at least now we have realized, people realize, we have a serious problem.

That problem is at home. We know it is happening with environmental encroachment on our ranges here. We know it is happening in Western Europe ever since the European Union (EU). I have personally gone to Romania and Bulgaria and Ukraine and I see other ways of doing this that would necessitate bringing a lot of these families back stateside. Yet we are talking about going through an infrastructure change without really knowing what is going to be coming back.

So I question the timing of all of this, and I am hoping that in this forum we will be able to discuss some of these things.

Mr. Chairman, I thank you.

Senator ENSIGN. Thank you.

All of your statements, full statements, will be made part of the record and if you could, just because of the large size of the panel, so we can save plenty of time for questions, if possible keep your opening statements to around 5 minutes, and I would appreciate that.

We will start with you, Mr. DuBois.

STATEMENT OF RAYMOND F. DUBOIS, JR., DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT

Mr. DUBOIS. Thank you, Mr. Chairman, Senator Akaka, Senator Inhofe. This is my third time before this subcommittee, and I am proud to appear this time with the gentlemen on my left and right, as we refer to them, the installation warriors of the Pentagon. It is a fine team and one that I think over the past several years has proven its mettle in these particular circumstances.

Now, at the beginning I want to express on behalf of Secretary Rumsfeld his and our appreciation for particularly what this subcommittee has done in my 3 years in office in terms of improving

our infrastructure assets as well as our program to support environmental stewardship.

As you asked, Mr. Chairman, I have approximately 5 minutes in opening remarks. If you will give me a minute or two more, I can probably answer at least briefly some of the issues that all three of you have raised with respect to BRAC.

Now, with regard to infrastructure, we believe that we have a well-defined strategy to address the condition—and let us face facts. The condition of our infrastructure, to include military family housing was in a deteriorated position when we came into office several years ago. Now, why was the health of our facilities suffering? It was due, quite frankly, to competing priorities, similar competing priorities every year. Certainly this year is no different.

But there was another issue, a management issue, it seems to me. We did not have a very good idea as to how to accurately determine what the funding ought to be for sustainment and recapitalization or, as we call it, sustainment, restoration, and modernization, and how to accurately measure the results of funding that went into those areas.

Now, our investment strategy begins with full facilities sustainment. I know that you, like us here at this witness table, have always been concerned that, no matter what level of sustainment we ask for, the President asks for in his budget request, in this case 95 percent across the board for all four Services, there has always been a certain amount of migration away and out of that budget. That is of concern to us, as it is to you.

Nonetheless, this year the Department is requesting $6.5 billion for sustainment, which is to yield that 95 percent goal. Now, by 2008 we hope that it is the 100 percent goal. But full sustainment does not prevent deterioration or the obsolescence of our facilities over the life of those buildings. Managing sustainment costs is no doubt less expensive than repairing or replacing unusable facilities, that oft-referred to so-called strategy: Do not worry—we will always replace it with new construction. I do not think that is a valid way to approach our facilities and our infrastructure.

We need to recapitalize our facilities to coincide, yes, with the needs of the Services, with the immediate mission-critical needs of the Services, and the quality of our infrastructure, as we all know, directly affects recruitment and retention and training and readiness. We are requesting $4.4 billion, the Department as a whole, for recapitalization, and this is our second pillar of our investment strategy.

The third pillar, one that President Bush and Secretary Rumsfeld identified within weeks of this administration taking office, is military family housing. To that end, we have established a four-pronged approach: One—and I think that Senator Akaka made specific reference to this—increase the basic allowance for housing; two, eliminate out of pocket expense for off-base housing; three, increase housing privatization projects; and four, maintain the appropriate level of military construction funding for housing.

Now, we believe and I think you will find no one who will criticize how we have used privatization to advance this goal, that is to say obtain maximum benefit from the amount of housing—excuse me—obtain maximum benefit from our housing investment,

the housing investment that you authorized and appropriated for us.

Now, our policy requires that the privatization projects, each and every one of them, yield a minimum, a minimum of three times the amount of housing which would be traditionally funded by military construction appropriations. We believe our housing privatization efforts have now achieved unqualified success. Installation commanders, service members, all say and welcome privatization efforts to revitalize their family housing.

We are continuing to accelerate those efforts and we project by the end of fiscal year 2005 to have awarded over 136,000 privatized units.

Now, let me add one thing here that I think is important and where we need your help. The housing privatization successes, that program's success over the last 3 years, has used almost 70 percent, $600 million, of the $850 million budget authority originally provided by Congress for housing privatization. Because of the success, we project by the end of this calendar year the rest of that money, the remaining 30 percent, will be used up.

We have submitted to Congress a legislative proposal to increase our authority by an additional $1 billion. This will allow us to complete contracting to eliminate all inadequate family housing or nearly all by the end of fiscal year 2007, and I ask for your support in that regard. I have testified in front of the authorizers and the appropriators in the House as well as the appropriators in the Senate, and from those hearings I gather that you all are of one mind in helping us.

Range sustainment we have talked a little bit about. You have talked a little bit about that this morning, or this afternoon, excuse me. The realistic live-fire training is absolutely crucial, as anyone who has served in uniform would attest. But it requires substantial natural resources. It requires air, land, and water where military forces can train as they would fight. Obviously, replicating the challenges of combat, the stress, the temperatures, the terrain, the discomfort, those physical and psychological conditions of actual combat, is imperative to readiness.

We have used the term "encroachment." Encroachment has, quite frankly, many meanings. It is environmental, it is urban and suburban sprawl, it is air space restrictions, it is frequency spectrum competition. It is a number of things that we have to deal with, that we have struggled to deal with, and with your help we have amended, for the first time in history, for specific military readiness reasons, three environmental statutes.

Now, if access becomes restricted due to encroachment, obviously training opportunities become increasingly limited. The Department, as you indicated, very much appreciates the action of Congress over the last 2 years in adopting some key provisions. These provisions, as we know, are key enablers to range sustainability. Indeed, we have in the National Defense Authorization Act for Fiscal Year 2003 a provision, section 2811, that allows the Services to take a proactive role in developing partnerships with local land trusts, with local chapters of the Nature Conservancy, with local conservation organizations, and working with the States and local political jurisdictions, to promote sound land use.

We have asked this year, in keeping with that authority that you gave us last year, for a modest amount of money in this regard, $20 million. It is a lot of money in some respects, but in this regard, we believe it is a modest amount to target those new authorities, to assist local communities and States, and to develop partnerships with us to execute compatible land use partnerships around our installations.

Environmental management. We are quite proud of how we have gone about our environmental stewardship. The Department currently manages 30 million acres of land. Now, when I was first given that statistic, I said we must be the largest. Well, clearly we are one of the smallest Federal managers of land per se, but we are in point of fact the largest manager of facilities.

Now, the Integrated Natural Resource Management Plans (INRMPs) as required by the Sykes Act, we have in place at 95 percent of our installations, and in fiscal year 2005 our environmental budget calls for over $3.8 billion in support of our environmental programs.

Finally, Mr. Chairman, if you would let me make a few remarks on Base Realignment and Closure (BRAC). BRAC is a means by which the Department can rationalize its infrastructure, as you have stated so cogently, to its force structure. It enhances joint capabilities, and it will convert waste to warfighting.

The question that Senator Inhofe has raised, and an important one, is why do we need to do it now? Why is now the important time to do it? Would a delay be more helpful? Now, we believe, the Secretary believes, in the report that he submitted to Congress recently, that any delay, any amount of time, would be detrimental to the transformation of the Armed Forces to meet the pressing challenges of the 21st century. It would extend in our view, in the Secretary's view, in the Chairman of the Joint Chiefs of Staff view, because he also signed a document in that report, it would extend the unnecessary expenditure of scarce resources on maintaining excess infrastructure.

Any delay of BRAC, we believe, would postpone the estimated annual recurring savings, notwithstanding Senator Inhofe's correct statement, one must invest in order to achieve savings up front. But we estimate, and GAO and the Congressional Budget Office has stated in writing, that our savings have been sustained and are real. But we believe that if there were a 20-percent reduction in our plant replacement value, that would equate to a $16 billion, i.e., 2 years times $8 billion, in lost savings were we to delay the BRAC by 2 years.

I think it is also important to recognize that BRAC is not, and never was meant to be, strictly a cost savings exercise. In point of fact, in this case, and this is where it connects to the international issues that you have spoken to quite importantly, it will upset, in the Secretary's view and the Chairman of the Joint Chiefs of Staff view, the ongoing review of the overseas infrastructure, because BRAC is necessary to correctly select the bases in the United States which will receive that overseas force structure which returns.

We must do the overseas piece first, and in the next 60 days—and I have testified to this before three other committees in the

last several weeks. By the end of May, the Secretary intends to close on those decisions, as I have stated them, the major building blocks of what force structure will return to the United States, in order to keep his promise to you that the domestic BRAC process be informed by the overseas reduction in footprint and by the overseas return of force structure.

Now, I said that the Chairman of the Joint Chiefs in his message accompanying that BRAC report supports this need for additional closures and realignments at this time. In fact, if I may quote: "The Joint Chiefs of Staff unanimously agree that additional base realignments and closures are necessary if the Department of Defense is to transform the Armed Forces to meet the threats to our national security and execute our National Strategy."

One last statement. You may remember at that period post-September 11, that dreadful period in October, November, and December 2001, eight former Secretaries of Defense for the first time in history—the only two former Secretaries of Defense that did not sign it were the current one, who is also a former one, Donald Rumsfeld, and a former one who also happens to be the Vice President of the United States. They signed a letter that said, in no small measure because of the events of September 11, it was critical to proceed with the BRAC that you finally authorized for 2005.

Thank you very much, Mr. Chairman. I appreciate this opportunity once again to appear before you.

[The prepared statement of Mr. DuBois follows:]

PREPARED STATEMENT BY RAYMOND F. DUBOIS

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. 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 fiscal year 2005, we will reduce the number of inadequate housing units by 66 percent (61,000) from our fiscal year 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 fiscal year 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 of Dollars—Budget Authority]

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

Note: Fiscal year 2004 request column represents the fiscal year 2004 Amended Budget Submission

[1] Chem-Demil included in Military Construction totals for fiscal year 2004. For fiscal year 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 of Dollars]

	Fiscal Year Request	
	2004	2005
Sustainment (O&M-like [1])	6,382	6,531
Restoration and Modernization (O&M-like)	1,012	1,243
Restoration and Modernization (MilCon)	2,350	3,161
Total SRM	9,744	10,935

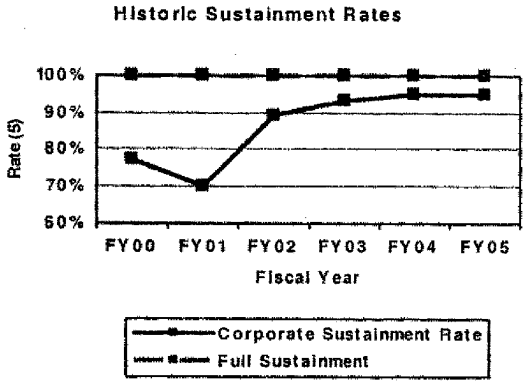
[1] Includes O&M as well as related military personnel, host nation, and working capital funds.

Facilities sustainment, using operations and maintenance-like [2] 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

[2] Includes O&M as well as related military personnel, host nation, and working capital funds.

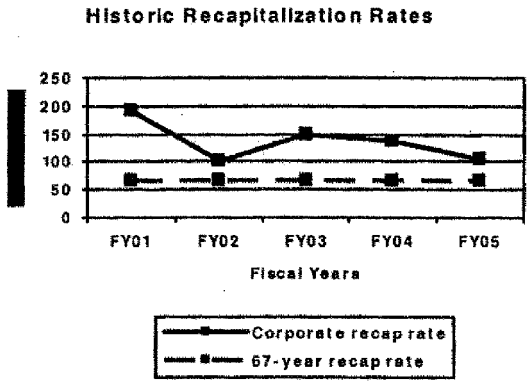
and public sectors for sustainment costs by facility type and has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies beginning in fiscal year 2004.



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 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 re-

capitalization 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 percent 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 fiscal year 2005 budget keeps the Department on track to eliminate nearly all its inadequate military family housing units by fiscal year 2007, with complete elimination of some inadequate housing overseas in fiscal year 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 fiscal year 2004, through traditional construction and improvement projects, housing privatization and demolition, we have reduced that number to roughly 120,000. The President's fiscal year 2005 budget includes funding to allow us to reduce that number further—by the end of fiscal year 2005, we will have reduced the number of inadequate housing units to roughly 61,000 inadequate.

The fiscal year 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-percent increase over our privatized units as of January 2003). We project by the end of fiscal year 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 fiscal year 2005 to about 136,000 units privatized. We project by the end of fiscal year 2007 that we will privatize over 160,000 units or more than 70 percent 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 3 years, we are now in position where almost 70 percent (about $600 million) of the $850 million cap has been used. We project the remaining 30 percent of the cap will be used up by the beginning of fiscal year 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 $1 billion 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—3 years earlier than previously planned.

We recognize that a key element in maintaining the support of 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 National Defense Authorization Acts for Fiscal Years 2003 and 2004 that were part of the administration's Readiness and Range Preservation Initiative (RRPI). These provisions are key enablers of range sustainability. For exam-

ple, 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 fiscal year 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 ongoing 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. 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 National Defense Authorization Act for Fiscal Year 2004 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 INRMPs, as required by the Sikes Act, at 95 percent 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 [3]

[President's Budget in Millions of Dollars—Budget Authority]

	Fiscal Year Request	
	2004	2005
Environmental Restoration	1,273	1,305
BRAC Environmental [4]	412	322
Compliance	1,603	1,665
Pollution Prevention	173	168
Conservation	153	169
Technology	190	186

ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST [3]—Continued

[President's Budget in Millions of Dollars—Budget Authority]

	Fiscal Year Request	
	2004	2005
International	3	4
Total	3,807	3,819

[3] Includes operations and maintenance, procurement, RDT&E, and military construction funding.

[4] 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.

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, $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 percent 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 percent 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 percent 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 percent of all non-tactical vehicles acquired, exceeding the requirement in the Energy Policy Act of 75 percent.

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 (FUDS). 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 fiscal year 2003, 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 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, FUDS, 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 FUDS. As of the end of fiscal year 2003, 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 fiscal year 2001 as having UXO contamination and the Department has been making steady progress to eliminate their hazards—almost 65 percent of the BRAC MMRP inventory has been addressed. A similar situation can be found at FUDS, where 45 percent of the MMRP sites identified have had all cleanup actions completed. Over 790 of the 1,753 FUDS 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 percent 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 $4 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 fiscal year 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 fiscal year 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 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 BRAC 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 3 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.

Senator ENSIGN. Thank you for your statement.

General Lust.

STATEMENT OF MG LARRY J. LUST, USA, ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT, UNITED STATES ARMY

General LUST. Mr. Chairman and distinguished members of the subcommittee, I am pleased to appear before you today to represent the Army and discuss our fiscal year 2005 military construction and environmental budgets. We have submitted a robust military construction budget for $3.7 billion that funds our highest priorities for the active Army, the Army National Guard, and the Army Reserve facilities, along with our Army family housing. This request

supports the Army's vision of people, current readiness, and transformation to the future force.

We are fighting a global war on terrorism and simultaneously transforming to become a more relevant and ready Army. We currently have approximately 250,000 troopers mobilizing, demobilizing, deploying, and redeploying. More troopers are moving through our installations today than at any time since World War II.

The Army recently identified key focus areas to channel our efforts to increase the relevance and readiness of our Army. One of the focus areas, Installations as Our Flagships, defines the Army's requirement to project power, sustain facilities, train forces, and support families. Our installations support an expeditionary force where soldiers live, train, mobilize, deploy, and enable our forces to reach back for sustained support. Soldiers and their families who live on and off installations deserve the same quality of life that is afforded to the society they are sworn to defend.

The Installation Management Agency (IMA) provides the Army with a single agency and a corporate structure to help us meet this vision. Base support dollars are sent directly from the IMA to the garrison in order to meet the Army's most critical base support needs. With the IMA concept, commanders and units are better able to concentrate on their warfighting missions and tasks.

The fiscal year 2005 military construction budget will provide the resources and facilities necessary to continue support of the Army's mission and will provide new barracks for 4200 soldiers, adequate housing for 14,200 Army families, increased military construction funding for the Army National Guard and Army Reserve over last year's request, new readiness centers for over 3,000 Army National Guard soldiers, new Reserve centers for over 2800 Army Reserve soldiers, a $287 million investment in our training ranges, a battalion-sized basic combat training complex, and facilities support and improvements for four Stryker brigades.

Our budget request also supports the Army's environmental program, which directly affects the readiness and well being of our soldiers and their families. Overall, the fiscal year 2005 budget provides for a lean but effective investment in the corrective and preventive actions that eliminate past problems and will help prevent future ones.

The Army is committed to being a good steward of the environment and our programs fulfil the public trust in management of Army lands and protect the natural and cultural resources. The Army's program provides the protection of training lands, environmental compliance, restoration of contaminated areas, and important technology and pollution prevention initiatives. Our long-term environmental strategy will be accomplished through sustained funding, divestiture of excess capacity, and improvement in management and technology.

Mr. Chairman, our fiscal year 2005 budget is a balanced program that supports the Army's mission. It funds programs that support our efforts to win the global war on terrorism, provides for quality facilities and programs for our soldiers and their families, and maintains current readiness and enables the transformation of the Army to the future force. With your continued support, we will achieve these objectives.

Mr. Chairman, thanks again for the opportunity to appear before you and for you and your committee's steadfast support to the men and women of the Army who are on point for this Nation. Thank you.

[The prepared statement of General Lust follows:]

PREPARED STATEMENT BY MAJ. GEN. LARRY J. LUST, USA

INTRODUCTION

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss the Army's Military Construction and Army Environmental Program budget request for fiscal year 2005. This request includes initiatives of critical importance to the Army and this committee, and we appreciate the opportunity to report on them to you. We would like to begin by expressing our appreciation for the tremendous support that Congress has provided to our soldiers and their families who are serving our country around the world. We are a Nation and an Army at war, and our soldiers would not be able to perform their missions so well without your support. My statement is in two parts. Part I addresses the Army Military Construction Program. Part II addresses the Army Environmental Program.

PART I: ARMY MILITARY CONSTRUCTION

OVERVIEW

The Army has begun one of the most significant periods of transformation in its 228-year history. We are "An Army at War—Relevant and Ready." This maxim will define how we meet the Nation's military requirements today and into the future. As we are fighting the global war on terrorism, we are simultaneously transforming to be a more relevant and ready Army. We are on the road to a transformation that will allow us to continue to dominate conventional battlefields and provide the ability to deter and defeat adversaries who rely on surprise, deception, and asymmetric warfare to achieve their objectives. To accomplish our objective, our operational force will temporarily increase by 30,000 soldiers. We currently have almost 250,000 soldiers mobilizing and demobilizing, deploying and redeploying—more troops are coming and going on our installations than in any era since World War II. Military Construction is an important tool to our network of installations to meet our challenging requirements.

As part of this transformation, the Army is fielding and equipping six Stryker Brigade Combat Teams (SBCT) to meet combatant commanders' requirements and to continue the Army's commitment to the global war on terrorism. These SBCTs allow the Army to continue modernizing and transforming the current force. The rapid development and fielding of six SBCTs is leading the transformation of the Army—physically and culturally.

To meet the challenges of today's missions, the Army must sustain a force of high quality, well-trained people; acquire and maintain the right mix of weapons and equipment; and maintain effective infrastructure and deployment platforms to generate the capabilities necessary to sustain a lethal force. We must ensure that a trained and qualified force will be in place to support the Future Force of a transformed Army. To meet that goal and ensure continued readiness, we must take care of soldiers and families. Our installations are a key component in this effort.

Installations as Flagships

The Army recently identified 17 Army focus areas to channel our efforts to win the global war on terrorism and to increase the relevance and readiness of the Army. One of the focus areas—Installations as Flagships—enhances the ability of an Army installation to project power and support families. Our installations support an expeditionary force where soldiers train, mobilize, and deploy to fight and are sustained as they reach back for support. Soldiers and their families who live on and off the installation deserve the same quality of life as is afforded the society they are pledged to defend. Installations are a key component in the tenets of the Army vision. Our worldwide installations structure is inextricably linked to Army transformation and the successful fielding of the Future Force.

Installation Strategies

There is much work to be done if all installations are to be flagships with the ability to both project power and support families to an equitable standard. We are a world-class combat ready force being supported by substandard facilities that impair our ability to meet the mission. To improve our facilities posture, we have spe-

cific initiatives to focus our resources on the most important areas—Barracks, Family Housing, Focused Facilities, Ranges, and Transformation.

Barracks

The Army is in the 11th year of its campaign to modernize barracks to provide 136,000 single enlisted permanent party soldiers with quality living environments. This year's budget request includes 19 barracks projects providing new or improved housing for 4,200 soldiers. The new complexes provide two-soldier suites, increased personal privacy, larger rooms, walk-in closets, new furnishings, adequate parking, landscaping, and unit administrative offices separated from the barracks. With the approval of $700.4 million for barracks in this request, a significant portion of our requirement will be funded. We are making considerable progress at U.S. installations and the Army funded two barracks projects, based upon the combatant commander's request, for Grafenwoehr, Germany.

Family Housing

This year's budget continues our significant investment in our soldiers and their families by supporting our goal to have funding in place by 2007 to eliminate inadequate housing. We have included funding in this year's budget request to privatize 11,906 houses. In addition we will replace 1,313 houses, build 100 new houses to support Stryker Brigade Combat Team deployment, and upgrade another 875 houses using traditional military construction. For families living off-post, the budget request for military personnel increases the basic allowance for housing to eliminate out-of-pocket expenses. Once overseas basing decisions are made, we will adjust our plans for new housing construction overseas.

Focused Facilities

Building on the successes of our housing and barracks programs, we are moving to improve the overall condition of Army infrastructure with the Focused Facility Strategy. The Installation Readiness Report is used to determine facilities quality ratings of C–1 to C–4 based on their ability to support mission requirements.

Installation Readiness Report – Facilities Quality Ratings
C-1 facilities fully support mission accomplishment
C-2 facilities support the majority of assigned missions
C-3 facilities impair mission performance
C-4 facilities significantly impair mission performance

We are a C–1 Army living and working in C–3 facilities. Our goal is to reach an overall Army average of C–2 quality by 2010 by concentrating on seven types of C–3 and C–4 facilities. These focus facilities are general instruction buildings, Army National Guard Readiness Centers, Army Reserve Centers, tactical vehicle maintenance shops, training barracks, physical fitness centers, and chapels. We are requesting $207 million in fiscal year 2005 to support this initiative.

Army Range and Training Land Strategy

Providing ranges and training lands that enable the Army to train and develop its full capabilities is key to ensuring that America's forces are relevant and ready now. The Army's Deputy Chief of Staff G–3 developed the Army Range and Training Land Strategy to support the Department of Defense's Training Transformation, Army Transformation, and the Army's Sustainable Range Program. It identifies priorities for installations requiring resources to modernize ranges, mitigate encroachment, and acquire training land. The strategy serves as the mechanism to prioritize investments for these installations and seeks to optimize the use of all range and land assets. The result is a long-range plan that provides the best range infrastructure and training lands based on mission and training requirements.

Current to Future Force

The Army is undergoing the biggest internal restructuring in the last 50 years. As part of this transformation effort, we are fielding and equipping six Stryker Brigade Combat Teams throughout the Army. This transformation will drive our efforts to ensure that our "training battlefields" continue to meet the demands of force structure, weapons systems, and doctrinal requirements. Providing ranges and training lands that enable the Army to train and develop its full capabilities is cru-

cial to ensure that America's forces are relevant and ready now. Our fiscal year 2005 military construction budget requests $305 million for projects for operations and training facilities, training ranges, maintenance facilities, logistics facilities, utilities, and road upgrades in support of the Stryker Brigade Combat Teams.

The former Army Strategic Mobility Program ended in fiscal year 2003 with the capability of moving five and one-third divisions in 75 days. We must improve current processes and platforms so intact units arrive in theater in an immediately employable configuration.

The new Army Power Projection Program (AP3) is a combat multiplier for Army transformation and a catalyst for joint and Service transformation efforts related to force projection. AP3 is a set of initiatives and strategic mobility enabling systems, including infrastructure projects, that ensures we are able to meet current and future force deployment requirements. AP3 funding began in fiscal year 2004. AP3 ensures the capability to deploy Army forces in accordance with regional combatant commanders' operational plans.

MILITARY CONSTRUCTION

The Army's fiscal year 2005 request has increased over fiscal year 2004 and includes $3.7 billion for military construction appropriations and associated new authorizations.

Military Construction Appropriation	Authorization Request	Authorization of Appropriation Request	Appropriation Request
Military Construction Army (MCA)	$1,535,400,000	$1,771,285,000	$1,771,285,000
Military Construction Army National Guard (MCNG)	N/A	295,657,000	295,657,000
Military Construction Army Reserve (MCAR)	N/A	87,070,000	87,070,000
Army Family Housing (AFH)	636,099,000	1,565,006,000	1,565,006,000
Total	$2,171,499,000	$3,719,018,000	$3,719,018,000

MILITARY CONSTRUCTION, ARMY (MCA)

The active Army's fiscal year 2005 military construction request for $1,771,285,000 (for appropriation and authorization of appropriations) and $1,535,400,000 (for authorization) is for people, current readiness, and transformation to the Future Force. These funds are critically needed to provide new barracks, invest in training ranges and land, recapitalize existing facilities, and support three Active Army Stryker Brigade Combat Teams in Alaska, Hawaii, and Louisiana. The request also includes funds for planning and design for future projects, along with Unspecified Minor Military Construction.

The Department of Defense continues to assess its global stationing strategy. We have included only minimal, but critical, overseas projects in the fiscal year 2005 military construction budget request. These projects are required to provide the infrastructure necessary to ensure continued soldier readiness and family well-being that is essential throughout any period of transition.

People

We are requesting $798 million to improve the well-being of our soldiers, civilians, and families. Approximately 50 percent of our MCA budget request will improve well being in significant ways—providing 19 unit barracks complexes for 4,200 soldiers ($700 million), a basic trainee barracks complex ($50 million), a physical fitness center ($18 million), a chapel ($10 million), two child development centers and a youth center ($20 million).

Current Readiness

Our budget request includes $504 million to keep our soldiers trained and ready to respond to the Nation's needs. Current readiness projects include operational and training instructional facilities ($92 million), training ranges ($122 million), logistics facilities ($31 million), utilities and land acquisition ($27 million), maintenance/production and tactical equipment facilities ($82 million), communication/administration facilities ($104 million), a research and development facility ($33 million), and community support facilities ($13 million).

Current to Future Force

Our budget request also includes $298 million for projects to ensure the Army is trained, deployable, and ready to rapidly respond to national security requirements and support transformation for the Stryker Brigade Combat Teams. Projects include operations and training facilities ($63 million), training ranges ($79 million), a

maintenance facility ($49 million), logistics facilities ($19 million), and utilities and roads ($88 million).

Other Worldwide Support Programs

The fiscal year 2005 MCA request includes $171 million for planning and design, along with Unspecified Minor Military Construction. Planning and design funds ($151 million) are used to accomplish final design of future projects and oversight of host nation construction. As Executive Agent for the Department of Defense, the Army uses planning and design funds for oversight of construction projects funded by host nations for use by all Services. Finally, the fiscal year 2005 MCA budget contains $20 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

The Army National Guard's fiscal year 2005 military construction request for $295,657,000 (for appropriation and authorization of appropriations) is focused on current readiness and transformation to the future force.

Current Readiness

In fiscal year 2005, the Army National Guard has requested $116.1 million for nine projects. These funds will provide the facilities our soldiers need as they train, mobilize, and deploy. They include one Readiness Center, one Armed Forces Reserve Center, three Army Aviation Support Facilities, two Ranges, and two Training projects. Current to Future Force. This year, the Army National Guard is requesting $144.2 million for 23 projects needed to transform from Current to Future Force. There are 16 projects for the Army Division Redesign Study, three for Aviation Transformation, two for the Range Modernization Program, and two for the Stryker Brigade Combat Team initiative.

Other Worldwide Support Programs

The fiscal year 2005 MCNG budget request contains $30.8 million for planning and design of future projects, along with $4.5 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

The Army Reserve's fiscal year 2005 military construction request for $87,070,000 (for appropriation and authorization of appropriations) is for current readiness and other worldwide unspecified programs.

Current Readiness

The Army Reserve will invest $72.9 million in current readiness projects. We will invest $58.6 million to construct four new Reserve centers, and one military equipment park; invest $7.9 million to modernize and expand one Reserve center, invest $3.9 million to construct two ranges; and invest $2.5 million to acquire land for a future Armed Forces Reserve center.

Other Worldwide Unspecified Programs

The fiscal year 2005 MCAR budget includes $11.2 million for planning and design. The funds will be used for planning and design of future projects. The fiscal year 2005 MCAR budget also contains $2.9 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING CONSTRUCTION (AFHC)

The Army's fiscal year 2005 family housing request is $636,099,000 (for appropriation, authorization of appropriation, and authorization). It continues the successful and well-received Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992 and supported consistently since that time, and our Residential Communities Initiative program.

The fiscal year 2005 new construction program provides additional housing in Alaska in support of a Stryker Brigade Combat Team and whole neighborhood replacement projects at nine locations in support of 1,413 families for $394.9 million.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In fiscal year 2005, we are requesting $75.4 million for improvements to 875 existing units at 3 locations in the United States and 2 locations in Europe, as well as $136.6 million for scoring and direct invest-

ment in support of privatization of 11,906 units at 6 Residential Communities Initiative (RCI) locations.

In fiscal year 2005, we are also requesting $29.2 million for planning and design in support of future family housing construction projects critically needed for our soldiers.

Privatization

RCI, the Army's Family Housing Privatization Program, is providing quality, sustainable housing and communities that our soldiers and their families can proudly call home. RCI is a critical component of the Army's effort to eliminate inadequate family housing in the United States. The fiscal year 2005 budget request provides support to continue implementation of this highly successful program.

We are leveraging appropriated funds and Government assets by entering into long-term partnerships with nationally recognized private sector real estate development and management firms to obtain financing and management expertise to construct, repair, maintain, and operate family housing communities.

The RCI program currently includes 34 installations with almost 71,000 housing units—over 80 percent of the family housing inventory in the United States. By the end of fiscal year 2004, the Army will have privatized 19 installations with an end state of 42,000 homes.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

The Army's fiscal year 2005 family housing operations request is $928,900,000 (for appropriation and authorization of appropriations), which is approximately 59 percent of the total family housing budget. This budget provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus or uneconomical housing, and funds supporting management of the Military Housing Privatization Initiative.

Operations ($150 million)

The operations account includes four subaccounts: management, services, furnishings, and a small miscellaneous account. All operations subaccounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate family housing.

Utilities ($132 million)

The utilities account includes the costs of heat, air conditioning, electricity, water, and sewage for family housing units. While the overall size of the utilities account is decreasing with the reduction in supported inventory, per-unit costs have increased due to general inflation and the increased costs of fuel.

Maintenance and Repair ($402 million)

The maintenance and repair account supports annual recurring maintenance and major maintenance and repair projects to maintain and revitalize family housing real property assets. While the overall account is smaller than fiscal year 2004, the reduced inventory allows for greater per-unit funding than has been possible in the recent past. This allows us to better sustain our housing inventory.

Leasing ($218 million)

The leasing program provides another way of adequately housing our military families. The fiscal year 2005 request includes funding for over 13,600 housing units, including existing Section 2835 ("build-to-lease"—formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and approximately 7,700 units overseas.

RCI Management ($27 million)

The RCI management program funding includes procurement requirements, environmental studies, real estate requirements, management, operations, implementation, and oversight of the overall RCI program.

BASE REALIGNMENT AND CLOSURE (BRAC)

In 1988, Congress established the Defense Base Closure and Realignment Commission to ensure a timely, independent and fair process for closing and realigning military installations. Since then, the Department of Defense has successfully executed four rounds of base closures to rid the Department of excess infrastructure and align the military's base infrastructure to a reduced threat and force structure. Through this effort, the Army estimates approximately $9 billion in savings through 2004.

The Army is requesting $100.3 million in fiscal year 2005 for prior BRAC rounds ($8.3 million to fund caretaking operations of remaining properties and $92.0 million for environmental restoration). In fiscal year 2005, the Army will complete environmental restoration efforts at three installations, leaving 11 installations requiring environmental restoration. We also plan to dispose of an additional 8,000 acres in fiscal year 2005.

Fiscal year 2003 was a superb year! Using all the tools Congress provided, including the Conservation Conveyance Authority and Early Transfer Authority, the Army transferred 100,957 acres of BRAC property. This is almost 40 percent of the total Army BRAC excess acreage, and almost as many acres as all prior years combined. To date, the Army has disposed of 223,911 acres (85 percent of the total acreage disposal requirement of 262,705 acres). We have 38,794 acres remaining to dispose of at 28 installations. The Army continues to save more than $900 million annually from previous BRAC rounds.

OPERATION AND MAINTENANCE

The fiscal year 2005 Operation and Maintenance budget includes funding for sustainment, restoration, and modernization (SRM—$2.54 billion) and Base Operations Support (BOS—$6.57 billion). The SRM and BOS accounts are inextricably linked with our Military Construction programs to successfully support Installations as Flagships.

Sustainment, Restoration, and Modernization (SRM)

The fiscal year 2005 budget for SRM is $2.5 billion, of which $2.42 billion funds sustainment at 95 percent of the requirement. SRM provides funding for the active and Reserve components to continue making positive progress towards our goal to prevent deterioration and obsolescence and restore the lost readiness of facilities.

Sustainment is the primary account in installation base support funding responsible for maintaining the infrastructure to achieve a successful readiness posture for the Army's fighting force. It is the first step in our long-term facilities strategy. Installation facilities are the deployment platforms of America's Army and must be properly maintained to be ready to support current Army missions and any future deployments.

The second step in our long-term facilities strategy is the recapitalization by restoring and modernizing our existing facility assets. In fiscal year 2005, the active Army request for Restoration and Modernization is $93.2 million. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration or modernization of facilities solely to implement new or higher standards, including regulatory changes, to accommodate new functions, or to replace building components that typically last more than 50 years, such as foundations and structural members.

Base Operations Support

The fiscal year 2005 budget for Base Operations Support is $6.57 billion (Active Army, Army National Guard, Army Reserve). This is 70 percent of the requirement. This funds programs to operate the bases, installations, camps, posts, and stations of the Army worldwide. The program includes municipal services, family programs, environmental programs, force protection, audio/visual, base communication services and installation support contracts. Army community service and Reserve component family programs include a network of integrated support service that directly impact soldier readiness, retention, and spouse adaptability to military life during peacetime and through all phases of mobilization, deployment, and demobilization.

HOMEOWNERS ASSISTANCE FUND, DEFENSE

The Army is the Department of Defense Executive Agent for the Homeowners Assistance Program. This program provides assistance to homeowners by reducing their losses incident to the disposal of their homes when military installations at or near where they are serving or employed are ordered to be closed or the scope of operations reduced. For fiscal year 2005, there is no request for appropriations and authorization of appropriations. Requirements for the program will be funded from prior year carryover and revenue from sales of homes. Assistance will be continued for personnel at ten installations that are impacted with either a base closure or a realignment of personnel, resulting in adverse economic effects on local communities.

PART II: ARMY ENVIRONMENTAL PROGRAM

THE ARMY ENVIRONMENTAL COMMITMENT

The Army's Environmental Program budget request for fiscal year 2005 totals $1,459,735,000 (appropriations and authorization of appropriations) for its Compliance, Restoration, Conservation, Pollution Prevention, and Environmental Quality Technology Programs. This figure includes $92,050,000 reflecting the environmental portion of the total BRAC budget request. In addition, this figure reflects the Office of the Secretary of Defense budget request of $216,516,000 for the DOD Formerly Used Defense Site (FUDS) program for which the Army is the DOD Executive Agent.

The Army Environmental Program supports readiness and contributes to the well-being of our soldiers and their families. It fulfills the public trust to manage Army lands by protecting natural and cultural resources, in accordance with Federal, State, and local laws. The Army is fully committed to complying with all Federal and State laws, conserving natural and cultural resources and cleaning up active, BRAC and FUDS. We will continue to expand implementation of Environmental Management Systems (EMS) on our installations, an effort that began Army-wide in fiscal year 2003, as well as efforts to further integrate pollution prevention practices into all that we do—to include our weapons systems acquisition procedures. Additionally, our technology program continues to address environment, safety, and occupational health needs comprehensively and cost effectively. By dedicating resources to these activities, we are increasingly successful in identifying efficiencies that support the Army's core missions and business practices; developing creative solutions to support our environmental stewardship efforts; protecting the health and safety of our soldiers, civilians, and communities; and helping to fulfill the Army's commitment to support and execute the National Military Strategy.

We are further determined to accomplish our environmental program tasks effectively and efficiently. Restoration, compliance and conservation require the majority of our budget dollars; however, programs in pollution prevention and innovative environmental quality technology provide venues for targeted investments to reduce future compliance and restoration requirements and recapture dollars for the Army's core missions. Overall, our fiscal year 2005 budget request provides for a lean, but effective, program implementation and investment in both corrective and preventive actions that eliminate past problems and prevent future ones.

RANGES AND MUNITIONS

The Army must provide our soldiers with tough, realistic, battle-focused training in preparation for a wide variety of mission essential warfighting scenarios ranging from desert to cold region operations in both rural and urban settings. Ensuring our soldiers have access, now and in the future, to the most realistic training possible is a challenge for both our operational and environmental communities. The continued development of surrounding lands for residential, agricultural, and industrial uses, coupled with increasing environmental requirements—a process we call encroachment—has significantly added to the challenge of providing realistic soldier training and fielding new weapon systems.

To meet these challenges, we have developed a sustainable range management program that better integrates environmental considerations into all of our range activities—to include live fire training and testing operations. Our Army Range Sustainment Integration Council provides the leadership framework to ensure a coordinated operational, environmental and installation management focus on range sustainment.

The following initiatives illustrate the Army's commitment to range sustainment:

- We have completed an inventory of our 9,800 operational ranges within the United States.
- We are quantifying encroachment impacts by determining and defining external factors that are impacting the Army's ability to train, test, and sustain force readiness.
- We are evaluating potential environmental impacts of live fire training/testing by looking at the air emissions from functioning munitions, corrosion of munitions and characterizing conditions of our operational ranges.

At closed ranges and former defense sites, the Army is taking actions through the Military Munitions Response Program to address the risk posed by unexploded ordnance (UXO), discarded military munitions, and munitions constituents. Per Congressional direction, the Army initiated an inventory of former ranges in 2001 and will report our findings to Congress in 2004. The Army also is making prudent in-

vestments in environmental quality technology to improve its ability to detect, identify (discriminate), and respond to UXO, ultimately reducing costs significantly.

COMPLIANCE

The Army requests $582,035,000 for the compliance program in fiscal year 2005. This investment makes it possible for the Army to comply with applicable Federal, State, and local environmental laws, regulations, and Executive Orders, as well as international agreements and Final Governing Standards overseas.

The Army's compliance goals are to attain and sustain cost-effective compliance with all applicable laws and regulations. The Army's long-term compliance objectives are to:

1. Integrate environmental compliance into all aspects of operations that support the Army's mission and promote the well-being of soldiers, family members, civilian employees, and citizens of neighboring communities; and
2. Sustain or reduce compliance costs by continuing to emphasize pollution prevention solutions as the preferred means for achieving compliance.

The Army focuses on achieving environmental compliance through strong command emphasis and the use of effective environmental management systems; pollution prevention; diverse training; more effective tools and innovative technologies; improved metrics and processes; close tracking of new environmental laws and regulations to ensure timely input and compliance; and, the development of strong partnerships. The cumulative result of these efforts is best exemplified by the Army achieving one of the lowest "enforcement action to inspection" ratios ever. For comparative purposes, this ratio was reduced to 0.15 in fiscal year 2003, as compared to 0.44 in fiscal year 1997.

Since most environmental laws and regulations are designed to protect human health and the environment, compliance with them is vital to maintain the well being of the Army community, our neighbors and the regions around our installations. We have steadily improved our environmental compliance posture over time. The Army received fewer new enforcement actions (ENFs) in fiscal year 2003 and continues to strive to resolve ENFs more quickly. Consequently, the amount of fines paid during fiscal years 2002 and 2003 were also significantly reduced as compared to previous years.

In support of Executive Order 13148, The Greening of the Government, the Army began implementing International Standard Organization (ISO) 14001-based Environmental Management System (EMS) Army-wide in fiscal year 2003. We have developed a Web-based Army EMS Implementers' Guide plus a companion guide to facilitate implementation. As a key part of our EMS implementation efforts, we have changed our external audit system from a compliance focus to a performance-based Environmental Performance Assessment System (EPAS), which we expect to pay even greater dividends.

Lastly, installation sustainability, as a concept, has been developed into a well-defined process through a pilot program initiated by the United States Forces Command in 2001. This program was recognized as a White House "Closing The Circle" Winner, and currently six installations have undergone sustainability workshops. The purpose of these workshops was to develop long-term sustainable goals that would be included in the Installation Strategic Plans, with full stakeholder involvement, including the local community. Mission focused, yet environmentally conforming considerations are essential components of these plans which help drive tangible results. The Army plans to expand this underlying principle of sustainability for improved planning and programming throughout the Army installations.

The Army sustainability effort is simply an approach that better ensures the long-term viability of the military mission by minimizing resource needs, reducing environmental impacts, and managing resources so as to provide realistic military training and testing environments. The sustainability concept will be further integrated across functional lines and organizations within the Army. As an example, the Army has many diverse programs that currently support sustainability, such as: Sustainable Design and Development; Residential Community Initiative; affirmative procurement; alternate fueled vehicle purchases/leases; purchasing of renewable energy; construction debris recycling, and qualified recycling programs. Also, the Army training community has undertaken a Sustainable Ranges and Training Lands program that specifically supports the warfighting mission through timely consideration of environmental impacts and mitigation actions. One of the primary thrusts of the Installation Management Agency is to emphasize the importance of planning and to develop an Installation Strategic Plan that will better integrate all of these various programs into a comprehensive plan that guides sustainable actions. Integrating construction, infrastructure, training, maintenance, and operations with con-

siderations for safety, energy, the environment and resources will all help realize greater efficiencies and result in more effective operations.

POLLUTION PREVENTION

Pollution prevention (P2) supports the Army by enabling our compliance with current and future laws and regulations, promoting good environmental stewardship of the lands entrusted to the Army, and developing new technologies and partnerships with industry. The Army requests $38,480,000 for pollution prevention. Achieving and maintaining compliance through development and implementation of pollution prevention strategies is a good business practice and a cost-effective way for the Army to meet its environmental goals. The Army continues to realize significant savings from our past pollution prevention investments.

Efforts are underway to fundamentally improve operations through development and implementation of better hazardous materials management. This program is designed to enhance accountability while reducing the amount of hazardous materials that the Army generates and subsequently minimizing the amount of hazardous waste requiring costly disposal. In 1994, The Army disposed of a total of 60 million pounds of hazardous waste. That number decreased to 36 million pounds by the end of 2002, a 40 percent reduction. Through improvements to the hazardous material management program, we expect to continue this downward trend.

Our solid waste minimization efforts reduce costs while promoting recycling. The goals for the solid waste management program are to minimize the generation of solid wastes, develop cost-effective waste management practices, protect public health and the environment, and recycle to conserve natural resources. The Army currently reuses or recycles over 37 percent of all solid waste generated. Our recycling efforts significantly extend the lives of existing landfills and saved approximately $39 million in disposal costs during fiscal year 2003.

The Army's Regional Environmental Offices have developed DOD/State Pollution Prevention and Environmental Partnerships in 28 States, up from 25 in 2001, while most of the remaining states have some type of partnership in existence. These partnerships promote effective dialogue on environmental issues among installations and state regulatory agencies to resolve problems early. In addition, the partnerships give regional environmental coordinators, DOD and our installations the opportunity to actively participate in the development of emerging laws and regulations to minimize disconnects and unintended compliance requirements.

The Army has adopted the Sustainable Project Rating Tool (SPiRiT) to evaluate our military construction projects in terms of their sustainability, or how well they incorporate "green" building techniques, such as recyclable building materials, energy efficiency, natural daylight, and compatibility with the natural surroundings. This initiative is a common sense design and building practice intended to reduce life cycle costs while helping the Army support Federal environmental and energy goals. One of the best illustrations is the Army's Residential Community Initiative where the 50-year partnership agreements to provide military housing requires a Gold SPiRiT standard. While SPiRiT deals with how to make new buildings sustainable, another initiative concentrates on what to do with existing buildings that have reached the end of their useful lives. In the past, standard practice has been to demolish old buildings and send the debris to a landfill. Several current pilot projects focus on dismantling buildings and selling the resultant components (e.g., hardwoods, windows, doors, plumbing, wiring, etc.) for recycling or reuse. Efforts at Forts Knox and Campbell successfully demonstrated that an installation could auction off entire buildings to generate cost savings while minimizing the impacts of demolition/deconstruction debris on the environment. Buildings and components were removed and reused by the winning bidder.

Studies have shown that approximately 80 percent of the environmental costs at military installations result from the operation and maintenance of fielded weapons systems. Therefore, an important aspect of the Army Pollution Prevention Program is the early incorporation of environmental requirements, planning, and analysis into the acquisition process. Our ultimate goal is to reduce the long-term environmental costs and liabilities of systems now in development and proposed in the future. Specifically, environmental requirements continue to be an integral part of the Initial Capability Documents and Capability Development Documents for each acquisition program, and environmental quality specifications are included in development contracts. For example, the development contract for the Future Combat System (FCS), the cornerstone of the Army transformation program, contains specific environmental requirements that will minimize the environmental impact of the FCS when fielded. Environmental technical support is also provided to the acquisition managers and staff in the areas of environmental life cycle costs, technology

and planning which reduces program risks for acquisition managers in the all-important areas of schedule, budget and performance.

Another successful pollution prevention initiative has been the Army's efforts in reducing the dependence on foreign oil such that 78 percent of the acquired/leased vehicles in fiscal year 2004 used alternate fuels. Pollution prevention is clearly the preferred method of doing business in a sustainable and cost effective manner. Prevention pollution has numerous other benefits such as reducing our consumption and dependence on finite natural resources, minimizing human exposure to toxic compounds, and presenting a positive public image.

CONSERVATION

The Army's Environmental Conservation program is crucial to sustaining the land and facilities used for our Nation's military mission. Encroachment on military lands is increasing the Army's conservation requirements to protect wildlife and habitats that further impacts the ability of the Army to fully use its current land base for training.

The fiscal year 2005 budget request of $76,933,000 will enable the Army to continue its good stewardship of its land and facilities. Preparing, updating, and implementing viable management plans will enable the Army to continue to manage natural and cultural resources and threatened and endangered species in compliance with applicable laws. In addition to sustaining lands for military missions, the Army provides multipurpose use of its natural and cultural resources and grants public access to the extent that safety, security and the mission allow.

In fiscal year 2004, the Army began to implement a campaign plan for how it manages its historic properties and meets, among other cultural resources statutes and regulations, the requirements of the National Historic Preservation Act (NHPA) and its implementing regulation, 36 Code of Federal Regulations 800—Protection of Historic Properties. This campaign plan is now the foundation of the Army's Historic Preservation Program and ensures efficient and effective use of resources in executing compliance responsibilities that directly support and sustain the Army's mission. The Army's historic properties compliance requirement will substantially increase over the next 10 years due to the aging of its significant cold war era infrastructure. By 2013, almost half of the Army's 172,000 buildings and structures in the U.S. will be 50 years old or older, triggering compliance under the NHPA. The Army also is responsible for 64,000 known archeological sites requiring NHPA compliance. The Army is addressing these issues by continuing to implement and institutionalize major programmatic initiatives like the Army Alternate Procedures for NHPA regulatory compliance and Army-wide programmatic compliance actions (agreements exist for Capehart and Wherry Era Housing; and the Army is currently developing more for other categories of historic properties).

Urban development continues to isolate natural habitats on Army installations. As a result, management efforts and costs are increasing as the burden for conserving endangered species grows. The Army's increased operational tempo and expanded land acreage requirements for weapons development and training is placing an increased demand on the land. Integrated Natural Resources Management Plans (INRMPs), required by the Sikes Improvement Act of 1997, provide excellent tools to address future problems and reduce costs of repairing disturbed natural resources while carefully managing threatened and endangered species and their critical habitat. The Army has completed 174 of the 178 required INRMPs, and we are making progress on completing the remaining four. In fiscal year 2003, the Army spent over $30 million to manage and protect the 170+ threatened and endangered species on 99 Army installations.

To address the issue of urban encroachment and to protect endangered species habitat, the Army entered into a conservation agreement with The Nature Conservancy as a pilot project at Fort Bragg, North Carolina. The Army and The Nature Conservancy pooled funds for The Nature Conservancy to purchase land near the installation to prevent urban encroachment, enable training, and protect endangered species habitat. This agreement formed the basis of the Private Lands Initiative, now termed "Army Compatible Use Buffers," and helped provided impetus for the recently passed encroachment legislation.

In the National Defense Authorization Act for Fiscal Year 2003, section 2811, Congress provided clear authority for the military departments to enter into cooperative arrangements to stem the encroachment on our installation boundaries. The Army has issued guidance to formally establish the Army Compatible Use Buffer (ACUB) program and to provide a rigorous evaluation process by which installations proposals can be vetted to ensure our limited resources are spent wisely. The Department of Army provides oversight and approval of projects to ensure that

Armywide interests are taken into account. Since issuance of the ACUB memorandum, a number of installations have begun to develop proposals, and several are making their way forward for Army approval. This authority provided an important mechanism to buffer Army installations from incompatible land use in surrounding lands. Along with DOD, the Army will continue pursuing these agreements as a means to protect our mission. An Army National Guard installation in Florida, Camp Blanding, is our most recent success where the Army will be able to leverage $20 million of State funds for a 3-mile buffer around the installation. DOD and the Army greatly appreciate the congressional foresight in adopting this measure, which will result in significant benefits to the military mission and the natural environment.

RESTORATION

The Army's commitment to its restoration program remains strong as we reduce risks and restore property for future generations. With our regulatory, private sector and community partners, we are aggressively exploring ways to improve and accelerate cleanup. Achieving site closure and ensuring long-term remedies are challenges we are prepared to face. Improved business practices, partnerships, and innovative technologies have enabled us to provide sound stewardship of the environment and taxpayer dollars.

The fiscal year 2005 budget request for Army restoration is $400,948,000, and this funding level will meet our legal agreements and the Defense Financial Management Regulation goal of fiscal year 2014. Also reflected in the total Army Environmental Program budget request is $92,050,000 that represents the environmental portion of the total BRAC budget request. In addition, as the Office of the Secretary of Defense's (OSD) Executive Agent for the Formerly Used Defense Sites (FUDS) program, the Army requested, and the OSD supported, a request for $216,516,000.

The Army's environmental restoration program addresses Active, BRAC, and FUDS properties that became contaminated due to past practices. The Army also conducts compliance-related cleanup at active installations worldwide. Last year the Army published a comprehensive Army Environmental Cleanup Strategy with overarching objectives applicable to the entire cleanup program. Protection of human health, public safety, and the environment are primary objectives for the Army's cleanup programs. Another Army objective is to support the development and use of cost-effective cleanup approaches and technologies that improve program efficiency. Of particular significance, in fiscal year 2003, the Army's BRAC program exceeded its goal to transfer 100,000 acres.

By the end of fiscal year 2003, the Army completed response actions at 88 percent of active sites, 90 percent of its BRAC sites, and 56 percent of its FUDS.

The Army's Military Munitions Response Program is beginning to take shape at its active installations. In December 2003, the Army completed its inventory of "other than operational" ranges according to its plan. As a result, we now have Comprehensive Environmental Response, Compensation, and Liability Act Preliminary Assessment equivalent information upon which to base resourcing decisions. Site Inspections began in fiscal year 2003 and will continue over the next several years. The Army's BRAC Military Munitions Response Program continues to address munitions response at transferring sites. FUDS has been addressing munitions and explosives of concern (MEC) since the beginning of the program. Through 2002, about $40 million was spent annually to address MEC in the FUDS program. We increased spending for MEC to about $70 million in fiscal years 2003 and 2004.

The President's Management Agenda calls for 50 percent of services contracts to be performance based by the end of fiscal year 2005, and the Army is meeting this requirement through its Performance Based Contracting (PBC) initiative. This contracting method is significantly different from the standard cost-plus type environmental restoration contract. The Army is giving contractors a statement of objectives and soliciting fixed price bids on the basis of desired outcome (a remedy in place and operating successfully, or site closeout) rather than task orders for specific activities the Army wants conducted. The fixed price element protects the Army from costly overruns and escalating "costs to complete" estimates. The fixed price also transfers financial risk to the contractor, while the Army retains ultimate environmental liability. In Guaranteed Fixed Price Remediation contracts, a subset of PBCs, the contractor may obtain private insurance to protect against cost overruns associated with unforeseen cleanup requirements.

In early February 2004 when the budget request was submitted, the Army had 16 PBC contracts in place at its active and BRAC installations. Two of these contracts have been completed, giving the Army site closure at those installations. In fiscal year 2003, the Army awarded seven PBCs. In fiscal year 2004, the Army plans

to implement 30 percent ($119 million) of its Restoration Program budget for active installations using performance-based contracts.

The FUDS program will also take advantage of performance-based contracts this fiscal year. The Army expects to award Fixed Price Response with Insurance (FPRI) contracts for munitions response actions throughout the United States. The Former Lowry Bombing and Gunnery Range at Aurora, Colorado, a FUDS, will be used as the pilot task order for a FPRI contract. The task order at Lowry will not exceed $5 million and will be in addition to the $8 million that is already planned for 2004. The Army will award up to three nationwide indefinite-delivery/indefinite-quality type contracts not to exceed $250 million in contract capacity. Another successful initiative in the FUDS program was making available a new tool that provides information on approximately 1,500 FUDS properties throughout the United States and its Territories to regulatory agencies and community groups by use of a web-based Geographic Information System (GIS). This system provides stakeholders with information on the location, cleanup activities, estimated cost-to-complete, and a point of contact for FUDS properties.

Continuing with an initiative that began in 2001, the FUDS program continues to expand the development of Statewide Management Action Plans (MAP). A Statewide MAP (1) provides an agreement between the State and the Army on the list of FUDS properties within that State, (2) documents the activities necessary to complete cleanup on a FUDS property, and (3) eventually leads to a long-range plan for cleanup at each FUDS property. By the end of 2004, the Army will have developed 28 Statewide MAPs, which have been very favorable received by EPA and the States.

ENVIRONMENTAL QUALITY TECHNOLOGY

The Army's Environmental Quality Technology (EQT) fiscal year 2005 budget request is $52,773,000. This will fund continuation of research, development, test and evaluation that addresses the Army's highest priority EQT requirements. Additionally, it supports increased investment in range sustainability, reduces ownership costs, and provides a high rate-of-return on investment of limited EQT resources.

The Army is currently transferring to the field the first products developed as a result of the Army Environmental Requirements and Technology Assessments (AERTA) requirements process initiated in 1999. These products address challenges faced by the Army in complying with lead based paint and hazardous air pollutants regulations. Illustrative of our fiscal year 2005 programs is the continuation of initiatives like range sustainment and the identification and discrimination of UXO. The Army EQT training range-related programs use a holistic approach to resolve environmental issues that impact military readiness. The program addresses a comprehensive suite of historic and emerging range-related environment and safety issues that include UXO, impacts of explosives, contaminated soils on groundwater, dust control and land rehabilitation. In addition, sustainability of ranges is an overarching concept, which incorporates appropriate sustainable design elements into planning, design, construction, operation and maintenance functions to enhance and balance total life cycle costs affecting environmental, safety and occupational health issues impacting soldiers, installations and adjacent communities.

Unexploded ordnance and munitions' constituents present a significant challenge for installations to manage their test and training ranges as well as cleaning up BRAC, FUDS, and non-operational ranges. Current technologies used to identify, discriminate, and address UXO and munitions constituents, are for the most part, neither cost-effective nor time efficient. Development of new UXO identification technologies capable of high detection rates and low false alarm rates is needed for health and safety reasons as well as drastically reducing the cost of site characterization and cleanup. In fiscal year 2003, the Army opened a standardized test site at Aberdeen Proving Ground, Maryland to evaluate methods of detection and identification of buried ordnance in collaboration with the DOD's Environmental Security Technology Certification Program. Development and fielding of these technologies is among the highest priority for the EQT Program and the DOD. The Army has recognized the importance of this work and is committed to better detection and discrimination.

The EQT Program is an increasingly robust vehicle for identification of Army environmental technology requirements. Through its comprehensive management process, the program provides senior leadership the confidence to champion its programs. Through this program, the Army continues to sustain environmentally compatible installations and weapons systems through development and exploitation of technology, without compromising mission readiness or training. The Office of the Secretary of Defense has placed the Army EQT process in the forefront as an appro-

priate model to be used to identify, prioritize, and resolve high-priority environmental quality technology requirements.

ACQUISITION

The Assistant Secretary of Army (Installations and Environment) works closely with the Assistant Secretariat of the Army (Acquisition, Logistics, and Technology) in support of Army Acquisition Program Managers and, by doing so, has significantly improved the Army's ability to apply broad engineering principles to environmental issues and to solve problems early in the development of systems. We are meeting the intent of Congress in requiring acquisition programs to identify the environmental quality-related costs of systems as part of a system's total ownership cost. Not only are we assessing systems for potential environmental, safety, and occupational health impacts, the Army is working to improve our systems by exploiting environmentally beneficial technologies and products as early as possible in systems design and development.

We have been able to improve guidance for environment, safety and occupational health analyses that is more responsive in meeting our obligations under the National Environmental Policy Act, the Clean Air Act, and other challenges of national interest. We have worked to improve environmental analyses supporting decisions by system programs, streamlined analytical processes, and improved public notification using broadly available electronic media. These improvements have mirrored suggestions by the President's Council on Environmental Quality. We are working with the U.S. Environmental Protection Agency (USEPA) to identify evolutionary technology requirements as a National Emission Standard for Hazardous Air Pollutants (or NESHAP) for defense landbased materiel. We have begun a significant environmental quality technology effort to bring on-line coating technologies that will go beyond the NESHAP criteria. Our efforts have also given us the opportunity to address environmental challenges of national interest with our most talented engineers. For example, we are working with our researchers to formulate, test, demonstrate, and employ energetic mixtures that do not require the use of perchlorates. At the same time, we are preparing an overarching plan to evaluate potential environmental issues concerning the use of both perchlorates and Hexahydro-Trinitro-Trinzine (explosive/propellant) mixtures to target high-value areas for potentially similar efforts.

Our programs are focusing on resolving future environmental quality liabilities to our installations, our training and testing ranges, our soldiers, and our communities. Our industrial-based installations are also developing Environmental Management Systems to improve the day-to-day operations. Our program executive officers and program managers are taking on the mantel of environmental management and supporting installation sustainability. As we move forward in fiscal year 2005 and beyond, we will export environmental lessons learned to the acquisition community to assist in the fielding of more environmentally acceptable systems.

SUMMARY

Mr. Chairman, our fiscal year 2005 budget is a balanced program that supports our soldiers and their families, the global war on terrorism, transformation to the Future Force, and current readiness. We are proud to present this budget for your consideration because of what this $3.7 billion fiscal year 2005 request will provide for the Army:

- New barracks for 4,200 soldiers
- Adequate housing for 14,200 families
- Increase in Army National Guard and Army Reserve funding over fiscal year 2004
- New Readiness Centers for over 3,000 Army National Guard soldiers
- New Reserve Centers for over 2,800 Army Reserve soldiers
- 80-year recapitalization rate for the Army
- $287 million investment in training ranges
- A new Basic Combat Training Complex
- Facilities support for four new Stryker Brigades

Our long-term strategies for Installations as Flagships will be accomplished through sustained and balanced funding, and with your support, we will continue to improve soldier and family quality of life, while remaining focused on the Army's transformation to the Future Force.

This budget request further provides for protection of training lands, environmental compliance with Federal and State regulations, restoration of contaminated sites, and important technology and pollution prevention initiatives in support of Army infrastructure, material systems, and operations and training. This request is

part of the total Army budget request that is strategically balanced to support both the readiness of the force, our soldiers, our natural resources, and our citizens. Our long-term strategy can only be accomplished through sustained, balanced funding, divestiture of excess capacity, and improvements in management and technology.

Thank you again for the opportunity to appear before you today and for your continued support for our Army. I look forward to answering your questions.

Senator ENSIGN. Thank you, General Lust.

Admiral Weaver, please.

STATEMENT OF RADM CHRISTOPHER E. WEAVER, USN, COMMANDER, U.S. NAVY INSTALLATIONS COMMAND

Admiral WEAVER. Good afternoon, Mr. Chairman and distinguished members of the subcommittee. It is a pleasure to be here to discuss the Navy's fiscal year 2005 shore infrastructure budget request. I am Rear Admiral Chris Weaver, Commander, Navy Installations Command, and I am responsible for developing the Navy's shore infrastructure programs and determining shore capabilities necessary to maintain our Navy in a high state of readiness.

Our facility investment strategy focuses on making prudent investment decisions that balance shore infrastructure improvements, that enhance readiness and quality of service, while maintaining assets to effectively sustain support of our Navy's operating forces. The Navy's fiscal year 2005 request is the product of this investment strategy. It is a strong statement of support for Navy installations around the world.

My written statement notes that our installations and environmental budget request for fiscal year 2005 is $6.9 billion. I believe that our portion of the Navy's budget is declining somewhat and that this bears witness to the successes we have had in the last few years managing costs and pursuing innovative solutions to long-term facilities challenges.

Coupled with mission accomplishment, our people are our most important priority. Truly, both mission accomplishment and people are inextricably linked. Providing better housing for our sailors and families is of utmost importance to the Navy. This budget culminates a 4-year effort to eliminate the average out of pocket expenses for family housing. The increase in basic allowance for housing means our sailors can find good, affordable homes in the community without additional out of pocket expenses.

We are achieving excellent results with family housing privatization, as has been noted. The Navy's public-private ventures (PPVs) are eliminating inadequate family housing and delivering better quality new homes meeting or exceeding DOD goals. We have developed a business strategy that limits our financial liability by managing risk. Our approach promotes private participation while incorporating essential safeguards and protections.

This business strategy and acquisition approach have been accepted and applauded by others, both in Government and the private sector. PPV enables us to provide higher quality affordable housing to sailors and their families faster and at a lower initial and life cycle cost. It also benefits local communities by refreshing aged housing stock and stimulating local businesses.

We have now awarded nine PPV projects, for a total of 9,700 homes, and during fiscal years 2004 and 2005 we plan to award an-

other six projects incorporating another 20,000 homes. However, the success of providing homes, adequate homes, to our sailors and their families is clearly at risk, as has been indicated by Secretary DuBois, due to the statutory cap on the amount of budget authority that we can use in the military family housing privatization effort. We project that we will reach the current cap by the fall of this year. This will impact our ability to award approximately 5,500 of the 20,000 homes we are planning to award in fiscal years 2004 and 2005.

Military family housing privatization is a success and it is a tremendous tool that provides high-quality self-sustaining housing for our Navy families. It is important that we stay this course. We will continue to work with you to ensure that our sailors and their families live in high-quality housing.

We are also committed to improving the quality of housing for our single sailors. As you are well aware, we have roughly 18,000 sailors living on board ships while in homeport. These sailors, like all sailors in the Navy, endure a very austere lifestyle aboard ship while it is under way or on deployment. While these ships are in home port, it is imperative that we offer our sailors a better place to call home, one that is similar to their shipmates' ashore both married and single.

This is a major quality of life issue that we take seriously. We are programming and executing projects to address this challenge. We are also looking at innovative ways to make traditional high-quality housing available for all of our single sailors, such as PPVs. We have been authorized three bachelor quarters (BQ) PPVs and we are pursuing them, pursuing one particularly in San Diego that looks very promising. We hope to bring this project to you for consideration soon.

Our goal is to provide all shipboard sailors the opportunity to live in quarters ashore when their ships are in homeport by fiscal year 2008. This initiative will improve the quality of life for these sailors and ensure a comparable standard of living between sailors assigned aboard ship and those assigned to shipboard duty.

Regarding environmental stewardship, sir, I would like to take this opportunity to thank the members of this committee for supporting the Department of Defense's Readiness and Range Preservation Initiative. Changes made to the Endangered Species Act, the Marine Mammal Protection Act in the National Defense Authorization Act for Fiscal Year 2004, as well as the changes made in the previous year to the Migratory Bird Treaty Act, provide the proper balance between military readiness and environmental responsibility.

We are implementing these changes in a manner befitting the special trust and confidence Congress has placed in us and we will continue to be outstanding stewards of the environment.

Lastly, I would like to take a few moments to comment about Commander, Navy Installations Command, otherwise known as CNI. As you are aware from testimony given last year, this past October the Navy commissioned CNI in order to align all shore-based support facilities and processes under one entity. Our objective is to enhance the Navy's combat power with the same or fewer expended resources ashore. As we centralize shore support proc-

esses, we will become more focused and our product delivery will become more efficient and effective. If forward operating forces can consistently rely on our support, their attention will remain focused on the operational task at hand, improving their overall effectiveness.

The key aspect of CNI in our new business model is to measure outputs of every function in the Navy support structure and work to create the most efficient processes to meet those needs for output. We need to move past a culture of deficiency, in which we measure successes only on the financial inputs provided, and drive towards a culture of sufficiency, in which we focus on measuring our successes by the outputs necessary to maintain a high level of readiness. The end result will be a Navy that has measurable metrics to help determine how best to use the limited resources we have in the most effective ways.

In closing, I sincerely thank you for the continued support of this committee and your staff to the Navy, and we look forward to working with you now and in the future. Thank you, sir.

[The prepared statement of Admiral Weaver follows:]

PREPARED STATEMENT BY REAR ADM. CHRISTOPHER WEAVER, USN

Mr. Chairman and members of the committee, I am Rear Admiral Christopher Weaver, Commander, Navy Installations Command. It is a pleasure to appear before you today to provide an overview of the Navy's shore infrastructure and environmental programs.

FISCAL YEAR 2005 BUDGET OVERVIEW

Projecting power and influence from the sea is the enduring and unique contribution of the Navy and Marine Corps team to national security. The Navy's fiscal year 2005 budget request balances risks across operational, institutional, force management and future challenges identified by the Secretary of Defense.

The Navy's installation and environmental programs total $6.9 billion in fiscal year 2005. That our portion of the Navy's budget is declining bears witness to the successes we have had in the last few years managing costs and pursuing innovative solutions to long-term problems. We continue to meet all Department of Defense (DOD) and Navy installations and environmental goals. This budget provides funds to operate, recapitalize, and transform our fleet assets and our shore installations.

Base operations support funds provide fundamental services such as utilities, fire and security, air operations, port operations, and custodial care that enable the daily operations of our bases. Our fiscal year 2005 request to support these services is $3.2 billion.

Our military construction request is a very robust $850 million. It keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training, and mission enhancement projects.

The family housing request of $574 million provides funds to operate, maintain and revitalize our worldwide inventory of 36,000 units. Our family housing request declines compared to fiscal year 2004 because of increases in the military pay accounts for Basic Allowance for Housing (BAH), which makes finding affordable housing in the community more likely, and the success of our housing privatization efforts. Through privatization and future construction funds, the Navy achieves the DOD goal to eliminate inadequate homes by fiscal year 2007.

Sustainment, restoration, and modernization (SRM) funding is used to sustain existing facilities in an acceptable level of readiness and restore and modernize inadequate or inefficient facilities. Operations and maintenance funds dedicated to SRM activities in fiscal year 2005 is $1.33 billion. Facilities sustainment requirements are based on a DOD model. The budget achieves 95 percent of the model requirement for Navy bases, an increase of 2 percent above the fiscal year 2004 request. While the fiscal year 2005 recapitalization rate declines slightly compared to fiscal year 2004, we will meet the DOD 67-year recapitalization rate goal by fiscal year 2008.

Our fiscal year 2005 request for environmental programs totals $840 million. This request is sufficient to meet all known environmental compliance and cleanup requirements, invest in pollution prevention, and fund cultural and natural resources

conservation efforts, including implementation of Integrated Natural Resources Management Plans.

I will now discuss these areas in more detail.

HOUSING

We have made a special effort in this budget to maintain progress in improving the quality of housing for our sailors.

Family Housing

Our family housing strategy consists of a prioritized triad:

- Reliance on the private sector. In accordance with longstanding DOD and Navy policy, we rely first on the local community to provide housing for our sailors, and their families. Approximately three out of four Navy families receive BAH and own or rent homes in the community. Our bases have housing referral offices to help newly arriving families find suitable homes in the community.
- Public/Private Ventures (PPV). With support from Congress, we have used statutory PPV authorities enacted in 1996 to partner with the private sector to use private sector capital. These authorities, which I like to think of in terms of public/private partnerships, allow us to leverage our own resources to provide better housing considerably faster to our families.

FY-2004/2005
PPV HOMES

Navy

- Hawaii: 1,948
- Northeast: 4,210 *
- Northwest I: 2,705
- Mid-Atlantic: 5,930
- Great Lakes/Crane: 2,823
- San Diego: 2,668

* Scope being revised to retain 250 more units previously planned for divestiture at Mitchel Housing Complex in Long Island, NY

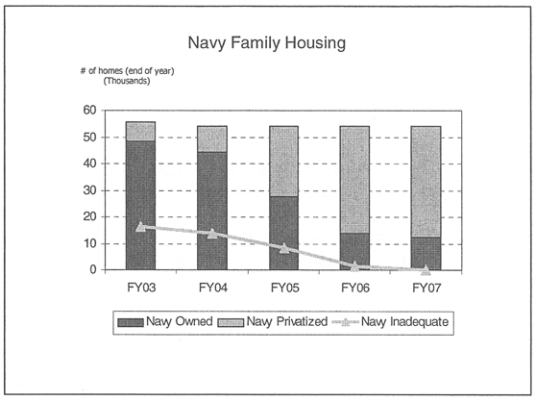
- Military Construction. Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

The Importance of BAH

Higher BAH allowances help more sailors and their families to find good, affordable housing in the community without additional out-of-pocket expenses. This reduces the need for military housing, allowing us to divest excess, inadequate homes from our inventory. Higher BAH also improves the income stream for PPV projects, making them more economically attractive to potential developers. The fiscal year 2005 request completes a 5-year DOD goal to increase BAH and eliminate average out-of-pocket expenses for housing.

Eliminating Inadequate Homes

The Navy remains on track to eliminate inadequate family housing units by fiscal year 2007. We continue to pursue privatization at locations where it makes sense. We will eliminate almost 70 percent of our inadequate inventory through the use of public/private ventures. As of March 1, 2004, we have awarded 9 projects totaling approximately 9,700 units. We recently awarded a joint Army/Navy military housing project at Monterey, California, that includes 593 homes at the Naval Postgraduate School. During fiscal year 2004 and fiscal year 2005, we plan to award 6 projects totaling approximately 20,000 homes. This will allow us to improve our housing stock and provide more homes to sailors and their families much faster than if we relied solely on traditional military construction. The Navy is now taking a regional approach to accelerate progress and improve the financial viability of its PPV projects.



There will still be a residual inventory of Government-owned housing after fiscal year 2007 with a continuing need for family housing construction, operations, and maintenance funds. However these requirements will decline as family housing is privatized. We continue to review these requirements, particularly in the management subaccount, as we transition from ownership to privatization.

The single biggest challenge in our efforts to eliminate inadequate family housing by fiscal year 2007 is the statutory "cap" on the amount of budget authority that can be used in military family housing privatization. DOD projects that the Services will reach the current cap of $850 million in fiscal year 2004, and that it will impede our ability to carry out our fiscal year 2005 privatization effort. Military family housing privatization is a successful tool to provide quality, self-sustaining housing for Navy families. It is important that we stay the course. We will continue to work with Congress to ensure that our sailors live in quality housing.

Bachelor Housing

Our budget request of $130 million for bachelor quarters construction continues our emphasis on improving living conditions for unaccompanied sailors. There are three challenges:

1. Provide Homes Ashore for our Shipboard Sailors. There are approximately 17,500 sailors worldwide who are required to live aboard ship while in homeport. Based upon actions taken by the Navy and funds provided by Congress through fiscal year 2004, we have now given 4,900 sailors a place ashore to call home. This is our most pressing housing issue. The Navy will achieve its "homeport ashore" initiative by fiscal year 2008 by housing two members per room. Our fiscal year 2005 budget includes one "homeport ashore" project at Naval Shipyard, Bremerton, Washington. By housing two members per room, this project will provide spaces for almost 800 shipboard sailors.
2. Ensure our Barracks Meet Today's Standards for Privacy. We are continuing our efforts to construct new and modernize existing barracks to provide more privacy for our single sailors. The Navy applies the "1+1" standard for permanent party barracks. Under this standard, each single junior sailor has his or her own sleeping area and shares a bathroom and common area with another member. The Navy will achieve these barracks construction standards by fiscal year 2013.
3. Eliminate gang heads. The Navy remains on track to eliminate inadequate barracks with gang heads for permanent party personnel[1] by fiscal year 2007.

While we believe privatization will be as successful in accelerating improvements in living conditions for our single sailors as it has been for families, it does present a different set of challenges. For years, we have built barracks to military rather than local community standards. For example, there were limits on room size, and no common area for occupants to prepare meals or to socialize. I want to thank Congress for legislation last year to allow building privatized barracks to private sector standards.

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

We must now consider other unique aspects in privatizing bachelor housing: the impact of extended deployments on unit occupancy and storage requirements; their location outside the fence line of the base, or inside the fence line but on severable Government land; and sharing a unit by two or more members. We are confident that the Government can join with a private partner to fashion a solution to these concerns that preserve the viability of a project while protecting Government interests. We are developing pilot unaccompanied housing privatization projects for San Diego, CA and Hampton Roads, VA.

MILITARY CONSTRUCTION

Military Construction Projects

Our fiscal year 2005 military construction program (Active and Reserves) requests appropriations of $850 million. It includes $190 million for seven waterfront and airfield projects; $138 million for five quality of life projects (including barracks); $69 million for six force protection projects; $176 million for three projects supporting new capabilities; $153 million for eight mission enhancement projects; and $38 million for two environmental compliance projects. There is $74 million for planning and design, and $12 million for unspecified minor construction.

In aggregate, about two-thirds of the military construction request is for restoration and modernization projects. The remaining portion of the program is for new footprint projects that provide for new capabilities, e.g., force protection, bachelor quarters, and facilities for new platforms.

There are five projects totaling $94 million at non-U.S. locations overseas—Rota, Spain; Andros Island, Bahamas; Diego Garcia; and two projects in Sigonella, Italy.

Nine projects totaling $426 million in fiscal year 2005 appropriations have construction schedules (including fiscal year 2004 continuing projects) exceeding 1 year and cost more than $50 million, thus meeting the criteria for incremental funding. Four of these projects received full authorization in fiscal year 2004 and are being continued or completed in fiscal year 2005. We are requesting $245 million appropriations and $497 million in new authorization to start five incrementally funded projects in fiscal year 2005.

Outlying Landing Field, Washington County, North Carolina

The new F/A–18E/F Super Hornet is replacing F–14 and older F/A–18C aircraft. The Navy prepared an Environmental Impact Statement that examined a range of alternatives for homebasing these new aircraft on the east coast. A Record of Decision was signed in September 2003 to base eight tactical squadrons and a fleet replacement squadron at Naval Air Station (NAS) Oceana, VA, and two tactical squadrons at Marine Corps Air Station (MCAS) Cherry Point, NC.

This homebasing decision requires a new outlying landing field (OLF) to support fleet carrier landing practice (FCLP) training. The current site near Virginia Beach, VA is not as effective for night-time training due to ambient light sources, and lacks the capacity to handle a training surge such as experienced for the war on terrorism and Operation Iraqi Freedom. The Washington County site is about halfway between NAS Oceana and MCAS Cherry Point. We believe it is the best alternative from an operational perspective.

In fiscal year 2004, Congress provided authority to acquire approximately 3,000 acres for the core area of the OLF and to begin constructing the runway. We are now seeking authority to acquire a 30,000-acre buffer zone for noise, build a control tower, and erect fire and rescue facilities. We are asking for this authority over 2 years, with the first increment of $61.8 million in fiscal year 2005.

There is some local opposition to the OLF site we selected; two lawsuits challenge the sufficiency of the Department's Environmental Impact Statement. The Navy wants to be a good neighbor, and will consider the concerns of local property owners. For example, the Navy has committed that all land not required for actual OLF operations will be available for continued agricultural use. The Navy believes it has met all legal and regulatory requirements, and is proceeding with property acquisitions and construction planning.

VXX

Marine Helicopter Squadron One (HMX–1), located at the Marine Corps Air Facility, Quantico, VA, now performs helicopter transportation for the President, Vice President, and heads of state. Numerous modifications and improvements have limited the mission effectiveness of the current VH–3D and VH–60N helicopters. The planned acquisition of a replacement helicopter, called VXX, will improve transportation, communication, and security capabilities and integrate emerging technologies. The total acquisition cost is $5.9 billion. Originally planned for an initial

operating capability in 2013, the acquisition schedule has now been accelerated to December 2008.

The fiscal year 2005 budget includes $777 million in Research and Development for VXX system design and demonstration, and $106 million (Navy and Marine Corps) in appropriations ($166 million authorizations) for military construction to support VXX. Facilities are required to support the test and evaluation of three VXX scheduled for delivery in October 2006, to provide hangar space for the eventual full complement of 23 aircraft, and to provide in-service support for the life cycle of the aircraft.

The accelerated VXX acquisition schedule required us to make some judgments in the fiscal year 2005 military construction program to ensure that facilities would be available in time to house the aircraft and the combined Government/contractor support team. There is insufficient excess hangar capacity to house VXX at Naval Air Station Patuxent River, MD, where the Navy conducts most of its test and evaluation of new aircraft. Similarly, the 1935 era hangers at Quantico are inadequate to meet current HMX–1 needs.

However, before committing large sums to construct new facilities, we are studying whether there is excess capacity elsewhere in the National Capital Region that could be adapted to accommodate both the test and evaluation phase and the operational mission for VXX at lower cost than building new facilities at Patuxent and Quantico. In addition, the VXX program manager has a business case analysis underway to determine whether a Government-owned, contractor-operated facility at Patuxent is the most cost effective solution for in-service support. As another variable, the systems development and demonstration (SDD) and initial production solicitation released in December 2003 gives the vendor the option to use its own facilities. We plan to complete these studies, consider the vendors' proposal, and decide this spring on the most cost effective location for the facilities. This timeframe supports the current acquisition timeline. In the absence of specific locations, we labeled two VXX projects in our fiscal year 2005 program under the title "Various Locations."

FACILITIES

Facilities Sustainment, Restoration, and Modernization (SRM)

Sustainment—The Department of Defense uses models to calculate life cycle facility maintenance and repair costs. These models use industry wide standard costs for various types of buildings. Sustainment funds in the operations and maintenance accounts maintain shore facilities and infrastructure in good working order and avoid premature degradation. The Navy achieves 95 percent sustainment of the model requirements in fiscal year 2005. Sustainment dollars decreased compared to fiscal year 2004 due to the removal of old facilities in our inventory as a result of our demolition program, and revised pricing assumptions.

Recapitalization—Restoration and Modernization provides for the major recapitalization of our facilities using military construction and operations and maintenance funds. While the Navy achieves the Department of Defense goal of a 67-year recapitalization rate by fiscal year 2008, the fiscal year 2005 recap rate rises to 148 years from 140 years in fiscal year 2004. The Navy will manage its near term facilities investment to limit degradation of operational and quality of life facilities.

Closure of Naval Station Roosevelt Roads, Puerto Rico

The Navy will close Naval Station Roosevelt Road by March 31, 2004, as directed by section 8132 of the fiscal year 2004 Defense Appropriations Act. We have begun the required environmental reviews and the initial phases of the property disposal process. The Navy is taking great care in relocating military personnel and families, and assisting civilian employees with relocation and outplacement. The DOD school will remain open until the end of the school year.

As directed in the law, the closure and disposal is being carried out in accordance with the authorities and procedures contained in the Defense Base Closure and Realignment Act of 1990, as amended. The Navy is establishing Naval Activity Puerto Rico as a successor organization to maintain the property and preserve its value through disposal, which we expect to occur in late 2005. The Commonwealth has formed a Local Redevelopment Authority (LRA) that has begun land use planning for the property. The Navy and DOD Office of Economic Adjustment are coordinating with the LRA. We will ensure the needs of the military and civilian employees are met as we carry out this closure and property disposal.

Nebraska Avenue Complex

At the request of the Department of Homeland Security (DHS), the Navy has agreed to relocate 10 Navy commands with 1,147 personnel from its Nebraska Ave-

nue Complex (NAC) in Northwest Washington, DC. The 556,000 square feet of office space will provide a headquarters facility for DHS personnel. DHS will pay for the Navy's first move, and if necessary, the first year's lease costs. As of the end of January 2004, seven Navy commands with 469 personnel had relocated. The administration has requested authorizing legislation that would allow the remainder to move by January 2005. To meet this timeline, the requested legislation must be enacted by April 30, 2004. Several of the Navy commands will relocate to Government-owned facilities, while others will move to leased spaces until we identify permanent Government-owned facilities.

The requested legislation allows the Navy to transfer custody of the NAC property to the General Services Administration (GSA), who will manage the facilities for DHS. We will require a legislative waiver from section 2909 of the Defense Base Closure and Realignment Act, which specifies that bases may not be closed except through the BRAC process. The Navy will receive consideration for the fair market value of NAC in the fiscal year 2006 budget process.

EFFICIENCIES

Commander, Navy Installations Command

The Navy established Commander, Navy Installations Command (CNI) on October 1, 2003, to consolidate and streamline management of its shore infrastructure. Instead of eight Navy commands responsible for planning, programming, budgeting and executing resources for shore installations, there is a single command—CNI. The Navy now has an enterprise wide view of installation management and resources.

CNI will guide all regions and installations towards Navy strategic objectives. The centralized approach will identify and disseminate best business practices across all regions/installations. The ability to identify standard costs and measure outputs is improving the capability based budgeting process. Managing from a program centric knowledge base allows for a top-level assessment of capabilities and risks.

This central focus on facilities can leverage capabilities between the military services to avoid duplicate investments while still creating surge capacity through joint use opportunities. CNI has developed strategic partnerships with Naval Supply Systems Command (NAVSUP) and Naval Facilities Engineering Command (NAVFAC) to apply their logistics and contracting expertise.

The Navy is already realizing savings, estimated at $1.6 billion across the FYDP, and improving services from CNI initiatives.

- Consolidating installation functions at the regional level versus installation level (e.g., housing management, administrative functions, contracting, supply, comptroller, business management, maintenance, warehousing).
- Combining command staffs (e.g., Naval Amphibious Base (NAB) Coronado and NAS North Island; Construction Battalion Center (CBC) Port Hueneme and NAS Point Mugu)
- Consolidating installation contracts (e.g., tug and pilot contracts; custodial and grounds maintenance; negotiating area wide utility rates).
- Shifting installation level supply and contracting functions to NAVSUP and NAVFAC (e.g., eliminate duplication at the installation and regional levels).
- Studying in 2004 the merger of other overlapping installation functions from Bureau of Naval Personnel (e.g., morale, welfare and recreation programs, fleet and family support programs, child care), NAVSUP (personnel support programs such as food services), and NAVFAC (facilities management).

Naval Safety Program

Senior level management attention to safety concerns, coupled with selected financial investments, can yield profound benefits to the well being of our sailors, civilians, contractors, and the bottom line mission costs. Ensuring the safety of our people has been a top Navy priority. Secretary Rumsfeld's recently challenged the Military Services to reduce the rate of mishaps by 50 percent by fiscal year 2006.

That has amplified efforts to reduce mishaps and reaffirm the value we place on safety. We have elevated the position of Commander of the Naval Safety Center from a 1-star to a 2-star Flag Officer. On March 17, 2004, Secretary England convened the first senior-level Navy and Marine Corps Safety Council to review Department of the Navy mishap reduction plans. Navy Flag and Marine Corps General Officers chair or co-chair four of the nine Defense Safety Oversight Council Task Forces. We are reducing lost workdays due to injuries in our civilian workforce.

Human error continues to play a role in over 80 percent of our mishaps. We are studying ways to modify high risk driving behaviors. Our fiscal year 2005 budget will expand our Military Flight Operations Quality Assurance initiative, a highly successful program used in commercial aviation that downloads flight performance data (black box data) after every flight and allows the aircrew and aircraft maintenance team to replay a high fidelity animation of the flight and aircraft performance parameters. We are working to improve data collection and analysis in order to effectively integrate safety into the acquisition process.

Joint Cooperation on Installation Management

In February, the installation commanders from Navy's Aviation Engineering Service, Lakehurst, the Army's Fort Dix, and McGuire Air Force Base signed a partnership agreement encouraging joint solutions for common problems between the three contiguous bases and their tenant commands. The three installation commanders are already reducing operating costs by consolidating firearms training, radar information for air operations, and contracts for pest control, linen service, and hazardous waste disposal. We want to encourage such cooperation wherever we have opportunities to partner with the other military departments.

BRAC 2005

Now more than ever, we need to convert excess capacity in our U.S. shore infrastructure into warfighting capability. BRAC 2005 may well be our last significant opportunity to reduce excess infrastructure, and apply savings to improve readiness. More importantly, it will allow us to transform our infrastructure to best support the force structure of the 21st century.

Congress gave considerable thought on how to structure a BRAC 2005 process that sets fair and objective evaluation standards and incorporates the lessons learned from four previous BRAC rounds. We will be meticulous in meeting these statutory standards. We will treat all bases equally. We will base all recommendations on the 20-year force structure plan, infrastructure inventory, and published selection criteria. In no event will we make any decisions concerning the reduction of infrastructure until all data has been collected, certified and carefully analyzed.

We will look for joint use opportunities in our analysis and recommendations. We must apply the type of joint warfighting successes witnessed in Afghanistan and Iraq to a more efficient and effective Department of Defense shore infrastructure.

Demolition/Footprint Reduction

The Navy has achieved the fiscal year 2002 DOD goal of demolishing 9 million square feet of excess and vacant facilities. In fiscal year 2005, the Navy has budgeted $49 million to demolish 1.6 million square feet.

The demolition effort has evolved from just eliminating "eye-sores" to encouraging installations to consolidate, move out of costly leased or antiquated facilities, and eliminate the most inefficient facilities. We want to avoid spending SRM and base operating support funds on facilities we no longer need.

Utility Privatization

Privatizing DOD electricity, water, wastewater, and natural gas utility systems to corporations who own and manage such systems will allow DOD to concentrate on core defense functions and yield long term cost savings. The Secretary of Defense has directed that each Service evaluate the potential for privatizing their utility systems, while 10 USC § 2688 provides the legislative authority to convey utility systems where economical. The Navy is on track to meet the DOD goal of reaching a source selection authority (SSA) decision for all of its utility systems by 30 September 2005.

Strategic Sourcing

Our strategic sourcing program examines cost effective options to deliver service and support services to our shore installations. There are three components: OMB Circular A–76 Competitive Sourcing program, Strategic Manpower Planning, and Divestiture.

A–76 competitions compare performance costs for civilian employees versus contract performance for facility management, logistics support, real property maintenance, and other similar functions that are widely available in the commercial sector.

Strategic manpower planning ensures uniform service members perform assignments that are inherently military while converting functions that are commercial in nature to civilian or contractor performance. The Navy is currently studying military positions in fiscal year 2004 and fiscal year 2005 for potential conversion.

We are examining opportunities to divest functions that are not core competencies of the Navy and are readily available in the commercial sector. As an initial effort, we are studying whether to divest our optical fabrication to private industry. The Navy has 380 military and civilian personnel and spends $36 million per year to produce 1.3 million pairs of eyeglasses annually. The study is scheduled for completion in fiscal year 2004.

PRIOR BRAC CLEANUP AND PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 have been a major tool in reducing our domestic base structure and generating savings. All that remains is to complete the environmental cleanup and property disposal. We have had significant successes on both fronts.

Property Sales

We have used property sales as a means to expedite cleanup and the disposal process as well as recover the value of Government-owned property purchased by taxpayers. We are applying funds received from land sales to accelerate cleanup at the remaining prior BRAC locations, both Navy and Marine Corps.

More property sales are planned that will be used to finance the remaining prior BRAC cleanup efforts. We will use the proceeds from sales to finance our fiscal year 2005 program of $115 million.

Property Disposal

The Department of the Navy (Navy and Marine Corps) had about 161,000 acres planned for disposal from all four prior BRAC rounds, with the former Naval Air Facility Adak, AK accounting for 76,800 acres. Congress provided the necessary statutory authority last year to allow the Navy to relinquish over 71,000 acres of the Adak land withdrawal to the Department of Interior, and Interior to exchange portions of that land with other lands held by The Aleut Corporation. The Navy will fence and retain about 5,600 acres due to the presence of munitions. I am happy to report that we completed the transfer of 71,200 acres of Adak on March 17, 2004 to the Department of the Interior.

The transfer of Adak, along with recent successful property conveyances at Louisville, KY; Key West, FL; Indianapolis, IN; and Richmond, CA, puts us in position to have less than seven percent (or about 11,000 acres) of the property from all four prior BRAC rounds still to dispose by the end of this fiscal year.

Cleanup

The Department of the Navy (Navy and Marine Corps) had spent $2.3 billion on environmental cleanup at prior BRAC locations through fiscal year 2003. We expect the remaining cost to complete cleanup at about $495 million for fiscal year 2006 and beyond, most of which is concentrated at fewer than 20 remaining locations. Any additional land sale revenue beyond that currently budgeted will be used 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.

ENVIRONMENTAL CLEANUP

Cleanup Program at Active Bases

We continue to make substantial progress toward completing our environmental restoration program and are on target to complete the cleanup on active bases by the DOD goal of 2014. For the third year in a row, the number of cleanups completed at active bases exceeded the planned target. Almost 70 percent of all sites have remedies in place or responses complete. We have kept a stable funded program and predict steady progress to cleanup the remaining sites.

- Our Alternative Remedial Technology Team reviews innovative technologies and promotes their use in the field.
- Our partnering with regulators minimizes disputes and has served as a model for other agencies. Our Environmental Management Executive Council brings together two EPA Regions and six states on the west coast to jointly resolve issues.
- Our acquisition strategy matches the type of work to be performed with the most cost-effective contractual vehicle while enhancing opportunities for small businesses.

Munitions Response Program

We are working with the Office of the Secretary of Defense to develop Munitions Response Program (MRP) objectives for discarded military munitions and

unexploded ordnance (UXO) at locations other than operational ranges. We completed an extensive inventory of our installations to identify potential MRP sites. We continue to move forward on initiating and completing Preliminary Assessments (PAs) and expect to achieve the DOD PA completion goal by fiscal year 2007. Site Inspections (SIs) will begin in fiscal year 2006. Any imminent human health or environmental concerns identified during our investigations will be addressed immediately.

Vieques Cleanup

We ceased military training on Vieques in 2003 and, as required by law, transferred 14,572 acres on eastern Vieques to the Department of Interior (DOI) in April 2003. DOI will manage the majority of it as a wildlife refuge, with the former Live Impact Area (about 900 acres) designated as a wilderness area. The Governor of Puerto Rico has proposed listing Vieques and Culebra on the National Priorities List (NPL). We expect to sign a Federal Facilities Agreement to govern the cleanup after the NPL listing becomes final.

Cleanup on western Vieques (the former Naval Ammunition Supply Detachment (NASD)) is proceeding as we work closely with the Puerto Rico Environmental Quality Board. Seventeen sites have been identified, but none with major environmental contamination, as NASD was not an industrial operation. These sites make up 490 acres of the 8,114 acres transferred. We expect to spend about $16 million on these sites and complete the cleanup by 2007.

Cleanup assessments are also underway on eastern Vieques (former training/bombing range). Twelve sites consisting of 80 of the 14,572 acres transferred require assessment and potential cleanup. The sites include routine waste disposal areas used to support the former Camp Garcia, a landfill, and sewage lagoon. Other areas of concern will be examined. We expect to spend about $14 million on cleanup for the 12 non-munitions sites and complete the cleanup by 2014.

The former bombing ranges will require munitions assessment and cleanup. In the spring of 2003 the Navy investigated two beaches for potential munitions. The Navy has budgeted $8 million in fiscal year 2005 for range assessments and initial clearance actions. Beaches and the live impact area will be high priorities. We estimate a cleanup cost of $76 million in fiscal year 2006 and beyond for munitions assessments and clearance actions based on the land uses designated in the statute. We will be working closely with the EPA and DOI. Worker safety and minimizing disturbance of the natural environment will be important considerations.

Kaho'olawe

Kaho'olawe is a 28,800 acre uninhabited island in Hawaii used as a naval gunfire and bombing range from 1942 through 1990. In accordance with title 10 of the Fiscal Year 1994 Defense Appropriations Act, the Navy transferred title of Kah'olawe to the State of Hawaii in 1994, and has been clearing ordnance according to the State's priorities.

Navy relinquished control of access to Kaho'olawe to the State on November 11, 2003, as required by title 10, ending a 10-year cleanup effort. Congress appropriated a total of $460 million for the cleanup, including $44 million provided to the State to assist them in preparing a reuse plan and managing the island. As of January 16, the Navy had cleared a total of 22,059 acres, consisting of 1,543 acres cleared of surface ordnance only; 20,516 acres cleared of surface ordnance and all scrap metal (known as Tier I); and 2,636 Tier I acres that were further cleared up to a 4-foot depth (known as Tier II). During the cleanup, the Navy completed many non-clearance State goals, including road construction, historic and archaeological assessments, and shipped over 11 million tons of scrap metal, along with tires and aircraft debris used as targets.

The cleanup contractor is completing demobilization, removing remaining scrap items and equipment not needed by the State. The Navy has signed an agreement with the State, as required by title 10, to respond to newly discovered, previously undetected ordnance found on the island in the future. The Navy believes it has accomplished the original title 10 goal to provide reasonably safe and meaningful use of the island, as several thousand visits by the public have already been recorded. However, there is no technology that can assure the complete removal of all ordnance. The State and Navy will remain partners to manage the risk to humans from ordnance that certainly remains on the island.

Marine Mammals

The Navy is proud of its record of environmental stewardship, particularly our marine mammal research efforts and protective measures for military training activities.

Navy Marine Mammal Research
Focus Areas

- Underwater sound propagation
- Marine mammal locations and densities
- Behavior effect thresholds
- Mitigation techniques

We are leaders in marine mammal research and are committed to find methods and technologies that reduce the risk of harm to marine mammals without compromising our ability to train effectively. The Navy spends about $8 to $10 million per year in marine mammal research, representing about half of all known worldwide investments in this area. We coordinate with and share findings with other agencies such as the National Oceanic and Atmospheric Agency, and the National Science Foundation.

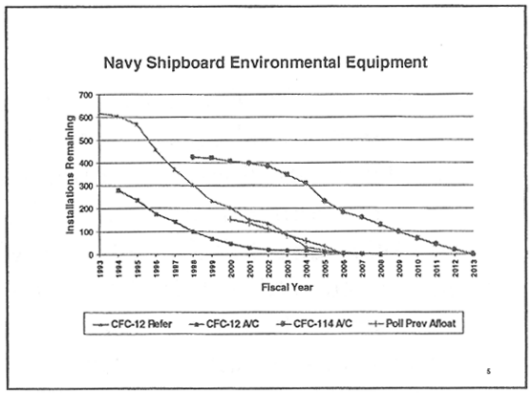
The Navy has protective measures to avoid harm to marine mammals during training and operations at sea while preserving training realism:

- Planning—Using historical marine mammal location information to plan training activities. Protective measures are tailored to the type of training, location, and season.
- Detection—Posting trained lookouts 24 hours per day on surface ships. Submarines employ passive acoustic detection devices to determine range and bearing of vocalizing marine mammals. We may launch aerial searches for marine mammals in training areas before, during and after training events.
- Operations—Establishing buffer zones during training exercises, and suspending operations when necessary. Navy may limit active sonar training through standoff distances, source power level reductions, limit nighttime and bad weather operations, or opt to train in deep rather than shallow water.

The changes made by Congress to the Marine Mammal Protection Act will allow us to better balance our readiness requirements with our legal obligations to ensure military activities are protective of marine mammals, and will allow us to "train as we fight" when our activities do not have biologically significant effects on marine mammals. We urge Congress to reaffirm those changes as they consider reauthorization of the Marine Mammal Protection Act.

Shipboard Programs

The Navy invested $465 million in the last decade to install pulpers, shredders, and plastic waste processors on its surface ships. This equipment avoids the need to discard plastics into the world's oceans and allows environmentally acceptable disposal of other solid wastes such as food, paper, cardboard, metal and glass. Submarines will be outfitted with similar solid waste equipment by the end of 2005, well in advance of the December 2008 deadline established in the act to prevent pollution from ships.



The Navy has been converting air conditioning and refrigeration plants on its surface fleet from ozone depleting chlorofluorocarbons (CFCs) to environmentally friendly coolants. We plan to spend a total of $400 million on this effort, including $30 million in fiscal year 2005. We expect to complete the conversion of nearly 900 CFC–12 plants by 2008, and over 400 CFC–114 plants by 2012. We expect to spend about $35 million to install suites of pollution prevention equipment (e.g., high-volume, low pressure (HVLP) paint sprayers, aqueous parts washers) on ships, including $5 million in fiscal year 2005. This equipment, combined with management actions, reduces 10,000 pounds per year of hazardous material brought aboard our large ships.

We continue efforts with EPA to establish uniform national discharge standards for all Armed Forces vessels. This has proven to be a very complex undertaking. Navy and EPA have opted to segregate the 25 types of discharges into "batches," with control standards for the first batch of 5 discharges (including hull coatings) to be published by September 2005.

Alternative Fuel Vehicles

For the second year in a row, the Navy-Marine Corps Team substantially exceeded the Energy Policy Act requirement that 75 percent of covered fleet vehicle procurements be alternative fuel vehicles. In fiscal year 2003, the Navy acquired 86 percent of its light duty vehicles as alternative fuel vehicles. Our Navy Public Works Center in Washington, DC, converted the entire executive motor pool to alternative fueled vehicles.

We are hoping to expand our procurement of hybrid vehicles in fiscal year 2004 and beyond and to increase the use of bio-diesel and ethanol. We are working with the Army's National Automotive Center to place hydrogen-powered fuel cell vehicles in the San Diego area. These actions will help develop a regional hydrogen infrastructure and provide us with hands-on experience with hydrogen and fuel cell transportation technology. While there are important environmental benefits, these investments provide opportunities for technology transfer to future weapons systems.

Conservation

Integrated Natural Resources Management Plans (INRMP) are the foundation upon which Navy activities protect and manage lands. Navy INRMPs already address endangered species and migratory birds. We have revised our INRMP guidance to ensure they provide a conservation benefit to endangered species. Our bases work closely with the U.S. Fish and Wildlife Service, State fish and game agencies to prepare the INRMPs. We take seriously our obligation to conserve natural resources entrusted to us by the American people. It is the only means to ensure continued access to these resources in furtherance of our military mission. Good conservation practices and military training operations can be mutually beneficial. Navy efforts increased the population of the federally protected California least tern from 13 nests in 1977 to 1,200 today, and the snowy plover population from 12 nests in 1992 to 101 today at the Silver Strand portion of Naval Amphibious Base Coronado. Because of this success, the Fish and Wildlife Service reduced training restrictions on our Special Forces.

ENCROACHMENT

We have made great strides in addressing encroachment issues over the past 2 years. Congress has provided much needed relief through enactment of legislation in the National Defense Authorization Acts for Fiscal Years 2003 and 2004 that allows the Navy to balance military readiness and environmental stewardship.

- We have worked closely with the Department of the Interior to implement congressional direction to develop a rule that clearly defines the relationship between military readiness activities and the Migratory Bird Treaty Act. The Department of the Interior plans to publish the proposed rule soon.
- Congress amended the Endangered Species Act to allow the Secretary of the Interior to exclude military installations from critical habitat designation when such installations are managed in accordance with an INRMP and the Secretary determines the INRMP provides a benefit to the endangered species.
- We will use the revised definition of harassment of marine mammals in analysis of new technologies for military readiness training programs (such as the Virtual At Sea Training (VAST) system for naval gunfire), littoral warfare training, and supplemental analysis on deployment of the surveillance towed array sensor system-low frequency active (SURTASS LFA) sonar system. The revised definition ensures that analysis of impacts on marine mammals is based on science, not speculation. The changes approved by Congress reflect current methodologies used by Navy and the National Marine Fisheries Service and reduce the likelihood of costly, time-consuming litigation caused by ambiguous language.

Notwithstanding the gains we've achieved thus far, encroachment continues to be a very real problem—one that will become more complex as populations grow, pressures on ecosystems mount, and the means required to sustain military readiness evolve through new technologies and threats.

Coming to grips on when military munitions become solid wastes under the Resource Conservation and Recovery Act can ensure effective range management for both military readiness training and waste management. Flexibility for implementing the general conformity requirements of the Clean Air Act will allow more effective deployment of new weapons systems and the realignment of existing assets. We continue to discuss these important issues with the States and groups such as the National Governors Association and the Environmental Council of the States.

Congressional efforts to address the balancing of military readiness and environmental stewardship have not gone unnoticed by state legislatures. Following your example, three states—California, Arizona, and Texas—have enacted laws requiring local governments to consider impacts on military readiness during environmental planning and land use planning processes.

CONCLUSION

In conclusion, I would ask the members of this committee to judge the merits of the Navy's installations and environmental program through the considerable progress we are making in virtually all areas.

That concludes my statement. I appreciate the support of each member of this subcommittee, and will try to respond to your comments or concerns.

Senator ENSIGN. Thank you.

General Williams.

STATEMENT OF BRIG. GEN. WILLIE E. WILLIAMS, USMC, ASSISTANT DEPUTY COMMANDANT, INSTALLATIONS AND LOGISTICS [FACILITIES], COMMANDANT OF THE MARINE CORPS

General WILLIAMS. Sir, Mr. Chairman and distinguished members of the Readiness and Management Support Subcommittee, good afternoon. I am Brigadier General Willie Williams. I am the Assistant Deputy Commandant for Installations and Logistics at Headquarters, Marine Corps. It is my pleasure to appear before you today.

First, on behalf of the Commandant of the Marine Corps and the marines that we serve, I would like to thank you for your ongoing support for Marine Corps military construction, family housing, encroachment and environmental programs. Our installations are the fifth element of our Marine Air-Ground Task Force and as such they are a critical component of our readiness to fight and win our Nation's battles.

Our fiscal year 2005 active and Reserve military construction and family housing budget requests $505 million. This along with the $463 million for facilities sustainment, $67 million proposed for restoration and modernization, and $126 million in environmental funding, devotes over a billion dollars to maintenance, sustainment, construction, and our environmental initiatives at Marine Corps installations.

The combined active and Reserve military construction program will provide $236 million toward urgently needed readiness, compliance, and quality of life construction projects. In 2005 our Reserves are proposing two vehicle maintenance facilities for our fourth amphibious assault vehicle battalion in Norfolk and Florida.

Our long-term capital improvement plan for waste water treatment at Camp Pendleton continues with its second increment of funding and our proposed investment of $75 million for barracks projects at Camp Pendleton, New River, Yuma, and Quantico will meet our goal of eliminating gang head barracks for our permanent party marines.

The family housing request of $269 million will keep the Marine Corps on track to have contracts in place to eliminate inadequate family housing by the end of fiscal year 2007. Public-private ventures are critical to keeping us on that track. On September 30, 2003, the largest PPV to date within the Department of the Navy was awarded. That provided over $500 million in construction as well as long-term management, maintenance, and recapitalization of our Marine Corps family housing communities in Virginia and California.

Military housing privatization projects have been extremely successful and well received by our marines and their families. Your support of the Department of Defense legislative proposal to eliminate the $850 million cap on DOD cash contributions for family housing projects will be needed in order to permit us to continue to execute these critical and vital projects.

The facilities sustainment, restoration, and modernization program proposal maintains full funding for the sustainment of our facilities at 95 percent of OSD-established targets. The Marine Corps has also committed to spending $67 million in restoration and modernization of existing facilities. These investments, while smaller than in fiscal year 2004, continue to assure that our facilities will be in better condition at the end of fiscal year 2005 than at the beginning.

The Marine Corps is committed to sustain and enhance mission readiness and access to military training throughout our environmental stewardship program and encroachment programs. These programs ensure compliance with regulations and policies that preserve the natural and cultural resources and maintain our ability to train as we fight.

Mr. Chairman, the marines and their families make great sacrifices in service to this great Nation of ours. The Marine Corps prides itself on taking care of its own and we have a legacy for doing that. We like to reward their sacrifices by really providing them with the necessary resources that they need to live, to train, and to recreate on our installations.

Mr. Chairman, the Marine Corps would like to thank the committee for its strong continued support of our infrastructure programs and the benefit this support provides in improved readiness and quality of life. This concludes my statement and thank you, sir.

[The prepared statement of General Williams follows:]

PREPARED STATEMENT BY BRIG. GEN. WILLIE J. WILLIAMS, USMC

Chairman Ensign, Senator Akaka, and distinguished members of the Readiness and Management Support Subcommittee: I am Brigadier General Willie Williams, Assistant Deputy Commandant for Installations and Logistics (Facilities). It is a pleasure to appear before you today with Mr. DuBois. First, I'd like to thank you for your ongoing support for Marine Corps Military Construction. Installations, the fifth element of the Marine Air Ground Task Force, are a critical component of our readiness to fight and win our Nation's battles.

Our fiscal year 2005 Active and Reserve Military Construction and Family Housing budget provides $505 million. This, along with $463 million for facility sustainment and $67 million proposed for restoration and modernization for our Active and Reserve marines, the Marine Corps proposes to devote over a billion dollars to construction, sustainment, and maintenance at Marine Corps installations.

Our installation support program is approximately 6 percent of the Marine Corps budget proposal and supports installations in the United States and Japan with a value of over $25 billion and acreage that is about 20 percent larger than the State of Delaware. This program is the result of a long, comprehensive, review of Marine Corps requirements and includes careful balancing of our total program in order to meet the Marine Corps' most critical requirements.

The military construction portion of our program addresses some of our most critical needs for readiness, environmental compliance and quality of life. In 2005, our investment of $75 million in bachelor quarters will meet our goal to eliminate gang-head barracks for our permanently stationed marines and provide much needed operational, maintenance, and infrastructure support.

The facilities sustainment, restoration, and modernization program proposal maintains funding for the sustainment of our facilities at 95 percent of the OSD established requirement. The Marine Corps has also committed to spending $67 million in restoration and modernization of existing Active and Reserve facilities. These investments, while smaller than fiscal year 2004, continue to ensure that our facilities will be improved, though slightly, at the end of 2005.

The family housing request of $269 million will keep the Marine Corps on track to have contracts in place to eliminate inadequate family housing by the end of fiscal year 2007. Public-private ventures (PPVs) are critical to keeping us on track. On September 30, 2003, the largest PPV to date within the Department of the Navy was awarded that will provide over $500 million in construction as well as long-term management, maintenance and recapitalization of Marine Corps family housing communities in Virginia and California.

The Marine Corps is committed to sustaining and enhancing mission readiness and access to military training through our environment stewardship programs. These critical programs ensure compliance with regulations and policies, and preserve the natural and cultural resources entrusted to our care by the citizens of our Nation and shared by our surrounding communities.

The absolute necessity of maintaining military readiness is beyond debate, and readiness also depends on our installations' ability to provide quality-training facilities that realistically simulate combat conditions. Encroachment is on the rise, and if left unchecked, will detrimentally impact the mission of our bases, stations, and ranges in the near term and threaten our future military readiness in the long term. At stake for the Marine Corps is our success in combat. We must do all in our power to ensure that marines, members of our sister Services, and service member families do not pay an unnecessarily high price for that success. Marines must train, as they will fight; and to do that requires unencumbered access to sea, land, and airspace.

Now I would like to give you more detailed information on each of the Marine Corps' programs that support our installations.

MILITARY CONSTRUCTION

Marine Corps bases and stations provide the "platform" upon which our land, sea and air units develop, mature, train and deploy individually and as a combined arms team. Our bases and stations are the "fifth element" of the Marine Air-Ground Task Force because of their close link to the operating forces; equipment maintenance; and the communities where marines and their families live, recreate, and socialize, often at some distance from their homes and extended families. Our installation assets and capabilities need to always be available to support operations and training requirements. Military construction is the Marine Corps' primary funding source for recapitalization and modernization of both operational and quality of life infrastructure. As always, the Marine Corps prioritizes our military construction facility requirements against other just as pressing needs. This year, we propose $208.3 million in urgently required construction projects and $14.4 million in planning and design.

Operations, administration, maintenance, and infrastructure facilities enhance marine quality of life. It is a pleasure to visit our installations and hear young marines talk about how their new facilities support their work in ways our older facilities do not. New, adequate facilities give marines a great deal of confidence and encourage the rigorous discipline required for them to perform at the higher level. When new construction is deferred, we know that, in the short term at least, marines will still find a way to accomplish the mission.

The President's fiscal year 2005 budget addresses a number of our mission support requirements. The Construction Weight Handling Shop at Camp Pendleton, CA, consolidates a Marine Wing Support Squadron with range operations and three explosive ordnance disposal teams into efficient facilities from dilapidated, leaking, inadequate facilities. This and our replacement armory at Camp Lejeune, NC; close combat pistol course at Camp Pendleton; and the aircraft maintenance and training facility at New River, NC, will give more marines high-tech, indoor work areas that actually have heating, cooling, running water, electrical power, restrooms, and enough space to accomplish their mission. At Camp Pendleton, CA, we are continuing a long-term capital improvement program for wastewater treatment. This project is funded in fiscal year 2004 and fiscal year 2005 and is the first step in a series of projects that will ultimately meet wastewater quality standards. These new facilities will support deploying of well cared for marines who are well trained. Without them, quality of work, quality of life, and morale for many marines will continue to be seriously degraded.

MILITARY CONSTRUCTION, NAVAL RESERVE

The Marine Forces Reserve is an integral and vital portion of our Marine Corps total force. Marine Forces Reserve is comprised of almost 39,600 selected Marine Corps Reserve personnel at 187 sites, dispersed throughout 48 States. As these numbers suggest, maintenance of Marine Corps Reserve facilities presents a considerable challenge. It is our mission to make sure they are supported with adequate facilities. The Military Construction, Naval Reserve program for exclusive Marine Corps construction must effectively target limited funding to address $173 million in deferred construction projects. Over 50 percent of the Reserve centers our marines train in are more than 30 years old, and of these, 35 percent are more than 50 years old.

In addition to antiquated facilities, the equipment our marines use today is bigger, heavier, wider, and longer. Much of it requires appropriately constructed or modified maintenance facilities, as well as adequate electrical power and other support infrastructure upgrades to maintain combat readiness. The electrical demand on our facilities has increased significantly due to the widespread use of electronic devices and technologically advanced equipment, such as weapons systems simulators. Facilities built to accommodate manual typewriters, M151 jeeps, and M–60 tanks are now inadequate for the equipment our modern Marine Corps uses.

To help us address these challenges, the President's fiscal year 2005 budget for Military Construction, Naval Reserve contains $12.6 million in construction and $.4 million in planning and design. This program addresses our most pressing requirements by providing a new Reserve Training Center and Vehicle Maintenance Facility in Jacksonville, FL; and a new Vehicle Maintenance Facility in Norfolk, VA. The overall condition of Marine Corps Reserve facilities continues to demand a sustained, combined effort of innovative facilities management, a pro-active exploration

of and participation in joint facility projects, and a well-targeted use of the construction program.

FACILITY SUSTAINMENT, RESTORATION, AND MODERNIZATION

Facility sustainment funding is critical to keeping our buildings functional and supports both the Active and Reserve Forces. In the past, our infrastructure was not replaced at an appropriate rate, causing portions of it to deteriorate. As a consequence, the Marine Corps has had to use an increasing percentage of its facility sustainment funds to bind together old, inadequate buildings throughout the course of their service life, rather than maintaining newer, more economical structures. Significant numbers of facility sustainment projects were deferred due to a lack of funds. This directly impacted the living and working conditions in barracks, mess halls, and other facilities, in highly visible and negative ways. In addition, we suffered a "quiet crisis" with respect to less obvious repairs to steam plants, runways, sewer lines, and roads. In many cases these repairs have a more direct impact on quality of life than specific building projects. These requirements are no longer being ignored.

The Office of the Secretary of Defense (OSD) developed a model to determine the amount of funding we need to sustain our facilities, which continues to be refined and strengthened. We have been able to maintain 95 percent of the OSD-established requirement for the sustainment of our facilities. The Marine Corps has also committed to spending $67 million of operations and maintenance funding on restoration and modernization of existing Active and Reserve facilities. These investments continue to ensure that our facilities will be improved, though slightly, at the end of 2005. We look forward to further increases in the overall mission readiness of our facilities in the future.

Demolition

Defense Reform Initiative Directive #36 directed the Marine Corps to dispose of 2.1 million square feet of excess or unneeded structures by the end of fiscal year 2000. The Marine Corps exceeded this goal and continues to aggressively pursue disposal and demolition of inadequate facilities. In fiscal year 2005, the Marine Corps has budgeted $5 million to demolish an additional 0.3 million square feet.

BACHELOR HOUSING

The Marine Corps' force consists largely of young, single, enlisted personnel. Providing appropriate and comfortable living spaces that positively impact the morale and development of these young men and women is extremely important to the Marine Corps.

The Marine Corps' primary focus is to house our junior enlisted bachelor personnel in pay grades of E1 through E5 on-base, with a goal of providing a 2×0 room standard that allows two junior enlisted marines (E1–E3) to share a room with a private bath. Noncommissioned officers (NCOs) in the pay grades of E4 and E5 are provided a private room and bath in a 2×0 room. We believe that assigning two junior marines to a room provides the correct balance between the privacy desired by the marines and the Marine Corps' goals to provide companionship, camaraderie, and unit cohesion. We also believe that our NCOs (E4s and E5s) need to be in the barracks in order to provide the oversight that strengthens team building and unit cohesion tenets, particularly since we are a younger more junior intensive force. This balance provides the atmosphere necessary to motivate, train and develop marines, and foster unit integrity.

The Marine Corps maintains approximately 98,000 bachelor enlisted housing spaces worldwide (78,000 in the United States, and 20,000 in Japan). By the end of fiscal year 2004, we will still require an additional 16,330 spaces to adequately house our enlisted bachelor marines. Your support of our fiscal year 2005 $74.6 million request for bachelor housing will address our most immediate goal to eliminate permanent party gang-head barracks through four major barracks projects: Marine Corps Base Camp Pendleton, CA; Marine Corps Air Station New River, NC; Marine Corps Air Station Yuma, AZ; and Marine Corps Base Quantico, VA. In addition to the efforts to provide sufficient bachelor housing, we are working diligently to meet the Department of Defense housing adequacy standards. Since 1998, with your support, we have invested an average of $79 million per year towards bachelor housing. As a result of these efforts, we have reduced the number of inadequate spaces from roughly 16,000 in 1996 to 4,101. Consequently, our marines can see signs of progress and know we are working to provide quality housing and an increased quality of life in the barracks.

FAMILY HOUSING

With over 170,000 family members, Marine Corps families are an integral component of readiness. We must always remember that marines and their families serve out of a sense of duty and loyalty to our country and as they do so, they face the difficulties of the military lifestyle—frequent relocations often far from extended family and frequent deployments that separate families for months at a time. A continued commitment to improving family housing helps us to convey our appreciation for their service and sacrifices.

In continued support of the President's management agenda, we have been increasing our quality housing inventory through PPVs and military construction where necessary. The Marine Corps is on track to have contracts in place to eliminate inadequate family housing by the end of fiscal year 2007. In addition to PPV initiatives for family housing, the Department's continued initiative to increase the Basic Allowance for Housing (BAH) allows families to access quality affordable housing in the private sector. This is important since more then two-thirds of service members do not live on a military installation. However, many families continue to prefer to live in military or PPV housing for a number of reasons, including economics, safety, schools, and community support. PPV and traditional military construction efforts will continue to improve the homes necessary to supplement private sector housing.

We have close to 25,000 owned, leased, or PPV family housing units worldwide. Much of the inventory we own is in poor condition and needs major renovation or replacement. The President's fiscal year 2005 budget includes $129.1 million for replacement, renovation, and PPV seed money. Our 2001 family housing master plan identified close to 17,700 inadequate housing units with the majority of those units requiring significant revitalization or replacement. Thanks to your support we have been able to reduce our inadequate inventory by 7,000 homes since September 2002. The fiscal year 2005 budget will permit us to replace roughly 198 homes at Marine Corps Air Station Cherry Point, NC; and privatize 5,455 homes, which will result in the additional replacement, renovation or demolition of 2,669 inadequate units at Marine Corps Base Camp Lejeune, NC; Marine Corps Air Ground Combat Center, Twentynine Palms, CA; and Marine Corps Reserve Support Command, Kansas City, MO.

Public Private Ventures

We are seeing success from the PPV projects that we have awarded at Marine Corps Base Camp Pendleton, CA; Marine Corps Air Station Beaufort, SC; and Marine Corps Recruit Depot Parris Island, SC. Marines and their families have also benefited from joint projects with the Navy at Belle Chase, Louisiana and San Diego, California. The PPVs not only improve the homes in which our families live, they also provide community support facilities and recreation facilities that help create neighborhoods and a sense of community. I have received only positive feedback from marines and their families about these PPVs. Despite our success we have one remaining challenge that is critical to the continued success of our privatization program—the statutory "cap" on the amount of budget authority that can be used in military family housing privatization. OSD projects that the Services will reach the current cap of $850 million in fiscal year 2004. As cash contributions are required for most Marine Corps privatization projects, any help you can provide to eliminate or raise the cap so we may continue our privatization initiatives will be greatly appreciated.

On September 30, 2003, the largest PPV to date within the Department of the Navy was awarded. This project will provide for long-term management, maintenance, construction, and renovation of family housing communities at Marine Corps Base Quantico, VA; Marine Corps Recruit Depot San Diego, CA; Mountain Warfare Training Center, Bridgeport, CA; and Marine Corps Base Camp Pendleton, CA. A groundbreaking ceremony was held on the site in Quantico on October 27. This 50-year PPV includes:

- Privatization of 4,629 existing homes (3,313 Camp Pendleton, CA; 1,311 Quantico, VA; 5 San Diego, CA);
- Demolition of 1,999 homes (832 Camp Pendleton, CA; 1,167 Quantico, VA) and replacement of 1,826 of those homes (833 Camp Pendleton, CA; 993 Quantico, VA);
- Renovation of 2,310 homes (2,161 Camp Pendleton, CA; 144 Quantico, VA; 5 San Diego, CA); and
- Construction of 78 deficit reduction units at Camp Pendleton, CA.

This will provide the Marine Corps with a total inventory of 4,534 units (3,392 Camp Pendleton, CA; 1,137 Quantico, VA; 5 San Diego, CA). Moreover, part of the

construction will include quality of life community support facilities such as recreation centers and playgrounds at Camp Pendleton, CA; Quantico, VA; and Bridgeport, CA.

PPVs only work when private investors can make a reasonable profit. At some installations, low BAH rates and/or facilities condition mean that a business case cannot be made for a PPV, and traditional military construction is the only option. While privatization will not make good business sense at every location within the Marine Corps, it will ultimately help us address much of our housing requirement. We plan to privatize 95 percent of our family housing. We will continue to review opportunities for additional privatization in the near future.

ENVIRONMENTAL COMPLIANCE AND PROTECTION

The lands entrusted to the Marine Corps encompass over 2 million acres of some of the most ecologically sensitive areas of the country. These lands are where we train our marines to fight and win battles using the full complement of weapons and tactics in realistic training scenarios. Our challenge is to conduct our Marine Corps mission while managing our lands in an environmentally sustainable manner so that we can preserve these resources to train future generations of marines.

We have made great progress in managing these resources in the last decade. Through dedicated efforts and a commitment of manpower and funding, we have corrected deficiencies and put programs in place to manage long-term issues. Through training and awareness we are integrating environmental requirements into operations and training across all functional areas. We have reduced our liabilities and improved our compliance posture with an investment in qualified staff, improvements to our facilities, use of pollution prevention measures and an emphasis on providing training to our marines and civilians so they can do their jobs in an environmentally sound manner.

We recognize that in order to have sustainable installations, we must continue our commitment to environmental stewardship. In fiscal year 2005, we have budgeted $126 million in operations and maintenance, Marine Corps funds to comply with environmental requirements. This funding allows us to meet air, water, and waste requirements, and protect and conserve natural and cultural resources. Our fiscal year 2005 budget is an increase of $5 million over fiscal year 2004. This additional funding will allow us to begin to assess our ranges for potential environmental issues, protecting both our military mission and the environment.

ENCROACHMENT

We are grateful to Congress for providing a tool to facilitate the management of incompatible developments adjacent to or in close proximity to military lands. We are working with State and local governments and with non-governmental organizations such as the Trust for Public Lands, The Nature Conservancy, the Sierra Club, and the Endangered Species Coalition to acquire lands buffering or near our bases including Camp Lejeune, Marine Corps Air Station Beaufort, and Camp Pendleton. In return for our investment, the Marine Corps is receiving restrictive easements that ensure lands acquired remain undeveloped and serve as buffer zones against future encroachment on our bases.

We are also grateful to Congress for codifying legislation that gives us the opportunity to partner with the U.S. Fish and Wildlife Service and State fish and game agencies in order to manage endangered species present on military lands. Management via our Integrated Natural Resources Management Plans, which we prepare in partnerships with these agencies, allows us to protect and enhance populations of these species on our lands while allowing marines to train. Finally, we support the Secretary of Defense's efforts to provide flexibility under the Clean Air Act and to clarify the governing authorities under which DOD would manage operational ranges. The Marine Corps strives to be a good environmental steward and the growing number of endangered species on our lands and their increasing populations are examples of our successes. We remain committed to protecting the resources entrusted to us by the American people.

Mr. Chairman, marines and their families make great sacrifices in serving their country. The Marine Corps prides itself on the legacy of rewarding that sacrifice by taking care of its own. The Marine Corps would like to thank the committee for its strong continued support of Marine Corps infrastructure programs and the benefits this support provides in improved readiness and quality of life.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions you may have.

Senator ENSIGN. Thank you, General.

General Fox.

STATEMENT OF MAJ. GEN. DEAN FOX, USAF, THE AIR FORCE CIVIL ENGINEER AND DEPUTY CHIEF OF STAFF, INSTALLATIONS AND LOGISTICS, USAF

General FOX. Thank you, Mr. Chairman and members of the subcommittee. Good afternoon. I sincerely appreciate the opportunity to appear before you to discuss the Air Force fiscal year 2005 military construction program.

Air Force missions and Air Force members around the world depend upon this committee's favorable support of our infrastructure programs. We sincerely appreciate your unwavering support of our military construction efforts, so essential to supporting our people and our missions worldwide.

The total force—that is active Air Force, Air National Guard, and Air Force Reserve—military construction and military family housing programs are essential to the Air Force mission, whether it is on the flight line where operations are conducted, in the work place, or in the home. Although higher priorities have not always allowed us to address all facility needs, the Air Force recognizes the importance of investing in our facilities.

We train and we fight from our bases. Our installations commanders are responsible not only for the mission, but also for the people who perform that mission and those who support the mission as well. That makes our facilities and infrastructure very critical to the mission.

The importance we place on our facilities is seen in our recent budget submissions. Our military construction and housing facility budgets increased in fiscal year 2003 and fiscal year 2004, and increased further in this year's program request of $2.6 billion. We sincerely appreciate your support of our programs.

In total, between military construction, housing, and sustainment, restoration, and modernization, we will invest more than $4.8 billion in our installations in fiscal year 2005. The military construction request balances our need to restore and modernize our infrastructure, bed down new missions, and improve the quality of life of our people.

First on infrastructure, we are continuing an upward trend in our sustainment, restoration, and modernization funding. The fiscal year 2005 budget request includes $2.2 billion to sustain our infrastructure as well as restore and modernize our infrastructure by starting to buy down that backlog of needed repairs to our real property.

On the new mission side, our military construction budget also consists of projects to support the Air Force new weapons systems, those which provide our combat commanders the capabilities to meet our Nation's security needs. Forty-five projects and more than $400 million in our budget facilitate the beddown of those systems by providing the necessary infrastructure and facilities, including infrastructure to support the F/A–22 at Tyndall Air Force Base, Florida, and Sheppard Air Force Base, Texas, expansion of the Predator remotely piloted aircraft program, and beddown of the C–17 airlift aircraft at three bases.

Quality of life. The Air Force is committed to taking care of our members and our families as well. Quality of life projects such as our dorms and our housing help support them, as our airmen are more frequently deployed away from home. Knowing their families are well taken care of keeps our airmen on focus for the Air Force's and our Nation's tasks.

The Air Force is committed to meet the Department's goal of providing safe, affordable, and adequate housing for our members. We are continuing our sustained investment in military family housing and we are increasing our investment by over $180 million from last year's request. For fiscal year 2005, our request for $847 million will allow us to construct over 2,200 units at 16 bases, to improve more than 1,300 units at an additional 6 bases, and will allow us to privatize 6,800 units at 6 bases.

Just as we are committed to provide adequate housing for families, we have an ambitious program to house our unaccompanied junior enlisted personnel as well. Our dormitory master plan will achieve the Department's goal to provide our airmen with adequate permanent party dormitory rooms by 2007 and we will achieve our objective of providing adequate technical training dormitories for Air Education and Training Command students by 2009. We are well on track to meeting these goals.

On behalf of all the airman affected by this important quality of life initiative, I want to thank the subcommittee for its great support. We know we could never have made this without your tremendous efforts and support.

Ensuring we have adequate facilities overseas for our airmen also remains a priority for the Air Force. With 20 percent of our airmen stationed overseas, it is very important to make sure we continue to invest in those installations supported as enduring locations by the combatant commanders. Our budget request of $140 million for these locations consists of the most essential facility needs to ensure our airmen can perform their missions and provide the proper quality of life for those airmen. We ask for your support of these operational and quality of life projects.

In conclusion, Mr. Chairman, I thank this committee for its continued strong support of the Air Force military construction and family housing. I will be happy also to answer any questions.

[The prepared statement of General Fox follows:]

PREPARED STATEMENT BY MAJ. GEN. L. DEAN FOX, USAF

Mr. Chairman and distinguished members of the subcommittee, the strength and flexibility of airpower and our joint warfighting success in the global war on terrorism is directly enabled by three interdependent factors; outstanding men and women in uniform, superior weapons platforms, and an agile support infrastructure. The Air Force fiscal year 2005 military construction (MILCON) budget request reflects our commitment to ensuring the Air Force's continued ability to execute the full range of air and space missions. In turn, the Air Force continues to maintain the commitments made last year to invest wisely in installations from which we project air and space power, take care of our people and their families with adequate housing and quality of life improvements, and to sustain the public trust through prudent environmental management.

INTRODUCTION

Air Force facilities, housing, and environmental programs are key components of our support infrastructure. At home, bases provide a stable training environment

and a place to equip and reconstitute our force. Overseas bases provide force projection platforms to support combatant commanders.

As such, the Air Force has developed an investment strategy focused on sustaining and recapitalizing existing infrastructure, investing in quality of life improvements, continuing strong environmental management, accommodating new missions, optimizing use of public and private resources, and reducing infrastructure wherever we can.

Total force military construction, family housing, sustainment, restoration, and modernization programs each play vital roles supporting operational requirements and maintaining a reasonable quality of life for our men and women in uniform.

While the Air Force has always acknowledged the importance of proper funding for facility sustainment and recapitalization, too often competing priorities have not permitted us to address all the problems we face with our aging infrastructure. Despite competing priorities, you supported our request last year. The Air Force sincerely appreciates your support.

Continuing a positive trend into fiscal year 2005, the Air Force military construction program included in the President's budget request is approximately the same as last year with an increase in the military family housing program. The requested $2.6 billion for total force military construction and Military Family Housing is a $200 million increase over last year's request. This request includes $664 million for Active military construction, $127 million for Air National Guard military construction, $84 million for Air Force Reserve military construction, and more than $1.7 billion for military family housing.

The Air Force has also increased operations and maintenance (O&M) sustainment, restoration, and modernization (SRM) funding. This year, the amount dedicated to SRM is more than $200 million greater than in the 2004 request. With the fiscal year 2005 budget request, more than $2.2 billion will be invested in critical infrastructure maintenance and repair through our O&M program. This year's request is up almost 11 percent from last year, to continue to move to the Air Force goal of a facility recapitalization rate of 67 years by 2008.

Considering the level of effort across the entire infrastructure spectrum (MILCON, military family housing (MFH), and O&M SRM), the overall Air Force fiscal year 2005 budget request is more than $4.8 billion.

Overseas Military Construction

Even though the majority of our Air Force personnel are assigned in the United States, 20 percent of the force is permanently assigned overseas, including 29,000 Air Force families. Old and progressively deteriorating infrastructure at these bases requires increased investment. While a new Global Basing Strategy is under development by the Office of the Secretary of Defense, the Air Force fiscal year 2005 MILCON request invests in overseas installations supported as enduring locations by the combatant commanders. The request for overseas construction in the Pacific and European theaters of operation is $140 million for 13 projects. The program consists of infrastructure and quality of life projects in the United Kingdom, Germany, the Azores, Italy, Spain, Japan, and Korea. I also want to thank you for the essential overseas MILCON funding you approved in the Fiscal Year 2004 Supplemental Appropriations Bill for construction projects in Southwest Asia as well as at critical en route airlift locations, needed to directly support ongoing operations in that region.

Planning and Design/Unspecified Minor Construction

This year's request includes planning and design funding of $160 million. These funds are required to complete design of the fiscal year 2006 construction program, and to start design of the fiscal year 2007 projects so we can be prepared to award these projects in the year of appropriation. This year's request also includes $24 million for the unspecified minor construction program, which is the primary means of funding small, unforeseen projects that cannot wait for the normal military construction process.

SUSTAIN, RESTORE, AND MODERNIZE OUR INFRASTRUCTURE

Operations and Maintenance Investment

To sustain, restore, and modernize infrastructure, there must be a balance between military construction and O&M. MILCON restores and recapitalizes facilities. O&M funding is used to perform facility sustainment activities necessary to prevent facilities from failing prematurely. Without proper sustainment, facilities and infrastructure wear out quickly. O&M funding is also used to directly address many critical restoration and less-expensive recapitalization needs. These funds enable com-

manders in the field to address the facility requirements that impact their near-term readiness.

INVEST IN QUALITY OF LIFE IMPROVEMENTS

The Air Force recognizes a correlation between readiness and quality of life. Quality of life initiatives acknowledge the sacrifices our airmen make in support of the Nation and are pivotal to recruiting and retaining our country's best and brightest. When airmen deploy, they want to know their families are safe, and secure. Their welfare is a critical factor in our overall combat readiness. Family housing, dormitories, and other quality of life initiatives reflect the Air Force commitment to provide the facilities they deserve.

Family Housing

The Air Force Family Housing Master Plan provides the road map for our housing MILCON, O&M, and privatization efforts, and it is designed to meet the goal of ensuring safe, affordable, and adequate housing for our members. The fiscal year 2005 budget request reflects an increase of more than $180 million over the fiscal year 2004 budget for family housing. With the exception of four northern-tier locations, inadequate housing will be eliminated in the United States by 2007. The inadequate units at those four northern-tier locations will be eliminated by 2008.

For fiscal year 2005, the $847 million requested for housing investment will provide over 2,200 units at 16 bases, improve more than 1,300 units at 6 bases, and support privatization of over 6,800 units at 6 bases. An additional $864 million will be used to pay for maintenance, operations, utilities, and leases to support family housing.

Dormitories

Just as we are committed to provide adequate housing for families, we have a comprehensive program to house our unaccompanied junior enlisted personnel. The Air Force is well on its way in implementing a Dormitory Master Plan. The plan includes a three-phased dormitory investment strategy. The three phases are:

(I) fund the replacement or conversion of all permanent party central latrine dormitories;
(II) construct new facilities to eliminate the deficit of dormitory rooms; and
(III) convert or replace existing dormitories at the end of their useful life using an Air Force-designed private room standard to improve quality of life for airmen.

Phase I is complete and we are now concentrating on the final two phases of the investment strategy.

The total Air Force requirement is 60,200 dormitory rooms. The Air Force Dormitory Master Plan achieves the Office of the Secretary of Defense's (OSD) fiscal year 2007 goal to replace all inadequate permanent party dormitory rooms and the Air Force goal to replace all inadequate technical training dormitories by fiscal year 2009. This fiscal year 2005 budget request moves us closer to those goals. The fiscal year 2005 dormitory program consists of 7 dormitory projects, 1,104 rooms, at both stateside and overseas bases in direct support of unaccompanied personnel, for a total of $128 million.

Fitness Centers

Fitness centers are a critical component of the Air Force quality of life program. The growing expeditionary nature of our activities requires that airmen increasingly deploy to all regions of the world, in extreme environments and therefore must be physically prepared to deal with the associated challenges. In other words, airmen must be "fit to fight." Our new fitness program directs airmen to devote more time and energy to being physically fit, and the use of our fitness centers has dramatically increased to support this reorientation in our culture. The fiscal year 2005 MILCON program includes three fitness centers: Lajes Air Base, Azores; Hill Air Force Base (AFB), Utah; and Elmendorf AFB, Alaska.

CONTINUE ENVIRONMENTAL LEADERSHIP

The Air Force continues to ensure operational readiness and sustain the public trust through prudent environmental management. As part of the overall military transformation program, we actively seek and employ smarter solutions to long-standing environmental challenges. We are applying lessons learned in terms of how, and the extent to which, pollution can be prevented and contamination can be controlled. We are investing in more efficient contracting methods as a key element in our approach to future environmental restoration. Additional use of performance

based contracting will focus on cleanup performance goals and thereby reduce process requirements. Finally, we are establishing systems to better identify the equity value of our installations' environmental resources to the surrounding community. For example, land that provides habitat for an endangered species may be valuable as open space in a community's redevelopment plan. That value should be identified and understood.

In addition to ensuring our operations comply with all environmental regulations and laws, we are dedicated to enhancing our existing relationships with both the regulatory community and the neighborhoods around our installations. We continue to seek partnerships with local regulatory and commercial sector counterparts to share ideas and create an atmosphere of better understanding and trust. By focusing on our principles of ensuring operational readiness, partnering with stakeholders, and protecting human health and the environment, we remain leaders in environmental compliance, cleanup, conservation, and pollution prevention.

The $3.3 million environmental project in the fiscal year 2005 MILCON program will allow Shaw AFB to meet current Environmental Protection Agency (EPA) standards for wastewater discharge.

ACCOMMODATE NEW MISSIONS

As indicated earlier, joint warfighting success in the global war on terrorism has been possible in part due to superior weapons capabilities. New weapon systems are the tools of combat capability that enable our combatant commanders to respond quickly to conflicts in support of national security objectives. The fiscal year 2005 total force new mission military construction program consists of 45 projects, totaling more than $403 million. These projects support a number of weapons systems; two of special significance are the F/A–22 Raptor and the C–17 Globemaster III.

The F/A–22 Raptor is the Air Force's next generation air superiority and ground attack fighter. F/A–22 flight training and maintenance training will be conducted at Tyndall AFB, Florida, and Sheppard AFB, Texas, respectively. Our fiscal year 2005 military construction request includes two F/A–22 projects at Tyndall AFB for $19 million, and one F/A–22 project at Sheppard AFB totaling $21 million.

The C–17 Globemaster III aircraft is replacing the fleet of C–141 Starlifters. C–17s will be based at Elmendorf AFB, Alaska; Travis AFB and March Air Reserve Base (ARB) in California; Dover AFB, Delaware; Hickam AFB, Hawaii; Jackson Air National Guard Base, Mississippi; McGuire AFB, New Jersey; Altus AFB, Oklahoma; Charleston AFB, South Carolina; and McChord AFB, Washington. Thanks to your support, construction requirements for Charleston and McChord were funded in prior-year military construction programs. The request for fiscal year 2005 includes two projects for $15 million at Elmendorf AFB, two facility projects for $15 million at Travis AFB, two projects for $10 million at March ARB, and five facility projects for $26 million at Hickam AFB.

Other new mission requirements in fiscal year 2005 include the Global Hawk beddown at Beale AFB, California; Predator force structure changes at Indian Springs Air Force Auxiliary Field, Nevada; Combat Search and Rescue aircraft beddown at Davis-Monthan AFB, Arizona; C–130J simulator facility at Little Rock AFB, Arkansas; F–35 Joint Strike Fighter test facilities at Edwards AFB, California; and various projects supporting homeland defense, such as the air sovereignty alert missions flown by the Air National Guard at Andrews AFB, Maryland; Duluth International Airport, Minnesota; Atlantic City International Airport, New Jersey; and Truax Field, Wisconsin.

OPTIMIZE USE OF PUBLIC AND PRIVATE RESOURCES

In order for the Air Force to accelerate the rate at which we revitalize our inadequate housing inventory, we have taken a measured approach to housing privatization. We started with a few select projects, looking for some successes and "lessons learned" to guide the follow-on initiatives. The first housing privatization project was awarded at Lackland AFB, Texas, in August of 1998, and all 420 of those housing units have been constructed and are occupied by military families. Since then, we have completed three more projects (Elmendorf AFB, Alaska; Robins AFB, Georgia; and Dyess AFB, Texas) and have three more under construction (Wright-Patterson AFB, Ohio; Patrick AFB, Florida; and Kirtland AFB, New Mexico). Once these three projects are complete, there will be nearly 5,500 privatized units. We are on track to privatize 60 percent of our U.S. based family housing by 2007. The fiscal year 2005 budget request includes $83 million to support the privatization of nearly 7,000 units at 6 bases: Tyndall AFB, Florida; Scott AFB, Illinois; Columbus AFB, Mississippi; Keesler AFB, Mississippi; Holloman AFB, New Mexico; and Fairchild AFB, Washington.

CONTINUE DEMOLITION OF EXCESS, UNECONOMICAL-TO-MAINTAIN FACILITIES

For the past 8 years, the Air Force has pursued an aggressive effort to demolish or dispose of facilities that are unneeded and no longer economically feasible to sustain or restore. From fiscal year 1998 through fiscal year 2003, we demolished 15.5 million square feet of non-housing building space at a total cost of $200 million. This is equivalent to demolishing more than three average size Air Force installations. For fiscal year 2004 and beyond, we will continue to identify opportunities for demolition and facility consolidation. In general, the facility demolition program has been a success, enabling us to reduce the strain on infrastructure funding by getting rid of facilities we don't need and can't afford to maintain.

CONCLUSION

The near- and long-term readiness of our fighting force depends upon this infrastructure. We will continue to enhance our installations' capabilities, remain good stewards of the environment, and ensure Air Force infrastructure is properly distributed to maximize military readiness.

Senator ENSIGN. Thank all of you for your testimony.

We will begin a round of questioning now, and I appreciate all of your statements. Obviously, we will not have time to get to all of the questions that we have if we spent all of the time just on my questions. So I will be submitting questions for the record in writing to all of you, and I am sure the rest of the Senators will have other questions for the record as well.

Mr. DuBois, I would like to start with you. I want to talk about the overseas basing master plan. What I would like you to address first of all is, we were supposedly going to have this plan and I understand that things sometimes can be a little difficult. Secretary Wolfowitz said that we would have it, I think it was, early 2003. We are now in 2004, and we do not have the master plan.

Could I have a general idea about when we are going to have that? As you mentioned, the overseas master plan is critical to the whole BRAC process and where we are going to be bringing people home and that kind of issue.

Also, if you could address some of the assets moving around in Europe, talk a little bit about the European phase as well as the Pacific Rim phase in general to give the subcommittee an idea of the direction of what is happening in Asia and also General Jones' plan in Europe.

Mr. DUBOIS. Thank you, Mr. Chairman. As I indicated in my opening remarks, it is my understanding that the Secretary of Defense intends to, after consultation obviously with the President of the United States and the National Security Council, to bring to Congress his major building blocks in terms of the integrated global presence and basing strategy by the end of May.

It is a complicated and complex exercise, as you can well imagine. We began doing this exercise in August 2001 when the Secretary and I and others discussed, how would the combatant commanders, specifically the four regional ones in Europe and for the Pacific and Central Command and then Southern Command, best involve themselves in the footprint in their areas of responsibility (AORs). That was done.

The second step was how to blend those AORs, because, as Secretary Rumsfeld said to each of those combatant commanders: The force structure in your area of operations does not belong to you; that force structure belongs to the Commander in Chief, the President of the United States.

Step three was, once they came back and once the Joint Staff and the Office of the Secretary of Defense began to blend, if you will, these recommendations that came from individual combatant commanders, we also recognized, quite frankly, the opportunity presented to us by the lessons learned of Operation Iraqi Freedom, Operation Enduring Freedom, to restructure a cold war footprint overseas.

All of that is leading towards, as I indicated, an end of May conclusion by the Secretary as to a global footprint set of recommendations. You asked about Europe in particular. Perhaps the largest muscle move, if you will, is potentially out of Western Europe. One would argue that we no longer face the Warsaw Pact, we no longer face an inter-German border, possible penetration.

Therefore, and looking at the world, looking at the global responsibilities of the United States, the Secretary of Defense, again in discussions with the Secretary of State and the President, have concluded that a substantial force structure change is not only necessary, it is advisable with respect to Western Europe. We have since 1945 had a considerable amount of force structure there. It has been drawn down over the years. A considerable amount of force structure still exists there, well in excess of 150,000 troops.

I think it is safe to say that some major portion of that force structure, to include the United States Army presence, will be returned to the United States. There is also force structure that the Air Force has had for many years in Europe which is also being discussed for return. But at this point and at this time, I think you can appreciate that I am not in a position to say it is going to be X division or Y division.

The important thing is to realize the decision will be made and the BRAC process is the process by which those bases will be selected, those best bases will be selected for the infrastructure.

Senator ENSIGN. If I may interrupt, from what I understand—and obviously none of this has been finalized—with Eastern Europe now being obviously more—would be much more forward deployed and similar to what we have going on in Kuwait and Qatar as far as bases, the types of bases they are talking. I have heard discussions about much more temporary-looking training type bases.

Have the discussions taken place, or at least preliminary discussions, on those countries, and the current burdensharing? Burdensharing in Asia is much more favorable to the United States than currently happens in Europe. With some of the redeployment of troops back home, that does not happen. But have discussions taken place at all with countries on any types of burdensharing type arrangements in a more favorable light for the United States, since we would be providing security for those countries?

Mr. DUBOIS. Two answers to your question, and it is a very important question. With respect to cooperative security locations or forward operating locations, as we look at our global posture and where we think we need to position our force structure, it is true that we are looking South and East in terms of Europe. However, it does not mean that we are going to take major force structure and permanently station it in Eastern Europe. It does mean that we are looking and have had discussions, preliminary discussions,

with some of these countries where we might together have a cooperative security location or a forward operating location.

The second part of your question, or my second answer to your question if you will, sir, is how would one go about paying for it, the burdensharing question. I have suggested that there are several ways to do that. Certainly one of them is not—repeat, is not—to have military construction dollars, U.S. taxpayers' dollars, pay for it. It could be done, for instance, on the basis of a lease. It is almost like a time share. The United States may choose to enter into a negotiation with country X, which in turn has established or brought together a consortium of construction companies to build the base to our specifications. We will have a ground lease, if you will, small "g", that will be for X period of time, years, and then we will have a usage fee. But it may also be a North Atlantic Treaty Organization (NATO) installation so that other countries also can pay a usage fee.

So there are ways that we are looking at this creatively to finance it so that the burden is not on the U.S. taxpayer, but that we are still maintaining maximum flexibility for throughput of force structure at the time of need.

Senator ENSIGN. Just my last comment. I hope when we are looking at that that we do try to maximize the dollars that we have for the U.S. taxpayer. Even in a lease situation, it is still coming out of the U.S. tax dollars if we are paying. So the bottom line is that we benefit from that, there is no question. We recognize that. But they also benefit from it, and it just seems to me that in Asia we have a much better burdensharing agreement than we have in most of Western Europe.

Mr. DUBOIS. Make no mistake, if we were to pull major force structure out of Europe that is an enormous decrease in the costs that the American taxpayer sustains to keep that force structure in Europe, housing and hospitals and so forth.

Senator ENSIGN. Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Mr. DuBois, to follow up on Senator Ensign's question on overseas basing, what is the status of U.S. discussions with the host nations of our major current bases, such as Germany, Korea, and Japan, as well as with nations where we may be seeking new basing rights? Have we reached agreement with any other nations on changes in the long-term basing of our forces in their countries?

Mr. DUBOIS. Senator Akaka, the study that has been undertaken with respect to Europe in particular over the past 2 years has included significant discussions with the countries impacted, if you will, both between the President of the United States and the heads of those countries as well as the Secretary of State and the Secretary of Defense with their counterparts. Most recently, Under Secretary of State Marc Grossman and Under Secretary of Defense Doug Feith have been in Europe in discussions with these countries.

I personally have discussed this with regional officials of Germany, but again not in, this is the answer or this is our decision, but rather, in the alliance framework this is what we are thinking about. The Minister of Defense of Germany is actually undergoing

and has undertaken his own BRAC process, because he knows that we are going to pull back some heavy force structure.

Senator AKAKA. As part of this global basing strategy, will DOD be seeking to build any new overseas facilities, or to base our forces in countries where U.S. forces are not currently stationed?

Mr. DUBOIS. At this time, because of Operation Enduring Freedom and Operation Iraqi Freedom, we have temporarily created footprint, if you will, to use the term of art, both in Afghanistan and several of the surrounding countries as well as in Iraq. It is temporary. I do not know—and I have talked to General Abizaid about this—what would ultimately end up being "enduring." The situation is fairly fluid, as you can appreciate.

While it is true that General Jones in the European Command and Admiral Fargo in the Pacific Command have looked at possible forward operating locations and possible cooperative security locations where we do not now have infrastructure, it is again not for permanent basing of U.S. force structure. It may be agreements that we have negotiated for planes to be refueled, for troops to be assembled, for equipment, for logistics reasons and equipment reasons. But we would not necessarily build new footprint, new infrastructure. It would be in response to a situation that was presented to us.

But the important thing is to negotiate those agreements very carefully with multiple countries so that we do not find ourself in the position that we were in during Operation Iraqi Freedom (OIF), where certain countries prevented us from doing what was necessary.

Senator AKAKA. Mr. DuBois, what assurances can you provide that, regardless of the timing or the final form of the DOD Global Posture Review, all the overseas military construction projects in the 2005 budget are necessary because our forces are certain to remain at these particular locations?

Mr. DUBOIS. Yes, sir. As you will see, as you have seen, in the President's budget submission for military construction this year it is down overseas significantly, in no small measure because of exactly the issue that you raise. We have only asked for military construction overseas in bases that we consider enduring, A; and B, for mission-critical requirements.

Senator AKAKA. Mr. DuBois, have any DOD funds been expended to date to create facilities that are intended or could be used to support the long-term or permanent stationing of U.S. forces in Iraq or Afghanistan?

Mr. DUBOIS. General Abizaid and the Joint Staff and the Office of the Secretary of Defense are looking at a number of possible infrastructure investments of a temporary nature in Iraq, as I indicated. At this time there is no—repeat, no—decision by the Secretary to do more than that, which would require authorization by this committee, appropriation by your colleagues in the Appropriations Military Construction Subcommittee.

It is true that General Abizaid and the component commands in U.S. Central Command (CENTCOM) have a number of different infrastructure needs, and I will say this in public testimony. Unfortunately, a given brigadier general in Iraq used the term "enduring"

and he should not have. But we believe these to be temporary in nature.

The legitimate question is, is "temporary" 1 year, 2 years, 3 years? Is it less than 5? Traditionally, when we talk about temporary or expeditionary infrastructure necessary, it has always been less than 5, although there is an ongoing discussion between our comptroller and the appropriators as to which pot of money, which color of money, can be used for contingency construction purposes.

Senator AKAKA. Mr. DuBois, can you describe how DOD plans to use the 2005 BRAC round to enhance our joint training and warfighting capabilities?

Mr. DUBOIS. The selection—I am sorry, sir; were you going to say something else?

Senator AKAKA. I have asked that you describe how DOD plans to use the 2005 BRAC round to enhance our joint training and warfighting capabilities.

Mr. DUBOIS. In the selection criteria, which was published recently, it specifically calls for decisions to be made on the basis of joint operating capabilities, joint training, joint logistics. This is somewhat of a change from the four prior BRACs. The Secretary is quite insistent that all four Services work together to determine where and when Marine Corps air assets could be better positioned from a warfighting standpoint on an Air Force base, and I could use the examples obviously from a——

Senator AKAKA. Are you describing what you call the "purple" bases?

Mr. DUBOIS. Well, all bases except for one are "owned by" an individual service secretary, Army, Navy, or Air Force. There is only one military installation that the Secretary of Defense "owns" and that is the Pentagon, and I am proud to say that I am the installation commander of the Pentagon. But purple, that is the only purple one in that sense, sir.

Senator AKAKA. Thank you.

Senator ENSIGN. Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman. Mr. Chairman, I have six questions, but I have two that I have never been able to get the answer for, so I start with those because I am afraid I will not be able to get around to the rest of them.

It has been interesting to me to listen to the variety of descriptions of this, of the Global Posture Review. There are about 12 different terms that are used, but I think they are somewhat interchangeable. I became interested in this. I have talked extensively with Doug Feith, with General Jones. As I mentioned in my opening statement, I am very much concerned over how this relates to the BRAC decisions that are being made.

What I would like to ask you is, let us just take a hypothetical. You are looking at something, and I agree with you when you say if we had 40,000 families stationed in Western Europe that obviously if we could bring those back statewide and we could have shorter deployments in areas where training can take place, such as Eastern Europe, where they do not have the environmental encroachment, they have the ranges, they want us there, they will billet us, you would save untold millions of dollars to do it that

way, and I think that is where we are going. At least I hope that is where we are going.

Now, as far as this round is concerned, that would have a dramatic change. Now, one, it would seem to me that you would first have to determine how many of these assets are going to return stateside, because we are talking about stateside realignments and closures, before you make the decision, the BRAC decision.

Now, I understand it is going to be something that will have to be happening simultaneously, but so that we can fulfil our constitutional duties of oversight it would seem to me that we are going to have to see what this is going to look like before it comes into a BRAC situation. For example, what if you make this decision and predicate your BRAC decisions based on 30,000 families coming back and it ends up being 40,000 or 10,000? Then you have not done the closure part of it right.

So it is which comes first, number one; and are we as the oversight committee going to have access to those recommendations before they take place?

Mr. DUBOIS. You have said it better than I can, Senator. As I hoped I had indicated, the Secretary of Defense intends to make decisions as to what force structure will return from overseas to the United States by the end of May of this year. Giving the BRAC process, if you will, a full 12 months, 1 year, so that the Army—and I will pick on the Army because they are dealing with large force structure in Western Europe—can appropriately decide which base or bases is best for the repositioning of those troops and their families.

Senator INHOFE. At the point that that decision is made prior to going to General Lust, we as an oversight committee are going to be able to see the numbers and what the numbers are going to look like so that we can properly exercise our duties; is that correct?

Mr. DUBOIS. That is correct.

Senator INHOFE. Okay, that is what I came to hear.

Now, second, I submitted a question or a suggestion that the 50–50 law and other statutory limitations be included as criteria. They were not, but I would like to know just what your intentions are. Let us just—you can use hypothetical cases if you want to. I understand that Solomon Ortiz had more than just a passive interest in this when it was over in the House, and I do too, not really from a parochial sense as much as where we are statutorily.

The law is on the books. The law says that 50 percent of this work is going to have to be done in public depots. Now, is that considered when you are making determinations as to, under the new criteria, the realignments or closures will take place? In other words, I would assume you would not make suggestions or have the commission make the suggestions that would violate a law that is currently on the books; is that fair for me to assume that?

Mr. DUBOIS. The laws that pertain to whether it is 50–50 or core, any statute on the books, we have to take into consideration. They shall not be ignored by the BRAC process.

Senator INHOFE. Well, but there is a big difference between "they shall not be ignored" and "they shall be followed." Would they be followed? Will the law be followed?

Mr. DUBOIS. I would submit to you, sir, that the 50–50 process in particular requires that 50 percent of all depot maintenance dollars appropriated by Congress be spent in depots. It does not mean that they have to be spent in depot X versus depot Y versus depot Z, as you well know. It is looked at in the aggregate.

The particular depot level maintenance and repair facilities are going to be examined, as was the statutory requirement, all bases examined equally, are going to be examined within the BRAC process and any statutory constraint is going to be carefully, carefully considered. Now, let me try to be as precise as I can. You have asked and you have stated correctly, there is a difference between saying we will not ignore. I would suspect——

Senator INHOFE. No, there is a difference between consider and follow.

Mr. DUBOIS. Right, and we will follow the statute.

Senator INHOFE. Okay.

Mr. DUBOIS. Now, if at the end of this tortuous path, this difficult path, in May, no later than May 16, 2005, recommendations are made which involve—and please forgive me; I am trying to use my words carefully here, as you can well imagine—involve other statutes on the books, it will be obvious to all, because the Secretary will make these recommendations. The depots in particular are considered during the BRAC must take into consideration those statutes that you have outlined. We know that. I can only say I do not know where we are going to end up.

The BRAC process this time—and I can only emphasize it because I think it is important. People have to recognize that this BRAC process—and the gentlemen on my left and right are part and parcel of the process—is going to be as comprehensive and as fair as is possible.

Senator INHOFE. I understand, and I believe in the process. In my opening statement I commented that I have been here when the original legislation was passed, and I believe it has been successful up to this point, though. The question just specifically was, are you going to be following the law, and I think you have said you will be following the law. That was what I wanted to find out.

Okay, or do you disagree with that?

Mr. DUBOIS. No, I do not disagree with you.

Senator INHOFE. All right. Then I think I have just 1 minute left and I am going to real quickly ask these questions, and perhaps you are going to have to do it for the record because I am concerned about it.

First of all, I look on page 47 of your document, the defense document that outlines the criteria, and I see that the decisions made in terms of closing the bases are based on 43 brigades, while the Army, General Lust, is requesting 48 brigades. So it would be 19 percent in excess capacity based on 43 brigades, but 9 percent based on 48 brigades. Which are we using? Maybe, General Lust, you have that answer?

General LUST. Sir, right now we have permission to go from 33 to 43. In fiscal year 2006 the decision will be made between the Army and OSD as to whether we will be allowed to go and get the other five, sir. Right now we are going to 43.

Senator INHOFE. I understand that. But you have recommended 48.

General LUST. Yes, sir. We are looking to have a place to put 48, sir.

Senator INHOFE. Okay, that is fine. Thank you very much.

Then the other one, this can be for the record, Mr. Chairman, because I am using up too much of your time. I would like to know for the record, will your recommendations account for the fact that we now need, with Future Combat System (FCS) coming on line and looking out in the future, more maneuvering room? Is that going to be a consideration that you will be taking? You can answer that for the record.

[The information referred to follows:]

The Army's Base Realignment and Closure analysis and recommendations to Office of the Secretary of Defense will consider maneuver requirements associated with Future Combat System-equipped formations.

Senator INHOFE. Then the last question I would like to ask for the record is: we are looking at trend lines now in terms of environmental encroachment. You accurately outlined other types, urban encroachment and others too, but environmental encroachment, the line is going up. So I will be asking, will you be considering this, this increase of environmental encroachment that we are all suffering under right now, both here and overseas, as you make these decisions?

Mr. DUBOIS. I certainly will give you more complete answers for the record——

Senator INHOFE. Very good.

Mr. DUBOIS. But the answers to both of your questions in one word is yes.

[The information referred to follows:]

In accordance with the Base Realignment and Closure statute, the Department will base all its closure and realignment recommendations on approved selection criteria that reflect military value as the primary consideration. The issue of encroachment is captured by criterion two, which requires the Department to consider the availability and condition of land, facilities, and associated airspace. The test of selection criterion two follows:

> The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.

Senator INHOFE. Okay. Thank you, Mr. Chairman.

Senator ENSIGN. No problem.

Senator ALLARD. Mr. Chairman, I have about two and a half single-spaced pages of questions here. Obviously I am not going to make it through all my questions, and I assume we are going to have an opportunity for us to submit questions for them to respond within a week or 10 days? What will be your guideline? A week?

Do you think you could respond back within a week?

Mr. DUBOIS. I will not let them do anything else.

Senator ALLARD. Well, this is important, and I would like to bring to the committee's attention an issue that has evolved over the last year at the now-closed Lowry Air Force Base in Denver, Colorado. Specifically, I would like to touch on what has happened after an initial discovery of asbestos buried in the soil at Lowry.

This discovery was found on a parcel of land that was deemed suitable for residential use by the Air Force and where houses had already been constructed.

Mr. Chairman, hundreds of Coloradans now live in these houses. Unfortunately for the families living on the site, the Air Force has been unwilling to work out an agreement to the benefit of all parties. It is clear that the cause of asbestos containment was an old Air Force hospital which was destroyed and, rather than being disposed of, the debris was buried across the site. Despite acknowledging this demolition after the fact, the Air Force has now refused to cooperate with the State of Colorado and the home builders who had to pay for the cleanup of asbestos.

I have a series of questions that I would like to ask General Fox. But before I get into them, I would like to acknowledge that I met with Mr. DuBois yesterday regarding this issue and I am pleased to report that Mr. DuBois is poised to help resolve the problem at Lowry. We had left the discussion at that time that we would follow up with some of the questions, and we apparently are still going to get some resistance from Under Secretary Nelson Gibbs. I felt very good after our discussion yesterday, but today I do not feel so good.

So I feel compelled to begin to ask some questions and just begin to put some things in the record. I hope that you are not offended or that General Fox is not offended in any way. But it is just, I do not see the chairman having any more hearings like this, so this is my one opportunity to begin to build this into the record. So I have to take this opportunity at this particular point in time.

In 1993 the Air Force, the Environmental Protection Agency (EPA), and the State of Colorado conducted an environmental baseline study for Lowry Air Force Base. While the survey indicated a former hospital at the site, the survey did not disclose the fact that the Air Force has buried debris, including asbestos, across the Northwest neighborhood of the Air Force base.

Mr. Chairman, I ask that the excerpts from the baseline survey be entered in the record, and I have it.

Senator ENSIGN. Without objection.

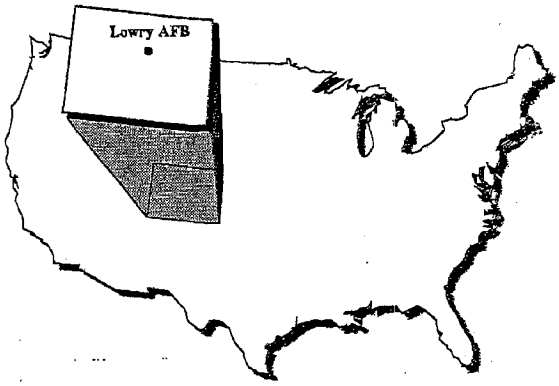
[The information referred to follows:]

OCT. 3. 2003 9:07AM SENATOR ALLARD

Wayne Allard

BASEWIDE ENVIRONMENTAL BASELINE SURVEY LOWRY AIR FORCE BASE, COLORADO

December 1993



Site O: Disposal/Fill Area

1973 Significant quantities of light-toned, earthen type solids have been deposited on and around the northern terminus of the former north-south runway. Additional quantities of material, which appear dark-toned in the photo possibly due to vegetation cover, have been dumped in individual loads (e.g., dump truck-sized loads) parallel to (east of) this same portion of the runway. The source and possible composition of these materials may be attributed to residual concrete and associated building rubble left over from the demolition of the former base hospital numerous barracks once situated west of this locale. This activity was intended to make way for the development of privately owned mobile home residential units, some of which are present by 1973.

Salvage of timbers and other valuable items from the old base structures was reported to have occurred during the demolition operations. Unwanted or non-recoverable materials such as foundations, old masonry, or other undesirable demolition debris was left in place for disposal by base authorities. While such demolition rubble was reportedly found at a site north of Site O, no such similar materials were reported to have been disposed in this location.

1983 No evidence of the large quantities of material noted in the previous year of photography is evident at this time. The far end of the runway has been cleared and a street has been established in the area. Possible grading or removal of the material to other locations may have occurred during the past decade. Additional structures once located west of Site O have been removed and replaced by large numbers of mobile homes. Debris associated with this demolition activity may have been deposited in the vicinity of Site J where a long time employee remembers construction debris being disposed of. No additional activities or observations concerning this site were noted in subsequent photographic coverages of this area.

Site Classification and Recommendations. The site has been classified as a Category 1 property because no evidence of the disposal of hazardous substances or petroleum products was identified during the VSI or during the analysis of the aerial photography. No further investigation of the site is believed to be necessary.

Site P: Open Storage Yard

1973 Four varying sized piles of dark-toned material appear within the confines of the fenced open storage yard located near the eastern access gate to Lowry AFB. These piles, which are neatly oriented in a north-south direction, are probably comprised of coal which was historically used on base as a heating source. This general area is currently managed under the IRP (IRP Site OT-04) and is identified as the Coal Storage Zone (East). It would appear that coal stockpiles are maintained in this area due to the deactivation of the former stockpiling site located approximately 700 feet to the south (see Site C discussion for details concerning this site). Small quantities of additional non-earthen type materials are also noted within the yard; however, resolution limitations preclude identification of these features. Generally speaking, these materials are probably comprised of equipment and other stockpiled materials that are stored prior to use elsewhere on base.

1983 The site appears much as it did in 1973; however, considerably more coal is present at this time than in the past. No additional features of significance are identified within this area.

Senator ALLARD. My question to you, General Fox: Why was no information about the buried asbestos disclosed by the Air Force in 1993?

General FOX. Senator Allard, I would have to take that for the record. I think that our investigations at that point did not reveal to our knowledge that we had a problem. I think the studies that have been done since and our investigations since have not revealed the problem to the extent that has been brought up.

I do want to add that the claims that are presented to the Air Force—we are very concerned about, we want to be responsive to. We are conducting legal reviews with our judge advocate, with the DOD general counsel, and with the Department of Justice, to look at the responsibility for those claims. If the liability is with us, then we will do everything within our power to adjudicate the claims quickly.

[The information referred to follows:]

The Air Force did not bury asbestos in the Lowry Northwest Neighborhood (NWN). During past building demolition, some debris remained in place, but to the best of our knowledge, the Air Force did not intentionally dispose of asbestos construction waste. Unfortunately, the Air Force was unaware of the subsurface items containing asbestos at the time of the 1993 survey.

Had we known of remaining construction debris, we would have disclosed this information. From the information that was available, it wasn't known that anything like that had happened.

The Air Force, EPA, and State regulators, working together as the BRAC Cleanup Team (BCT), have conducted numerous environmental studies and reviews to identify any environmental contamination or conditions affecting Lowry. These efforts included the 1993 Environmental Baseline Survey (EBS), known as the EBS Phase I, which was supplemented in 1994. The BCT was also involved in studies and document reviews conducted under a facility assessment in 1996, an EBS Phase II completed in 1999, the initiation of an EBS Phase III in 2002, a reevaluation of the base's operational history in 2002, and an all-sites review (now being addressed under a RCRA facility assessment ordered by the state) initiated in May 2003. The completed studies and documents were made available to the Lowry Redevelopment Authority (LRA) for their review, as well. Despite these efforts by the BCT, locations containing debris were not identified or raised as a concern by any of the BCT members.

The 1993 EBS mentioned possible demolition debris near the former airfield runway, and four rubble sites at Lowry that might contain demolition debris. The EBS described a 1973 aerial photo indicating possible stockpiling of earth, residual concrete, and building rubble from the demolition of the former base hospital near the northern end of the former north-south airfield runway. The EBS also briefly described a 1983 aerial photo that indicated the northern end of the runway was then clear of the stockpiled material, and that possible grading or removal of the material to other base locations may have occurred since 1973. The 1983 photo showed that several former structures near the NWN appeared to have been removed by demolition. The EBS states that a former Lowry employee recalled that the demolition debris was moved to a solid waste site on Lowry, away from the NWN.

Senator ALLARD. Very good.

It is my understanding that this same baseline survey which did not reveal asbestos in the soil also failed to include dummy munitions later found at the base, failed to include eight underground storage tanks filled with hazardous wastes left on base, and did not include 20 millimeter high explosive fragments from projectiles found at Lowry.

Knowing this, do you feel that the Air Force has done an adequate job of characterizing the extent of environmental contamination at Lowry?

General FOX. Sir, I would like to take that for the record.

[The information referred to follows:]

The Air Force, in conjunction with EPA and the State, has done and continues to do more than an adequate job of characterizing the extent of environmental contamination at Lowry. However, the Air Force always seeks to do better, especially when deficiencies are discovered which reveal that the painstaking process undertaken by the BCT to identify unknown sites did not always succeed. Lowry has been a challenging environmental effort, partially due to unknown environmental conditions caused by the constant change in the numerous military missions and tenants from 1937 until the base closed in 1994. We are continuing our due diligence efforts

to increase the possibility that other potentially contaminated sites are located and receive an appropriate response.

The "dummy" munitions that were found were brass shell casings that contained no explosive charge or powder and are similar to the small shells occasionally kept by military members as souvenirs. They were not hazardous.

The projectile fragments referred to were target practice fragments found by the Air Force during its remedial investigation of the base's firing range berm, where one would reasonably expect to find such fragments as a result of target practice. An ordnance team from Fort Carson stated the fragments were not from high explosive projectiles.

Also, of the eight underground storage tanks referred to, three contained hazardous waste, but all were found by the Air Force during environmental cleanup, as part of the Air Force's ongoing investigative efforts. Of course, the regulators and the redevelopers were kept apprised of these Air Force discoveries. The Air Force removed the tanks in consultation with the State regulators, who agreed with the Air Force's work and disposal plans. When the tanks were discovered and removed, the Air Force still owned the property where the tanks were located.

Senator ALLARD. The Air Force also designated in the baseline survey that the Northwest neighborhood was a category I site, which means that there was no evidence of hazardous materials and no further investigation of that site was necessary. Given the discovery of asbestos across the site, would the Air Force still give the site a category I designation?

General FOX. Sir, I would have to respond to that for the record.

[The information referred to follows:]

The Air Force did not designate the entire Northwest Neighborhood as a "Category I site." Portions of this property, which encompasses over 90 acres, were given other DOD Environmental Condition categories. For purposes of environmental due diligence, assigning DOD environmental condition categories, and conducting environmental restoration, the Air Force did not refer to or consider this entire property as a single "site."

Most, though not all, of the property in the Northwest Neighborhood was considered DOD environmental condition category I at property transfer. Category I property is property where no release or disposal of hazardous substances or petroleum products has occurred (including no migration of these substances from adjacent areas). Property that receives a DOD environmental condition category II through IV can also be transferred by deed, and several properties within the NWN fell within those categories.

Had we the information then that we have now, the Air Force would not have designated as category I the former hospital site. If the amount of health risk did not warrant a CERCLA response, that portion of the property may have qualified as a different category that would have still allowed the Air Force to transfer the property by deed. If the health risk warranted a CERCLA response, then those portions of the property would have been a different category that does not allow transfer by deed until the necessary CERCLA responses are taken.

Senator ALLARD. Does this discovery not make the Air Force liable for cleaning up the site? You probably want to consult with your lawyer on that one.

[The information referred to follows:]

The issue of liability for environmental cleanup can be complex, depending on the facts and circumstances, and agreements entered into by the parties. It is impossible to generalize. The circumstances vary from location to location. The Air Force and the Department of Justice are currently investigating and analyzing facts and circumstances surrounding the transfer and development of the property within the NWN at the former Lowry AFB and the subsequent asbestos cleanup activities. This investigation and analysis is guided by current CERCLA case law and precedent. No decision has been made by the Federal Government as to the liability of the various parties involved at this time. The Federal Government, and specifically the Air Force, will pay whatever portion of the liability it is responsible for pursuant to law.

The Air Force is required by Federal law (CERCLA) to promise future property owners that it will perform whatever remedial action is necessary under Federal law to protect human health and the environment. Necessary remedial actions are determined in accordance with Federal procedures established under CERCLA. The

Air Force is conducting a CERCLA investigation of what remedial actions are necessary, if any, for the property in the NWN that it still owns. The Air Force is also willing to conduct such an investigation for the property that it has conveyed. This, of course, is somewhat complicated because of actions by others on such property. What reimbursement the Federal Government is obligated to make in these circumstances is what is under investigation by the Air Force and the Department of Justice.

Mr. DUBOIS. Senator Allard, if I might. General Fox, the Civil Engineer of the Air Force, has a great many responsibilities, but one of them is not the issue of environmental cleanup on previously BRAC'd installations. So I just wanted for the record to demonstrate that the General, knowledgeable about many things, that is why he is taking some of these questions to be responsive to you in more detail later.

Senator ALLARD. Well, why do we not do it this way. Like I say, I have a number of questions here, and I did not expect him to have the answer on these, but perhaps maybe you want to share some enlightenment on it. In view of your comments, why do I not just submit them to General Fox with the idea that you will work with him and other individuals in the Air Force, perhaps working with Assistant Secretary Nelson Gibbs, to see if we cannot get a response back to us.

I would ask that you at least respond to the questions, and I know that you will want to give them—perhaps more than one person will want to aid in putting together responses.

Mr. DUBOIS. We will take your questions, sir. As I indicated to you yesterday in our meeting, my understanding of the recent events are that we are moving towards a constructive dialogue with the seven claimants involved. We take very seriously this issue of, A, not characterizing appropriately the land. We have many parcels of land, quite frankly, with very bad documentation.

Senator ALLARD. I understand that.

Mr. DUBOIS. B, that we will move to appropriate claim adjustments when presented with appropriate documentation, which we have some of but not entirely.

Senator ALLARD. I appreciate that, and I appreciate again your reassurances that you will work with us on that. We will get some questions to you. I want to thank you, Mr. DuBois, for wanting to work with us. I appreciate that.

Again, thank you, Mr. Chairman.

Senator ENSIGN. Thank you.

Senator Cornyn, from what I understand, with your indulgence, I have to catch a flight, so I just have two quick questions and then you can chair the rest of the subcommittee and you can ask your questions.

Mr. DUBOIS. Put the gavel in his hand.

Senator ALLARD. Mr. Chairman, before you go, I also had another document I want made part of the record in putting my questions. It is an economic development conveyance agreement between the Department of the Air Force and the Lowry Economic Redevelopment Authority.

Senator ENSIGN. Without objection.

[The information referred to follows:]

Wayne Allard

ECONOMIC DEVELOPMENT CONVEYANCE AGREEMENT
BETWEEN THE DEPARTMENT OF THE AIR FORCE
AND THE LOWRY ECONOMIC REDEVELOPMENT AUTHORITY

THIS AGREEMENT is made between the Secretary of the Air Force, on behalf of the United States of America ("Air Force " or "Grantor") and the Lowry Economic Redevelopment Authority, a separate legal entity established pursuant to an intergovernmental agreement between the City and County of Denver, Colorado and the City of Aurora, Colorado, pursuant to the laws of the State of Colorado, and recognized by the Secretary of Defense as the Redevelopment Authority for the communities in the vicinity of Lowry Air Force Base ("Redevelopment Authority" or "Grantee"). The Air Force and the Redevelopment Authority may be referred to jointly as the "parties" or separately as a "party."

RECITALS

A. Lowry Air Force Base ("AFB") was closed as an active military installation on September 30, 1994, pursuant to the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510 ("DBCRA) as amended.

B. The closure of Lowry AFB, without other economic redevelopment, will cause economic hardship for the communities in the vicinity of Lowry AFB.

C. It is in the interest of the United States that the Department of Defense facilitate the economic recovery of communities that experience adverse economic circumstances as a result of the closure or realignment of military installations under the DBCRA. To encourage such redevelopment, Congress enacted the "Pryor Amendments" (Title XXIX of the National Defense Authorization Act for Fiscal Year 1994), Pub. L. No. 103-160, which provides for Economic Development Conveyances ("EDCs") of property on military installations closed under the DBCRA.

D. The Lowry Economic Redevelopment Authority has been recognized as a "Redevelopment Authority" by the Secretary of Defense and has requested an EDC of the property described on Exhibit A, attached hereto. The property described in Exhibit A may be referred to as the "EDC Premises."

E. The Air Force reviewed the Redevelopment Authority's request for the EDC and prepared explanations required by Section 2903, Pub. L. No. 103-160. The Secretary of the Air Force has determined that the requested EDC will facilitate the reutilization or redevelopment of Lowry AFB in a beneficial manner or of otherwise revitalizing the impacted communities and the economies of such communities. The Air Force has completed its Environmental Impact Analysis Process and on August 1, 1994, issued a Record of Decision supporting the Redevelopment Authority's requested EDC subject to the terms and conditions set forth in this Agreement.

Original EDC Agreement, 6/30/95

ATCH 2

8.2. Records and Books of Account. The Redevelopment Authority agrees that the Comptroller General of the United States or the Auditor General of the United States or the Auditor General of the United States Air Force or any of their duly authorized representatives shall, until the expiration of three (3) years after the expiration or earlier termination of this Agreement, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Redevelopment Authority involving transactions related to this Agreement. The Redevelopment Authority further agrees that any sale, lease, or other transfer of any interest in the EDC Premises (or any part thereof) will contain a provision to the effect that the Comptroller General of the United States or the Auditor General of the United States Air Force or any of their duly authorized representatives shall, until three (3) years after the expiration or earlier termination of this Agreement, have access to, and the right to examine, any directly pertinent books, documents, papers, and records of the grantee, lessee, assignee or other successor involving transactions related to the transfer of any interest in the EDC Premises (or any part thereof).

9. Presence of Asbestos. The EDC Premises are improved with buildings and facilities and equipment that may contain asbestos-containing materials. The Environmental Baseline Survey, a copy of which the Redevelopment Authority acknowledges having received, discloses the condition and known locations of any asbestos-containing materials.

WARNING!

9.1. The EDC Premises contain asbestos-containing materials. Unprotected or unregulated exposure to asbestos in product manufacturing, shipyard, and building construction workplaces have been associated with asbestos-related diseases. Both the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA) regulate asbestos because of the potential hazards associated with exposure to airborne asbestos fibers. Both OSHA and EPA have determined that such exposure increases the risk of asbestos-related diseases, which include certain cancers and which can result in disability or death.

9.2. The Redevelopment Authority has been invited, urged, and cautioned to inspect the EDC Premises prior to submitting its application for an EDC. More particularly, the Redevelopment Authority was invited, urged and cautioned to inspect the EDC Premises as to its asbestos content and condition and any hazardous or environmental conditions relating thereto. The Air Force has assisted the Redevelopment Authority in obtaining any authorizations which may have been required in order to carry out any such inspections. The Redevelopment Authority shall be deemed to have relied solely on its own judgment in assessing the overall conditions of all or any portion of the EDC Premises, including, without limitation, any asbestos hazards or concerns.

9.3. No warranties, either express or implied, are given with regard to the condition of the EDC Premises including, without limitation, whether the EDC Premises do or do not contain asbestos or are or are not safe for a particular purpose. The failure of the Redevelopment Authority to inspect or to be fully informed as to the condition of all or any portion of the EDC Premises will not constitute grounds for any claim or demand for adjustment or withdrawal by the

Redevelopment Authority from this Agreement or rejection of the Air Force's tender of any deed pursuant hereto.

9.4. The description of the EDC Premises set forth in this Agreement and any other information provided therein with respect to the EDC Premises is based on the best information available to the Air Force and is believed to be correct, but an error or omission, including, but not limited to, the omission of any information available to the Air Force or any other Federal agency, shall not constitute grounds or reason for nonperformance of this Agreement or any claim by the Redevelopment Authority against the Air Force including, without limitation, any claim for allowance, refund, deduction, or payment of any kind. The Air Force will, at no expense to it, cooperate in executing and delivering quitclaim deeds necessary to convey omitted land intended to be included in the EDC Premises and to correct any description of the EDC Premises.

9.5. The Air Force assumes no liability for damages for personal injury, illness, disability, or death to the Redevelopment Authority or to the Redevelopment Authority's successors, assigns, employees, invitees, or any other person subject to the Redevelopment Authority's control or direction, or to any other person, including members of the general public, arising from or incident to the purchase, transportation, removal, handling, use, disposition, or other activity causing or leading to contact of any kind whatsoever with asbestos on the EDC Premises, whether the Redevelopment Authority, its successors or assigns, has or have properly warned or failed properly to warn the individual(s) injured.

9.6. The Redevelopment Authority further agrees that in its use and occupancy of the EDC Premises it will comply with all applicable Federal, State, interstate, and local laws relating to asbestos.

10. Presence of Lead-based Paint. The EDC Premises includes improvements that are presumed to contain lead-based paint because they are thought or known to have been constructed before 1978. The risks associated with lead-based paint are summarized in the Lead Warning Statement at Appendix 5. The deed or deeds conveying the EDC Premises to the Redevelopment Authority will contain a covenant to insure that the lead-based paint poisoning prevention requirements imposed by Title 24, Code of Federal Regulations, Part 35, are met before any use of the property for residential habitation or by children under seven (7) years of age.

11. Protection of Wetlands. If any portions of the EDC Premises are determined to be jurisdictional "wetlands" by the United States Army Corps of Engineers or the U.S. Environmental Protection Agency, all construction on those portions of the EDC Premises must comply with WETLAND CONSTRUCTION RESTRICTIONS contained in Title 33, Code of Federal Regulations, Sections 320 through 330, as amended, and any other applicable Federal, State, interstate or local wetlands regulations.

12. Hold Harmless. The Redevelopment Authority and any subsequent grantee, lessee, assignee, or other successor in interest to the EDC Premises or any subdivision thereof, shall, to the extent permitted under applicable law, indemnify, save, and hold harmless the United States from any damages, costs, expenses, liabilities, fines, or penalties resulting from releases,

discharges, emissions, spills, storage, disposal of, or any other acts or omissions related to any toxic or hazardous wastes, substances, or materials, or petroleum or petroleum derivatives by the Redevelopment Authority and any subsequent lessee, grantee, assignee, or other successor in interest to the EDC Premises or any subdivision thereof, their officers, agents, employees, contractors, or sublessees or licensees, or the invitees of any of them, giving rise to Air Force liability, civil or criminal, or responsibility under Federal, State, interstate or local environmental laws. This condition shall survive the expiration or termination of this Agreement, and the obligations hereunder of the Redevelopment Authority and any subsequent grantee, lessee, assignee, or other successor in interest to the EDC Premises or any subdivision thereof shall apply whenever the Air Force incurs costs or liabilities for the Redevelopment Authority's actions of the types described in this Section 12.

13. Environmental Cleanup Liability. Notwithstanding any other provision of this Agreement, the Redevelopment Authority and its successors do not hereby assume any liability or responsibility for environmental impacts and damage caused by the Air Force's use of toxic or hazardous wastes, substances, or materials, or petroleum or petroleum derivatives, on any portion of Lowry AFB, including the EDC Premises. The Redevelopment Authority and its successors have no obligation under this Agreement to undertake the defense of any claim or action, whether in existence now or brought in the future, solely arising out of the use of or release of any toxic or hazardous wastes, substances, or materials, or petroleum or petroleum derivatives, on or from any part of Lowry AFB, including the EDC Premises, prior to the earlier of the first day of the Redevelopment Authority's occupation or use of each such portion of or such building, facility or other improvement on the EDC Premises under any lease entered into between the Parties or the date of this Agreement.

13.1. For the purposes of this condition, "defense" or "environmental response, remediation, or cleanup" include liability and responsibility for the costs of damage, penalties, legal and investigative services relating to such use or release. "Occupation" or "use" shall mean any activity or presence (including preparation and construction) in or upon such portion of, or such building, facility or other improvement on the EDC Premises.

13.2. This condition does not relieve the Redevelopment Authority and its successors of any obligation or liability they might have or acquire with regard to third parties or regulatory authorities by operation of law.

13.3. The Air Force recognizes and acknowledges its obligations under Section 330 of the National Defense Authorization Act, 1993, P. L. 102-484, as amended, which provides for indemnification of certain transferees of closing defense property. In accordance with Section 330, The Secretary of Defense shall hold eligible parties harmless, and defend and indemnify them in full from and against any suit, claim, demand or action, liability, judgment, cost or other fee arising out of any claim for personal injury or property damage (including death, illness, or loss of or damage to property or economic loss) that results from, or is in any way predicated upon, the release or threatened release of any hazardous substance, pollutant, or contaminant, or petroleum or petroleum derivative, as a result of Department of Defense activities at any military installation (or portion thereof) that is closed pursuant to a base closure law.

it shall cooperate reasonably with the Redevelopment Authority and sign such documents and undertake such other acts, so long as such can be completed without incurring costs or liability, as are necessary for the Redevelopment Authority to complete the planning, zoning and development of the EDC Premises, the resale and marketing of any portion of the EDC Premises, and the formation and operation of special districts, metropolitan districts and other quasi-governmental entities organized for the purpose of providing infrastructure facilities and services to or for the benefit of the EDC Premises.

22.1. The Air Force consents to the inclusion of any portion of the EDC Premises within the boundaries of any special district, metropolitan district, or other political subdivision of the State of Colorado, or other entity organized and operated for the purposes of providing infrastructure facilities or services to or for the benefit of the EDC Premises and empowered to issue bonds or other obligations under the laws of the State of Colorado.

22.2. The Air Force consents to the zoning, masterplanning, subdivision, or other similar land use approval or proceeding initiated or otherwise approved by the Redevelopment Authority and relating to any portion of the EDC Premises, provided, however that any such land use development activities shall be approved by the Board of Directors of the Authority under the Redevelopment Plan and shall not be inconsistent with the Record of Decision.

22.3. Nothing in this Section 22.3. shall be construed as consent by the Air Force, or its successor, to permit or participate in any action by the Redevelopment Authority which would in any way impair the Air Force's security interest in the EDC Premises or Related Lease.

23. Additional Parcels; Asbestos and Lead-Based Paint. As part of the consideration for the EDC Premises and the assumption by the Redevelopment Authority of the obligations in this Section 23, the Air Force will, on or before June 30, 1996, amend this Agreement to include in the EDC Premises Parcels DD and PP as described in the Record of Decision for Lowry AFB dated August 1, 1994, as supplemented on June 28, 1995. In the event the Air Force does not so amend this Agreement, the consideration for the EDC Premises shall be reduced to THIRTY TWO MILLION DOLLARS ($32,000,000.00), and the parties agree to amend this Agreement and the Loan Documents accordingly. From and after the date of this Agreement, the Redevelopment Authority agrees to assume responsibility for compliance with all laws and regulations related to the presence, containment, release, abatement, removal, handling, transportation, and disposal of asbestos-containing materials ("ACM") and lead-based paint ("LBP"), now or hereafter existing, on and from the EDC Premises, including maintaining same in good condition. In conjunction therewith, the Redevelopment Authority hereby releases the Air Force of all liability associated with ACM and LBP on the EDC Premises, and it agrees to indemnify and defend the Air Force against, and hold the Air Force harmless from, all claims, suits, demands, actions, liabilities, judgments, and costs accruing after the date of this Agreement for death, personal injury, and property damage arising from, or in connection with, the presence, containment, release, abatement, removal, handling, transportation, and disposal of ACM and LBP from and after the date of this Agreement.

IN WITNESS WHEREOF, the United States, acting by and through the Secretary of the Air Force, has caused these presents to be duly executed for and in its name and behalf by ALAN K. OLSEN, who has this 30th day of June, 1995, set his hand and seal.

UNITED STATES OF AMERICA

BY: ALAN K. OLSEN
Director, Air Force Base Conversion Agency

Witnessed by:

LOWRY ECONOMIC REDEVELOPMENT AUTHORITY

ATTEST: SIDNEY L. PAPEDO
Secretary/Treasurer

BY: FORREST M. CAMSON
Chairperson

Senator ENSIGN. This actually would be a fairly quick question for each one of the service engineers. Have you, any of you, been able to identify an impact to your budget request from any element of the housing privatization accounts other than direct appropriations that you did not account for? Let us go down the line.

General WILLIAMS. I think we in fact have accounted for the impacts of privatization on our budget. We certainly have a concern, as I mentioned earlier, with the cap and exactly how that is going to affect us in our ability to continue with our privatization program, our PPV program.

The one area that we continue to analyze, of course, is as we privatize we certainly expect our maintenance and our sustainment sort of requirements to go down. However, we understand that it is certainly not a one for one sort of an exchange. Although sustainment will be decreasing in some cases, we still have older facilities that still are required to be maintained and we end up pouring more dollars into those older ones until we can continue with that overall privatization effort.

I would say that we are in fact looking at that. We are looking and taking those into consideration as we go through our privatization effort.

Admiral WEAVER. Sir, I believe we have accounted for that in the budget submission. Approximately 30 percent of our housing replacement is leveraged against 2005, and again we are very concerned about the cap for that. But we have also accounted for the transfer of housing allowance into the purchasing process as opposed to continuing to maintain a funding level of traditional fam-

ily housing support. In other words, we see them going in opposite directions, which is what we intend for them to do.

Senator ENSIGN. General Lust?

General LUST. Sir, would you restate your question for me?

Senator ENSIGN. Have any of you been able to identify an impact to your budget request from any element of housing privatization agreements other than direct appropriations that you did not account for?

General LUST. Now I understand. Yes, sir. When we do privatization, we do not budget for the utilities, the service, and maintenance, and that part is affected there. But like the Marine Corps, I expected the requirement to drop down more than it has. When we got to looking into it, what happened is what I have left are a lot of historic quarters, which take a tremendous amount of money to maintain.

But my real concern about privatization, sir, is getting the cap lifted. If I get the cap lifted, housing, it is going to take $256 million to complete current privatization projects to get adequate housing. If it is not, the equivalent MILCON will be $2.2 billion. It will take me somewhere over 25 to 30 years to get it built out. With the cap lifted, I can do it somewhere between 8 and 14 years.

Senator ENSIGN. Okay.

General Fox?

General FOX. Senator Ensign, I will tell you that we may have been a little over optimistic when we first started housing privatization, and so we looked at the budget and removed some operation and maintenance funds prematurely. We now have caught up on the privatization side. We are actually executing privatization at the rate that we thought we could initially. So we are more in line with O&M expenditures as we had projected.

By 2007, as we meet the goal to take care of our housing in the continental U.S., our O&M accounts for housing are going to come down, and we are already looking at that and how to reprogram or budget that actually into base allowance for housing. So there will be savings post-2007. But initially we had a little problem because we were a little over optimistic.

Mr. DUBOIS. Mr. Chairman, if I might, just one quick comment. I will sort of take advantage of your question, because I think it is not only a matter of housing privatization cap, it is a matter of scoring. This is an issue that we struggle with, that OMB struggled with. But OMB and the Department of Defense are clear, as I believe are a number of the members of the House and Senate, that were our housing privatization projects to be scored differently than they have been scored to date the program would come to a halt.

Senator ENSIGN. Thank you. Well said.

Mr. DuBois, this has to do with the Readiness and Range Preservation Initiative. We just want to get it on the record. Since being enacted, how have each of these provisions specifically, the ones that we have enacted, specifically helped the armed services meet their military training, testing, and readiness requirements?

Mr. DUBOIS. Yes, sir. A complete answer will be provided for the record. It is a good question. It is a complicated question, whether we are talking about the Migratory Bird Treaty Act, the Marine

Mammal Protection Act, or the Endangered Species Act. I will say just briefly, the Endangered Species Act amendment which allows the Sykes Act to be used for a holistic approach to critical habitat management and designation has resulted in some very significant protection of endangered species habitats at the same time of no net loss in training areas. This is true whether we are talking about Camp Pendleton with respect to the Marines or Fort Bragg with respect to the Army.

But I certainly will take this opportunity, and I appreciate the question, to answer in more detail for the record.

[The information referred to follows:]

Congress passed much-needed legislative provisions in the National Defense Authorization Act (NDAA) for Fiscal Years 2003 and 2004 and the provisions passed so far are key enablers of range sustainability, part of the administration's Readiness and Range Sustainability Initiative.

The amendment to the Migratory Bird Treaty Act is ensuring that military readiness activities can proceed without interruption. As directed by the NDAA for Fiscal Year 2003, the U.S. Fish and Wildlife Service (USFWS) has issued its proposed rule that will allow the Department of Defense to incidentally take migratory birds during military training.

The NDAA for Fiscal Year 2004 authorizes the use of integrated Natural Resource Management Plans (INRMPs) in lieu of Critical Habitat designation, if approved by the Secretary of the Interior, thus allowing ranges and installations to effectively manage their natural resources while supporting military readiness. The USFWS has authorized the substitution of INRMPs for Critical Habitat designations under the Endangered Species Act at Marine Corps Air Station Miramar and other INRMPs are being considered.

Clarification of the Marine Mammal Protection Act's (MMPA) definition of Level B Harassment in the NDAA for Fiscal Year 2004 allows the Navy to test and train with active sonar without restrictions based on imprecise statutory language and varied interpretation of the act's language. 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. These changes allow us to better balance our readiness requirements with our legal obligations to ensure military activities are protective of marine mammals—allowing us to "train as we fight" when our activities do not have biologically significant effects on marine mammals.

One of the most useful provisions for countering encroachment is section 2811 of the NDAA for Fiscal Year 2003. 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 nongovernmental organizations to promote sound land use. The Services are now implementing this authority and forming compatible land use partnerships at the state and local level. For example:

- In late 2003, DOD, the State of Florida, and the Nature Conservancy entered into a partnership to work to conserve a corridor of open space stretching from the Apalachicola National Forest to Eglin Air Force Base—the Northwest Florida Greenway. The Nature Conservancy has praised the Greenway as helping to protect an "epicenter of biodiversity in the United States," an area increasingly threatened by urban sprawl.
- Also in 2003, a landmark cooperative agreement was signed between the National Guard Bureau and the Florida Department of Environmental Protection allowing each to cost-share the purchase of key buffer space around Camp Blanding, a training site of the Florida Army National Guard. The acquisition of 8,500 acres will be possible through funding from the National Guard Bureau and the State's Florida Forever Program.
- The Army's Fort Bragg is actively participating in a cooperative agreement with the State of North Carolina, the Fish and Wildlife Service and several nonprofit groups to cost-share the purchase of land or easements to reduce incompatible land use and promote ecosystem protection around Fort Bragg. It is also spearheading an effort called "Sustainable Sandhills" to strengthen regional planning in the area.
- The Marine Corps' Camp Lejeune in North Carolina has worked closely on surrounding regional land issues with nonprofit groups and other governmental partners since 2001 as part of the Onslow Bight Conservation

Forum. In 2002, this group purchased 2,500 acres of open space (which was slated to become a housing development) adjacent to the Camp Lejeune tank and rifle ranges.

Senator ENSIGN. Thank you.

Senator Cornyn.

Senator CORNYN [presiding]. Thank you, Chairman Ensign. I apologize that I was delayed, detained by another hearing on another important subject. That has to do with reform of our immigration laws. But I did want to come to the hearing and, now that Senator Akaka and I have you the rest of the afternoon, I just have a few questions I want to ask. Seriously, I do not have that many questions, but they are important to me and important to the people I represent.

I know the hearing is designed to cover a range of important military installation environment programs, but, as Mr. DuBois knows from our earlier meeting this week, I wanted to use this opportunity to ask some questions on the record about BRAC. With 17 active military installations in my State and 1 out of every 10 individuals in uniform calling Texas home, this is a very significant issue.

But as I also told Mr. DuBois during the very helpful meeting that we had earlier, I am fully committed to the goal of being a good steward for the taxpayer, making sure that every dollar that we spend on the Department of Defense budget is spent wisely and in the national security interests of this country. But this is always a difficult, difficult process, and hence my interest and my constituents' interest in this subject.

So Mr. DuBois, I do want to thank you again for your courtesy in meeting with me earlier this week. We did have an opportunity to meet for a good period of time. But I do want to get your answers to some of these questions, some of which may be slightly repetitive, on the record so I can know that I have discharged my responsibilities and I have you on the record.

I know you talked about the Global Defense Posture Review and how that interacts with the domestic BRAC, and I am advised by my staff that you have indicated that this committee and Congress ought to be able to get the results of the Global Defense Posture Review by the end of May. Is that correct, sir?

Mr. DUBOIS. Yes, Senator, that is my understanding of the Secretary's intention.

Senator CORNYN. Very good.

I have expressed to you in private and I will take the opportunity to express again in public my concern that that is a lot of balls in the air at one time to do the Global Defense Posture Review, which I know has been under way for a number of years and which is now just culminating, and at the same time we are undertaking to do the base realignment and closing process.

That is why it is important to me and I know important to you and everyone at the Department of Defense that it be done as deliberately and as carefully and as precisely as it possibly can be. So we will be communicating often about that subject as we go along, because I am intensely interested in how that process is going to go forward.

Could you explain again just briefly how the joint cross-service groups are working with the individual service BRAC analytical teams to incorporate jointness in the process?

Mr. DUBOIS. This BRAC, that is to say the BRAC 2005, Senator, the Secretary has instituted from the beginning of the process even joint cross-service groups to look at those areas of real property assets that more than one service has. The joint cross-service groups operate independently. However, they all report to the infrastructure steering group.

The infrastructure steering group, chaired by the Under Secretary for Acquisition, Technology, and Logistics, on which I serve as Deputy Under Secretary for Installations and Environment (I&E), the four vice chiefs and the three Service assistant secretaries for I&E, along with the vice chairman of the Joint Chiefs, it is truly an integrated multi-service effort. Each joint cross-service group, however—and you have asked a very crucial question: how will they interface, interact with, the individual Services and military departments? We have addressed this issue at the infrastructure steering group level. It is our intention and each of the four vice chiefs have committed to not only sharing their views of life and installations and military value assessments with the joint cross-service groups and vice versa—in fact we have a time line that shows those individual organizations sharing at a particular time—it is also crucial that the Services share between the Services.

Each of the vice chiefs and each of the assistant service secretaries for installations and environment committed to doing just that. In fact, it is already going on today.

Now, I hope everyone in this room appreciates the fact that we must protect this process. By protection, I mean preserving its integrity from outside influences and from an inadvertent release, if you will, of information that taken by itself could lead one to the wrong conclusion.

I have been asked frequently why can we not be more transparent, and I have answered because I think the process is very transparent in what it is supposed to do and how it is organized, the selection criteria, the report that the Secretary made a week-plus ago. However, the transparency is also sustained at the other end of the process. When the Secretary reports to the commission no later than May 16, in addition to his conclusions and recommendations will come all the documentation, all the computations, all the implementing guidance, all the so-called subcriteria, all the weightings, so that one and all, not just members of the commission but the public at large, the impacted communities, will have plenty of time to assess how the Department reached its decisions.

Senator CORNYN. Thank you very much for that. I just have one other question. Then I will turn it over to Senator Akaka for any additional questions he may have.

This is a question that, as you noted in our earlier meeting, that I put to the Secretary of Defense. But I will ask you now here in this meeting, like I asked him, on the record. How will homeland defense be factored into the BRAC process?

Mr. DUBOIS. The selection criteria by statute requires homeland defense to be considered in this process. No one knows more intimately or, quite frankly, emotionally than the Secretary of Defense as to the importance of our Nation's security and our Nation's homeland defense and the responsibility that the Department has to keep our people safe, secure, alive and free.

How we go about incorporating the requirements for homeland defense—another transparency—is in the selection criteria. The Services will do it, the joint cross-service groups will do it. As a matter of fact, I have already had discussions with the Assistant Secretary of Defense for Homeland Defense, who is our principal point of contact with Secretary Ridge and the Homeland Security Department, on how to best incorporate his views and needs as those of Secretary Ridge.

So it is a question and it is an issue that we hold dearly.

Senator CORNYN. Thank you very much for answering that question. I would just say in conclusion before I turn the floor over to Senator Akaka that I appreciate your recognition of the importance of the transparency. Consistent with having a BRAC process that maintains its integrity and freedom from undue political and other influences. As some sage once said, you cannot take politics out of politics. There is going to be obviously attempts to politicize the process, and we have already seen some of that, unfortunately.

But as long as I am convinced and I am confident, as long as Congress is convinced, that this process maintains its integrity and its goals and objectives, as you stated, and as we have discussed before, it will retain the confidence of Congress no matter how much local disadvantage or disruption may exist, as long as those goals of being a good steward of the taxpayer dollar and maintaining the maximum efficient use of our military force are consistent goals.

Thank you.

Senator Akaka.

Senator AKAKA. Thank you, Chairman Cornyn.

Mr. DuBois, we just received a copy of DOD's assessment of its increased need for security guards after September 11, and its plan for meeting those requirements on a long-term basis. The report indicates that DOD's security guard requirements will grow by over 60 percent compared to its size in fiscal year 2001 and then will remain relatively stable for the foreseeable future.

It also indicates that DOD managers have expressed a preference for hiring new civilian employees to meet these needs because, one, civilian guards can be authorized with police powers not available to contractors; and two, security guards often play important roles in the agency interface with the public and it is preferable to have in-house employees for this purpose.

Despite these findings, the report states the Department has no intention of hiring any additional civilian security guards to meet the increased need. The report states, "Meeting the increase through expanding either the civilian or active military work force is difficult because the end strength of both work forces is constrained and there are many other demands on these personnel."

For this reason, the Department has asked us to lift the restriction on employing contract security guards. My question is, what

limitations are imposed on the end strength of the civilian employee work force and why are you letting these limitations drive you to contract out security guard functions even though managers have told you that civilian employees would be the preferred solution?

Mr. DUBOIS. Senator, that is a very complex question. I will take it for the record. But let me answer at least briefly.

The military personnel accounts, of course, the authorized end strength of each of the four Services, is set by the authorizing committees. It is true that we are trying to move as many soldiers, sailors, airmen, and marines pulling security duty out of that particular occupational specialty and reassigning them to the field, to combat units. Using as an example the Pentagon, after September 11 the Army had to restation, rotating, not permanently, a battalion of military police (MP) to protect the National Military Command Center called the Pentagon. In the process I, as the Director of Administration and Management, as the so-called mayor of the Pentagon, I have increased the Pentagon civilian police force, the Pentagon Force Protection Agency, by a factor of nearly three.

It fortunately has been able to now—I have been able to return to the Army that battalion of MPs for duties, as you can well imagine, in Iraq and Afghanistan and elsewhere.

There is also a quirk, if you will, in the law that says when we were asked for the authority to increase the guards on installations so that we could free up uniformed personnel for OIF and Operation Enduring Freedom (OEF), it said we could only contract out the marginal increase as opposed to restructuring where we would put our civilian employed guards.

I want to take your question for the record. I want to work with Dr. Chu, our Under Secretary for Personnel and Readiness, so that we can give you the best possible answer.

[The information referred to follows:]

The limitations that drive the Department are not based upon manpower end strengths but rather the need to reduce the number of Reserve soldiers mobilized for this effort. The hiring of contract security guards was the most expedient means to get manpower on the ground to help reduce the number of mobilized serve soldiers needed for this purpose and to overcome the hiring lag of civilian police. The Department needs to retain hiring flexibility because we cannot be certain, at this time, that there is a long-term requirement that justifies the hiring of permanent employees. Nowhere was this more evident than in the Army. Section 332 of the National Defense Authorization Act for Fiscal Year 2003, provides temporary relief by authorizing the Department of Defense to employ new Contract Security Guards (CSGs) during fiscal years 2003, 2004, and 2005, to meet the increased requirements established in response to the terrorist attacks of September 11. This authority permitted the Secretary of the Army to hire over 4,100 CSGs, relieving over 4,100 soldiers from installation access control missions to perform other more urgently needed functions. During fiscal year 2004, the Department of the Army civilian police manpower constituted only 30 percent of the authorized workforce requirement.

Senator AKAKA. I would appreciate that.

Mr. DuBois, last year DOD shifted its goal for cleaning up formerly used defense sites—we know it as "FUDS"—from 2014 to 2020. This year the Army has informed us that the funding level for the cleanup of FUDS in its budget is not sufficient to meet even the 2020 goal. Moreover, this goal does not even include the cleanup of unexploded ordnance at FUDS, for which currently we understand there is no goal.

Why has the Department of Defense not been willing to step up to its responsibility and provide adequate funding to clean up the environmental problems that it has caused at FUDS?

Last year the Army provided us with a plan for munitions response activities at the FUDS in Waikoloa, Hawaii. The Army's preliminary cost estimate for completing the required response actions was $680 million. My question there is, when do you expect that DOD will start providing the funds needed for this cleanup action?

Mr. DUBOIS. Senator Akaka, let me be very clear. The Department of Defense will clean up any FUDS, including any BRAC site, any closed range, wherein we are presented with a situation that results or could result in a negative impact to health, human health or the environment.

We are presented every year, unfortunately, with situations that we did not plan for or could have predicted. My old neighborhood in Washington, DC, Spring Valley, is an example of that. We moved dollars during the fiscal year to address the Spring Valley situation.

Each of the individual Services—and I can defer to these gentlemen or I can answer in more detail for the record if you would prefer—fund FUDS. The Army is our executive agent for that cleanup. I know that the Navy in particular in Hawaii at Waikoloa have been working with the State for the past 10 years on that cleanup situation.

The unexploded ordnance situation is, as we have promised you and as we have testified to, a situation that does not get any better defined unless we spend the time and the money to characterize some of these sites, which we are doing in conjunction with the States, trying to prioritize those sites. But I will give you a more complete answer for the record.

[The information referred to follows:]

The Army submitted a report to the committee in July 2003, on their plan to clean up the former Waikoloa Maneuver Area, in response to Senate Armed Services Committee Report 107–151. In general, the Army's plan for cleanup of the property is to: 1) perform required munitions responses, in the near term, in those areas where the known or suspected presence of munitions and explosives of concern pose the highest risk to the public and 2) determine the best course of action to address the potential risks in other portions of this area in the longer term. The Army, in coordination with state regulatory agencies and local communities, identified the Waikoloa Village, Waimea Town and O'uli parcels as the highest risk because these areas are either developed or are immediately adjacent to developed areas and the public has encountered munitions at these sites. Since the report was submitted, the Army cleared a total of 914 acres of ordnance from within the Former Waikoloa Maneuver Area. This initial clearance effort concentrated in and along the margins of existing neighborhoods in the Waikoloa Village, Waimea, and Lalamilo communities. Due to a variety of project efficiencies developed and adopted during this effort, approximately 214 additional acres were cleared of potentially explosive ordnance. Close to 100 potentially explosive items were recovered during the clearance to include Mk II hand grenades, 60mm mortar rounds, 81mm mortar rounds, 2.36 inch rockets, M9 rifle grenades, M15 burster tubes, 75mm high explosive artillery rounds, 105mm high explosive artillery rounds, and 155mm high explosive artillery rounds. The Army has also initiated a major follow on clearance effort expanding the safety margin in and around the Waikoloa Village, Waimea, and O'uli communities of the project. Army continues to provide construction safety support and property assessment and clearance to the proposed Castle & Cook development at Waikoloa and residential construction for the Hawaii State Department of Hawaiian Home Lands at Lalamilo. In addition, the Army is providing construction support to the Waikoloa Highlands and Bridge Aina Lea Ltd. developments in the Waikoloa

area. Ongoing institutional support includes development of educational materials for grade and middle school students in the area. Other Army outreach efforts include numerous print and video (television) reports, information posters, and attendance at community fairs and celebratory occasions.

Senator AKAKA. Last year, Mr. DuBois, unexploded ordnance (UXO) was found on a playground of an elementary school at Waikoloa. Can you look into this? Apparently it is strewn beyond the ranges for some reason. But that was reported and I would request that you look into this. I do not know what will come out of it.

Mr. DUBOIS. I certainly will, Senator. I had not heard that. Let me just add for the record: if any Senator comes across a situation like this, remember our wonderful country has been in existence for well over 225 years. The citizens of this country through their representatives in Congress set aside land for the purposes of our national security. We admit that we have not husbanded it as well as we should have. But certainly in the last 10 to 15 years that environmental stewardship by the Department of Defense, that obligation that we hold dear, has won us awards and we are proud of it.

But I would say that if there is a situation like this in any State or congressional district, I would like to know about it as soon as possible, and we will look into this particular case.

Senator AKAKA. My final question and I will submit the rest of my questions for the record. Mr. DuBois, in last year's report the committee directed DOD to evaluate the optimal use of test and training ranges—so my question is on test and training ranges—to include an assessment of any changes that might be necessary to bring the different funding mechanisms into closer alignment.

In December, the Marine Corps conducted its first training exercise at Eglin Air Force Base, an Air Force test range. Eglin was supposed to serve as one of the primary locations to provide training similar to what Navy and Marine Corps used to get at Vieques. However, Marine leadership has testified in the past few months that training at Eglin is much more expensive than anticipated and that the test range cost recovery structure is such a significant obstacle that the Marines are now exploring other locations.

These are precisely the types of situations we are seeking to preclude with our direction last year. I know the report is not due to us until November 2004. However, do you have any initial thoughts to share with us about how this issue will be addressed to ensure DOD is making the best possible use of all of its ranges, especially as we have so many forces preparing to go into combat situations?

Mr. DUBOIS. Senator Akaka, I am sorry that Senator Inhofe is not here because the use of Eglin by the Marines, by the Navy, and by the Air Force, along with instrumented ranges in the Atlantic Ocean, as well as other ranges on the east coast, have replaced the Vieques bombing range and I am told by the Chief of Naval Operations (CNO), by the Chief of Naval Operations, and the Commandant of the Marine Corps, replaced it quite well.

You have raised a very crucial question and it has to do with multi-service, multi-mission installations and how we pay for it. It actually has a BRAC connection, for those students of BRAC. The notion that we will move towards more multi-service, multi-mission

bases, while in concept and philosophy has been embraced by the Joint Chiefs, the business of operating those bases and who pays for what and when is still under discussion. You have raised a very important point and one that we are working on.

Senator AKAKA. Well, I thank you, Mr. DuBois and all of you, for your responses. I really appreciate it.

Thank you very much, Chairman Cornyn.

Senator CORNYN. Thank you, Senator Akaka.

Gentlemen, thank you for being here today. Thank you for your service to our country.

With that, this hearing will be adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN ENSIGN

READINESS AND RANGE PRESERVATION INITIATIVE

1. Senator ENSIGN. Mr. DuBois, the National Defense Authorization Acts for Fiscal Years 2003 and 2004 included three of the six Readiness and Range Preservation Initiative (RRPI) provisions which made modifications to the following three environmental laws: the Migratory Bird Treaty Act (MBTA), the Endangered Species Act (ESA), and the Marine Mammal Protection Act (MMPA). Since being enacted, how have each of these provisions specifically helped the armed services meet their military training, testing, and readiness requirements?

Mr. DUBOIS. The amendment to the Migratory Bird Treaty Act is ensuring that military readiness activities can proceed without interruption. As directed by the National Defense Authorization Act for Fiscal Year 2003, the U.S. Fish and Wildlife Service (USFWS) is about to announce its proposed rule that will allow the Department of Defense to incidentally take migratory birds during military training. The USFWS has recently authorized the substitution of Integrated Endangered Species Act at Marine Corps Base Camp Pendleton, and Marine Corps Air Station Miramar. INRMPs are also substituting for Critical Habitat designation at six Army installations on Oahu in Hawaii. The changes made by Congress to the Marine Mammal Protection Act allow us to better balance our readiness requirements with our legal obligations to ensure military activities are protective of marine mammals, allowing us to "train as we fight" when our activities do not have biologically significant effects on marine mammals.

2. Senator ENSIGN. Mr. DuBois, what has the armed services done to ensure they are still meeting their stewardship goals and requirements under these three environmental laws?

Mr. DUBOIS. DOD remains committed to its stewardship goals regarding migratory birds, and threatened and endangered species. The Department is preparing an INRMP strategic plan to ensure that its installations coordinate with all interested stakeholders, complete the next round of INRMP updates in a timely manner, and fund all required projects. In early February the Department asked the military services to report on the status of INRMP funding. The military services reported to DOD that all class zero and class one INRMPs were fully funded for fiscal year 2004 and programmed for fiscal year 2005. The Navy continues its diligent efforts to protect marine mammals while training and testing at sea. Naval procedures include protective measures such as reducing or ceasing sonar or explosive operations when marine mammals are present, detection of animals with lookouts and/or passive sonar monitoring, and planning efforts to conduct exercises in areas where the marine mammals are least likely to be present. Finally, the Navy uses the National Environmental Protection Act where appropriate to consider alternatives to any proposed action that might impact marine mammals.

3. Senator ENSIGN. Mr. DuBois, the committee has been informed that the remaining RRPI legislative proposals will be delivered within the next week. They include legislation which will modify the following environmental laws: the Clean Air Act (CAA), the Resource Conservation and Recovery Act (RCRA), and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Specifically, how will each of these provisions help ensure the armed services meet their military training, testing, and readiness requirements?

Mr. DUBOIS. The three provisions that are being resubmitted this year reaffirm the principle that military lands, marine areas, and airspace exist to ensure military preparedness, while also ensuring DOD remains fully committed to environmental stewardship of the lands under its care. The modest clarifications DOD seeks to RCRA and CERCLA would confirm—not change—the regulatory policy of the last two Administrations and a majority of the States. These provisions would preclude efforts to shut down munitions testing and training at an operational range by claiming that the use of military munitions on an operational range is a hazardous waste management activity or the "release" of a hazardous substance. The RCRA and CERCLA clarification would apply only to munitions used on an operational range and only so long as those munitions and their associated constituents remain there. Regulation of ranges that are no longer operational ranges as that term is defined in law, even if the land is still under DOD control, is not affected by these two provisions.

The CAA provision would provide flexibility to States and the Department by extending the allowable time to incorporate new military readiness activities into a CAA State Implementation Plan when new units are moved to an installation.

4. Senator ENSIGN. Mr. DuBois, why is it important that these provisions are enacted sooner rather than later—are there some pressing concerns?

Mr. DUBOIS. Our military forces need to test and train with the weapons and equipment they use in battle, and it is imperative that our ranges remain open for realistic use. We believe it would be irresponsible to wait until our training activities are enjoined before making the case for legislative adjustment. Lawsuits and other challenges to live fire range activities cannot be addressed through administrative action; only Congress can clarify its intent to ensure our military readiness. Similarly, DOD must often base new weapons systems or reposition forces to ensure we can test, train and operate effectively. Current law under the Clean Air Act does not provide DOD and the States with the flexibility necessary to make such moves in a timely manner. We are asking for a legislative adjustment that will grant such flexibility while continuing to protect air quality.

5. Senator ENSIGN. Mr. DuBois, what will the armed services do to ensure they will meet their stewardship goals and requirements under these three environmental laws?

Mr. DUBOIS. The Department of Defense's goal is to manage and operate its operational ranges to support their long-term viability and utility to meet national defense mission requirements while protecting human health and the environment. Regarding the RCRA/CERCLA provision, the Department has established clear policy that requires installations to assess the environmental impacts of munitions use on ranges, including the potential off-range migration of munitions constituents, and begin any necessary remediation by 2008. In order to comply with this policy, each of the military departments has budgeted for and begun these assessments. These assessments address factors such as environmental conditions, mission needs, and munitions use. The CAA proposal does not exempt DOD from any emissions limitations or pollution control requirements under Federal or State law or regulation. It simply allows flexibility to the States and DOD to provide basing efficiencies for new weapon systems or realigned military readiness activities. DOD will continue to comply with the same environmental laws as private organizations when engaged in the same activities. It is only for those activities we engage in that have no private sector analogue—military readiness activities—for which we seek alternative forms of regulation, not exemptions from environmental regulation.

BUDGET AUTHORITY FOR HOUSING PRIVATIZATION PROGRAM

6. Senator ENSIGN. General Lust, Admiral Weaver, General Williams, and General Fox, a fiscal year 2005 legislative proposal to sustain Department of Defense's (DOD) military housing privatization initiative by increasing a statutory cap (currently $850 million) is at risk due to a change by the Congressional Budget Office (CBO) in the way they score the budget implication of the provision. Have any of you been able to identify an impact to your budget request from any element of housing privatization agreements, other than direct appropriations, that you did not account for and if so, can you determine the amount and reason?

General LUST. The budget privatization agreements have not generated any additional liabilities on the part of the Government beyond the direct investments or scored amounts for loan guarantees. By design, these projects limit Government liability and minimize control to that necessary to protect the interest of the Govern-

ment. Financial risk of failure fails on either the Army's developer-partner or the financial institution that lends money to the projects. The Army does not guarantee occupancy. The partner, as Managing Member of the LLC, exercises control over "day-to-day" housing management activities. The soldier/tenant pays rent and has the option of living off-post.

Admiral WEAVER. No. Navy budget requests have fully accounted for all impacts associated with military housing privatization. All Government financial contributions to military housing privatization projects have been scored in accordance with Office of Management and Budget guidelines.

General WILLIAMS. No, there was no impact to the Marine Corps budget request from any other element of our privatization agreements beyond the direct investments or the scored amount of the direct loan covered by the direct appropriations. While not part of the privatization agreements, the Marine Corps direct appropriations also included reductions in the family housing operations and maintenance accounts as well as increases in the military personnel account to address basic allowances for housing needs associated with planned privatization.

Contrary to the assertions of the CBO, the Marine Corps seeks to minimize its financial exposure and liability and negotiates agreements that transfer the preponderance of the risk to the private-sector business partners. The Marine Corps liability in the enterprise is limited to its initial investment. Because the Marine Corps does not direct or guarantee occupancy in the privatized housing, the military members retain the choice of living in the privatized housing or in comparable private sector housing. It is therefore incumbent on the managing member in our partnerships to attract sufficient customers to enable the projects continued success. If the managing member fails in this regard, risk then falls on the financial institution that lent the money for the project.

General FOX. There has been no impact on Air Force budget requests. In its eight awarded housing privatization transactions, the Air Force only once expended appropriated funds to address an unbudgeted financial requirement. This was for an environmental remediation project needed to resolve an unforeseen site condition affecting construction at Elmendorf AFB in 2001. The requirement was funded through the privatization support account. All other unbudgeted financial requirements encountered in awarded projects were addressed by making use of the income stream available within the project's transaction. This is the same approach planned for use in all future projects.

7. Senator ENSIGN. General Lust, Admiral Weaver, General Williams, and General Fox, what feedback have you received from service members and their families about the results of housing privatization initiatives?

General LUST. Army resident surveys show improved satisfaction as a result of privatization. In particular, the Army has noted improvement for items that can be controlled in the short term-the housing office, repairs, housing services, and safety and security. There is indication that resident satisfaction improves with new and renovated homes. For example, Fort Carson where the new construction is 100 percent complete, scored the highest overall satisfaction among 28 Army installations surveyed in 2003. The privatization program at Fort Carson demonstrates a steady improvement in resident satisfaction and highlights the importance of quality housing as a predictor of resident satisfaction.

Admiral WEAVER. Service members are happy to move their families into market-quality, family-oriented housing. Timely response to service calls and upgraded security are a few of the tangible aspects that distinguish public/private venture housing from conventional military family housing. Other value-added features that are mentioned include free high-speed Internet access, organized community events and children's activities, and upgraded recreation facilities.

General WILLIAMS. The feedback has been positive. The marines and their families are encouraged by the progress we are making in eliminating our inadequate housing. The members think the new and renovated housing is great. Even members in housing still awaiting replacement or renovation appreciate the increased level of service, the improved responsiveness, the additional recreational opportunities and the frequent and timely dissemination of information on community events and construction project status. Indicative of this positive response is the occupants of one of our privatized neighborhood throwing a party for the on-site housing manager in appreciation for his efforts.

General FOX. Senator Ensign, to date, the Air Force has awarded eight projects and is on track to award five more within the next few months. Service members like the open floor plans, the modern kitchens, the garages, and the amenities included in the housing areas.

While there are a variety of subjective and objective measures of tenant satisfaction, a project's occupancy rate is reflective of demand for privatized housing. For the six projects closed prior to the last reporting period, overall strong occupancy indicates a preference for privatized housing. Occupancy rates for the reporting period were as follows:

Lackland AFB, 97.2 percent
Dyess AFB, 98 percent
Elmendorf AFB, 99.16 percent
Wright-Patterson AFB, 97.2 percent
Kirtland AFB, 86.3 percent (steadily increasing)
Patrick AFB, 70.1 percent (project closed during this reporting period)

8. Senator ENSIGN. General Lust, Admiral Weaver, General Williams, and General Fox, what will be the impact to your Service's family housing programs if we do not raise the budget authority for family housing privatization this year?

General LUST. If the $850 million cap is not lifted, the Army will not be able to renovate, replace, and construct new housing as promptly as planned under privatization. Without relief, the Army cannot complete privatization efforts currently underway at 12 installations with about 19,000 homes. Also, long-term sustainment of adequate housing would be at risk. The Army estimates more than $2 billion would have to be programmed in military construction to eliminate inadequate housing at these 12 installations: Fort Drum, New York; Fort Sam Houston and Fort Bliss, Texas; Carlisle Barracks, Pennsylvania; Picatinny Arsenal and Fort Monmouth, New Jersey; Fort Benning and Fort Gordon, Georgia; Fort Knox, Kentucky; Fort Rucker and Redstone Arsenal, Alabama; and Fort Leavenworth, Kansas.

Admiral WEAVER. If the military family housing privatization cap is not raised this year, the Navy would have to defer planned privatization projects until the cap is raised, thus jeopardizing its ability to eliminate inadequate family housing by fiscal year 2007. Alternatively, the Navy would have to program $540 million for traditional military construction to accomplish the investment envisioned in these projects through privatization, this same level of investment could be accomplished using only an estimated $70 million in Government funds. Another alternative would be to significantly alter the approach to military housing privatization in order to ensure no budget authority is required. In order to accomplish the latter, we would be forced to adopt approaches that run counter to the objective of providing quality, affordable housing as soon as possible. These approaches include significantly prolonging the period of time for accomplishment of needed renovations and construction or allowing rents to be set at levels higher than the military members' housing allowances.

General WILLIAMS. If the cap is not raised, the alternatives are either to execute 'no cash' privatization projects or to return to executing traditional Military Construction projects. 'No cash' projects could only be realized by an unacceptable lengthening of project construction schedules, unfavorable rent increases by military members resulting in substantial out-of-pocket expenditures, or both. Privatization would no longer be a solution to our housing problem as there would be little incentive for military members to choose to live in substandard privatized housing while being charged 'above market' rents. The Marine Corps fiscal year 2005 budget request identified $102 million in investment "seed money" for privatization projects at Camp Lejeune, NC; Twentynine Palms, CA; and Kansas City, MO. To provide the same project scopes through traditional military construction would require $271 million. Therefore, failure to raise the cap would require a significant increase in the funding in the military construction accounts or an equally significant reduction in project scopes. All of these alternatives jeopardize the Marine Corps ability to eliminate inadequate family housing by fiscal year 2007.

General FOX. As of April 2004, the Services have awarded 29 projects, transferring a total of $543.5 million to the Family Housing Improvement Fund (FHIF). Based on projections from all the Services, we anticipate the $850.0 million cap will be reached by November 2004. For the Air Force, our projections show that we will be able to award a total of 20 projects out of our 43 identified projects before the cap is reached. The 23 projects above the cap represent 23,815 units. Ultimately, the Air Force will be unable to meet the Defense Policy Guidance (DPG) goal of eliminating all inadequate housing units by 2007.

OVERSEAS BASING MASTERPLAN

9. Senator ENSIGN. Mr. DuBois, the Department has been promising Congress a global basing plan ever since it was directed by the Senate in the Fiscal Year 2002

Military Construction report. That report directed submission of a plan to the congressional committees no later than April 1, 2002. Deputy Secretary of Defense Paul Wolfowitz later responded that the basing study would be forwarded to the committees in "early 2003". It is now April 2004 and no report has been delivered. What is the current status of the masterplan and when will it be provided to this committee?

Mr. DUBOIS. The Department of Defense is currently compiling a report for the overall Global Posture effort based on combatant commander and Service input. Per the President's instruction, the State and Defense Departments are consulting closely with our allies and conducting site surveys to determine feasibility of initial proposals. The Department has frequently briefed Members of Congress and their staffs on the proposals under consideration. A report to Congress will be provided during summer 2004.

10. Senator ENSIGN. Mr. DuBois, will the plan be accompanied by an estimate of the costs to implement the plan to establish new expeditionary bases in numerous countries we do not currently have bases?

Mr. DUBOIS. Yes. The report will include a broad estimate of the overall costs of our posture changes over the Future Years Defense Plan (FYDP). While current working cost estimates are continually being updated, they represent less than one half of 1 percent each year over the FYDP. The estimate will be refined as more detailed plans are developed.

11. Senator ENSIGN. General Lust, Admiral Weaver, General Williams, and General Fox, I was intrigued by a recent quote from a military engineering commander in Iraq who, in the context of building enduring locations in that country, said "The engineering vision is well ahead of the policy decision." This seems to be the case globally. What insight did you have into the global basing masterplan as you prepared your fiscal year 2005 budgets?

General LUST. The global basing master plan has not been finalized and approved by the Secretary of Defense. However, the Army will continue to have a worldwide presence, particularly in Europe and Korea based on briefings by the Commanders of U.S. Forces Korea, U.S. European Command, and U.S. Army Europe. As such, the fiscal year 2005 budget request was prepared accordingly.

Admiral WEAVER. Full consideration was given regarding the potential outcome of the Integrated Global Posture and Basing Strategy (IGPBS) and resource investment was limited to those projects essential to mission support. This was accomplished through the following strategy:

Navy has identified key installations in the European theater necessary to support DOD mission. While IGPBS has not been finalized, the Navy considers these installations as enduring based upon their joint mission support capability and their underlying combat capability/support to combat operations.

MILCON projects included in the fiscal year 2005 program directly contribute to ongoing recapitalizations of two enduring bases and have been supported by Congress with previous MILCON funding. The projects provide critical infrastructure upgrades that support joint operations and eliminate serious AT/FP violations that unnecessarily place our sailors in harms way. The fiscal year 2005 program does not include new footprint project at these enduring bases, only recapitalization of existing facilities.

General WILLIAMS. The overseas basing strategy was not developed in sufficient detail in time to influence the fiscal year 2005 budget. At this time, it has not been finalized or approved. If there are requirements for redirecting installation funding to support the overseas basing strategy, we will address them in the fiscal year 2006.

General FOX. Working with and based on input from the theater combatant commanders, the Air Force fiscal year 2005 MILCON program invests in projects at those enduring overseas installations that we believe will continue to be required to meet the National Defense Strategy.

OVERSEAS MILITARY CONSTRUCTION REQUEST

12. Senator ENSIGN. Mr. DuBois, considering the fact that DOD is still actively engaged in negotiations with our allies about the global basing masterplan, is the DOD absolutely sure that the overseas military construction projects in the fiscal year 2005 budget request will be required once the global basing masterplan and host nation negotiations are completed?

Mr. DUBOIS. Yes. A careful internal review by the Department ensured that the fiscal year 2005 budget request includes only military construction projects that are located at installations which are known to be central to our future military strategy. We are not negotiating the closure or return of any installations where these projects will be located.

Without these projects, the Department will waste resources on disparate facilities, instead of consolidating forces and functions onto efficient installations, and the quality of life of our forces overseas will be adversely affected.

13. Senator ENSIGN. Mr. DuBois, has the final number and status of U.S. forces to be stationed at each location in Germany and Korea been determined?

Mr. DUBOIS. While the Department has detailed recommendations for future posture in Germany and Korea, precise details are being discussed through formal negotiations with these countries. Specific details will be provided in the classified annex of the pending report.

14. Senator ENSIGN. General Lust, how much money does the Army plan to spend over the current Future Years Defense Plan in Germany to consolidate forces at one training area at Grafenwoerh?

General LUST. The fiscal year 2005 President's budget includes three projects at Grafenwoehr that total to $77.2 million. Funding planned in the FYDP for fiscal year 2006 through fiscal year 2009 is $281 million. These projects enable the consolidating and closing of a number of small, inefficient installations, thus gaining operational and cost efficiencies while providing quality levels of services and facilities, ready access to training areas, and enhanced force protection to our forward-deployed soldiers and their families.

15. Senator ENSIGN. General Lust, will this training area support NATO training and if so, how much money will be contributed by NATO?

General LUST. The facilities at Grafenwoehr are designed for use by U.S. forces, but have the capacity and capability of supporting NATO training. Forces of various NATO nations have and will continue to train at Grafenwoehr on a reimbursable basis and at the convenience of the U.S. military. Non-U.S. Armed Forces are billed at $58 per day, per soldier. This fee is adjusted annually based on actual Grafenwoehr operating expenses. Repayment-in-kind provisions exist that provide U.S. Forces reciprocal training opportunities at other national training facilities at little or no cost. This *quid pro quo* billing strategy accommodates the training needs of U.S. forces and participating nations.

16. Senator ENSIGN. General Lust, how much money does the Army plan to spend over the current FYDP in Korea to implement the Land Partnership Plan (LPP)?

General LUST. The estimated total military construction, Army investment over the current FYDP to accomplish the relocation of U.S. forces in Korea under the LPP is $252 million. The estimated Korean investment under the LPP is over $2.3 billion.

17. Senator ENSIGN. General Fox, what is the status of the Rhein Mein relocation initiative for the Air Force and what facility and/or infrastructure requirements remain unfunded and who will be paying for them?

General FOX. The replication of Rhein-Main capabilities at Spangdahlem and Ramstein Air Bases is on schedule. In accordance with the Rhein-Main Closure Agreement, we will return Rhein-Main to the Federal Republic of Germany by 31 Dec 05. The agreement's German partners or NATO has funded the vast majority of Rhein-Main Closure Agreement requirements. Other requirements that were not part of the agreement were funded in the fiscal year 2002, fiscal year 2003, and fiscal year 2004 MILCON programs. The only requirement that remains unfunded is the $4.3 million South Gate/Large Vehicle Inspection Station project at Spangdahlem Air Base. All other facility and/or infrastructure requirements are currently funded. The South Gate/Large Vehicle Inspection Station is an antiterrorism/force protection project in the U.S. Air Force-Europe (USAFE) fiscal year 2006 MILCON program submission.

UNEXPLODED ORDNANCE

18. Senator ENSIGN. Mr. DuBois, the General Accounting Office (GAO) issued a report titled Military Munitions—DOD Needs to Develop a Comprehensive Approach for Cleaning Up Contaminated Sites (December 2003). In the report, GAO

asserted that DOD has made limited progress to identify, assess, and clean up unexploded ordnance (UXO) sites. GAO recommended that DOD develop a comprehensive plan to: (1) establish deadlines for completing its site inventory and initial evaluations; (2) reassess the timetable proposed for completing its risk assessment reevaluations; (3) establish Service-specific targets; and (4) work with Congress to develop budget proposals for timely completion of cleanup activities. What is your response to the GAO report on UXO and what is DOD doing to address these concerns?

Mr. DUBOIS. In our response to GAO, the Department concurred with GAO's recommendation to work with Congress to develop realistic budget proposals, which will allow us to complete cleanup activities on potentially contaminated sites in a timely manner. The military services will continue to work with stakeholders to identify additional sites and we will add these sites to our inventory, as appropriate. We believe that most of the remaining sites not previously identified are located on active installations still under DOD's control.

We plan to complete the prioritization of all of these sites by 2010, which is 2 years earlier than the original goal. The Department has also established interim goals which have been adopted by each of the military departments. By 2007, the Department plans to complete all preliminary assessments, and by 2010 the Department will complete each of the site inspections at these sites. The Department is working with each military Service to establish additional goals and measures to help us further gauge progress at these sites. In the interim, we will continue to look for additional opportunities to accelerate site inspections and prioritization to help ensure that resources are targeted toward the highest risk sites.

19. Senator ENSIGN. Mr. DuBois, what is DOD doing to advance a timely cleanup of UXO sites?

Mr. DUBOIS. The DOD established the Military Munitions Response Program (MMRP) within its Environmental Restoration (ER) Program to address the remediation of UXO, discarded military munitions, and munitions constituents (MC) located on locations that are or were owned by, leased to, or otherwise possessed or used by DOD at sites other than operational ranges. DOD's objectives for sites in the MMRP include:

- Identifying where, what kind, and to what extent UXO, discarded military munitions, or MC are present;
- Determining both explosive safety hazards and toxicological hazards to human health and the environment;
- Establishing goals and metrics to track and evaluate progress;
- Setting priorities, programming, and budgeting to effectively resource MMRP requirements;
- Conducting necessary munitions response actions;
- Developing and implementing effective MMRP-related technologies; and
- Ensuring the timely transfer of excess land to allow for alternative uses that are consistent with the munitions response completed.

During fiscal year 2003, DOD further developed its inventory and identified additional potential munitions response sites. Through a publicly available site, DOD shared its inventory results and continues to solicit information from both the environmental regulatory community and public stakeholders. DOD and the military components will continue to work with stakeholders to identify additional sites and add them to the inventory, as appropriate, on an annual basis.

DOD has established interim goals for the munitions response program and incorporated them into internal DOD financial guidance. Each military component will complete its preliminary assessments by 2007 and its site inspections by 2010.

During the early years of the MMRP, the Department will expend a large percentage of funding on investigation activities. As the MMRP matures the funding will shift to implementing cleanup remedies.

The Department published a draft proposed Munitions Site Prioritization Protocol in the Federal Register on August 22, 2003, and is preparing a draft final.

CAMP LEJEUNE CONTAMINATION

20. Senator ENSIGN. Mr. DuBois, the drinking water at Camp Lejeune was contaminated with volatile organic compounds (VOCs), including tetrachloroethylene (PCEs) from a dry cleaners just off base and trichloroethylene (TCEs) from on-base industrial operations which used metal degreasers. The contamination dates back at least to the 1960s. VOCs were first discovered in the drinking water in 1980 but the source was not known. The drinking water wells were first identified as con-

taminated in 1984 and they were closed in 1985. Please provide an update on General Hagee's panel to review the Marine Corps' response following the discovery of VOCs in the drinking water at Camp Lejeune.

Mr. DUBOIS. General Hagee chartered the panel on March 18, 2004, to conduct an independent review of the facts surrounding the decisions made following the 1980 discovery of volatile organic compounds in drinking water at Marine Corps Base, Camp Lejeune. At its first meeting on April 1, 2004, the panel chair, retired Congressman Ronald C. Packard, recommended, and the Commandant approved, the addition of two distinguished scientists to the original, three- member panel. The new panel members are William H. Glaze, Ph.D., and Robert G. Tardiff, Ph.D., A.T.S. The panel is expected to complete its review by October 2004.

General Hagee chartered the panel because he wanted a better understanding of the facts and circumstances leading to the 1985 closure of the impacted wells. The panel's work is concurrent with the Agency for Toxic Substances and Disease Registry's ongoing epidemiological study of the health of children born to women while living at Camp Lejeune during 1968–1985. This study, which should identify whether there is a link between the impacted drinking water and certain childhood diseases, will include groundwater and drinking water system modeling. The modeling is necessary, in part, because exactly when the volatile organic compounds first impacted some of the base's drinking water wells remains unknown.

21. Senator ENSIGN. Mr. DuBois, there have been some criticisms of this independent panel as not being independent on the Camp Lejeune issue. Please speak to this issue and what the panel is planning to do to bring in outside experts or witnesses to ensure their final report is a complete and independent look at the contamination issue.

Mr. DUBOIS. At its first meeting on April 1, 2004, the panel chair, retired Congressman Ronald C. Packard, recommended, and the Commandant approved, the addition of two distinguished scientists to the original three-member panel. The new panel members are William H. Glaze, Ph.D., and Robert G. Tardiff, Ph.D., A.T.S. General Hagee chartered the panel to conduct an independent review of the facts surrounding the decisions made following the 1980 discovery of volatile organic compounds in drinking water at Marine Corps Base, Camp Lejeune. The panel is expected to complete its review by October 2004. The panel's charter makes the panel solely responsible for the contents of its report. The panel's charter also urges the panel to consider soliciting public comment in fulfilling its duties. However, exactly what the panel is planning to do remains within the panel's discretion.

FACILITY RECAPITALIZATION RATES

22. Senator ENSIGN. Admiral Weaver, I am concerned that this year's budget request for the Navy funds a rate of recapitalization equal to 149 years. That means the Navy must build and maintain facilities to last 149 years before the current level of annual funding will result in replacement. The GAO recently concluded that the DOD goal of funding a 67-year rate of recapitalization by 2008 is based on future funding that is unrealistic. As the Commander of Navy Installations, do you believe the Navy will meet the DOD goal to reach a level of annual construction funding equal to a 67-year recapitalization rate by fiscal year 2008?

Admiral WEAVER. The current Navy FYDP (President's budget 2005) supports meeting Department of Defense goals to attain an average 67-year facilities recapitalization rate by fiscal year 2008.

23. Senator ENSIGN. Admiral Weaver, what amount of annual military construction funding will be required by the Navy to meet that goal?

Admiral WEAVER. The recapitalization rate is based on investment of recapitalization-type funds compared to plant replacement value. Recapitalization-type funds include military construction, sustainment, restoration, and modernization (SRM) (i.e., O&M), Navy Working Capital, and MILPAY appropriations. For fiscal year 2005, the Navy would need to invest an additional $874 million of recapitalization funds to achieve the 67-year recapitalization rate.

24. Senator ENSIGN. General Fox, what funding levels for both military construction and restoration funds for the Air Force are required to achieve the 67-year cycle and do you believe that the Air Force will meet the DOD goal?

General FOX. Senator Ensign, the Air Force annual requirement to meet and maintain the DOD 67-year recapitalization rate is $2.3 billion. The $2.3 billion requirement includes a combination of recapitalization military construction projects

and operations and maintenance, restoration and modernization funding. With currently programmed funding of this annual requirement, the Air Force will be able to meet the 67-year recapitalization rate by 2008 and maintain it in years beyond.

OPERATIONS AND MAINTENANCE FUNDS FOR FACILITY SUSTAINMENT, RESTORATION, AND MODERNIZATION

25. Senator ENSIGN. General Fox, according to the most recent installation readiness report, 77 percent of the total physical plant in the Air Force is rated C–3 or worse, and the Air Force traditionally has the best facilities. Obviously, the poor condition of our infrastructure—developed over the past 10 years due to chronic underfunding—affects Air Force readiness. Are you able to quantify the impact to readiness?

General FOX. Due in large part to the funding support we received from Congress in fiscal year 2003 and a focused investment strategy, the recent 2003 Installations' Readiness Report highlights 67 percent of our physical plant remains C–3 or worse. Significant or major infrastructure deficiencies continue to severely inhibit or preclude mission accomplishment.

For example in our operations and training facility class, degraded airfield pavements pose risk of aircraft engine and structural damage, impacting everything from basic airfield operations to day-to-day aircraft maintenance. Other examples of deficiencies include obsolete airfield lighting systems, inadequate training facilities, and deteriorated/inadequate drainage systems. Inoperative fuel hydrant systems force personnel to refuel by truck—increasing workload for maintenance and supply personnel.

Deficiencies such as these degrade operational efficiency and make operating and maintaining our air bases very challenging.

26. Senator ENSIGN. General Fox, what guidance do you receive from Air Force leadership to fix the problem?

General FOX. Senator Ensign, the United States Air Force, fiscal year 2006–2011, Annual Planning and Programming Guidance (APPG), signed 23 January 2004 by the Secretary and Chief of Staff of the Air Force provides the following guidance:

> "Major Commands will identify restoration and modernization (R&M) investment requirements taking into consideration all R&M funding sources to maintain an annual recapitalization rate consistent with the Fiscal Year 2005 Amended Program Objective Memorandum (APOM) position for fiscal years 2006 and 2007, and to attain a recapitalization of 67 years by fiscal years 2008. Major commands should focus on restoring and modernizing facilities and infrastructure and concentrate projects on eliminating C3/4-rated Installation Readiness Report facility classes by 2010. Major commands will include communications and infrastructure requirements in the military construction programming documents, including cabling, ducting, and connectivity to the point of connection."

27. Senator ENSIGN. General Lust, according to the most recent installation readiness report, 70 percent of all facilities in the Army are rated C–3 or worse. What additional operations and maintenance funds are required to buy out just your critical facility requirements (C–4) in fiscal year 2005?

General LUST. It is important that all Army facilities be fully sustained to protect our investment and to allow them to support their missions for their full life cycles. Critical facility requirements are being defined as the cost to improve our facilities to an Army-wide average of C–2 (facilities support the majority of assigned missions). The total cost to achieve this goal is approximately $12.4 billion. We will use primarily Military Construction funds to accomplish this objective.

MIGRATION OF OPERATIONS AND MAINTENANCE FUNDS FROM THE FACILITY SUSTAINMENT ACCOUNT

28. Senator ENSIGN. General Lust, DOD has pointed to the goal of funding 95 percent of facility sustainment requirements for the Services in the fiscal year 2005 budget as an accomplishment. But, a recent GAO report suggested that the sustainment level advertised by DOD ranging above 90 percent of the total requirement is not being experienced at the installation level. They found in random surveys at various installations, sustainment funding levels between 35 percent and 77 percent. Also, the Services have underfunded their base operations support accounts in fiscal year 2005 by up to 30 percent with the intention of shifting funds from

sustainment to cover must-pay bills in 2005, as they did in fiscal year 2003 and fiscal year 2004. What were the actual obligations for the Army's facility sustainment account in fiscal year 2003?

General LUST. Actual obligations for sustainment in fiscal year 2003 were $1.568 billion.

29. Senator ENSIGN. General Lust and Admiral Weaver, did DOD's goal for facility sustainment have any bearing on your Service's decision for facility sustainment account obligations in fiscal year 2003?

General LUST. Yes. The Army supports DOD's fiscal year 2005 goal to fund facilities sustainment at 95 percent. Due to affordability in the year of execution, dollars often migrate at the installation level from SRM (sustainment) into base operations support (BOS) resulting in low sustainment execution. To minimize and control migration of sustainment funds, reprogramming greater than 15 percent requires Installation Management Agency approval.

Admiral WEAVER. Yes. Although the Navy programmed for a sustainment rate of 84 percent in fiscal year 2003, the Navy actually executed 91 percent of the sustainment requirement. The requirement was based on the facilities sustainment model.

30. Senator ENSIGN. General Lust and Admiral Weaver, does DOD need to establish a goal for funding levels by the Services for BOS similar to the goal they have established for sustainment funding?

General LUST. As DOD has established a model for sustainment and a metric for recapitalization, I believe DOD should also establish a BOS metric. But first, DOD would need a standard tool to measure progress toward the goal. Efforts are already underway to develop such a tool, similar to the one developed for facilities sustainment.

Admiral WEAVER. No. The Navy believes that funding levels for installation or BOS services are better established through the use of requirements models that are based on the required operational capabilities of each installation (as determined in consultation with the mission commanders) and then applying four varying levels of installation services that are priced out and evaluated in terms of risks of delivery at each level as well as potential savings at each level. Navy leaders thus have a series of funding options that they can evaluate based on the output or capability to be delivered, weighed against the savings and the risk of delivery of the services at these various levels. Using a fixed formula would tend to move us away from evaluating risks in determining funding levels. DOD is in the process of developing a BOS model with standard levels of service for use by all military services.

31. Senator ENSIGN. General Lust and Admiral Weaver, what were the actual obligations for your Service's facility sustainment account in fiscal year 2003?

General LUST. Actual obligations for sustainment in fiscal year 2003 $1.568 billion.

Admiral WEAVER. Actual execution for the entire sustainment, restoration, and modernization program for fiscal year 2003 was $1,943 million.

HOST NATION BURDEN-SHARING

32. Senator ENSIGN. Mr. DuBois, you have been asked for 2 years by this committee what support the United States is getting from other countries to maintain or build new facilities in Europe, the Pacific, and Southwest Asia. You responded that "burden-sharing reports will be published soon, and we are exploring additional opportunities to increase burdensharing by our allies." Where is the report?

Mr. DUBOIS. The Department published the "Report on Allied Contributions to the Common Defense" in July 2003, covering contributions made during calendar year 2002 by our NATO allies, Pacific allies (Australia, Japan, and the Republic of Korea), and the Gulf Cooperation Council (GCC) nations. The report presents an annual assessment of the relative contributions made by our allies to the common defense and mutual security, and identifies our efforts to increase our allies and partner nations responsibility sharing contributions.

Under legislative provisions dating back to the National Defense Authorization Act of 1981 (Public Law 96–342, Section 1006), the Secretary of Defense provides this report to Congress annually. The most recent report may be found at http://www.defenselink.mil/pubs/allied—contrib2003.

33. Senator ENSIGN. Mr. DuBois, what support is the United States getting to maintain or build new facilities from various countries around the world?

Mr. DUBOIS. The United States receives significant support from our allies to maintain and construct new facilities at overseas locations.

In Europe, the NATO Security Investment Program has funded about $1.7 billion in projects since 1989 for runway improvements, utilities, missile maintenance, hangars, piers, ammunition facilities, roads and pavements, and support to the Balkans. More than $717 million is being provided for projects currently in design or under construction:

	[In millions of dollars]
Aviano Beddown	243
Ramstein Upgrades	224
Sigonella Upgrades	43
Fairford Upgrades	43
Lakenheath Upgrades	51
Mildenhall Upgrades	37
Souda Bay Upgrades	15
Keflavik Upgrades	20
Incirlik Upgrades	41

Another form of support from our European allies is derived through payment-in-kind construction, given in lieu of cash payments for U.S. capital investments at facilities being returned to them. Since 1991, the U.S. has received payment-in-kind worth $36 million from the United Kingdom, $1.6 million from Iceland, and about $372 million from Germany. In addition, in exchange for returning Rhein-Main Air Base to Germany, the German Government provided $487.5 million worth of construction projects to replicate and enhance Air Force mission capabilities at Ramstein and Spangdahlem Air Bases.

Japan's most significant responsibility sharing contribution lies in the funding it provides in support of U.S. forces stationed on their land. Japan's cost sharing in 2002 totaled $4.14 billion, covering about 75 percent of U.S. basing costs (both direct and indirect). Further, under the existing 5 year (2001–2006) bilateral Special Measures Agreement (SMA), Japan is paying virtually all costs of local national labor employed by U.S. forces, as well as a portion of costs of public utilities on U.S. bases. The SMA also covers costs of transferring U.S. training activities from U.S. bases to other facilities in Japan when the Government of Japan requests such transfers.

The Republic of Korea's (ROK) cost sharing support for U.S. forces in 2002 totaled $998 million, covering 39 percent of U.S. basing costs (both direct and indirect). This was a 15 percent increase over 2001—the largest single increase in 8 years. Furthermore, under the 3-year (2001–2004) SMA, the ROK pledged to significantly increase their cost sharing support by 8.8 percent plus inflation in 2003 and 2004.

Direct construction support from Japan and Korea is provided through their host nation funded construction (HNFC) programs. The Japanese Facilities Improvement Program (JFIP) is the host nation funded construction program supporting U.S. facility construction requirements in Japan. Since its inception in 1979, it has funded almost $20 billion in new projects. The Japanese fiscal year 2003 and fiscal year 2004 programs were $680 million and $676 million, respectively. In addition to the HNFC program, Japan's Special Action Committee on Okinawa has funded approximately $120 million in each of fiscal year 2003 and fiscal year 2004.

Korea's HNFC consists of the Combined Defense Improvement Projects (CDIP) and the Republic of Korea Funded Construction (ROKFC) programs. CDIP projects directly support warfighting capabilities, while ROKFC funds support warfighting capabilities, force protection requirements, and quality of life initiatives. In calendar year 2003, the CDIP program was funded at about $60 million, while the ROKFC program was funded at about $156 million.

In addition to alliances with Japan and Korea, the U.S. seeks to sustain and adapt security partnerships with the Nations of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). The GCC member States continue to serve as important partners in support of our operations in Southwest Asia. While they have not been directly involved in combat operations, they have provided significant assistance critical to coalition operations including basing and over flight rights to a large contingent of U.S. forces. Additionally, host nation military bases, civilian airports, and other facilities have been used for the bed down and storage of U.S. aircraft, equipment, and personnel. A number of GCC nations are providing troops and equipment for increased force protection requirements as well as additional air traffic control and fuel storage.

Collective efforts with allies and other friendly nations are essential in the war on terrorism, since the responsibility and costs of meeting the challenges of current and future threats around the world cannot be met by any one nation alone.

34. Senator ENSIGN. Mr. DuBois, what progress has been made on exploration of additional opportunities to increase burdensharing?

Mr. DUBOIS. While we encourage our allies and partner nations to assume a greater share of the burden of providing for the common defense and mutual security, the Department believes that their burden-sharing, or responsibility sharing, efforts are generally positive. Aside from the important military contributions made to multi-national operations, our Allies and partners also provide bases and facilities, numerous tax exemptions, and reduced-cost services. They also provide direct support through host nation construction funding programs, residual value payment-in-kind construction, and common-funded budgets such as the NATO Security Investment Program (NSIP).

35. Senator ENSIGN. General Lust, what efforts are underway to recoup residual value from U.S. investments in facilities at bases we are leaving in Germany and Korea?

General LUST. Since 1991, the Federal Republic of Germany (FRG) has provided the United States with residual value compensation of about $41 million in cash payments and about $372 million in the form of payment-in-kind construction. An additional $487.5 million in payment-in-kind compensation was provided by the FRG as part of a "quid-pro-quo" agreement to return Rhein Main Air Base and move strategic capabilities from Rhein Main to Ramstein and Spangdahlem Air Bases.

The FRG and the Department of Defense have recently completed negotiations for the return of a number of sites—including Bitburg and Sembach Air Bases as well as the Frankfurt Contingency Hospital—for which the proposed settlement is about $20 million in payment-in-kind compensation. The FRG is committed to continue compensating the U.S. for residual value; however, most of the returns have now been settled. Current residual value negotiations are in progress for the return of Bad Kreuznach and are expected to be completed in fiscal year 2006.

Article IV of the Status of Forces Agreement between the United States and the Republic of Korea (ROK) relieves the ROK of any obligation to compensate the U.S. Government for improvements made at any sites being returned. By the same token, the U.S. Government is not obliged to compensate the ROK for any environmental damage caused by the U.S.

ENVIRONMENTAL TECHNOLOGY

36. Senator ENSIGN. Mr. DuBois, funding for environmental technology is reduced in the fiscal year 2005 budget request. The fiscal year 2004 appropriated level was $250 million. The fiscal year 2005 budget request is $186.2 million. As the Armed Forces seek opportunities to reduce their compliance costs and restrictions, it is often new technologies that will help meet new environmental standards or requirements. Why is funding for environmental technology programs being reduced so significantly?

Mr. DUBOIS. The Department works diligently to ensure that it meets its obligations for compliance with new standards, and reviews annually the Armed Forces investment strategy for environmental technology opportunities. We believe the DOD has been steadfast for more than a decade with its approach for balancing new investment opportunities in coordination with the annual budget request when placed against the priority environmental requirements of the Services. With this balance of investment strategy, DOD continues to focus on two broad, overarching goals as we strive to develop and transition environmental technologies. These goals are to permit DOD training and testing ranges to continue to provide venues for realistic and comprehensive training into the future in a sustainable fashion, and to reduce the Department's current and future liability by reducing life-cycle costs for all aspects of military operations impacted by compliance with environmental regulation. We believe the fiscal year 2005 budget request adequately supports these objectives.

37. Senator ENSIGN. Mr. DuBois, one example which would seem to justify a large investment in technology and innovation would be in addressing the UXO issue. To what extent are the Armed Forces planning to dedicate technology spending towards the UXO issue?

Mr. DUBOIS. Senator Ensign, you are correct that advanced technology has significant potential to reduce the cost and improve the process for addressing the Department's UXO issue. I recently sponsored a Defense Science Board study to look at this exact issue. The Defense Science Board completed its work this past winter and found that the possible return on investment in UXO technology is significant. It has the potential to save the Department billions of dollars.

Given this vast opportunity, DOD prioritized UXO technology development as one of our highest environmental technology requirements. UXO problems cut across all the Services and therefore the leadership for these efforts resides in our DOD-wide RDT&E programs—the Strategic Environmental Research and Development Program (SERDP) and the Environmental Security Technology Certification Program (ESTCP). In the fiscal year 2005 budget request, SERDP and ESTCP plan to invest approximately $23 million in UXO technology which represents over 25 percent of the total budget of these Defense-wide environmental technology programs.

DEFENSE REPORT ON CLIMATE CHANGE

38. Senator ENSIGN. Mr. DuBois, there was a series of news stories in February and early March of this year discussing a study commissioned by the Pentagon on national security concerns caused by climate change. The study was titled An Abrupt Climate Change Scenario and Its Implications for United States National Security, published in October 2003. Was this study requested by the Pentagon?

Mr. DUBOIS. Yes, the Department did request this study. DOD routinely studies a very broad range of possible future world scenarios and commissions many studies to help achieve this goal.

39. Senator ENSIGN. Mr. DuBois, a San Francisco Chronicle article mentions that the Pentagon paid $100,000 for this study, but further states that "it isn't even a Pentagon report in the strict sense of the word. It does not constitute an official DOD position paper or policy statement . . ." Can you please explain the process for such a study to be initiated?

Mr. DUBOIS. The DOD Office of Net Assessment conducts studies in three broad areas: To support ongoing net assessments; to better understand major periods of change in the past, and to learn why some actions and initiatives were successful while others were not; and to better understand aspects of the future security environment that are relevant to DOD. DOD seeks a wide variety of views and expertise to help the Department think through these issues; however, these external reports contain the views of their individual authors.

The climate change study fits in the third category. The history of ice cores has shown that there were times in the past when the temperature in the Northern Hemisphere abruptly warmed and cooled. If the world experienced a temperature change like those seen in the past, what would the specific regional climactic changes look like, and how would they affect DOD policy and operations? Unfortunately, the climate change study was not able to answer those questions.

40. Senator ENSIGN. Mr. DuBois, without trying to sound too critical, what is the value of this type of report?

Mr. DUBOIS. The Department of Defense plans and develops our National Security Strategy, assures allies, dissuades military confrontation, deters threats and coercion, and, when required, preempts or defeats our Nation's adversaries. DOD routinely studies possible future world scenarios and commissions many studies to help achieve this goal. The Defense Department continuously looks ahead to ensure we are prepared in the future for any contingency.

What prompted DOD interest in the impact of abrupt global warming was the National Academy of Sciences' report of 2002.

- What are the different ways in which the climate can change suddenly?
- What countries would first be affected? How severe are these impacts?

We want to know so that we can plan on whether affected countries would suffer or benefit from climate change. Would that change make them more or less stable? More pragmatically, what kinds of climatic conditions might our world-wide forces encounter in the future? The report was not able to quantitatively address these questions.

The Schwartz and Randall study reflects the limits of scientific models and information when it comes to predicting the effects of abrupt global warming. Although there is significant scientific evidence on this issue, much of what this study predicts is still speculation.

UTILITIES PRIVATIZATION

41. Senator ENSIGN. Mr. DuBois, on the issue of utilities privatization, I acknowledge the DOD goal to make privatization decisions by September 2005. In your written statement, you say "Congressional support for this effort in fiscal year 2004 is essential to maintain the procurement momentum and industry interest." What do you perceive to be the level of industry interest in taking over deteriorated utility systems?

Mr. DUBOIS. The ongoing solicitations are normally receiving adequate interest to achieve competition. This follows a successful effort by the Services to share lessons learned and industry feedback to improve solicitation templates and better align the program with industry practices.

Many systems included in earlier solicitations, which closed prior to March 2003 did not receive adequate interest. Most of these systems were located on small Reserve or National Guard sites. Utilities had not been interested in participating in the privatization of these systems for a variety of reasons. In general, they perceived that the cost of developing a proposal in a competitive arrangement did not provide a cost effective business opportunity. With the improved templates and engagement with industry representatives, interest has improved. The Services are continuing discussions with industry to identify barriers and develop resolutions.

42. Senator ENSIGN. Mr. DuBois, what can Congress do to maintain the level of interest or to increase the incentive to the Services to accelerate the privatization of utilities?

Mr. DUBOIS. Services have programmed adequate funding to privatize those systems that are deemed economical per 10 U.S.C. 2688. To maintain the momentum of the program, it is essential that the funding levels in the President's Budget are supported by Congress.

DOD has submitted a legislative proposal that would allow a streamlined approach to procurement at certain installations where the United States does not own the preponderance of the land underlying the installation. Enactment of this legislation would ease some of the barriers to privatization at these smaller installations, while ensuring that the action would provide long term benefits to DOD.

Though the Department has not generated any additional legislative proposals, we are continually mindful of industry feedback. The complex issues surrounding privatization occasionally generate barriers, which require a remedy. If your constituents raise issues that require legislation, it will be beneficial to ensure a unified approach.

My office is working closely with the Services as they aggressively execute the program. Of the 1,863 utility systems available to evaluate for privatization, 436 have been privatized, 195 systems have been exempted by the Service Secretaries and 953 systems are currently being evaluated following the issuance of a Request for Proposal. The remaining 280 systems will be evaluated for privatization as the Service plans are executed. No congressional actions are deemed necessary to accelerate these actions.

PROJECTS TO SUPPORT NEW WEAPON SYSTEM ACQUISITION

43. Senator ENSIGN. Admiral Weaver and General Williams, the Department of the Navy recently announced that they would delay the selection of a source for the next helicopter to be used for transportation of the President of the United States. The fiscal year 2005 military construction budget request includes $106 million to construct facilities for this program. Is this military construction still required in the fiscal year 2005 budget and if so, what would be the repercussions to the research and testing of the program from a deferral of the military construction projects?

Admiral WEAVER. The Navy included $106 million for vertical lift aircraft (VXX) facilities in the fiscal year 2005 budget request in order to meet the planned arrival of the first VXX aircraft by November 2006. Although the Navy announced a delay in the System Development and Demonstration (SDD) contract award, no significant delay is anticipated in the arrival of the first aircraft. The Navy is using the additional time made available by the delay in the SDD contract to more fully investigate the design, performance, cost and tradeoff opportunities with both offers, thus minimizing the need to delay the arrival date of the first VXX aircraft. In addition, the Navy used a fast track 35-month versus a more customary 55-month construction schedule to meet the November 2006 planned arrival of VXX aircraft. Thus, VXX facilities are still needed in Fiscal Year 2005, even if the SDD contract delays the arrival of the first aircraft.

All funds are still required in fiscal year 2005. If these facilities are not constructed, there will be an increased risk of failing to meet the initial operating capability date as directed by the White House.

General WILLIAMS. The military construction required at Marine Corps Air Station Quantico in fiscal years 2005 and 2006 in support of the next helicopter to be used for transportation of the President of the United States is still required despite the selection delay. The proposed projects are in accordance with Marine Corps Air Station Quantico's master plan to replace facilities built in the 1930s that are inadequate to support the existing aircraft. The projects are not tied to the new aircraft delivery.

PILOT PROJECT TO DIRECT MILITARY DEPARTMENT TO EXCHANGE BRAC LAND FOR MILITARY CONSTRUCTION

44. Senator ENSIGN. General Lust, Admiral Weaver, General Williams, General Fox, Congress provided pilot authority in 2004, directing each Service to enter into an agreement with a private entity to trade a parcel of excess property from a prior round of Base Realignment and Closure (BRAC) in exchange for new construction or land acquisition. What is the status of this initiative and will you meet the deadline of December 31, 2004 to complete one exchange and if not, why not?

General LUST. The Army has selected Bellmore Logistics Activity, a 17-acre property in Hempstead, New York, as its candidate for this exchange authority. The property will be offered in exchange for construction of a fuel truck storage facility project at Fort Drum, New York, estimated at $1.1 million in value. The Army is finalizing the disposal plan with support from the U.S. Army Corps of Engineers, New York District, and the General Services Administration. A notice will be placed in the Federal Register advising of this opportunity and requesting proposals. Offerors will be qualified based on their ability to accomplish the Fort Drum project, and a selection will be made based on the proposal that offers the best value to the Department. We anticipate providing Congress an appropriate notification in the November 2004 timeframe before executing the exchange.

Admiral WEAVER and General WILLIAMS. The Department of the Navy has identified a parcel in Novato, California for initial use of this authority. We have begun to develop the solicitation and contractual documents that will be required for this new type of agreement. Our experience with competitive public sale of other BRAC properties, as well as contractual procurements of construction projects, indicates that it will be difficult to complete an exchange that combines those two processes into a single action by December 31, 2004, due to the time required to properly market the property, receive and evaluate competing proposals, and close escrow.

General FOX. The Air Force is actively pursuing this initiative with a former 247-acre Weapons Storage Area at Carswell AFB by completing our environmental investigation and obtaining clearances for unexploded ordnance areas to allow unrestricted use of the property. We expect the property will be environmentally ready for sale by early summer 2004, which will coincide with our ongoing review of several candidate MILCON projects that may meet criteria for a potential swap with BRAC land. If the private sector expresses interest in the proposed exchange and subsequent bids are acceptable, we will complete this exchange by December 31, 2004.

TRENDS OF MILCON FUNDING

45. Senator ENSIGN. Mr. DuBois, looking back at the past 15 years of funding for military construction and housing programs, it is apparent that the annual budget request top-line for MILCON and housing remained relatively constant during the four prior rounds of BRAC. As a consequence, the significant costs of military construction and environmental remediation required to implement BRAC actions was funded by reducing the amount of military construction available to the Services for new mission support and recapitalization. For example, the percentage of authorization of appropriations requested for only military construction in 1987 and 1988 averaged about 65 percent of the total request for military construction and housing programs. This is about the same percentage as our current fiscal year 2005 request. Yet, the amount requested for military construction dipped as low as 25 percent in 1996 and averaged about 40 percent of the total annual request through the four prior rounds of BRAC. This sustained low level of funding for military construction new missions requirements and recapitalization in the 1990s is a significant reason for the problems we face today with over 60 percent of our facilities failing

to meet standards. Does the DOD plan to sustain from 2008 forward a level of military construction funding that results in a recapitalization rate of 67 years?

Mr. DUBOIS. Yes. But let me expand on that answer with two points. First, achieving a 67-year recapitalization rate does not automatically result in a fixed level of military construction investment. The recapitalization rate results from a combination of investments—some from the military construction appropriations and some from the operations and maintenance appropriations and other fund sources. Major repair projects that recapitalize facilities can be funded in either the military construction or operations and maintenance accounts. Second, our plan to restore facilities requires that we get below a 67-year recapitalization rate in the near term. Once facilities readiness is restored, we can revert to the 67-year rate. We currently have funded plans in place to get below 67 years beginning in fiscal year 2008.

46. Senator ENSIGN. Mr. DuBois, what level of annual funding for military construction and housing programs must be sustained in order to achieve a recapitalization rate of 67 years AND fund a level of BRAC requirements annually that allow DOD to meet the BRAC requirement of achieving a net savings by 2011?

Mr. DUBOIS. Our fiscal year 2008 program is presently funded at $14.3 billion to achieve these goals. However, the gross total requirement for military construction appropriations including family housing and BRAC should not be conceived as an annual level of effort. For example, for recapitalization of facilities the military construction appropriation is one important source of funding, but the recapitalization rate is also influenced by operations and maintenance appropriations, host nation funding, and working capital funds. Also, in addition to recapitalization, housing, and BRAC, military construction appropriations also provide for new acquisition of facilities—the so-called new footprint requirements. Increases or decreases in new footprint requirements and the availability of other funding sources will change the gross total requirement for military construction resources, so establishing a set level of effort for this one appropriation is neither prudent nor necessary.

INSTALLATION MANAGEMENT

47. Senator ENSIGN. General Lust, now that the Installation Management Agency (IMA) is 2 years old, what complaints and challenges have you encountered with the program, and what is the Army doing to correct deficiencies and improve the IMA?

General LUST. The Installation Management Agency (IMA) sought and received constructive comments from major Army commands regarding IMA's performance since its activation. It was concluded that IMA performed well in its first year, considering the challenges of the global war on terrorism and the centralization of Army installation management. It was also noted that IMA needed improvement in areas such as enhancing communication with senior mission commanders, strengthening pursuit of common standards for installation support services and resources, determining baseline requirements for funds and manpower, and setting the way ahead with tangible, measurable results.

Consequently, IMA is aggressively pursuing initiatives such as business process redesign of management and operational functions, and implementing Army-developed standards for facility design and services provided on installations. IMA is also implementing region and agency-wide efficiencies generated from good ideas originating from installations as well as top-driven initiatives to increase the buying power of the base support budget.

48. Senator ENSIGN. General Lust, within IMA, how are resources and funds allocated to installations? Are you confident that every base is receiving an equal share of the funding available for base operating support and facility sustainment?

General LUST. In fiscal year 2004, the Installation Management Agency, for the first time, distributed funds directly to installations, eliminating intermediate commands with differing priorities and methods of allocation. IMA's fiscal year 2004 allocation to installations was based on validated requirements and Army priorities. Beginning in fiscal year 2005, IMA will improve its method of allocation by using quantifiable metrics based on standard measures.

49. Senator ENSIGN. Admiral Weaver, as the Commander, Naval Installations (CNI), what complaints and challenges have you encountered with the program, and what is the Navy doing to correct deficiencies and improve the central management of installations?

Admiral WEAVER. Complaints and challenges have generally revolved around the lack of consistency in the standards for installation service delivery, lack of consistency in installation organization and processes, too many layers of organization leading to duplication and added cost, and the need to find savings to apply to the operational side of the Navy.

In response, the Navy established a single process owner for installation management in the form of CNI on 29 September 2003. This allowed the previous eight operational and other mission commanders to focus on their primary core missions such as training, warfighting, and research and development, while also creating a core of professionals whose only mission is to support the warfighters and the other mission commands with installation support services in the most effective and efficient way possible. While the standing up and staffing of a new command is a challenge in itself, CNI has nonetheless been able to address these challenges in its 8 months of existence. Integrated process teams in each of the nine major installation core business areas have established consistent standards of performance and service for each major function that are in use today. Installation processes are already being consolidated at regional or CNI headquarters levels to eliminate duplication and overlap of such functions, generating savings in the process. Through use of a matrix organizational concept, CNI also uses experts elsewhere to perform some of the technical functions that CNI must perform, such as for contracting for some base services and materials. CNI uses the Navy Supply and Facilities Engineering Systems Commands for these technical functions. This enables CNI to avoid duplicate staffing and effort for these technical functions, while using expertise that already exists.

CNI has also adopted and implemented a program centric management approach (vice an installation centric approach) which further facilitates the "singling up" of installation service delivery processes above the installation level, thereby eliminating duplication and overlaps. Establishment of a capabilities based resourcing process now enables the Navy to use models that are based on the required operational capabilities of each installation as determined in consultation with the mission commanders and then applying levels of installation services that are priced out and evaluated in terms of risks of delivery for that capability as well as savings. This capabilities based process enables Navy leaders to have a series of funding options that they evaluate based on the output or capability to be delivered, weighed against the risk of delivery of the services at various levels of service as well as the savings that could be generated by adopting a lower (though acceptable) level of service delivery. Other current CNI initiatives include standardization of more business processes and organizations across the entire CNI enterprise (for consistency and less duplication) and the implementation of a human capital and workforce shaping plan to attract, train and retain the best and right mix of people to effectively and efficiently deliver installation services in support of the warfighter and other mission commanders.

50. Senator ENSIGN. Admiral Weaver, within CNI, how are resources and funds allocated to installations? Are you confident that every base is receiving an equal share of the funding available for base operating support and facility sustainment?

Admiral WEAVER. With the standup of CNI, the Navy now has one entity to turn to for BOS resource requirements. Therefore, for the first time, the true cost of BOS becomes evident. For the budgeting process, CNI instituted capabilities based budgeting (CBB). This is a zero-based ground-up analysis done annually which gives true visibility of outputs and levels of service for dollars invested. It publicizes what programs do, where dollars go, and what output is achieved for the dollars invested. It also describes in detail the risks/impacts of outputting at different levels of service allowing the identification of where resources are the most critically needed. Funds are allocated to the Navy regions and, in turn, the bases, based on the CBB approach, where they are most needed.

This process will have long lasting benefits to the Navy. More is learned about what each program buys, what is essential, what is discretionary and what alternatives can be done in this era of continued efficiencies while still delivering customer requirements. An additional benefit from this process is the identification and elimination of layering and duplication by centralization and streamlining within CNI. The ultimate benefit from this process is that there is credibility and confidence in the resourcing requirements.

QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

BASE REALIGNMENT AND CLOSURE

51. Senator INHOFE. Mr. DuBois, I would like to start with a few questions about the report recently sent to Congress that serves as the certification of the need for another BRAC round. On page 47 of the report you have a table that shows your estimate of excess capacity by several categories: Administration; Depots; Industrial; Major Training Areas Active and Reserve; Maneuver; Schools; and Test and Evaluation/Labs. In the area of major training areas you use base acres and maneuver brigades. Do these acres include acres that cannot be used for training because of encroachment and because this is a projection to 2009 and ultimately 2025?

Mr. DUBOIS. No, encroachment was not considered in estimating the base acres in the BRAC report. The purpose of the report was to provide a macro-level analysis of excess capacity, as part of the analysis to support the Secretary's certification of the need for closure and realignment of additional military installations. In accordance with the BRAC statute, the Department of Defense will base all its selections on the approved selection criteria with military value as the primary consideration. Within the detailed analysis of BRAC 2005 process, the Army will consider encroachment. To the extent that encroachment limits an installation in fulfilling its mission requirements, it will be factored into military value under criterion two "availability and condition of land, facilities and associated airspace. . . ."

52. Senator INHOFE. Mr. DuBois, do you account for continued encroachment at the current rate and the amount of training land will lose by then?

Mr. DUBOIS. The rate of encroachment was not considered in the macro-level analysis used in the report. Within the detailed analysis of BRAC 2005 process, the Department will consider encroachment. To the extent that encroachment limits an installation such as a major training area to fulfill its mission requirements, it will be factored into military value under criterion two "availability and condition of land, facilities, and associated airspace. . . ." The BRAC 2005 process will take into account the factor of the current encroachment rate in evaluating the need for training or basing spaces that support the 20-year force structure.

53. Senator INHOFE. Mr. DuBois, does this account for the significant additional acreage needed by the Army's future units of action (brigades)?

Mr. DUBOIS. The BRAC report provides a macro-level analysis of force structure and capacities, but does not specifically account for the additional acreage that may be needed by the Army's future units of actions (brigades). The BRAC 2005 process will consist of an in-depth analysis to incorporate the requirements of the current and projected force structure, including the Modular Brigades.

54. Senator INHOFE. Mr. DuBois, why are we considering only 43 brigades in the Army criteria when we know the Army has requested 48? Why are we using the lower number when prudence would dictate we use the higher number?

Mr. DUBOIS. The footnote to the Army's capacity table on page 47 of the BRAC report submitted to Congress acknowledges the pending Army request to increase the number of brigades and states the resulting change in capacity. The footnote states "The Army's goal is to increase the number of Active Force brigade combat teams from 33 to 43 between now and fiscal year 2007. A determination for an additional 5 BCTs (for a total of 48) will be made at a later time. This number will be reflected in the fiscal year 2006 budget submission. Such an increase would reduce the overall excess capacity of the Army from 29 percent (table 1, page 3 and table 6–5, page 54) to 27 percent."

55. Senator INHOFE. Mr. DuBois, I have similar questions about the criteria used to determine excess in the test and evaluation/labs field. Why did you use acquisition workforce as compared to square feet? How is that an accurate measurement for excess purposes?

Mr. DUBOIS. Similar to the Department's 1998 report to Congress on BRAC, the Army and Air Force compared the size of the facilities used for their technical activities to the number of staff performing the technical activities. They determined that the ratio of total technical facility size, in square feet, to the number of personnel performing these functions, represented by the size of the acquisition workforce, was a suitable parametric estimate for this facility category. As noted in the report, only a comprehensive BRAC analysis can determine the exact nature or location of potential excess.

56. Senator INHOFE. Mr. DuBois, the DOD is still conducting a global posture review. The DOD has indicated that it will include the findings of this review in the BRAC process. However, it will be done without formally submitting the findings to Congress. How do we fix this problem and don't you think Congress should have the benefit of such a review before it is formalized as part of the process?

Mr. DUBOIS. The Department has consulted with congressional defense committees on all aspects of the global posture review, including projected specific overseas changes. The Department has not yet completed its review; however, we will continue to be in close discussions with Congress on details on the overseas changes, both before and after the Secretary and the President make their decisions on such changes. The impact of these decisions on U.S. bases that may accommodate any forces returning from overseas will be made within the BRAC process and Congress will be provided this information, along with all the information supporting the BRAC process, after the Secretary provides base closure and realignment recommendations to the commission no later than May 16, 2005.

57. Senator INHOFE. Mr. DuBois, during the recent public comment period on BRAC criteria, I submitted a suggestion that the 50/50 law and other statutory limitations be included as criteria. I don't think that the law can be ignored or violated by closing bases and then saying "sorry we just don't have enough depots to meet the requirements anymore." However, the answer you published in the Federal Register did not adequately explain your rejection of this suggestion. The DOD wrote: "it is inappropriate to include any statutory constraints in the selection criteria because they are too varied and numerous and could preclude evaluation of all installations equally. The absence of these requirements in the text of the criteria, however, should not be construed as an indication that the Department will ignore these or any other statutory requirements or limitations in making its final recommendations." I don't understand your answer. Will you make sure the final BRAC list complies with the requirements in sections 2464 and 2466 of title 10 or not?

Mr. DUBOIS. The requirements of section 2466, as well as all other statutory constraints, will be carefully considered. For BRAC to be a truly comprehensive process and to achieve our objective in support of the warfighter, the process must involve all of our installations, including those that perform depot-level maintenance and repair. The Department values the contributions made by all of its installations and depots to our national security. As provided for by law, the Department will conduct the BRAC process in a way that treats all installations equally and fairly, making military value the primary consideration. The Department will also ensure it retains the capabilities necessary to protect our national security. As such, the Department will examine all of its facilities, including depot level maintenance and repair facilities, within this process and within all applicable legal requirements, including section 2466.

58. Senator INHOFE. Mr. DuBois, do you believe that this authority to conduct a BRAC gives you the authority to create conditions that will circumvent or supercede existing statutory requirements?

Mr. DUBOIS. The Department values the contributions made by all of its installations and depots to our national security. As provided for by law, the Department will conduct the BRAC process in a way that treats all installations equally and fairly, making military value the primary consideration. The Department will also ensure it retains the capabilities necessary to protect our national security. As such, the Department will examine all of its facilities, including depot-level maintenance and repair facilities, within this process and within all applicable legal requirements, including section 2466.

59. Senator INHOFE. Mr. DuBois, I have seen several cost estimates for this round of BRAC. Obviously we won't know the true costs until after the process is complete and then even later when the true impact is realized. However, we never seem to take into affect the costs to the communities, the individuals who lose jobs are displaced, businesses shut down, relocated, etc. But, at least we can look realistically at what we do know of environmental clean-up costs and mission relocation. What is your estimate of the costs of this BRAC?

Mr. DUBOIS. The Department has made some preliminary estimates of BRAC 2005 costs and savings for budget planning purposes. Based on the costs and savings experiences of BRAC rounds 93 and 95 (inflated to then year dollars and interpolated to a 20 percent reduction in plant replacement value), the Department estimates that total costs and savings would be roughly equal at the end of the 6-year implementation period. This would result in a cumulative net cost of about $200 million at the end of fiscal year 2011, followed by annual recurring savings of ap-

proximately $8 billion. The experience of previous BRAC rounds suggests that each military department will achieve annual net savings beginning not later than fiscal year 2011. Of course, the actual costs and savings from BRAC 2005 actions will depend on the specific recommendations adopted.

60. Senator INHOFE. Mr. DuBois, can we afford those costs at this time when the Services are struggling with the costs of this war?

Mr. DUBOIS. We cannot afford to stop the BRAC process—we must not waste the opportunity. It is true that previous rounds suffered because the funding required for implementation competed with weapons systems. This competition created a perverse dynamic that limited BRAC's potential. For BRAC 2005, the Department is exercising extraordinary programmatic oversight to minimize this counter-productive funding dynamic. Previous BRAC experience demonstrates that savings from BRAC actions begin to accrue immediately, and these savings will be used to fund the implementation costs.

61. Senator INHOFE. Mr. DuBois, the Army just submitted a UFR list of $6 billion. On that list were up armored Humvees, body armor, and other critically needed force protection needs. If we have Services forced to put force protection needs on UFR lists during a war, how can we pay $15 billion to shut down bases?

Mr. DUBOIS. Previous BRAC experience demonstrates that savings from BRAC actions begin to accrue immediately, and these savings will be used to fund the implementation costs.

62. Senator INHOFE. Mr. DuBois, in MG Lust's statement he said "more troops are coming and going on our installations than in any era since World War II." As we train and deploy these active forces, and train, mobilize, and demobilize these Reserve Forces, how do we do all this and add the turmoil of BRAC on top of that?

Mr. DUBOIS. Fighting the global war on terrorism creates significant turmoil for our fighting forces and their families. But the Department simply cannot ignore the benefits that a BRAC process offers because of this increased level of activity. We cannot afford to stop the BRAC process—we must not waste the opportunity to reconfigure our current infrastructure into one in which operational capacity maximizes both warfighting capability and efficiency. Retaining excess base capacity diverts scarce resources away from funding critical military capability. I would point out that we implemented portions of BRAC 88 and conducted the BRAC 91 process during Operations Desert Shield and Desert Storm.

63. Senator INHOFE. Mr. DuBois, how do you see the implementation of BRAC while we have forces moving in and out of the country at this record pace? What are the costs associated with this added turmoil?

Mr. DUBOIS. The Department will apply the lessons learned from prior BRAC rounds to ensure the implementation phase proceeds as efficiently and effectively as possible, mirroring the excellent track record of the past rounds. The costs associated with this heightened activity, such as determining beddown requirements for overseas forces returning stateside, will be addressed in the BRAC costs and savings analyses as those specifics become known.

64. Senator INHOFE. Mr. DuBois, one of the criticisms in the past for BRAC was the slow pace of actually moving things to realize the cost savings. Won't all this turmoil slow the process down even further?

Mr. DUBOIS. I can assure you that savings from prior BRAC rounds are real and significant a position shared by both the General Accounting Office and Congressional Budget Office. The GAO released a report on April 5, 2002, stating: "In addition to our analyses, studies by other Federal agencies, such as CBO, the DOD Inspector General, and the Army Audit Agency, have shown that BRAC savings are real and substantial and are related to cost reductions in key operational areas as a result of BRAC actions." This is not an isolated finding. The report went on to indicate that "Our analyses have consistently affirmed that the net savings for the four closure rounds are substantial and can best be depicted as cost avoidances in specific operational areas." Through the end of the 1990–2001 BRAC implementation period, the Department estimates the four BRAC rounds generated savings of approximately $17 billion and that annual recurring savings approximate $7 billion. These estimates include environmental restoration expenses.

65. Senator INHOFE. Mr. DuBois, as part of the DOD's Unified Command Plan, the Army, Navy, Air Force, and Marine Corps have been tasked with learning how to better integrate their warfighting capabilities and overall interoperability. In an

effort to streamline budgets and to get the most use out of our military bases, has any consideration been made to creating joint use bases that will collocate several Services together allowing for rapid deployment of joint forces and the sharing of MILCON expenses?

Mr. DUBOIS. Yes, the Department is giving much consideration for doing more in the joint arena. In his November 15, 2002, memorandum "Transformation Through Base Realignment and Closure," the Secretary established the goals and priorities for the 2005 BRAC round. A primary objective, in addition to realigning our base structure to meet our post-cold war force structure, is to examine and implement opportunities for greater jointness. To reinforce the idea that we should be looking across traditional lines to examine the potential for jointness, the Secretary established an internal BRAC 2005 decisionmaking body that is joint at every level. The Infrastructure Executive Council (IEC), chaired by the Deputy Secretary, and composed of the Secretaries of the Military Departments and their Service Chiefs, the Chairman of the Joint Chiefs of Staff and Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)), is the policy making and oversight body for the entire BRAC 2005 process. The subordinate Infrastructure Steering Group (ISG), chaired by the USD(AT&L) and composed of the Vice Chairman of the Joint Chiefs of Staff, the Military Department Assistant Secretaries for Installations and Environment, the Service Vice Chiefs, and the Deputy Under Secretary of Defense (Installations and Environment) (DUSD(I&E)), oversees joint cross-service analyses of common business oriented functions and ensures the integration of that process with the military department and defense agency specific analyses of all other functions. Opportunities for increased joint operations through basing actions will be aggressively pursued within BRAC 2005.

QUESTIONS SUBMITTED BY SENATOR WAYNE ALLARD

ENVIRONMENTAL STUDIES

66. Senator ALLARD. General Fox, in 1993 the Air Force, the EPA, and the State of Colorado conducted an environmental baseline study for Lowry Air Force Base. While the survey identified a former hospital at the site, the survey did not disclose the fact that the Air Force had buried debris, including asbestos, across the Northwest neighborhood of the Air Force base. Why wasn't information about the buried asbestos disclosed by the Air Force in 1993?

General FOX. The Air Force did not bury asbestos in the Lowry Northwest Neighborhood. During past building demolition, some debris remained in place, but to the best of our knowledge, the Air Force did not intentionally dispose of asbestos construction waste. Unfortunately, the Air Force was unaware of the subsurface items containing asbestos at the time of the 1993 survey.

Had we known of remaining construction debris, we would have disclosed this information. From the information that was available, it wasn't known that anything like that had happened.

The Air Force, EPA, and State regulators, working together as the BRAC Cleanup Team (BCT), have conducted numerous environmental studies and reviews to identify any environmental contamination or conditions affecting Lowry. These efforts included the 1993 Environmental Baseline Survey (EBS), known as the EBS Phase I, which was supplemented in 1994. The BCT was also involved in studies and document reviews conducted under a facility assessment in 1996, an EBS Phase II completed in 1999, the initiation of an EBS Phase III in 2002, a reevaluation of the base's operational history in 2002, and an all-sites review (now being addressed under a RCRA facility assessment ordered by the state) initiated in May 2003. The completed studies and documents were made available to the Lowry Redevelopment Authority (LRA) for their review, as well. Despite these efforts by the BCT, locations containing debris were not identified or raised as a concern by any of the BCT members.

The 1993 EBS mentioned possible demolition debris near the former airfield runway, and four rubble sites at Lowry that might contain demolition debris. The EBS described a 1973 aerial photo indicating possible stockpiling of earth, residual concrete, and building rubble from the demolition of the former base hospital near the northern end of the former north-south airfield runway. The EBS also briefly described a 1983 aerial photo that indicated the northern end of the runway was then clear of the stockpiled material, and that possible grading or removal of the material to other base locations may have occurred since 1973. The 1983 photo showed that several former structures near the NWN appeared to have been removed by demoli-

tion. The EBS states that a former Lowry employee recalled that the demolition debris was moved to a solid waste site on Lowry, away from the NWN.

67. Senator ALLARD. General Fox, it is my understanding that this same baseline survey, which did not reveal asbestos in the soil, also failed to include "dummy" munitions later found on base, failed to include eight underground storage tanks filled with hazardous waste left on base, and did not include 20mm high explosive fragments from projectiles found at Lowry. Knowing this, do you feel the Air Force has done an adequate job of characterizing the extent of environmental contamination at Lowry?

General FOX. The Air Force, in conjunction with EPA and the State, has done and continues to do more than an adequate job of characterizing the extent of environmental contamination at Lowry. However, the Air Force always seeks to do better, especially when deficiencies are discovered which reveal that the painstaking process undertaken by the BCT to identify unknown sites did not always succeed. Lowry has been a challenging environmental effort, partially due to unknown environmental conditions caused by the constant change in the numerous military missions and tenants from 1937 until the base closed in 1994. We are continuing our due diligence efforts to increase the possibility that other potentially contaminated sites are located and receive an appropriate response.

The "dummy" munitions that were found were brass shell casings that contained no explosive charge or powder and are similar to the small shells occasionally kept by military members as souvenirs. They were not hazardous.

The projectile fragments referred to were target practice fragments found by the Air Force during its remedial investigation of the base's firing range berm, where one would reasonably expect to find such fragments as a result of target practice. An ordnance team from Fort Carson stated the fragments were not from high explosive projectiles.

Also, of the eight underground storage tanks referred to, three contained hazardous waste, but all were found by the Air Force during environmental cleanup, as part of the Air Force's ongoing investigative efforts. Of course, the regulators and the redevelopers were kept apprised of these Air Force discoveries. The Air Force removed the tanks in consultation with the State regulators, who agreed with the Air Force's work and disposal plans. When the tanks were discovered and removed, the Air Force still owned the property where the tanks were located.

68. Senator ALLARD. General Fox, the Air Force also designated in the baseline survey that the Northwest Neighborhood was a Category I site, which means that there was no evidence of hazardous materials and no further investigation of that site was necessary. Given the discovery of asbestos across the site, would the Air Force still give the site a Category I designation?

General FOX. The Air Force did not designate the entire Northwest Neighborhood as a "Category I site." Portions of this property, which encompasses over 90 acres, were given other DOD Environmental Condition categories. For purposes of environmental due diligence, assigning DOD environmental condition categories, and conducting environmental restoration, the Air Force did not refer to or consider this entire property as a single "site."

Most, though not all, of the property in the Northwest Neighborhood (NWN) was considered DOD environmental condition category I at property transfer. Category I property is property where no release or disposal of hazardous substances or petroleum products has occurred (including no migration of these substances from adjacent areas). Property that receives a DOD environmental condition category II through IV can also be transferred by deed, and several properties within the NWN fell within those categories.

Had we the information then that we have now, the Air Force would not have designated as category I the former hospital site. If the amount of health risk did not warrant a CERCLA response, that portion of the property may have qualified as a different category that would have still allowed the Air Force to transfer the property by deed. If the health risk warranted a CERCLA response, then those portions of the property would have been a different category that does not allow transfer by deed until the necessary CERCLA responses are taken.

69. Senator ALLARD. General Fox, doesn't this discovery make the Air Force liable for cleaning up the site?

General FOX. The issue of liability for environmental cleanup can be complex, depending on the facts and circumstances, and agreements entered into by the parties. It is impossible to generalize. The circumstances vary from location to location. The Air Force and the Department of Justice are currently investigating and analyzing

facts and circumstances surrounding the transfer and development of the property within the NWN at the former Lowry AFB and the subsequent asbestos cleanup activities. This investigation and analysis is guided by current CERCLA case law and precedent. No decision has been made by the Federal Government as to the liability of the various parties involved at this time. The Federal Government, and specifically the Air Force, will pay whatever portion of the liability it is responsible for pursuant to law.

The Air Force is required by Federal law to promise future property owners that it will perform whatever remedial action is necessary under Federal law to protect human health and the environment. Necessary remedial actions are determined in accordance with Federal procedures established under CERCLA. The Air Force is conducting a CERCLA investigation of what remedial actions are necessary, if any, for the property in the NWN that it still owns. The Air Force is also willing to conduct such an investigation for the property that it has conveyed. This, of course, is somewhat complicated because of actions by others on such property. What reimbursement the Federal Government is obligated to make in these circumstances is what is under investigation by the Air Force and the Department of Justice.

70. Senator ALLARD. General Fox, in 1995 the Air Force and the Lowry Redevelopment Authority (LRA) signed a land conveyance agreement. The agreement included a provision that specifically states some buildings and equipment may contain asbestos and that the LRA would be responsible for the cleanup of these facilities. However, neither this provision nor any other provision of the land conveyance addresses asbestos in soils. Have you read the conveyance? If so, do you agree that conveyance does not state anything about asbestos in soils?

General FOX. I have not read the agreement. Other Air Force personnel have read the entire agreement. The conveyance agreement and its provisions are among a multitude of pertinent facts and circumstances being considered by Air Force and Department of Justice lawyers.

71. Senator ALLARD. General Fox, the conveyance specifically states that the LRA is not liable for the Air Force's use of toxic and hazardous wastes or materials of any portion of Lowry Air Force Base. Do you consider asbestos in soils to be a hazardous material?

General FOX. The Air Force lawyers do not agree and are conferring with the Department of Justice as to its reading of the contractual provisions contained in the Economic Development Conveyance (EDC) agreement.

Several provisions have been brought to my attention that pertain to this issue. The EDC agreement executed in June 1995, as amended by EDC Amendment No.3 in December 1999, contains two provisions regarding asbestos on the EDC "Premises." EDC Premises is defined as the entire EDC property and not limited to improvements or structures on the property.

First, EDC provision no. 9 warns or informs the LRA that:

- The EDC Premises has improvements that may contain asbestos-containing material (ACM)
- The LRA should inspect the premises for presence and condition of ACM prior to applying for the EDC or assume the risk that ACM may be present
- The Air Force makes no express or implied warranties about the presence or condition of asbestos on the EDC premises, and the LRA's failure to inspect or be fully informed about the condition of the EDC premises will not provide grounds for any claim or demand for adjustment or withdrawal by the LRA from the EDC agreement
- Information about the EDC premises contained in the EDC is based on the best information available to the Air Force, but that any omission of information by the Air Force does not excuse nonperformance of the EDC or any claim by the LRA against the Air Force, and
- The Air Force assumes no liability for damages for personal injury, illness, disability, or death to anyone for the purchase, transportation, removal, handling, use, disposition, or another activity causing or leading to exposure to the asbestos on the EDC premises

Second, EDC provision no. 23, which took effect for all EDC Premises in December 1999 as a result of EDC amendment no. 3, provides that:

- The LRA assumes responsibility for compliance with all laws and regulations related to the presence, containment, release, abatement, removal, handling, transportation, and disposal of ACM on the EDC premises
- The LRA releases the Air Force of all liability associated with ACM on the EDC premises, and agrees to indemnify and defend the Air Force

> against, and hold the Air Force harmless from, all claims, suits, demands, actions, liabilities, judgments, and costs accruing for death, personal injury, and property damage related to any activities associated with ACM on the EDC premises

I mention these provisions to indicate that the situation is more complex than it might seem at first sight. This is why we are currently engaged in an in-depth analysis of this matter. Asbestos in soil may be hazardous, depending on the asbestos type (e.g. chrysotile or amphibole), form (e.g., capable of being inhaled and friable or non-friable), amount, likelihood of exposure, and length of exposure, among other factors. A risk assessment is the method used to determine under CERCLA whether asbestos in soil at any given site constitutes a risk to human health that warrants remediation. In Colorado, soil containing up to 1 percent amount of asbestos can be disposed of as nonhazardous solid material in accordance with 6 Code of Colorado Regulations sections 1.2 and 5.2.

72. Senator ALLARD. General Fox, in section 13.3 of the land conveyance, the Air Force recognizes and acknowledges its responsibilities under the Comprehensive Environmental Response, Compensation, and Liability Act. From my understanding, this provision holds the Air Force liable for the removal of hazardous materials released during its operations. Was asbestos deposited in soils of the Northwest neighborhood of Lowry Air Force Base by the Air Force during its operations? If so, under section 13.3 of the land conveyance, why isn't the Air Force liable for remediating the hazardous materials in the soils at Lowry?

General FOX. Past operations by the Air Force appears to be one of several possible sources of the asbestos contained in soil in the Northwest Neighborhood (NWN) at Lowry. Demolition debris, some of which contained asbestos, remained in place at the site of demolished buildings. Additionally, the Air Force does not remove underground utility pipes from base closure property. Lowry followed standard building demolition procedures used by industry when the demolition occurred. Although the bulk of the demolished building materials were removed from the site and properly disposed of, incidental amounts of asbestos-containing material likely would have remained at the site.

Other potential sources of asbestos in soil within the NWN include importation of soil into the area by the LRA and builders from other portions of the base during redevelopment for use as fill and grading material. Additionally, the LRA conducted some demolition of former Air Force buildings and structures, including excavation or removal of underground utility pipes containing or made of asbestos material, and it is not currently known to what extent these activities may have contributed to the fragments of asbestos being found in or on the soil. The LRA and many of its builders were aware that the Air Force did not remove the underground utility lines. It is the developer's responsibility to ensure the proper removal of such pipes during construction activities. Numerous fragments of asbestos, which the State has described as "discoveries" of asbestos, have been found on the surface of soils in regraded areas, which indicate the asbestos fragments appeared at least partially as a result of relatively recent redevelopment activities conducted by the LRA and builders.

In a letter dated August 28, 2003, the Assistant Secretary of the Air Force for Installations, Environment, and Logistics provided much of this information to members of the Colorado congressional delegation and to the Governor.

See response to first question above. The Air Force and the Department of Justice are currently investigating the facts and circumstances, including the provisions in the EDC agreement, regarding the transfer and development of the property within the Northwest Neighborhood at the former Lowry AFB and the subsequent asbestos cleanup activities performed at the behest of the State. No decision has been made by the Federal Government as to the liability of the various parties involved at this time.

73. Senator ALLARD. General Fox, the State of Colorado determined in its Final Response Plan that the presence of asbestos at the site was a threat to public health. Specifically, the State of Colorado said that a risk of 1 excess cancer in 1,000,000 was sufficient for remediation. Does the Air Force agree with this standard? If not, why then did the Air Force agree with the State of Colorado to clean up the commissary site at Buckley Air Force Base, which had a similar problem, to this same standard?

General FOX. There is not a standard in Colorado directly applicable to this situation. The State has issued advisories and orders concerning the steps it wants taken, but it has not promulgated any generally applicable standard for sampling or remediating asbestos in soil, nor has it formally adopted the risk limit described

above. The State made a risk management decision that the presence of any detectable asbestos at the site posed an unacceptable risk. It did not conduct a site-specific risk assessment to determine what level of risk is present at the site prior to issuing response requirements to the LRA, builders, and the Air Force.

Federal agencies conduct cleanup activities based upon an assessment, conducted in accordance with applicable law, of the potential risk of a situation to human health and the environment. Lowering risk to 1 excess cancer in 1,000,000 may be a goal, but depending upon the specific circumstances, other risk goals may be more appropriate. For instance, U.S. EPA allows 1 excess cancer in 10,000 as an acceptable risk for some CERCLA response actions. Analysis by the Air Force under the applicable procedures is underway, and an Initial Risk Assessment was published by the Air Force last month. Though limited to an examination of the retained Air Force property, one of its primary conclusions was that the potential health risk on the Air Force's property does not require soil removal at the resent time. This is significantly different from what the State has concluded.

As explained above, there is no applicable standard. It is not correct that Buckley Air Force Base agreed to follow the same standards being imposed at Lowry, either for its commissary site or for its construction of the fitness center facility. Buckley AFB did agree to excavate surface soils down to the depth of native soil. Sampling was done for the purpose of confirming that the native soil level had, in fact, been reached during the excavation process. Buckley is now under a Colorado Department of Public Health Environment (CDPHE) compliance order, citing allegedly applicable state solid waste regulations, to remove stockpiled soils and develop a response plan to address other soils disturbed by construction and development. It is the State's position that asbestos is a waste material and the deposition of soil with any concentration of asbestos constitutes illegal disposal. The Air Force is appealing this order, and action which clearly indicates that the Air Force and the State have not yet reached agreement on the asbestos cleanup at Buckley.

74. Senator ALLARD. General Fox, before construction can continue, the State of Colorado has mandated that the site be cleared up to a level of non-detection for asbestos. According to the State of Colorado and the LRA, the Air Force was inactive during the discussions and did not voice objections to the standards of remediation that were being developed at the time. Did the Air Force participate in discussions during which standards for the remediation of asbestos at Lowry were being developed?

General FOX. The Air Force participated in discussions, and we did object. The Air Force worked extensively with the LRA and builders during the time that the LRA, builders, and the Air Force were directed by CDPHE in its Compliance Advisories to develop sampling and response plans. Air Force personnel and contractors participated in every joint LRA/builder asbestos workgroup meeting at which the Air Force was invited to attend. At those meetings we provided or offered technical support and assistance. This period of time ran from about 1 May 2003 to early July 2003. The Air Force contractor personnel alone devoted over 120 hours of technical support with their participation in LRA/builder teleconferences and reviewing and commenting on sampling plans directly related to the LRA and builders' efforts. The Air Force technical staff devoted numerous additional hours negotiating with the state on indoor air sampling requirements and conducting air sampling for the City of Denver's Child Care Center in the Northwest Neighborhood.

The Air Force spent many hours working with the LRA's attorney to negotiate a funding arrangement to cover certain prospective sampling and remediation costs. The Air Force offered $1 million for fiscal year 2003, and also offered the LRA the opportunity to provide information to the Air Force to justify expanding the geographic scope of the agreement. No legal claims would have been waived to accept this funding. The LRA rejected this offer.

Additionally, the Air Force fully supported a proposal developed by the LRA and builders in a document titled "Strategic Risk Management in Lowry's Northwest Neighborhood, Denver, CO", dated June 17, 2003, in which the LRA and builders proposed to the State an alternative risk management approach for responding to asbestos in soil in a manner similar to that traditionally used by U.S. EPA. (The method imposed by the State is to require soil removal whenever any amount of asbestos is detected in soil, however slight.) The Air Force participated in numerous meetings with the state in June and July 2003 about remediation requirements and where the "Strategic Risk Management" proposal was specifically discussed with the State regulators. In addition, the Air Force explicitly told the LRA and the builders that their acceptance of the State's requirements would pose problems for recovering costs from the U.S. for unnecessary response efforts.

On more than one occasion, the Air Force, LRA, and builders asked the State to provide a copy of its risk assessment or study that the State said supported its approach. After failing to get a copy from the State, the Air Force informed the State on August 28, 2003 that it would initiate a CERCLA response process, including a risk assessment, for the remaining property in the Northwest Neighborhood still owned by the Air Force. The Air Force released its initial health risk assessment in March 2004 and will release the second interim report in July 2004. The final health risk assessment report will be issued in December 2004.

75. Senator ALLARD. General Fox, from your understanding, did the Air Force object to the potential risk to exposure or to the standards of remediation being developed at these meetings?

General FOX. During the May 1 to early July 2003 time explained above, the Air Force voiced concerns, by teleconference and in person, at meetings held with the State regulators, LRA, and builders, about the sampling and cleanup requirements the State contemplated imposing on all parties. Our counsel specifically raised a concern during a meeting attended by the State regulators about how the State regulators were trying to interpret their air quality regulation to impose a soil standard that required remediation of any detectable levels of asbestos. This same concern was voiced by the LRA and builders on several occasions, and is reflected in their "Strategic Risk Management in Lowry's Northwest Neighborhood, Denver, CO" paper presented to the State regulators.

76. Senator ALLARD. General Fox, given our discussions, is the Air Force liable for remediation of asbestos in soils at Lowry?

General FOX. The Air Force and the Department of Justice are currently investigating and analyzing the facts and circumstances surrounding the transfer and development of the property within the Northwest Neighborhood at the former Lowry AFB and the subsequent asbestos cleanup activities. This investigation and analysis is guided by current CERCLA case law and precedent. No decision has been made by the Federal Government as to the liability of the various parties involved at this time.

QUIESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

PRESIDENTIAL HELICOPTER REPLACEMENT PROGRAM

77. Senator AKAKA. Admiral Weaver, a few days ago the Department announced a delay in the schedule for the presidential helicopter replacement program known as the VXX. The 2005 budget includes significant military construction funding that was geared to the original time line. What impact does this delay have on your ability or requirement to fund this military construction in 2005? Is all of this funding still needed in 2005?

Admiral WEAVER. The Navy included $106 million for VXX facilities in the fiscal year 2005 budget request in order to meet the planned arrival of the first VXX aircraft by November 2006. Although the Navy announced a delay in the SDD contract award, no significant delay is anticipated in the arrival of the first aircraft. The Navy is using the additional time made available by the delay in the SDD contract to more fully investigate the design, performance, cost and tradeoff opportunities with both offers, thus minimizing the need to delay the arrival date of the first VXX aircraft. In addition, the Navy used a fast track 35-month versus a more customary 55-month construction schedule to meet the November 2006 planned arrival of VXX aircraft. Thus, VXX facilities are still needed in fiscal year 2005, even if the SDD contract delays the arrival of the first aircraft.

All funds are still required in fiscal year 2005. If these facilities are not constructed, there will be an increased risk of failing to meet the initial operating capability date as directed by the White House.

MILITARY CONSTRUCTION AT FORT STEWART

78. Senator AKAKA. General Lust, this week the committee received a notification from the Army invoking an emergency authority to begin preparation to create new facilities to house an extra brigade at Fort Stewart Georgia as the first example of the Chief of Staff's proposal to change the structure of our combat divisions. While I have been a strong supporter of Army transformation, this proposal raises some questions. This initial military construction proposal we received will require addi-

tional follow-on funding requests we have not yet seen. What is the total cost of this proposal at Fort Stewart?

General LUST. We are in the process of determining what new construction will be required to support the new unit of action (UA) coming to Fort Stewart as part of the transformation process. We continue to further define all needed facility requirements with detailed cost estimates to provide facilities for the new UA.

79. Senator AKAKA. General Lust, when and how will the balance of costs for the project at Fort Stewart be funded?

General LUST. We are still determining the specific facility requirements for the Fort Stewart project. The permanent facilities will be funded in the Military Construction, Army (MCA) program. We are planning to program MCA projects to replace the emergency relocatable facilities being erected this summer with permanent buildings over several years beginning in the earliest possible MCA program.

80. Senator AKAKA. General Lust, how confident is the Army that these facilities can be in place in time to adequately set up and train forces under this new structure before they are sent back to Iraq late this year?

General LUST. The plan is to have the first facilities in place by early July 2004. The entire emergency relocatable project is expected to be finished near the end of this summer to coincide with the full staffing of the new UA. We are confident we can meet this schedule with expeditious approval of the necessary reprogramming action to allow for an early May construction contract award.

READINESS AND ENVIRONMENTAL PROTECTION

81. Senator AKAKA. Mr. DuBois, the 2005 budget requests $20 million for the Readiness and Environmental Protection Initiative. Does the DOD envision the use of these funds for both the purchase of land that DOD would own as well as for the purchase of easements without actual DOD ownership of the land?

Mr. DUBOIS. This funding supports and is consistent with the Administration's Readiness and Range Preservation Initiative, specifically, 10 U.S.C. 2684a enacted in section 2811 of the National Defense Authorization Act of 2003. With these funds, the military departments will have greater flexibility to enter into cooperative agreements with private conservation organizations or state and local governments to cost-share the acquisition of easements to preserve high-value habitat and limit incompatible development in the vicinity of military installations.

82. Senator AKAKA. Mr. DuBois, would this $20 million defense-wide fund be the only funding available to the Services for such purchases, or would they also be permitted to use their own funds?

Mr. DUBOIS. Under 10 U.S.C. 2684a, enacted by section 2811 of the National Defense Authorization Act of 2004, the military departments are authorized to use their own funds to enter into cooperative agreements with private conservation organizations or State and local governments to cost-share for the acquisition of property interests.

83. Senator AKAKA. Mr. DuBois, does the DOD still require advance approval by the Office of the Secretary of Defense before the military departments may acquire more than 1,000 acres of land, or any land worth over $1 million, or are you giving the Services more flexibility to execute such arrangements where they see opportunities to prevent or mitigate future encroachment problems by acquiring buffer zones?

Mr. DUBOIS. Yes, DOD still requires advance approval for any major acquisition of real property, i.e., more than 1,000 acres of land, or any land worth over $1 million. For those acquisitions outside of the Washington, DC, area the approval authority is the Under Secretary of Defense (Acquisition, Technology, and Logistics). For acquisitions within the Washington, DC area, the Secretary or Deputy Secretary must first approve the acquisition.

DRINKING WATER AT CAMP LEJEUNE

84. Senator AKAKA. Mr. DuBois, 23 years ago, a military engineer assigned to test the drinking water at Camp Lejeune, North Carolina, wrote: "Water highly contaminated with . . . chlorinated hydrocarbons (solvents)!" It took 2 years for the Marine Corps to confirm these findings and another 3 years after that before the contaminated wells were shut down. The Marine Corps has informed us that there was no

regulatory standard in place in the early 1980s for the specific contaminants at issue and urged us not to impose today's standards on them using 20–20 hindsight. I don't want to look backward at the events at Camp Lejeune, I want to look forward. In particular, I want to look at the issue of perchlorate. Right now, we know we have perchlorate in the drinking water at a number of our military bases and surrounding communities. As was the case with tetrachloroethylene (PCE) and trichloroethylene (TCE) 20 years ago, we don't have any enforceable regulatory standards for perchlorate today. My concern is that DOD's position appears to be that it will wait for regulatory standards before it takes any action to address perchlorate problems. Don't we risk repeating the problems we had with Camp Lejeune if we wait for the regulatory system to catch up before we address problems that we know we have today?

Mr. DUBOIS. Before I answer your question, I would like to briefly address the very complex issue at Camp Lejeune. While it is true that there were no drinking water standards for the volatile organic compounds that impacted the water at Camp Lejeune, and that the wells were shut down prior to those standards being implemented, questions remain about the reasonableness of decisionmaking leading to the closure of the affected wells. To help the Marine Corps address this issue, General Hagee chartered a panel on March 18, 2004, to conduct an independent review of the facts surrounding the decisions made following the 1980 discovery of volatile organic compounds in the drinking water at Camp Lejeune. The panel is expected to report their findings by October 2004.

With that being said, the Department's efforts to identify and address, where appropriate, perchlorate reflects the Department's commitment to respond to any public health threat in a manner commensurate with the identified threat and based on the best available scientific understanding of the threat. The Department initiated and supports significant steps to help identify the threat posed by perchlorate including funding, with other Federal agencies, an independent assessment by the National Academy of Sciences focusing on the science of perchlorate as the basis for the formulation of a science-based regulatory standard. The Department continues to invest in the development of new technologies to remediate existing perchlorate contamination and to develop substitutes for perchlorate use.

85. Senator AKAKA. Mr. DuBois, what actions are you taking now to address risks to human health from perchlorate contamination at military facilities and surrounding communities?

Mr. DUBOIS. The Department is committed to using the best available science to inform public policies and decisions. DOD believes that the review undertaken by the National Academy of Science on health risks associated with low levels of perchlorate in drinking water, sponsored by DOD, EPA, National Aeronautics and Space Administration (NASA), and Department of Energy (DOE) is a clear indication of that commitment. In the interim, the Department has undertaken an aggressive environmental sampling program requiring the services to sample for perchlorate anywhere that there is a reasonable expectation that perchlorate may exist and there is a pathway to a human receptor. The Department is also researching and demonstrating perchlorate treatment technologies at our installations. These efforts will help the Department plan, program, and budget for future cleanup requirements once the risks have been defined and a standard is promulgated for perchlorate.

OPERATION NOBLE EAGLE AIR DEFENSE

86. Senator AKAKA. General Fox, the Air Force is currently using 16 bases to conduct the air superiority defense mission over the United States as part of Operation Noble Eagle. The 2005 budget contains military construction funding to upgrade facilities at some of these bases to accommodate this mission. However, at other bases, funding is not yet programmed pending a decision on whether or not this mission requirement is likely to persist beyond a 5-year period. Who will make this requirements decision, and when?

General FOX. The decision to upgrade facilities at some of the 16 Operation Noble Eagle air defense operating locations was based upon recommendations of site survey teams comprised of Air Combat Command, Air National Guard and Air Force Reserve representatives. These teams performed extensive reviews in response to a HQ USAF Program Action Directive published following the Commander, North American Aerospace Defense Command (NORAD) decision in December 2003 to upgrade the Air Sovereignty Alert mission from a "contingency" to a steady state alert mission for the foreseeable future."

Any decision to discontinue this mission requirement resides with NORAD.

87. Senator AKAKA. General Fox, why are military construction dollars being devoted to some bases and not to others if no decision has yet been made on whether or not the combat air patrol air superiority mission is a long-term requirement?

General FOX. The decision to upgrade facilities at some of the 16 Operation Noble Eagle air defense operating locations was based upon recommendations of site survey teams comprised of Air Combat Command, Air National Guard, and Air Force Reserve representatives. These teams performed extensive reviews in response to a HQ USAF Program Action Directive published following the Commander, NORAD decision in December 2003 to upgrade the Air Sovereignty Alert mission from a "contingency" to a "steady state alert mission for the foreseeable future." The specific locations chosen to receive military construction projects were based upon a basing template created by Air Combat Command for all air sovereignty alert bases. Construction recommendations dealt mainly with upgrading taxiways, parking aprons and crew facilities to meet the minimum NORAD requirements for the mission.

MILITARY CONSTRUCTION FOR KC–767 HANGARS

88. Senator AKAKA. General Fox, it is my understanding that if the Air Force does proceed to lease or purchase 100 Boeing 767 tanker aircraft, approximately $600 million in military construction funding would be required, because these aircraft will not fit in the hangars used for our current fleet of tankers. Is there any military construction funding in the current Future Years Defense Program to support a tanker replacement program?

General FOX. The Department is committed to the recapitalization of our aerial tanker fleet. The Department will make a decision on whether to continue with the KC–767 procurement effort after receiving results from the various assessments and investigations. The Air Force has MILCON funding programmed in the Future Years Defense Plan to support a KC–135 Tanker Replacement program. Should the KC–767 Lease/Buy proposal be approved, MILCON funding from the Tanker Replacement program would be applied to the associated MILCON requirements.

89. Senator AKAKA. General Fox, how much new military construction would be required to bed down 100 new tanker aircraft?

General FOX. The Department is committed to the recapitalization of our aerial tanker fleet. Should the KC–767 Lease/Buy proposal be approved, the required MILCON funding would be approximately $650 million to beddown 100 KC–767 aircraft. Any changes in aircraft beddown requirements will result in changes to the MILCON funding estimate.

BASE REALIGNMENT AND CLOSURE

90. Senator AKAKA. Mr. DuBois, decisions made in the 2005 BRAC round will impact the mission of other Federal agencies. For example, these decisions could impact the locations of DOD and VA clinics or the requirements the Coast Guard might have to use naval installations to support their homeland missions. What steps is the DOD planning on taking to consider the impact of its proposals on the missions of other Federal agencies?

Mr. DUBOIS. The Department understands the decisionmaking value of a comprehensive consideration of costs. In accordance with the Base Realignment and Closure Act of 1990, as amended, section 2913(d), the Department's application of its cost and savings criterion will "take into account the effect of the proposed closure or realignment on the costs of any other activity of the Department of Defense or any other Federal agency that may be required to assume responsibility for activities at the military installations." The Department will issue guidance to the military departments and the Joint Cross Service Groups that incorporates this requirement in the application of criterion five.

INSTALLATION COMMAND CONSOLIDATION

91. Senator AKAKA. General Fox, in the past few years the Departments of the Army and the Navy have both decided to manage all installations under one central organization. Is the Air Force considering a similar change, or do you plan to maintain the current decentralized system?

General FOX. No, the Air Force is not considering a similar change. The current decentralized system, reflects the "one base-one boss" framework which we have determined best supports Air Force operations and maintains quality of life.

QUESTIONS SUBMITTED BY SENATOR BILL NELSON

ENVIRONMENTAL THREATS

92. Senator BILL NELSON. General Lust, Admiral Weaver, General Williams, and General Fox, over a year ago, Deputy Secretary Wolfowitz sent a memorandum to the Secretaries of the Army, Navy, and Air Force. In the memorandum, he asked them to provide "timely information" with respect to "any proposed environmental restrictions that you believe threaten in a substantial way your ability to ensure the military preparedness of the Armed Forces for which you are responsible." This was for the purpose of utilizing the national security exemption provisions available in the environmental laws. In response to Deputy Secretary Wolfowitz's memorandum, did the Army, Navy, or Air Force submit any information that warranted using the National security exemption of the Comprehensive Environmental Response Compensation and Liability Act (Superfund), the Solid Waste Disposal Act (also known as the RCRA), or the Clean Air Act?

General LUST. No. The Army has not submitted information requesting use of the national security exemptions under the CERCLA, the Solid Waste Disposal Act, or the Clean Air Act. These environmental laws were written with the understanding that the National security exemptions would be rarely used. For example, invocation of the RCRA exemption is to be based on "the paramount interest" of the United States—an exceptionally high standard. These national security exemptions provide relief that is brief in duration and focused on individual activities, facilities, or pollution sources. They are unsuited to the Army's routine, widespread and ongoing training activities, such as the daily regimen of our soldiers firing munitions in testing and training on operational ranges. These activities will be occurring continuously and into the foreseeable future. Protection of these activities through an annual invocation of a presidential national security exemption is not a reasonable response. That is why we seek to protect our training and testing activities through a focused, straightforward codification of the existing munitions policy under RCRA and CERCLA.

Admiral WEAVER. The existing exemptions in environmental law are intended to be emergency powers exercised only in extraordinary circumstances. They are limited in scope and are not meant for managing the Department of Defense's routine training and testing requirements or basing decisions. In most environmental statutes, the President may grant national security exceptions only if it is in the "paramount interest" of the United States—the highest standard in our laws. And, even if an exemption is granted, our activities will not necessarily be shielded from challenge in private litigation.

Although existing exemptions are a valuable hedge against unexpected future emergencies, they cannot provide the legal basis for the Nation's everyday military readiness activities. To date, the Navy and Marine Corps have not asked the Secretary of the Navy to bring to DOD's attention a case where a presidential exemption from an environmental law would be warranted. Our readiness activities are not "one-time" events, but part of the day-to-day training regimen for our forces and we believe it is not good public policy to ask for exemptions for something that needs to take place on a regular basis. Rather, we should resolve the basic issue.

The legislative changes sought by the Department will reduce the likelihood of range closures or restrictions affecting live-fire readiness activities on military ranges. In addition, they will provide flexibility to base new weapons systems and reposition our forces. The provisions will ensure that critical live-fire training and testing opportunities for our service men and women are protected, and that the health and welfare of our military personnel on these ranges or installations as well as all citizens outside our range boundaries will remain secure.

General WILLIAMS. The Marine Corps has not asked the Secretary of the Navy to bring to DOD's attention a case where a Presidential exemption from an environmental law would be warranted.

General FOX. To date, the Air Force has not had a need to submit requests in response to the subject memorandum. However, we support the proposed OSD RRPI legislative package, which your question directly relates to.

The Air Force has complied with and will continue to comply with all environmental laws. Through the use of workarounds, we have been able to accomplish our training and testing needs. The RRPI provisions will help clarify existing laws and

will reduce the likelihood of range restrictions that may affect readiness activities. The Air Force foresees future challenges similar to other Services if these environmental regulation clarifications are not addressed proactively.

The Air Force is committed to managing the natural resources on our installations and ranges. Last year, Congress passed legislation that encouraged the substitution of Integrated Natural Resources Management Plan in lieu of critical habitat designations. Consequently, this year when the U.S. Fish and Wildlife Service proposed critical habitat for the California Red-Legged Frog, Vandenberg Air Force Base was excluded from that designation because their INRMP was deemed to provide sufficient protection for the species. This is an excellent example of an RRPI provision providing flexibility to ensure military readiness while maintaining, and even enhancing, species viability.

The initiatives are intended to ensure that critical training and testing opportunities for our service men and women are protected. RRPI legislative proposals like the INRMP give us the ability to quickly adapt and reconfigure the training environment to respond to evolving real world combat situations, while at the same time protecting our portfolio of environmental resources.

93. Senator BILL NELSON. Mr. DuBois, I am particularly concerned about recent reports that DOD is an extensive contributor to perchlorate contamination in the water on or near military bases. Perchlorate contamination is incredibly expensive to clean up and I am concerned about DOD's response to suspected contamination and how environmental exemptions would impact the current and future responses. Has the military identified which installations are contaminated with perchlorate as a result of DOD activities?

Mr. DUBOIS. DOD understands that it is more cost-effective to clean up contamination on operational ranges before it has migrated than to wait until it crosses the range boundary. The Department has initiated a policy to assess potential hazards from off-range munitions and begin remediation by fiscal year 2008. Each of the Services is acting on this guidance. The Service assessments will include characterization of potential areas of munitions contamination, as well as consideration of hydrology and potential areas associated with drinking water supplies. Our RRPI proposal explicitly waives its protections in the event of off-range migration of munitions constituents, providing a powerful incentive for the Department to proactively clean up ranges to prevent such migration and the loss of the RRPI protections. These incentives are reinforced by existing State and Federal authority under the Public Health Service Act, which the RRPI does not affect. Under section 300i of title 42 United States Code, EPA may issue such orders as it deems necessary to protect against not only actual but also "likely" contamination of drinking water sources, as the Agency has done at Massachusetts Military Reservation. Finally, RRPI preserves EPA's similar order authority under Section 106 of the Comprehensive Environmental Response, Compensation, and Liability Act. All of these authorities and policies provide powerful incentives for DOD to assess and cleanup contamination on ranges.

The Department of Defense issued an Interim Policy on Perchlorate Sampling on September 29, 2004. This policy directs the DOD components to "sample any previously unexamined sites where a perchlorate release is suspected because of DOD activities and where a complete human exposure pathway is likely to exist." This direction includes sampling at military installations. A current listing of the sites sampled was provided to the Environmental Protection Agency, the General Accounting Office, and the state regulators through the Association of State and Territorial Solid Waste Management Officials.

The Department of Defense is committed to addressing any contamination that poses an unacceptable risk to human health and the environment. If, for any reason, perchlorate in the groundwater within the confines of an operational range poses an imminent and substantial danger to the public health or welfare, the DOD has the responsibility to take appropriate action under section 104(a)(1) of the Comprehensive Environmental Response, Compensation, and Liability Act.

94. Senator BILL NELSON. Mr. DuBois, what plans does DOD have to identify those ranges and how is DOD planning to address and remediate contamination?

Mr. DUBOIS. The Department of Defense (DOD) has identified its operational ranges and provided that list to Congress in accordance with the requirements of section 366 of the National Defense Authorization Act for Fiscal Year 2003. In addition, DOD has directed the Services to assess their operational ranges and begin required remediation by fiscal year 2008. The Service assessments are underway and include characterization of potential areas of munitions contamination, as well as

consideration of hydrology and potential areas associated with drinking water supplies.

To ensure the process is consistent and defensible, the Office of the Deputy Under Secretary of Defense (Installations and Environment), in a cooperative effort with the Office of the Deputy Under Secretary of Defense (Readiness), is developing a framework for the military Services to use when assessing environmental conditions at operational ranges. DOD needs such a protocol to enhance the ability to detect the migration of munitions constituents toward off-range areas, and prevent or respond to such a release before the munitions constituents reach off-range areas.

The protocol developed will create a consistent and comparable data set across Services, missions, and range types. The military services will use the protocol to plan and execute range assessments and will rely on both qualitative and quantitative assessments, and be flexible enough to accommodate range- and mission-specific differences. Specifically, the protocol will include:

- A discussion of the overarching program objectives for operational range assessments
- Specific data quality objectives (DQO) for the assessments
- A list of parameters recommended for evaluation (e.g., specific munitions constituents, potential migration pathways)
- Guidance on documenting and reporting the results of operational range assessments
- Guidance on releasing or reporting data to external parties (e.g., the Federal or State regulatory agencies, the public).

A final product is expected by September 2004.

95. Senator BILL NELSON. Mr. DuBois, what effort is DOD taking to immediately protect the public health of service families residing on installations from perchlorate and similar munitions contaminants?

Mr. DUBOIS. The DOD is committed to addressing any contamination that poses an unacceptable risk to human health and the environment. If, for any reason, perchlorate, or other munitions constituents in the groundwater within the confines of an operational range poses an imminent and substantial danger to the public health or welfare, the DOD has the responsibility to take appropriate action under section 104(a)(1) of the Comprehensive Environmental Response, Compensation, and Liability Act. DOD understands that it is more cost-effective to clean up contamination on operational ranges before it has migrated than to wait until it crosses the range boundary. The Department initiated a policy to assess potential hazards from off-range munitions and begin remediation by fiscal year 2008. Each of the Services is acting on this guidance. The Service assessments will include characterization of potential areas of munitions contamination, as well as consideration of hydrology and potential areas associated with drinking water supplies.

For perchlorate, DOD issued a sampling policy on September 29, 2003, which directs DOD components to consolidate existing perchlorate occurrence data; sample any previously unexamined sites where perchlorate is suspected because of DOD activities; and establish and maintain databases containing perchlorate sampling data collected. In addition, under the Unregulated Contaminant Monitoring Rule, the Environmental Protection Agency required specific DOD water treatment plants to sample for perchlorate. The 472 samples taken from DOD drinking water systems did not reveal any perchlorate health concerns, however the DOD components continue to monitor for potential sources of perchlorate releases and will take the appropriate steps should a health threat be identified.

96. Senator BILL NELSON. Mr. DuBois, in previous DOD requests for exemptions from public health statues, such as Superfund, RCRA, and the Clean Air Act, you have had a broad definition of "operational range", or the area to which these exemptions would apply. What types of ranges are intended for inclusion in this definition?

Mr. DUBOIS. The term "operational range" is now defined in section 101(e)(3) of title 10, United States Code. Operational ranges include areas used for the research, development, testing, and evaluation of military munitions, other ordnance, and weapons systems, and for the training of members of the Armed Forces in their use and handling. The definition does not include areas that are no longer under the jurisdiction, custody, or control of the Secretary of Defense or that have been put to uses that are incompatible with range activities.

97. Senator BILL NELSON. Mr. DuBois, are areas other than live fire impact areas included in your definition of operational range?

Mr. DUBOIS. Live-fire impact areas are only one part of training or testing ranges included under the statutory definition. Operational ranges also include areas used for other training and testing functions, such as firing points, firing lanes, test pads, detonation pads, electronic scoring sites, maneuver areas, safety buffer areas, and exclusionary areas. all these various parts of a range or range complex are critical to readiness, and are included in the statutory definition of an operational range.

98. Senator BILL NELSON. Mr. DuBois, under your definition, how many operational ranges does the DOD possess?

Mr. DUBOIS. Under the criteria of the statutory definition, there are 525 operational ranges and range complexes, and this number includes 443 ranges within the U.S. and its territories.

99. Senator BILL NELSON. Mr. DuBois, how many acres of land would be designated as an "operational range" and can you submit a copy of identified ranges for the record?

Mr. DUBOIS. DOD's land base in the United States is approximately 30 million acres. Of that total, only those areas used for testing, training or other readiness activities would be considered operational range areas. That, however, includes most of the total land base, with the exception of the built-up cantonment areas, including support facilities such as housing, schools, water treatment facilities, and similar non-readiness infrastructure. Typically, our cantonment areas occupy only a very small percentage of an overall installation, about 1 to 5 percent of the total acres.

A complete list of DOD's training range complexes and ranges is attached, as submitted to Congress in DOD's Section 366 Report, "Implementation of the Department of Defense Training Range Comprehensive Plan," February 2004. The full report is available on the web at https://www.denix.osd.mil/denix/Public/News/OSD/i366/i366.html.

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
ARMY																			
	Fort Richardson	US	AK	USARPAC	54,541	163	0	0			Y	Y	Y						Y
	Fort Wainwright	US	AK	USARPAC	922,589	0	0	0				Y	Y			Y			Y
	Fort Benning	US	GA	TRADOC	168,778	422	0	0			Y	Y	Y						Y
	Fort Bliss	US	TX	TRADOC	1,096,153	1597	0	0			Y	Y	Y						Y
	Fort Bragg	US	NC	FORSCOM	143,593	1718	0	0			Y	Y	Y			Y			Y
	Fort Carson/Pinon Canyon	US	CO	FORSCOM	364,311	1153	0	0			Y	Y	Y			Y			Y
	Fort Drum	US	NY	FORSCOM	98,524	299	0	0			Y	Y	Y			Y			Y
	Dillingham MIL RES	US	HI	USARPAC	600	0	0	0			Y								Y
	Kahuka Training Area	US	HI	USARPAC	8,833	0	0	0			Y								Y
	Kawailoa Training Area	US	HI	USARPAC	23,455	0	0	0			Y								Y
	Makua MIL RES	US	HI	USARPAC	4,228	0	0	0				Y	Y						Y
	Pohakuloa Training Area	US	HI	USARPAC	109,950	0	0	0			Y	Y	Y						Y
	Schofiled Barracks MIL RES	US	HI	USARPAC	11,442	0	0	0			Y	Y	Y			Y			Y
	Fort Hood	US	TX	FORSCOM	199,758	500	0	0			Y	Y	Y			Y			Y
	Fort Irwin	US	CA	FORSCOM	587,508	560	0	0			Y	Y	Y						Y
	Fort Knox	US	KY	TRADOC	101,623	113	0	0			Y	Y	Y			Y			Y
	Orchard (Gowen Field) Training Area	US	ID	ARNG	138,847	0	0	0			Y	Y	Y						Y
	Fort Pickett	US	VA	ARNG	38,899	161	0	0			Y	Y	Y			Y			Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Fort Polk	US	LA	FORSCOM	138,737	5471	0	0			Y	Y	Y			Y			Y
	Camp Ripley	US	MN	ARNG	50,929	0	0	0			Y	Y	Y			Y			Y
	Camp Shelby	US	MS	ARNG	133,794	0	0	0			Y	Y	Y						Y
	Fort Sill	US	OK	TRADOC	85,002	153	0	0			Y	Y	Y						Y
	Fort Stewart	US	G	FORSCOM	274,137	556	0	0			Y	Y	Y			Y			Y
	White Sands Missile Range	US	NM	ATEC	3,546,156	7321	0	0				Y	Y						Y
	Yakima Training Center	US	WA	FORSCOM	324,313	0	0	0			Y	Y	Y						Y
	Yuma Proving Ground	US	AZ	ATEC	1,033,361	1500	0	0			Y		Y						Y
	Aberdeen Proving Ground	US	MD	AMC	64,250	133	0	0			Y		Y						Y
	Fort A.P. Hill	US	VA	MDW	74,263	928	0	0			Y	Y	Y						Y
	Camp Atterbury	US	IN	ARNG	31,889	0	0	0			Y	Y	Y						Y
	Camp Blanding	US	FL	ARNG	68,658	0	0	0			Y	Y	Y			Y			Y
	Fort Campbell	US	KY/TN	FORSCOM	93,348	931	0	0			Y	Y	Y			Y			Y
	Fort Dix	US	NJ	USARC	28,002	104	0	0			Y	Y	Y						Y
	Dugway Proving Ground	US	UT	ATEC	763,093	0	0	0			Y	Y	Y						Y
	Camp Grayling	US	MI	ARNG	147,711	8680	0	0			Y	Y	Y						Y
	Camp Gruber	US	OK	ARNG	46,887	0	0	0			Y		Y						Y
	Fort Indiantown Gap	US	PA	ARNG	14,940	0	0	0			Y	Y	Y			Y			Y
	Fort Jackson	US	SC	TRADOC	29,532	0	0	0			Y	Y	Y						Y
	Fort Leonard Wood	US	MO	TRADOC	53,502	175	0	0			Y	Y	Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Fort Lewis	US	WA	FORSCOM	77,577	0	0	0			Y	Y	Y			Y			Y
	Fort McClellan	US	AL	ARNG	41	0	0	0			Y		Y						Y
	Fort McCoy	US	WI	USARC	135,601	0	0	0			Y	Y	Y						Y
	Camp San Luis Obispo	US	CA	ARNG	4,852	0	0	0			Y	Y	Y						Y
	Fort Riley	US	KS	FORSCOM	92,660	107	0	0			Y	Y	Y						Y
	Camp Roberts	US	CA	ARNG	41,051	64	0	0			Y	Y	Y						Y
	Fort Rucker	US	AL	TRADOC	58,189	0	0	0			Y	Y	Y						Y
	Camp Beauregard	US	LA	ARNG	12,588	0	0	0			Y	Y	Y						Y
	Bog Brook/Riley Deepwoods Training Site	US	ME	ARNG	341,015	0	0	0			Y		Y			Y			Y
	Camp Bowie	US	TX	ARNG	8,697	0	0	0			Y		Y						Y
	Biak Training Center	US	OR	ARNG	27,961	0	0	0			Y		Y						Y
	Camp Crowder	US	MO	ARNG	4,098	0	0	0			Y	Y	Y						Y
	Fort Custer Training Center	US	MI	ARNG	7,487	0	0	0			Y	Y	Y			Y			Y
	Camp Dawson	US	WV	ARNG	4,383	0	0	0			Y	Y	Y						Y
	Ethan Allen Firing Range	US	VT	ARNG	10,742	0	0	0			Y	Y	Y						Y
	Camp Edwards	US	MA	ARNG	13,285	13	0	0			Y	Y	Y						Y
	Eustis/Fort Story	US	VA	TRADOC	3,999	0	0	0			Y	Y	Y						Y
	Fort Gordon	US	GA	TRADOC	49,353	0	0	0			Y	Y	Y						Y
	Camp Grafton	US	ND	TRADOC	11,380	0	0	0			Y		Y						Y
	Camp Guernsey	US	WY	ARNG	35,062	46	0	0			Y	Y	Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Hunter-Liggit	US	CA	USARC	154,473	113	0	0			Y		Y						Y
	Keaukhana MIL RES	US	HI	ARNG	434	0	0	0			Y		Y						
	Fort Lee	US	VA	TRADOC	2,949	69	0	0			Y	Y	Y						Y
	Limestone Hills Training Area	US	MT	ARNG	19,120	0	0	0			Y		Y						Y
	Camp McCain	US	MS	ARNG	12,796	0	0	0			Y		Y						Y
	McCrady Training Center	US	SC	ARNG	14,506	0	0	0			Y		Y						Y
	Camp Minden	US	LA	ARNG	13,867	0	0	0			Y		Y						
	Navajo	US	AZ	ARNG	28,442	0	0	0					Y						Y
	Parks RFTA	US	CA	USARC	1,993	0	0	0			Y	Y	Y						Y
	Redstone Arsenal	US	AL	AMC	27,655	25	0	0			Y		Y						Y
	Camp Perry	US	OH	ARNG	343	0	0	0			Y	Y	Y						Y
	Camp Rilea	US	OR	ARNG	4,213	0	0	0			Y		Y						Y
	Camp Robinson	US	AR	ARNG	30,837	0	0	0			Y	Y	Y			Y			Y
	Fort Sam Houston/Camp Bullis	US	TX	MEDCOM	27,655	0	0	0			Y	Y	Y						Y
	Camp Santiago	US	PR	ARNG	12,044	0	0	0			Y	Y	Y						Y
	Wendell H. Ford Regional Training Center	US	KY	ARNG	7,174	0	0	0			Y	Y	Y						Y
	West Point MIL RES	US	NY	USMA	14,101	4	0	0			Y	Y	Y						Y
	Camp Williams	US	UT	ARNG	25,000	0	0	0			Y	Y	Y			Y			Y
	Stewart River	US	AK	ARNG	25,519	0	0	0			Y		Y						
	Camp Butner	US	NC	ARNG	4,550	0	0	0			Y	Y	Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	TS Caswell	US	ME	ARNG	1,094	0	0	0			Y		Y						
	Catoosa	US	TN	ARNG	1,515	0	0	0			Y	Y	Y						Y
	Camp Clark	US	MO	ARNG	997	0	0	0			Y	Y	Y						Y
	Fort Devens	US	MA	USARC	4,588	0	0	0			Y	Y	Y						Y
	MTA Camp Dodge	US	IA	ARNG	4,025	0	0	0			Y	Y	Y			Y			Y
	Florence Training Site	US	AZ	ARNG	25,559	61	0	0				Y	Y						Y
	Fort William Henry Harrison	US	MT	ARNG	6,314	0	0	0			Y		Y			Y			Y
	Camp Ashland - Greenleaf Training Site	US	NE	ARNG	4,263	0	0	0			Y		Y						Y
	Macon Training Site	US	MT	ARNG	3,062	0	0	0			Y		Y						Y
	Marseilles Training Site	US	IL	ARNG	2,630	0	0	0			Y	Y	Y						Y
	Camp Maxey	US	TX	ARNG	6,562	0	0	0			Y	Y	Y						Y
	McAlester AAP	US	OK	AMC	2,245	0	0	0			Y		Y						Y
	Milan Volunteer Training Site	US	TN	ARNG	2,391	0	0	0			Y		Y						Y
	Roswell	US	NM	ARNG	5,376	0	0	0			Y		Y						
	Smith	US	NY	ARNG	1,763	0	0	0			Y	Y	Y						Y
	Kansas Regional Training Site (Smokey Hills)	US	KS	ARNG	3,404	0	0	0			Y	Y	Y						Y
	Stones Ranch MIL RES	US	CT	ARNG	5,753	0	0	0			Y		Y						Y
	Tullahoma MIL RES	US	TN	ARNG	6,553	0	0	0			Y		Y						Y
	Camp Villere	US	LA	ARNG	658	0	0	0			Y		Y						Y
	Wappapellots	US	MO	ARNG	2,187	0	0	0			Y		Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Camp Wismer	US	WS	ARNG	3,319	0	0	0			Y		Y						Y
	Anniston Army Depot	US	AL	AMC	88	0	0	0					Y						Y
	Arden Hills Army Training Site	US	MN	ARNG	1,796	0	0	0			Y								Y
	Auburn	US	ME	ARNG	203	0	0	0			Y		Y						Y
	Austin Training Property	US	NE/SD	ARNG	413	0	0	0			Y								Y
	Bangor Training Center	US	ME	ARNG	189	0	0	0			Y		Y						Y
	Barker Dam Training Site	US	TX	ARNG	572	0	0	0			Y								Y
	Belton LTA	US	MO	USARC	461	0	0	0			Y								
	Black Mountain	US	NM	ARNG	2,114	0	0	0			Y		Y						
	Blossom Point Research Facility	US	MD	AMC	1,643	0	0	0			Y		Y						Y
	Blue Grass Army Depot	US	KY	AMC	175	0	0	0			Y		Y						Y
	Buckman	US	FL	ARNG	68	0	0	0											Y
	Bucksnort Gun Club	US	MO	ARNG	10	0	0	0					Y						
	Buhl Training Site	US	ID	ARNG	162	0	0	0			Y		Y						
	Camp Adair	US	OR	ARNG	526	0	0	0			Y		Y						Y
	Camp Curtis Guild	US	MA	ARNG	623	0	0	0			Y		Y						Y
	Camp Davis	US	ND	ARNG	82	0	0	0			Y		Y						Y
	Camp Fogarty Training Site	US	RI	ARNG	17,755	0	0	0			Y	Y	Y						Y
	Camp Fretterd	US	MD	ARNG	424	0	0	0			Y								Y
	Camp Hartell	US	CT	ARNG	31	0	0	0			Y		Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2WEW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Camp Johnson	US	VT	ARNG	595	0	0	0			Y		Y						Y
	Camp Mackall	US	NC	FORSCOM	8,484	0	0	0			Y								Y
	Camp Merrill	US	GA	TRADOC	344,990	0	0	0			Y		Y						
	Camp Murray	US	WA	ARNG	113	0	0	0											Y
	Camp Rowland	US	CT	ARNG	38	0	0	0											Y
	Camp Sherman	US	NC	ARNG	430	0	0	0			Y	Y	Y						
	Camp Stanley Storage Activity	US	TX	AMC	82	0	0	0					Y						
	Camp Swift	US	TX	ARNG	11,663	0	0	0			Y		Y						Y
	Camp Varnum	US	RI	ARNG	18	0	0	0			Y								Y
	Camp Withycombe	US	OR	ARNG	166	0	0	0			Y								Y
	Casper Armory	US	WY	ARNG	27	0	0	0			Y		Y						
	Chaffee	US	AR	ARNG	63,519	81	0	0			Y	Y	Y						Y
	Clinton Training Site	US	PA	USARC	154	0	0	0			Y		Y						Y
	Colorado Springs Training Site	US	CO	ARNG	310	1	0	0					Y						Y
	Cpt. Euripides Rubio Jr. Center	US	PR	USARC	51	0	0	0											Y
	De Bremond Training Center	US	NM	ARNG	1,343	0	0	0			Y		Y						
	Defense Distribution Depot Susquehanna	US	PA	AMC	0	0	0	0					Y						Y
	Deseret Chemical Depot	US	UT	AMC	552	0	0	0					Y						Y
	Dona Ana Range Camp	US	NM	ARNG	64	0	0	0			Y								
	Duffield Industrial Park	US	VA	ARNG	75	0	0	0											Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	East Haven Rifle Range	US	CT	ARNG	113	0	0	0			Y	Y							Y
	Eastern Kentucky Gun Club	US	KY	ARNG	13	0	0	0			Y		Y						
	Floyd Edsall Training Center	US	NV	ARNG	1,525	0	0	0			Y		Y						Y
	Fort Allen	US	PR	ARNG	423	0	0	0			Y								Y
	Fort Belvoir	US	VA	MDW	2,178	0	0	0			Y	Y							Y
	Fort George G. Meade	US	MD	MDW	129	0	0	0			Y								Y
	Fort Gillem	US	GA	FORSCOM	474	0	0	0			Y								Y
	Fort Huachuca	US	AZ	TRADOC	73,953	815	0	0			Y	Y	Y						Y
	Fort Leavenworth	US	KS	TRADOC	4,285	0	0	0			Y		Y						Y
	Fort Meade	US	SD	ARNG	6,139	0	0	0			Y								
	Fort Monmouth	US	NJ	AMC	104	0	0	0			Y		Y			Y			Y
	Fort Nathaniel Greene	US	RI	USARC	96	0	0	0			Y		Y						Y
	Fort Wingate Missile Launch Complex	US	NM	ATEC	6,526	0	0	0					Y						
	Fort Wolters	US	TX	ARNG	4,061	0	0	0			Y	Y	Y						Y
	Frye Mountain Training Site	US	ME	ARNG	5,137	0	0	0			Y		Y						
	Fort McPherson	US	GA	FORSCOM	21	0	0	0			Y		Y						Y
	Gardiner	US	ME	ARNG	106	0	0	0			Y		Y						Y
	Greely	US	AK	USARPAC	631,643	0	0	0			Y	Y	Y			Y			Y
	Green River Launch Complex	US	UT	ATEC	3,960	0	0	0					Y						
	Guilderland	US	NY	ARNG	291	0	0	0					Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Gunpowder MIL RES	US	MD	ARNG	227	0	0	0			Y								Y
	Happy Valley (Carlsbad)	US	NM	ARNG	721	0	0	0			Y		Y						
	Hawthorne Army Depot	US	NV	AMC	35,789	0	0	0				Y	Y						
	Henry H. Cobb Jr. - Pelham	US	AL	ARNG	22,142	0	0	0			Y	Y	Y						Y
	Hollis Plains Training Site	US	ME	ARNG	412	0	0	0			Y		Y						Y
	Hunter Army Airfield	US	GA	FORSCOM	2,832	0	0	0			Y		Y						Y
	Idaho Falls Training Site	US	ID	ARNG	1,081	0	0	0			Y		Y						
	Idaho Launch Complex	US	ID	ATEC	315	0	0	0					Y						
	Ike Skelton Training Site	US	MO	ARNG	24	0	0	0			Y		Y						Y
	Indiana Range Wet Site	US	PA	ARNG	165	0	0	0			Y		Y						
	Iowa AAP	US	IA	AMC	1,338	0	0	0			Y		Y						Y
	Jefferson Proving Ground	US	IN	AMC	1,050	0	0	0				Y							
	John Sevier Range	US	TN	ARNG	6	0	0	0					Y						
	Joliet Training Center	US	IL	USARC	3,446	0	0	0			Y	Y	Y						Y
	Kanaio Training Center	US	HI	ARNG	4,633	0	0	0			Y		Y						
	Kansas AAP	US	KS	AMC	157	0	0	0			Y		Y						
	Kekaha	US	HI	ARNG	61	0	0	0			Y		Y						
	Keystone Rifle Range	US	CA	ARNG	189	0	0	0			Y		Y						
	Keystone Training Site	US	PA	USARC	452	0	0	0			Y		Y						Y
	La Reforma Training Site	US	TX	ARNG	4,264	0	0	0			Y		Y						

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*									
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Lake City AAP	US	MO	AMC	696	0	0	0			Y		Y						Y
	Lander Local Training Area	US	WY	ARNG	1,353	0	0	0			Y		Y						
	Lauderick Creek MIL RES	US	MD	ARNG	1,065	0	0	0			Y								
	Letterkenny Army Depot	US	PA	AMC	9	0	0	0					Y						
	Lone Star AAP	US	TX	AMC	232	0	0	0					Y						
	Los Alamitos JFTB	US	CA	ARNG	397	0	0	0					Y						Y
	Lovell Local Training Area	US	WY	ARNG	3,606	0	0	0			Y		Y						Y
	Mabe Range LTA	US	VA	ARNG	1,733	0	0	0					Y						Y
	Mead Training Site	US	NE	ARNG	1,185	0	0	0			Y		Y						Y
	Mobridge Training Area	US	SD	ARNG	120	0	0	0			Y								Y
	MOTSU	US	NC	MTMC	7	0	0	0			Y		Y						
	MTA SMR CP Pendleton	US	VA	ARNG	89	0	0	0			Y		Y						Y
	New Castle Rifle Range	US	DE	ARNG	93	0	0	0			Y		Y						Y
	Newton Falls (RAAP)	US	OH	ARNG	2,879	0	0	0			Y		Y						Y
	NGTC at Sea Girt	US	NJ	ARNG	120	0	0	0			Y	Y	Y						Y
	NH NG Training Site	US	NH	ARNG	94	0	0	0											Y
	Onate Training Site	US	NM	ARNG	158	0	0	0			Y								Y
	Papago Park MIL RES	US	AZ	ARNG	104	0	0	0					Y						Y
	Pearson Ridge NC	US	LA	FORSCOM	33,456	0	0	0				Y	Y						
	Picatinny Arsenal	US	NJ	AMC	4,545	0	0	0			Y		Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Pine Bluff Arsenal	US	AR	AMC	98	0	0	0					Y						Y
	Plymouth Training Site	US	ME	ARNG	306	0	0	0			Y		Y						Y
	Pocatello Training Site	US	ID	ARNG	718	0	0	0			Y		Y						
	Pueblo Chemical Depot	US	CO	AMC	94	0	0	0					Y						Y
	Puu Luahine (Red Hill) LTA	US	HI	ARNG	8,346	0	0	0			Y								
	Racine County Line Range	US	WI	ARNG	15	0	0	0					Y						
	Red River Army Depot	US	TX	AMC	165	0	0	0					Y						Y
	Redfield Training Area	US	SD	ARNG	176	0	0	0			Y								
	Ridgeway	US	PA	ARNG	7	0	0	0			Y		Y						Y
	Rio Rancho	US	NM	ARNG	96	0	0	0					Y						Y
	Scranton (Leach Range)	US	PA	AMC	102	0	0	0			Y		Y						
	Seagoville LTA	US	TX	USARC	198	0	0	0			Y		Y						Y
	Sheridan Local TA	US	WY	ARNG	3,980	0	0	0			Y		Y						
	Sierra Army Depot	US	CA	AMC	4,749	0	0	0					Y						Y
	Sioux Falls Airport Training Area	US	SD	ARNG	15	0	0	0			Y		Y						
	Springfield Training Site	US	IL	ARNG	99	0	0	0					Y						Y
	St. Anthony Training Site	US	ID	ARNG	3,336	0	0	0			Y		Y						
	St. George Training Area	US	UT	ARNG	369	0	0	0			Y								
	Sunflower Army Ammunition Plant	US	KS	AMC	493	0	0	0			Y								Y
	Tooele Army Depot	US	UT	AMC	1,457	0	0	0					Y						

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Truman Training Site	US	MO	ARNG	565	0	0	0			Y								
	TS NAS Fallon RG B19	US	NV	ARNG	132	0	0	0					Y						Y
	Tucumcari Training Site	US	NM	ARNG	63	0	0	0			Y		Y						
	Twin Falls Training Site	US	ID	ARNG	312	0	0	0			Y		Y						
	Ukumehame Firing Range	US	HI	ARNG	27	0	0	0			Y		Y						
	Umatilla Chemical Depot	US	OR	AMC	9	0	0	0					Y						Y
	Vail Tree Farm LTA	US	WA	USARC	166,332	0	0	0											Y
	Van Vleck Ranch	US	CA	ARNG	2,685	0	0	0			Y								Y
	Smyrna Volunteer Training Site	US	TN	ARNG	557	0	0	0			Y		Y						Y
	Waco Training Area	US	MT	ARNG	4,763	0	0	0			Y		Y						
	Watkin Armory	US	CO	ARNG	5	0	0	0											Y
	Weldon Spring	US	MO	ARNG	1,659	0	0	0			Y		Y						Y
	West Camp Rapid	US	SD	ARNG	570	0	0	0			Y		Y						Y
	West Silver Spring Complex	US	WI	USARC	9	0	0	0											Y
	Westminster	US	VT	ARNG	39	0	0	0			Y		Y						
	Wildcat Hills State Rec. Area TA	US	NE	ARNG	853	0	0	0			Y		Y						
	Williston Wets	US	ND	ARNG	345	0	0	0			Y		Y						
	WV DNR Elk River WMA TA	US	WV	ARNG	278	0	0	0			Y		Y						Y
	WV DNR McClintic WMA TA	US	WV	ARNG	55	0	0	0			Y		Y						
	Youngstown Wets	US	NY	ARNG	848	0	0	0			Y		Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Grafenwoehr	OS	Germany	USAREUR	52,281	0	0	0			Y	Y	Y						Y
	Hofenfels	OS	Germany	USAREUR	38,981	0	0	0			Y		Y			Y			Y
	Area I (North)	OS	Korea	EUSA	41,496	0	0	0			Y	Y	Y			Y			Y
	Area II (Northwest)	OS	Korea	EUSA	115	0	0	0					Y						Y
	Area III (Central)	OS	Korea	EUSA	113	0	0	0					Y						Y
	Area IV (South)	OS	Korea	EUSA	722	0	0	0			Y	Y	Y						Y
	Friedberg LTA	OS	Germany	USAREUR	8,519	0	0	0			Y		Y						Y
	Schweinfurt	OS	Germany	USAREUR	6,326	0	0	0			Y	Y	Y						Y
	Wuerzburg	OS	Germany	USAREUR	3,308	0	0	0			Y		Y			Y			Y
	Ansbach LTA	OS	Germany	USAREUR	899	0	0	0			Y		Y						Y
	Aschaffenbu RG LTA	OS	Germany	USAREUR	1,337	0	0	0			Y		Y						Y
	Baumholder	OS	Germany	USAREUR	188	0	0	0			Y	Y	Y			Y			Y
	Boeblingen	OS	Germany	USAREUR	1,125	0	0	0			Y		Y			Y			Y
	Breitenwald	OS	Germany	USAREUR	205	0	0	0			Y		Y						Y
	Camp Darby	OS	Italy	USAREUR	135	0	0	0											Y
	Campo Pond TA	OS	Germany	USAREUR	366	0	0	0			Y		Y						Y
	Cao Malnisio	OS	Italy	USAREUR	4,098	0	0	0			Y	Y	Y						Y
	Ceilina-Meduna	OS	Italy	USAREUR	11,558	0	0	0			Y		Y						Y
	Conn Barracks	OS	Germany	USAREUR	127	0	0	0					Y						Y
	Ederle	OS	Italy	USAREUR	11	0	0	0			Y		Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Foce del Reno	OS	Italy	USAREUR	8,941	0	0	0				Y	Y						
	Foce Fume Serchio	OS	Italy	USAREUR	163	0	0	0				Y	Y						
	Lampertheim Training Area	OS	Germany	USAREUR	3,942	0	0	0			Y	Y	Y						Y
	Longare	OS	Italy	USAREUR	15	0	0	0			Y								Y
	Messell Small Arms Range	OS	Germany	USAREUR	25	0	0	0					Y						Y
	Monte Carpegna	OS	Italy	USAREUR	6,488	0	0	0			Y	Y							
	Monte Ciarlec	OS	Italy	USAREUR	7,925	0	0	0			Y	Y							
	Monte Romano	OS	Italy	USAREUR	10,207	0	0	0			Y	Y	Y						Y
	Offersheim Small Arms Range	OS	Germany	USAREUR	3	0	0	0			Y		Y						Y
	Podeldorf LTA	OS	Germany	USAREUR	1,105	0	0	0			Y		Y						Y
	P-Series	OS	Italy	USAREUR	5,291	0	0	0			Y								
	Ray Barracks Training Area	OS	Germany	USAREUR	21	0	0	0			Y		Y						Y
	Reese Range Complex	OS	Germany	USAREUR	18	0	0	0					Y						Y
	Rheinblick LTA	OS	Germany	USAREUR	44	0	0	0					Y						Y
	Rivoli Bianchi	OS	Italy	USAREUR	235	0	0	0					Y						
	Santa Severa	OS	Italy	USAREUR	100	0	0	0				Y	Y						
	Schwetzingen LTA	OS	Germany	USAREUR	249	0	0	0			Y								Y
	Tiergarten	OS	Germany	USAREUR	234	0	0	0			Y								Y
	T-Series	OS	Italy	USAREUR	7,222	0	0	0			Y								
	Wackernheim Small Arms Ranges	OS	Germany	USAREUR	32	0	0	0					Y						Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2WEW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
Exhibit 4: Army Ranges																			
	BULLSEYE 02	OS	KOREA	EUSA	1,395						Y								
	CAMP GREAVES	OS	KOREA	EUSA	0								Y						
	CAMP HOWZE	OS	KOREA	EUSA	0								Y						
	GIMBOLS	OS	KOREA	EUSA	3,019						Y								
	WATKINS RANGE	OS	KOREA	EUSA	44														Y
	CAMP HUMPHREYS	OS	KOREA	EUSA	1								Y						
	ROTTERSHAUSEN	OS	GERMANY	USAREUR	142						Y								
	FAHR RIVER CROSSING	OS	GERMANY	USAREUR	3														Y
	GERLACHSHAUSEN SWIM SITE	OS	GERMANY	USAREUR	0													Y	
	MICHELFELD	OS	GERMANY	USAREUR	92						Y								
	KATTERBACH KASERNE	OS	GERMANY	USAREUR	49														Y
	BAMBERG TA G	OS	GERMANY	USAREUR	70								Y						
	APPENDORF LTA	OS	GERMANY	USAREUR	328						Y								
	AREA OCKSTADT	OS	GERMANY	USAREUR	192						Y								
	BABENHAUSEN LTA	OS	GERMANY	USAREUR	190						Y								
	BAMBERG ARMY AIRFIELD	OS	GERMANY	USAREUR	11														Y
	BENELUX TSC	OS	BELGIUM	USAREUR	70						Y								
	BUG LTA	OS	GERMANY	USAREUR	111						Y								
	BURGEBRACH LTA	OS	GERMANY	USAREUR	249						Y								

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	FONTANIVA	OS	ITALY	USAREUR	155						Y								
	GIESSEN DEPOT TRAINING AREA	OS	GERMANY	USAREUR	137						Y								
	GROSSAUHEIM	OS	GERMANY	USAREUR	46														Y
	GROSSOSTHEIM LTA	OS	GERMANY	USAREUR	1,557						Y								
	HOHE WARTE	OS	GERMANY	USAREUR	160						Y								
	KUNIGUNDENRUH LTA	OS	GERMANY	USAREUR	113						Y								
	LTA 6910	OS	GERMANY	USAREUR	104						Y								
	MAINZ-LAYENHOF	OS	GERMANY	USAREUR	249											Y			
	RIVERSIDE	OS	ITALY	USAREUR	3						Y								
	SAN GIORGIO	OS	ITALY	USAREUR	68											Y			
	SAND DUNES	OS	GERMANY	USAREUR	105						Y								
	SOUTH HAUPTSMOOR LTA	OS	GERMANY	USAREUR	268						Y								
	WARNER BARRACKS	OS	GERMANY	USAREUR	2								Y						
	BLACK RAPIDS TRAINING SITE	US	AK	USARPAC	4,213						Y								
	EKLUTNA GLACIER TS	US	AK	USARPAC	33						Y								
	GERSTLE RIVER TRAINING AREA	US	AK	USARPAC	20,589						Y								
	WHISTLER CREEK TS	US	AK	USARPAC	543						Y								
	KEAMUKU LTA	US	HI	USARPAC	22,640						Y								
	CAMEL TRACKS TNG SITE	US	NM	ARNG	8,349						Y								
	BG THOMAS BAKER TRAINING SITE	US	MD	ARNG	871						Y								

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	MTA STEAD FAC	US	NV	ARNG	196						Y								
	89TH RSC MEAD WET SITE	US	NE	USARC	956						Y								
	89TH RSC SUNFLOWER WET SITE	US	KS	USARC	69						Y								
	AAHOAKA LTA	US	HI	ARNG	3,128						Y								
	ALBUQUERQUE LTA	US	NM	USARC	7						Y								
	AMERICAN SAMOA LTA	US	AS	USARC	79						Y								
	ANAHOLA LTA	US	HI	ARNG	3,322						Y								
	ARTEMUS LTA	US	KY	ARNG	523						Y								
	AVN TRAINING AREA (WEYERHAEUSER)	US	WA	USARC	20,443														Y
	BARADA LTA	US	NE	ARNG	85						Y								
	BARKER DAM LTA	US	TX	USARC	1,636														Y
	BEAVER TRAINING AREA	US	UT	ARNG	657						Y								
	BECKLEY CITY POLICE RANGE	US	WV	ARNG	2								Y						
	BEECH FORK STATE PARK	US	WV	ARNG	12,836						Y								
	BIDWELL HILL	US	CO	ARNG	40														Y
	BLANDING ARMORY	US	UT	ARNG	28						Y								
	BOLIVAR LTA	US	TN	ARNG	170						Y								
	BOOK CLIFFS RIFLE RANGE	US	CO	ARNG	346								Y						
	BOX BUTTE RESERVOIR LTA	US	NE	ARNG	13														Y
	BRETTONS WOOD BIATHLON RANGE	US	NH	ARNG	1								Y						

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	BUCKEYE TRAINING SITE	US	AZ	ARNG	1,481						Y								
	BUCKLEY ANG BASE, CO	US	CO	ARNG	10														Y
	BULLVILLE USARC	US	NY	USARC	154														Y
	CAMERON PASS	US	CO	ARNG	45,396						Y								
	CAMP BARKELEY	US	TX	ARNG	980						Y								
	CAMP FOWLER	US	IN	ARNG	98						Y								
	CAMP HALE	US	CO	ARNG	21,483						Y								
	CAMP KEYES T.S.	US	ME	ARNG	1														Y
	CAMP LUNA	US	NM	ARNG	133						Y								
	CAMP MABRY	US	TX	ARNG	178						Y								
	CAMP SEVEN MILE	US	WA	ARNG	340						Y								
	CASA GRANDE TRAINING SITE	US	AZ	ARNG	800						Y								
	CHATFIELD RESERVOIR	US	CO	ARNG	2,281														Y
	CLARKS HILL TS	US	SC	ARNG	891						Y								
	CORNHUSKER AAP	US	NE	USACE	6								Y						
	DOUGLAS TRAINING SITE	US	AZ	ARNG	990						Y								
	DZ BABICH	US	MD	ARNG	114														Y
	DZ BEECH HILL	US	WV	ARNG	189														Y
	EAGLE MOUNTAIN LAKE TRAINING SITE	US	TX	ARNG	1,246						Y								
	EAST STROUDSBURG ARMORY	US	PA	ARNG	19						Y								

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	EDGEMEADE TS MTN HOME	US	ID	ARNG	123						Y								
	ERNIE PYLE USARC/AMSA #12 (G)	US	NY	USARC	2														Y
	FAA RADIO TOWER SITE	US	CO	ARNG	13														Y
	FELICITY	US	OH	ARNG	1														Y
	FORT MIFFLIN	US	PA	ARNG	27														Y
	FORT MORGAN AIRPORT	US	CO	ARNG	20														Y
	FORT RUGER	US	HI	USARPAC	312						Y								
	FOUNTAIN INN TS	US	SC	ARNG	21						Y								
	FREEMAN FIELD POLICE RANGE	US	IN	ARNG	2								Y						
	GARRISON WETS	US	ND	ARNG	765						Y								
	GILA BEND TRAINING SITE	US	AZ	ARNG	639														Y
	GOODPASTURE DZ	US	CO	ARNG	179														Y
	GREAT BEND LTA	US	KS	USARC	1														Y
	HAWS CROSSROADS WET SITE	US	TN	USARC	103						Y								
	HAYDEN LAKE LTA	US	ID	USARC	612								Y						
	HAYFORD PIT LTA	US	WA	USARC	24														Y
	HIDDEN VALLEY LTA	US	KY	ARNG	535						Y								
	HILLTOP RANGE	US	IN	ARNG	1								Y						
	HOBBS	US	NM	ARNG	262						Y								
	HODGES TS	US	SC	ARNG	20						Y								

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	HONOPOU LTA	US	HI	ARNG	106						Y								
	HORSETOOTH RESERVOIR	US	CO	ARNG	5,047														Y
	KALEPA LTA	US	HI	ARNG	903						Y								
	KEKAHA LTA	US	HI	ARNG	3,195						Y								
	KELLY CANYON TS	US	ID	ARNG	3,826						Y								
	KINGSBURY LTA	US	IN	USARC	919						Y								
	LEBANON READINESS CENTER	US	NH	ARNG	0														Y
	LEEMAN FIELD LTA	US	VA	ARNG	24														Y
	LEROY DILKA LAND	US	CO	ARNG	2														Y
	LEXINGTON	US	OK	ARNG	317						Y								
	LONGHORN AAP	US	TX	AMC	0								Y						
	LTA VAAP	US	TN	USARC	195						Y								
	LTC HERNAN G. PESQUERA USAR CENTER	US	PR	USARC	4														Y
	MALUHIA LTA	US	HI	ARNG	70						Y								
	MANKATO LOCAL TRAINING AREA	US	MN	USARC	20						Y								
	MARION LTA	US	OH	USARC	122						Y								
	MITCHELL TRAINING AREA	US	SD	ARNG	1								Y						
	MOOSEHORN	US	ME	ARNG	0								Y						
	MOUNTWOOD PARK	US	WV	ARNG	3,121						Y								
	NEW RIVER VALLEY TRAINING SITE	US	VA	USARC	88														Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2/WEW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	NEWARK LTA, NY	US	NY	ARNG	100						Y								
	NEWFANE WET SITE	US	NY	USARC	3														Y
	NEWPORT CHEMICAL DEPOT	US	IN	AMC	0								Y						
	NOUNOU LTA	US	HI	ARNG	1,721						Y								
	OCALA ARMORY	US	FL	ARNG	0														Y
	OGDEN LOCAL TRAINING AREA	US	UT	USARC	132														Y
	OXFORD	US	ME	ARNG	58						Y								
	PAISLEY LTA	US	FL	ARNG	11,300						Y								
	PAU'UILO LTA	US	HI	ARNG	45						Y								
	PEACEFUL VALLEY RANCH	US	CO	ARNG	1,213						Y								
	PETERBOROUGH READINESS CENTER	US	NH	ARNG	0														Y
	PICACHO TRAINING SITE	US	AZ	ARNG	353														Y
	PICKENS TS	US	SC	ARNG	9						Y								
	PIERRE TRAINING AREA	US	SD	ARNG	5								Y						
	PLATTE TRAINING AREA	US	SD	ARNG	41						Y								
	POCATELLO AIRPORT LOCAL TRAINING AREA	US	ID	USARC	9						Y								
	POVERTY FLATS TRAINING AREA	US	UT	ARNG	448						Y								
	PRICE TRAINING AREA	US	UT	ARNG	159														Y
	PUU KAPELE LTA	US	HI	ARNG	1,113						Y								
	PUU PA LTA	US	HI	ARNG	13,273						Y								

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	PU'UNENE LTA	US	HI	ARNG	1,618						Y								
	RALEIGH COUNTY FIRING RANGE	US	WV	ARNG	1								Y						
	RAMEY USAR CENTER LTA	US	PR	USARC	53														Y
	RAYTOWN TRAINING SITE	US	MO	ARNG	51						Y								
	RITTENHOUSE TRAINING SITE	US	AZ	ARNG	226						Y								
	SAFFORD TRAINING SITE	US	AZ	ARNG	400						Y								
	SAN JUAN NATIONAL FOREST	US	CO	ARNG	634,562						Y								
	SNAKE CREEK TRAINING SITE	US	FL	ARNG	295						Y								
	SOUTH CHARLESTON	US	WV	ARNG	1								Y						
	STANTON LTA	US	NE	ARNG	633						Y								
	STATE POLICE ACADEMY, VT	US	VT	ARNG	0								Y						
	STRASBURG DZ	US	CO	ARNG	949														Y
	SUNNY HILLS LTA	US	FL	ARNG	11,119						Y								
	SWIFT ACRES LTA	US	FL	ARNG	4,163						Y								
	TARLTON LTA	US	OH	ARNG	118						Y								
	TOLEDO USARC	US	OH	USARC	28						Y								
	TOSCHATCHEE LTA	US	FL	ARNG	3,451														Y
	TS-HAWK MCCONNELSVILLE, OH	US	OH	ARNG	395						Y								
	VERNAL TRAINING AREA	US	UT	ARNG	159														Y
	WAIAWA	US	HI	ARNG	15														Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	WALKER FIELD AIRPORT	US	CO	ARNG	25														Y
	WALLY EAGLE DZ	US	CO	ARNG	841														Y
	WASHINGTON COUNTY MEMORIAL USARC	US	OH	USARC	16						Y								
	WATERTOWN TRAINING AREA	US	SD	ARNG	5								Y						
	WELLS GULCH	US	CO	ARNG	57														Y
	WESTERN ARNG AVIATION (WAATS) SILVERBELL	US	AZ	ARNG	181														Y
	WHEELER ARMY AIRFIELD	US	HI	USARPAC	568														Y
	WHITAKER EDUCATION TRAINING CENTER	US	OK	ARNG	593						Y								
	WHITEHORSE RANGE	US	WV	ARNG	1								Y						
	WILCOX	US	AZ	TRADOC	28,893								Y						
	WV STATE POLICE ACADEMY RANGE	US	WV	ARNG	12								Y						
	WVDNR BLUESTONE WMA RANGE	US	WV	ARNG	1								Y						
	WVDNR PLUM ORCHARD WMA RANGE	US	WV	ARNG	3								Y						
NAVY																			
	Atlantic City	US	NJ	CFFC	0	5,590	4,410	0	Y						Y				
	Boston Area	US	MA	CFFC	12,467	10,190	13,500	0	Y	Y	Y	Y			Y				
	Cherry Point	US	NC	CFFC	0	18,978	18,390	0	Y					Y	Y				
	Diego Garcia	OS	BIOT	CPF	0	28,520	0	0	Y										
	El Centro	US	CA	CFFC	0	256	0	0	Y	Y									
	Fallon	US	NV	CFFC	232,456	14,230	0	0	Y	Y	Y	Y	Y	Y		Y			Y

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Gulf of Mexico	US	FL/TX	CFFC	6,500	15,640	17,520	0	Y	Y			Y		Y				Y
	Hawaiian Islands	US/OS	HI	CPF	7	58,599	210,324	819	Y	Y	Y	Y	Y				Y	Y	Y
	Jacksonville	US	FL/GA	CFFC	7,500	42,970	50,100	0	Y	Y		Y	Y						
	Japan	OS	Japan	CPF	0	12,310	0	0	Y	Y					Y				
	Key West	US	Key West	CFFC	0	25,480	8,282	0	Y				Y		Y				Y
	Marianas Islands	OS	CNMI	CPF	212	8,730	0	0	Y				Y		Y				Y
	Meridian	US	MS/AL	NAVAIR	375	4,650	0	0	Y	Y			Y						
	Narragansett	US	RI	CFFC	0	13,040	27,210	0	Y						Y				
	NAS JRB Fort Worth	US	TX		0	0	0	0	Y				Y						
	Okinawa	OS	Japan	CPF	0	19,580	0	0	Y										
	San Francisco	US	CA	CFFC	0	15,902	0	0	Y										
	SOCAL	US	CA	CFFC	44,900	113,000	120,000	695	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	VACAPES	US	VA/NC	CFFC	1,500	30,563	28,923	0	Y	Y	Y	Y	Y			Y		Y	
	Whidbey Island	US	WA/OR/CA	CFFC	47,982	43,870	126,630	0	Y		Y	Y	Y	Y	Y			Y	Y
	Test and Evaluation	Various	Various	NAVAIR, NAVSEA	1,161,900	31,860	1,650	195	Y	Y					Y		Y		
MARINE CORPS																			
	MCB Camp Butler	OS	Japan	MARFORPAC	47,000	3,330	0	0			Y	Y	Y		Y			Y	
	MCB Camp Lejeune	US	NC	MARFORLANT	152,000	200	0	0		Y	Y	Y	Y		Y	Y		Y	
	MCB Camp Pendleton	US	CA	MARFORPAC	114,000	392	222	0		Y	Y	Y	Y		Y	Y		Y	
	MCAS Cherry Point	US	NC	COMCABEAST	29,139	20,712	0	0	Y	Y		Y	Y	Y	Y				

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	MCAGCC, 29 Palms	US	CA	TECOM	594,083	1,267	0	0		Y	Y	Y	Y						
	MCAS Beaufort/Townsend	US	SC	COMCABEAST	5,182	1,206	0	0	Y	Y		Y	Y						
	MCAS Miramar	US	CA	COMCABWEST	4,700	0	0	0				Y	Y						
	MCAS Yuma/Bob Stump Training Range Complex	US	AZ	COMCABWEST	1,216,000	10,000	0	0	Y	Y	Y	Y	Y	Y		Y			
	MCB Hawaii	US/OS	HI	MARFORPAC	1,845	0	0	0			Y	Y	Y		Y	Y		Y	
	MCB Quantico	US	VA	MCCDC	60,080	278	0	0		Y	Y	Y	Y			Y			
	MCLB Albany	US	GA	MATCOM	4	0	0	0				Y	Y						
	MCLB Barstow	US	CA	MATCOM	2,438	0	0	0				Y	Y						
	MCMWTC Bridgeport	US	CA	TECOM	45,217	0	0	0			Y								
	MCRD Parris Island	US	SC	TECOM	1,100	0	0	0			Y	Y	Y						
	Adirondack	US	NY	ANG	75000	200	0	0		Y				Y					
	Airburst	US	CO	ANG	4,257	26	0	0		Y				Y					
	Atterbury	US	IN	ANG	18500	103	0	0		Y				Y					
	Avon Park	US	FL	ACC	106,073	1,400	0	0	Y	Y									
	Barry M. Goldwater Range	US	AZ	AETC	1,607,018	3,906	0	0	Y	Y				Y					
	Belle Fourche ESS	US	SD	ACC	183	0	0	0		Y				Y					
	Blair Lake	US	AK	PACAF	2,560	22,000	0	0		Y									
	Bollen	US	PA	ANG	10,657	42	0	0		Y				Y					
	Cannon	US	MO	ANG	4,500	339	0	0		Y				Y					

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*										
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Claiborne	US	LA	AFRC	7,800	135	0	0		Y				Y					
	Dare County Ranges	US	SC	ACC	46,621	1,184	0	0	Y	Y				Y					
	Edwards Ranges	US	CA	AFMC	50,080	20,000	0	0	Y	Y				Y					
	Eglin Ranges	US	FL	AFMC	463,360	133,979	0	0	Y	Y				Y					
	Falcon	US	OK	AFRC	5,200	1,845	0	0		Y				Y					
	Grand Bay	US	GA	ACC	6,000	17,290	0	0		Y									
	Grayling	US	MI	ANG	145,025	63	0	0	Y	Y				Y					
	Hardwood	US	WI	ANG	7,263	84	0	0		Y				Y					
	Holloman	US	NM	ACC	207,800	2,256	0	0	Y	Y				Y					
	Jefferson	US	IN	ANG	50,000	160	0	0	Y	Y				Y					
	Koon-Ni	OS	Korea	PACAF	0	0	0	0		Y				Y					
	Lone Star ESS	US	TX	ACC	90	0	0	0		Y				Y					
	McMullen	US	TX	ANG	2,800	63	0	0		Y				Y					
	Melrose	US	NM	ACC	66,033	22,000	0	0	Y	Y				Y					
	Mountain Home Ranges	US	ID	ACC	120,844	18,526	0	0	Y	Y				Y					
	Nevada Testing and Training Range	US	NV	ACC	2,919,890	12,000	0	0	Y	Y				Y					
	Oklahoma	US	AK	PACAF	25,600	22,000	0	0		Y				Y					
	Pilsung	OS	Korea	PACAF	0	0	0	0		Y				Y					
	Poinsett	US	SC	ACC	12,521	1,500	0	0		Y				Y					
	Polygone	OS	France/Germany	USAFE	0	0	0	0		Y				Y					
	Razorback	US	AR	ANG	5760	128	0	0		Y				Y					

Training and Testing Range Complex Inventory

Military Service	Range Complex	United States (US) or Overseas (OS)	State or Country	Major Command or Claimant Organization	Range Description*				Range Type*									
					Land Area for Ranges (acres)	Special Use Airspace (sq nm)	Sea Surface Area (sq nm)	Underwater Tracking Area (sq nm)	Air-to-Air or Surface-to-Air	Air-to-Ground	Land Maneuver	Land Impact Area	Land Firing Range	C2W/EW	Ocean Operating Area	MOUT	Underwater Tracking Range	Amphibious Area	Other
	Ripsaw	OS	Japan	PACAF	0	0	0	0		Y				Y					
	Shelby Ranges	US	MS	ANG	26,676	0	0	0		Y				Y					
	Shoal Creek	US	TX	AFRC	17,540	5,200	0	0		Y				Y					
	Siegenberg	OS	Germany	USAFE	0	0	0	0		Y									
	Smoky Hill	US	KS	ANG	33,875	53	0	0		Y				Y					
	Snyder ESS	US	TX	ACC	90	0	0	0		Y				Y					
	Tonshima	OS	Japan	PACAF	0	0	0	0		Y									
	Townsend	US	GA	ANG	5,183	288	0	0		Y				Y					
	Utah Testing and Training Ranges	US	UT	ACC	1,712,000	12,574	0	0	Y	Y				Y					
	Warren Grove	US	NJ	ANG	9,416	30	0	0		Y				Y					
	Yukon	US	AK	PACAF	25,600	22,000	0	0		Y				Y					

* Estimates are based on currently available information. Estimates may change as a result of ongoing reviews. Users from various units, installations, and Services share special use airspace (SUA). For this reason, a simple one-to-one linking of airspace to installations does not fully describe airspace usage. As a general rule, this inventory links SUA to the installation responsible for scheduling SUA use. A full discussion of the management of SUA is beyond the scope of this report. Readers should therefore interpret the SUA information in this inventory with appropriate caution. Subsequent Section 369 and 920 reports will include a fuller discussion of SUA.

Source: Department of Defense data provided by the Military Services.

QUESTIONS SUBMITTED BY SENATOR E. BENJAMIN NELSON

RUNWAY CONDITIONS AT OFFUTT AIR FORCE BASE

100. Senator BEN NELSON. General Fox, as you are aware, U.S. Space Command and Strategic Command merged into an expanded STRATCOM, headquartered at Offutt Air Force Base, Nebraska. This new United States Strategic Command has a very extensive legacy and new command and control (C2) requirements that must continue to be operational and fully integrated. The new missions for STRATCOM include global strike, global integrated missile warning/missile defense, informational operations, global command, control, communications, computer, intelligence,

surveillance, and reconnaissance (C^4ISR), and space control. STRATCOM is one of seven Unified Commands located in the United States and is instrumental in fighting the war on terrorism. In short, STRATCOM is reshaping the Nation's military capabilities for the demands of the 21st century. I understand that the scheduled runway maintenance has nearly doubled in the past year and that there are numerous critical conditions negatively impacting current missions. The poor runway conditions and the fact that the Air Force has already pushed this project back in the Future Year Defense Plan cause me great concern. Will you explain why the Air Force decided not to include the runway project in fiscal year 2005 budget?

General FOX. Unfortunately, taking into account the size of the fiscal year 2005 military construction program and higher priorities for new mission beddown and quality of life requirements, we were not able to include this project in the fiscal year 2005 budget. Given current anticipated funding levels, we feel this project is an excellent candidate to receive funding in our fiscal year 2006 military construction program.

101. Senator BEN NELSON. General Fox, I understand that a construction contract has recently been awarded for the installation of a Type-3 Hydrant System along the ramp. Is it true that if the runway project was included in the fiscal year 2005 budget, thus enabling simultaneous construction of the runway and hydrant projects, that the negative impact to missions which utilize the ramp and runway would be less?

General FOX. If the two projects were constructed at the same time, the impact to the mission would potentially be reduced somewhat. However, the risk of extending the duration of the aircraft relocation doesn't outweigh the potential benefit of constructing the two projects together.

[Whereupon, at 4:27 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2005

THURSDAY, MAY 13, 2004

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ACQUISITION POLICY ISSUES

The subcommittee met, pursuant to notice, at 2:29 p.m. in room SR–222, Russell Senate Office Building, Senator John Ensign (chairman of the subcommittee) presiding.

Committee members present: Senators Ensign, Allard, Levin, Reed, Akaka, and Pryor.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: William C. Greenwalt, professional staff member; Ambrose R. Hock, professional staff member; Gregory T. Kiley, professional staff member; Thomas L. MacKenzie, professional staff member; and Paula J. Philbin, professional staff member.

Minority staff members present: Madelyn R. Creedon, minority counsel; Maren R. Leed, professional staff member; and Peter K. Levine, minority counsel.

Staff assistants present: Andrew W. Florell and Nicholas W. West.

Committee members' assistants present: Lance Landry, assistant to Senator Allard; D'Arcy Grisier, assistant to Senator Ensign; Davelyn Noelani Kalipi, assistant to Senator Akaka; William K. Sutey, assistant to Senator Bill Nelson; and Andrew Shapiro, assistant to Senator Clinton.

OPENING STATEMENT OF SENATOR JOHN ENSIGN, CHAIRMAN

Senator ENSIGN. This afternoon, the Subcommittee on Readiness and Management Support meets to receive testimony on acquisition policy issues in a review of the defense authorization request for fiscal year 2005.

We are departing from the usual practice by conducting this hearing after the committee has marked up its bill. However, the topics of discussion today will inform potential floor action to sup-

port the committee in conference deliberations with the House and serve as the basis for future oversight hearings.

I am pleased to welcome today's witness on the first panel, the Acting Under Secretary of Defense for Acquisition Technology and Logistics (AT&L), Mike Wynne.

Today's hearing will address a full range of acquisition-related issues. I look forward to hearing from Secretary Wynne on the specifics of how the Department of Defense (DOD) is transforming its acquisition process and the future of the acquisition workforce.

In addition, the recent guilty plea to one count of criminal conspiracy by a former Air Force official with major responsibilities for negotiating the KC–767A tanker contract, and other recent cases of potential contractor abuse, have raised revolving-door and contractor-ethics issues to the forefront of debate on acquisition policy. It is the committee's understanding that the DOD has embarked on a thorough review of its revolving-door and contractor-ethics policies. While I expect we will discuss some of these issues today, the subcommittee plans to hold a more detailed hearing on the adequacy of procurement integrity safeguards in the coming months.

Our second panel will focus on contract oversight in Iraq. Recent events in Iraq have put many of these contracts in the spotlight. Questions have been raised about the adequacy of DOD contract oversight in Iraq, the appropriateness of functions that are being contracted out, and how contractor security functions should function in the U.S. military chain of command.

The Senate Armed Services Committee included several provisions in its bill this year to improve the oversight of contractors performing security, intelligence, law enforcement, and criminal justice functions in Iraq and other areas where U.S. forces are engaged in military operations.

In the course of today's hearing, we need to evaluate whether more needs to be done. Improving how the DOD buys goods and services is critical to our national security. We need to ensure that the money spent on defense acquisition is spent appropriately and wisely, and I look forward to hearing from our witnesses on DOD's efforts to address these challenges.

Senator Akaka.

STATEMENT OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. Good to be working with you and to be part of this hearing today, which is a tradition of conducting an annual hearing to conduct oversight of DOD acquisition policy.

In previous years, our hearings have focused on issues such as public/private competition, the defense industrial base proposals to streamline the acquisition process, and even shortcomings in the Department's management of its $53 billion in services contracts. We continue to have questions and concerns about many of these acquisition policy issues.

This year is different from other years, however; and this hearing will be different from other hearings. As we sit here today, 135,000 American troops remain engaged in a hostile environment in Iraq. Tens of thousands of contractor employees are also in Iraq, supporting both the war effort and the rebuilding effort. It has been

widely reported that as many as 20,000 contract employees are engaged in security functions alone. Our extraordinary reliance on contractors to perform a wide array of services in a war zone has raised unprecedented questions.

I would like to mention just three contractor-related events in Iraq which I think demonstrate both the extent of the contractor role in that country and some of the issues raised by that role.

First, for more than a month, the Marine Corps was engaged in combat operations in and around Fallujah, which have resulted in a number of American casualties and many more Iraqi casualties, helping spark unrest throughout the country. The escalation of conflict in and around Fallujah was triggered by the brutal murder of four American contractor employees in that city in late March, which has raised serious questions about the safety of the thousands of other contractor employees throughout the country.

Second, for the last 2 weeks, the attention of the American public, Congress, and the world has been riveted on the horrible abuses reported at Abu Ghraib prison in Iraq. Press reports indicate that at least two contractor employees may have either witnessed or participated in abuses. The revelation that contractors have been hired to participate in the interrogation of prisoners in American custody has raised serious questions about whether contractors are conducting inherently governmental functions.

Finally, just last week I received a series of e-mails from Hawaii soldiers currently deployed in Iraq, indicating that they are suffering a shortage of food because of a contractor who appears unable to continue deliveries. One e-mail states, "My soldiers in Iraq have a shortage of food due to enemy attack on food supply convoys. As I understand it, the subcontractors who deal hands-on with the Army food supply lines in Iraq are not being paid by the general contractor and so are not distributing the food. I beg of you, please look into this situation. Who is not paying our food bills? Do we need new contractors to deliver food to our soldiers?"

I also wanted to tell you, Secretary Wynne, that I noted your statement includes a discussion of the progress that has been made on corrosion, which is an issue of great importance to me. I'm so glad you're here today. You're doing a great job. I applaud your efforts, Mr. Secretary. In particular, the leadership that I understand that you have personally brought into this problem has been great.

I also understand that the Defense Science Board (DSB) is about to release a study estimating that the DOD can save billions of dollars in maintenance costs over the next 5 years through corrosion prevention and mitigation efforts. I hope that this means that the fiscal year 2006 budget request will include substantial funding in support of the anti-corrosion fight.

Mr. Chairman, thank you for calling this hearing, and I look forward to hearing our witnesses.

Senator ENSIGN. Thank you.

Senator Allard, do you have an opening statement?

Senator ALLARD. Mr. Chairman, I just have a few brief comments. I want to, first of all, thank you for holding this hearing, I want to thank Secretary Wynne for taking time to testify before this subcommittee, and just mention that I'm going to have to leave

here to catch a flight. But I wanted to at least be here just to make a few comments.

Senator ENSIGN. You go home for the both of us, since I can't catch my flight. [Laughter.]

Senator ALLARD. Again, like I said, I appreciate, Secretary Wynne, you taking the time to testify before the subcommittee.

I think the acquisition process of the DOD is very important. The transformation of the DOD involves everything from our increased reliance on joint operations to the development of new financial-management systems. Our acquisition channels in the Department are also part of this transformation policy, and I continue to support the changes that DOD and this committee has made in relation to acquisition policy. Not only do we need to continue to modify the acquisition process so that the Department can be more responsive to the rapid changes of our military needs, but we also must continue to refine the oversight process of such major programs.

Again, thank you, Mr. Chairman, for having this hearing today, and I look forward to the panel's testimony and reviewing it.

Thank you.

Senator ENSIGN. Thank you, Senator Allard.

Now we'll hear from our first witness, the Honorable Michael W. Wynne, Acting Under Secretary of Defense for Acquisition, Technology, and Logistics.

Mr. Secretary?

STATEMENT OF HON. MICHAEL W. WYNNE, ACTING UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS

Secretary WYNNE. Thank you, Mr. Chairman, thank you, Senator Akaka, thank you, Senator Allard, for holding this hearing. I think it's important that you get an annual report on the state of play in acquisition, and I'm pleased to be here.

I'd like to start by saluting the performance of the 134,000 proud members of the acquisition corps worldwide, a significant but diminishing resource to protect the expenditure of $150 billion in taxpayer-provided resources each year. Since 1998, this resource has been steadily reduced from 149,000, while the number of customer-driven transactions continues to increase, and the intensively-managed transactions have risen 57 percent.

These people, frankly, serve all over the world with, I believe, over 100 deployed right now to Iraq and Afghanistan, and are called upon to accomplish extraordinary efforts to support our warfighters and participate in phase four of warfare, reconstruction of stable democracy.

I'd like to salute our depot and industry partners from all over the world, who respond quickly and, for the most part, efficiently to our requests for instant surge and instant technology as we gain experience and knowledge of modern warfare and its many elements and what it requires from our supply. Their performance in our Operation Iraqi Freedom (OIF) and in Operation Enduring Freedom (OEF) has lifted the burden from our warfighters in many instances, and provided them products that are getting more and more reliable, and more and more effective.

I would also like to salute you, members of this committee and other Members of Congress, who provided not just resources, but also advice from your personal experiences and travels to provide feedback from warfighters. I, in my years as a supplier and now as a buyer, have not seen this close a connection of a laboratory and the front lines to bring our competitive advantage to save battlefield casualties.

As we acknowledge and contend with the spectrum of warfare best described as the global war on terror, we cannot turn away from maintaining our competitive edge in other warfare specter that has kept this nation free over the years. This calls for an integrated resource plan that maintains an expected sea dominance, maintains now expected air dominance, emphasizes expeditionary warfare, and drives us towards knowledge-enabled warfare by emphasizing awareness of the battle space. Acquisition is responding to this diverse challenge with flexible policies, better training, focusing on two defense-related customer sets—the warfighter and the maintainer and logistician—and working to satisfy our business-related customers, that is you, Congress, and our industrial partners and international customers.

I have established goals for the acquisition, technology and logistics community that derive from the President's management agenda, as well as the Secretary's top issues. The defense agencies that report to AT&L have also each set goals to emphasize their customers' goals. Defense Advanced Research Product Agency (DARPA) is working with service technology experts to speed technology to the warfighter. Defense Threat Reduction Agency (DTRA) is partnering in the field with engaged warfighters and combatant commanders across the world on weapons of mass destruction. Defense Contract Management Agency (DCMA) is putting their customer goals as their own, using the activity-based costing to monitor their progress. The Defense Logistics Agency (DLA) is maintaining high supply satisfaction while reducing costs of operation with enterprise-wise management that has advanced with many in our industry. Defense Acquisition University is winning awards from professional societies for training and partnering with educational institutions, to teach them about virtual university and to gain academic credit in management for its professional courses.

Our internal transformation is aimed at improving the business of defense, and ranges from automating the end-to-end procurement process to embracing unique identification systems for all of our purchases, and radio-frequency identification technology for logistics tracking.

Our emphasis on small business has brought us ever closer to our difficult goals. In fiscal year 2003, $42 billion was awarded to small business, which represented $9 billion more than in the previous year. This achievement puts DOD within a few tenths of a percent of the 23 percent government-wide small-business goal.

In summary, I'm pleased to report the progress we have made, and advise there is still much to be done. We continue to strive to get our major programs to be stable performers, on schedule, and budget. We need a rational process to negotiate contract closure efficiently. We need to pay attention to the science and engineering talent pool that exists for the DOD to draw on to maintain our

technical edge in defense. Further, we're in the middle of modernizing the business side of acquisition and logistics, and we need to see these through to meet your goal within the Chief Financial Officer (CFO) Act, as we are a major element of the accounting and the cash flow of the Department.

I want to again thank this committee for its attention to this field of endeavor. I'm prepared to answer your questions, and seek your continued support.

[The prepared statement of Secretary Wynne follows:]

PREPARED STATEMENT BY HON. MICHAEL W. WYNNE

Chairman Ensign, Senator Akaka, and members of the subcommittee: Thank you for the opportunity to appear before you and discuss the President's 2005 Acquisition Policy and Programs for the Department of Defense (DOD). While we have made great progress in making acquisition more efficient, in moving capabilities to the warfighter faster, and in the transformation of our defense establishment, the Department recognizes that we must make even greater progress in the future. I thank the committee for your leadership in providing both the authority and guidance for our efforts to date and ask for your continued support of the Department's transformation program.

SUPPORT TO THE GLOBAL WAR ON TERRORISM—IRAQ

I want to begin by highlighting the Acquisition, Technology, and Logistics (AT&L) workforce's efforts in the global war on terrorism, emphasizing their work to support our forces in Iraq and the Iraqi people. The acquisition workforce is doing extraordinary things under the most trying of circumstances to achieve the President's goal to establish a more secure, more peaceful, and democratic Iraq that will stand against terrorism and no longer threaten America, the region or the world. The reconstruction of Iraq is proceeding on a very aggressive schedule and entails creating an infrastructure beyond what had ever existed. Contracts totaling $5 billion for construction and program management have now been awarded in response to requests for proposals that were released in early January. Under Army leadership, the principal Army contracts office—made up of Army, Navy, Air Force, Marine, and civil service personnel—has awarded approximately 1,500 contracts so far, with almost two thirds to Iraqi firms. With only about 30 personnel in-theater, this organization has established a main office in the green zone, with three satellite offices around the country. Additionally, under the Program Management Office of the Coalition Provisional Authority (CPA), the acquisition workforce is defining $6 billion worth of requirements for non-construction procurements, again with a limited staff.

An example of the major efforts put forth by our stateside contracting workforce to support our troops was the supply of Small Arms Protective Inserts (SAPI) plates. Prior to Iraq, the estimated fiscal year 2003 requirements were only $17 million. By November 2003, we bought $370 million SAPI plates—using contracts awarded within 30 days, with an average delivery beginning within 83 days. Today, all troops in Iraq are equipped with body armor.

Another example of support to our warfighters in Iraq and Afghanistan is the DOD Combating Terrorism Technology Task Force (CTTTF). It provides a valuable forum to examine the technology alternatives to address immediate operational needs to support the global war on terrorism. Leading up to Operation Iraqi Freedom the CTTTF reacted to a broad set of operational issues. Technologies were accelerated to field several specialized, unique weapons which focused on specific, anticipated threats. Notable among these was the AGM–114N Thermobaric Hellfire which built upon previous efforts supported by the CTTTF in development of thermobaric weapons which were employed in Afghanistan in Operation Enduring Freedom. The CTTTF sponsored the Passive Attack Weapon to rapidly transition an Advanced Technology Development prototype program to production, fielding 230 weapons in 160 days. This effort included weapons production, development of operational tactics, delivery aircraft certification, field testing, certification, and deployment.

A major focus of our current CTTTF effort is to enhance force protection capabilities. We have actions underway to mitigate effects stemming from terrorist use of weapons such as Improvised Explosive Devices (IEDs), mortars, and rocket propelled grenades. A key focus is detection and defeat of IEDs and on predictive analysis capabilities.

Contractor performance in Iraq has been good in many respects. Our troops have obtained considerable in-country support from contractors such as meals and other logistical needs. However, it has not been perfect. Iraq presents a difficult security environment for contractors. Many contractors that have not had problems in performing their domestic DOD contracts are having difficulties in adjusting to the unique environment in Iraq and to their own firms' influx of new business. I believe that contractor financial and internal control problems will be worked out, and in the meantime we are taking whatever actions are necessary to protect the Government's financial interests.

I want to underscore that I am absolutely committed to an integrated, well-managed contracting process in Iraq. The billing of costs that are not properly documented and supported will not be tolerated. If internal control systems are deficient, I will enforce the use of protections, such as contract withholdings, suspension and debarment, to safeguard our interests. I will also provide whatever personnel and budget resources are needed to enforce integrity in DOD contracts.

RIGHT PEOPLE, RIGHT PLACE, RIGHT TIME, RIGHT PAY, RIGHT SKILLS

I also want to address, right up front, the size of the AT&L workforce. I believe we are at the point where any further reductions in the size of this workforce will adversely impact our ability to successfully execute a growing workload. The numbers are startling. The AT&L workforce, as defined and managed by the DOD, shrank by 10 percent, from 149,439 people in March 1998 (when it was first defined) to 134,431 people in September 2003. However, from a workload perspective, the investment account funding (i.e., research, development, test, and evaluation (RDT&E), procurement, and military construction funds) increased 54 percent, from $96.5 billion in fiscal year 1998 to $148.8 billion in fiscal year 2003. Similarly, the total number of contract actions exceeding $100,000 (i.e., those that require the vast majority of work by acquisition personnel) increased 57 percent, from 120,560 in fiscal year 1998 to 189,140 in fiscal year 2003. While the AT&L workforce has been shrinking, we continue to place greater demands on our workforce. Today acquisition professionals must work harder than ever to manage rising funding requirements, to execute a growing number of contracting actions, and to administer an expanding range and volume of complex acquisitions, including performance-based contracting, services acquisition, major defense systems, and research and development. To the extent that the workload continues to grow, we will need to assess the size of the AT&L workforce to support the growing demands of the global war on terrorism, buying of services, and providing weapons systems and new technologies to the warfighter.

We are also faced with severe engineering shortages. As a result, the Department is taking an extremely active role in attracting inventors and engineering talent to the defense and aerospace industries. There are a number of "hard science" areas where the DOD provides between one-third and one-half of all government-funded university research dollars in disciplines such as aeronautical engineering, mechanical engineering, electrical engineering, materials science, and computer science. In short, the Department actively helps to grow the human element of the aerospace sciences. Over the past year, the Department has also increased both the total number and annual stipend for its Graduate Science and Engineering Fellowship program—providing strong financial incentives to top science and engineering students.

SEVEN AT&L GOALS

When I became Acting Under Secretary, I established seven goals for AT&L specifically targeted to drive performance outcomes that will directly contribute to our joint warfighting strategy and to transforming DOD's business processes. These goals are:

1. Acquisition Excellence with Integrity
2. Logistics Integrated and Efficient
3. Systems Integration and Engineering for Mission Success
4. Technology Dominance
5. Resources Rationalized
6. Industrial Base Strengthened
7. Motivated, Agile Workforce

ACQUISITION EXCELLENCE WITH INTEGRITY

Acquisition Excellence with Integrity is all about improving our acquisition processes. Evolutionary acquisition will push systems to the warfighter faster by fielding increments of ever-increasing capability. Spiral development will ensure systems

maintain a technology edge through user feedback combined with new/improved technology. Our cost estimates must reflect the true total ownership costs and be accurate enough to enhance our credibility with Congress and the American people. We must ensure we can deliver at an affordable cost. To ensure we look at joint warfighting capabilities—not just individual programs, we must move to senior leadership capability reviews.

LOGISTICS: INTEGRATED AND EFFICIENT

This goal directly impacts joint warfighting operational and future capabilities. We have several critical initiatives here, among them: moving to enterprise integration business systems and processes; end-to-end management of logistics, which reduces logistics handoffs and ensures reliable delivery of products and services; weapon system support strategies founded on performance-based logistics, which drives toward higher availability for weapon systems; designing OUT logistics requirements through high reliability systems and reducing the deployable logistics footprint of operational and support forces and reducing logistics costs of operations.

SYSTEMS INTEGRATION AND ENGINEERING FOR MISSION SUCCESS

The purpose of this goal is to restore systems engineering best practices at all levels of our architectures. My view is that we collectively, both government and industry, almost lost this art, and it is one that is sorely missed. As part of the goal, I established as a matter of policy the requirement that all acquisition programs apply a robust systems engineering approach that balances total system performance and total ownership costs within the family-of-systems, systems-of-systems context. This context will improve the integration of complex systems by establishing net-readiness requirements and common interfaces as integral portions of a system's design. In a related effort, I have established a standardized methodology for the conduct of system assessments. These assessments provide program managers expert feedback and insight on their program's systems engineering organization and processes. They also provide me insight into the program's readiness for entry into the next acquisition phase or into operational test and evaluation.

I have revamped systems engineering curricula and certification methods and established a senior systems engineering forum to institutionalize systems engineering discipline across the Department. I am also establishing a government and industry community of practice.

We are leading the establishment of the systems view of integrated architectures and are participating in the operational and technical views. We are leading in the development of roadmaps and I will ensure that Defense Acquisition Board (DAB) reviews consider milestone decisions in a broader context of what individual programs contribute to joint capabilities.

TECHNOLOGY DOMINANCE

Technology dominance provides our warfighters with the best equipment today, and the capabilities needed for our future forces. While many challenges exist today, technology can help address the immediate needs for the global war on terrorism. Technology dominance occurs through the alignment of the science and technology (S&T) program with the needs of combatant commands and the joint functional concepts; the continuing importance of basic research to enable the development of future military capabilities; and most importantly that we have the best scientific and technical talent available today and in the future. Technology has a time value, but we cannot always predict when time will confer criticality on any single technology. A diversity of investments is required to maintain technology dominance over adversaries who can focus on exploiting narrow technical vulnerabilities. Our S&T plan seeks a balance of exploiting near term opportunities and enabling technologies that might prove pivotal in the future. Adroit applied engineering efforts and foresighted basic research investments are both prominent in our S&T strategy.

RESOURCES RATIONALIZED

This goal is aimed at rationalizing infrastructure to enhance the transformation of common business-oriented support functions, improve joint utilization of assets, and reduce the total cost of ownership. We will rationalize our infrastructure through both the base realignment and closure process (BRAC) and the Global Posture Review. Both will successfully allow the Department to position our infrastructure globally to support joint warfighting capability, to address new and evolving strategic imperatives, and to transform our business practices. To that end, I am fully supporting the Department's Business Management Modernization Program

(BMMP). Three out of six domains fall under my purview. They are: (1) Logistics, (2) Acquisition, and (3) Installations and Environment domains. Together they are working toward a corporate approach to legacy information technology systems and business processes. As an example, under the BMMP, the acquisition community of interest is working closely with both the BMMP domains and the Services to transform our processes and to implement a net-centric solution to provide on-demand access to acquisition oversight information. As a result, for the first time, the acquisition oversight community now has access to acquisition information from their desktops, and we are well on our way to accomplishing program reviews using our new system. In the future, we hope to provide Congress with electronic access to the types of information they need for oversight and to eliminate special hard copy reports such as the Selected Acquisition Report (SAR). The end-state will streamline DOD processes and yield long-term savings and efficiencies.

Dovetailing with the efforts of BMMP we continue our ongoing assessment of the Department's acquisition process from end to end. We are currently modeling our acquisition processes and integrating them with the other five business domains so that the department's Business Enterprise Architecture (BEA) is defined. By collectively defining our business architecture we are able to re-engineer our business processes to ensure that the best process can be combined with the most capable information system infrastructure. Two of our significant systems are the Standard Procurement System (SPS) and Wide Area Workflow (WAWF). SPS is currently our enterprise system for procurement with over 24,000 users throughout the DOD. It is the authoritative source of data for our business and financial process associated with procurement. WAWF, also an enterprise solution, combines process change with technology as it streamlines the receipts and acceptance process, moving from paper to electronic invoicing, within the Department and commercial community. It provides one interaction from the vendor to DOD to process invoices, receiving reports and eventually Unique Identification Data. This system has already allowed DOD to decrease its interest penalty payments and increase its discounts taken for prompt payment. Per my direction, WAWF is currently being deployed across the DOD and to the vendor community and is processing an average of over $1 billion in transactions monthly.

INDUSTRIAL BASE STRENGTHENED

The AT&L transformation mandate requires a defense industrial base focused on, and capable of supporting, 21st century warfighting. We are developing and employing a logical, capabilities-based approach to identifying and evaluating industrial base sufficiency for critical warfighting capabilities. Industrial base assessment information will be used to identify remedies where critical industrial capabilities are insufficient to meet DOD requirements, identify critical industrial capabilities smaller innovative firms can provide, focus international cooperation activities, and assess export controls. We are developing, and plan to implement, policies that encourage smart industrial base management on the part of acquisition program managers to keep the industrial base robust and responsive.

MOTIVATED, AGILE WORKFORCE

Of course, without a "Motivated, Agile Workforce" none of the other goals can be realized. Our people are a strategic asset and represent a competitive advantage. DOD's transformation and warfighting capability are dependent upon a world-class acquisition workforce. We now plan to develop, motivate and equitably compensate employees based on performance and contribution to mission and will provide maximum flexibility to assign employees consistent with the needs of the organization and individual's qualifications. We also plan to implement a central referral system, a repository for all jobs, which will enable the acquisition workforce to apply for jobs across the Department along with non-DOD employees.

The Defense Acquisition University (DAU) will rapidly deliver awareness training, through innovations like Rapid Deployment Training (RDT), to keep the workforce up to speed on evolving practices and major new policy initiatives. DAU is helping to create AT&L learning organizations by fully deploying a capabilities-based approach that promotes career-long learning and provides the workforce more control over their learning solutions by balancing training courses; knowledge sharing; and continuous learning.

In sum, I have set these goals to complement and facilitate Secretary Rumsfeld's business transformation and joint warfighting objectives and, even more fundamentally, to ensure that the resources entrusted to the department are well managed and wisely used. In implementing the seven AT&L goals, I have a number of AT&L

initiatives aimed at improving the way DOD manages acquisitions and programs, several of which I would like to highlight for you now.

SYSTEMS OF SYSTEMS INITIATIVES

I have taken action to improve our acquisition decisionmaking to account for how our acquisition programs will be integrated into joint forces. I now require DAB reviews to include a presentation on all other systems that the program under discussion relies on within its mission context. I also review what systems rely on the program under review. During the recent Space Based Infrared Systems (SBIRS)-High and Stryker reviews, this approach achieved good results.

Working with the Joint Staff, we have begun to examine the use of integrated architectures to guide investment strategies across the Department. We have done so for Joint Combat Identification and the lessons we learned from that process are being applied to other areas.

One major initiative we have embarked on in order to improve a key capability for the joint warfighter is our Joint Battle Management Command and Control (JBMC2) Roadmap. This roadmap guides both material and non-material aspects of approximately $47 billion of programs within the Department. The heart of JBMC2 is the Family of Interoperable Operational Pictures (FIOP), initiated to provide an all-source picture of the battlespace through the fusion of existing sources of data. The FIOP includes a number of elements, to include single integrated pictures for Air, Ground, Maritime, Space and Special Operations. By fusing multiple sources of sensor, human intelligence, and other data, the seamless family of interoperable pictures will enable the joint warfighter to execute battle management activities with real-time, decision-quality data, even at the tactical level.

One of the key JBMC2 enablers is the notion of appliqués. As a spiral development activity, an appliqué can provide current and legacy forces with capabilities now to exchange information across the joint force and with coalition partners. The Department believes appliqués may have broad application for current forces.

LOGISTICS TRANSFORMATION

We are continuing to transform our logistics and supply chain business processes. In September 2003, I was designated by Secretary Rumsfeld as the Defense Logistics Executive (DLE), and General Handy, the Commander of U.S. Transportation Command as the Distribution Process Owner (DPO). As the DLE, I will be the single focal point for Defense Logistics and Global Supply Chain Management System in the Department. General Handy will be the single overseer of the distribution process and his organization will be the single "go-to" organization for all distribution related issues. General Handy and I have the authority and accountability to manage the complex but critical supply chain and distribution process. My goal is to put interoperable information systems in place and synchronize distribution pipelines in order to optimize the end to end distribution system.

Another of my strategic imperatives is to implement Radio Frequency Identification technology, commonly referred to as RFID. Implementing this technology will optimize the DOD supply chain, enhance materiel visibility and increase our support to the warfighters. The Department joins industry leaders, such as Wal-Mart, in adopting commercial standard RFID technology at the case and pallet level to optimize our supply chain while further leveraging the market place in driving technology costs down. Radio frequency "tags" applied to the cases, pallets and freight containers shipped to and within the DOD will enable hands-free processing of materiel transactions, allowing us to re-apportion critical manpower resources to warfighting functions. The Department plans to take this technology one step further and apply these tags to its most critical assets; those requiring a Unique Identification or UID for short. RFID tags applied to the item packaging of UID items will enable us to better manage and track these critical assets. Likewise, the unique identification of items supports our efforts to value military equipment and to develop supporting documentation. Together these efforts will enable DOD's property accountability, inventory, and financial management information systems to achieve compliance with the Chief Financial Officers Act. As we implement this new technology, we continue to consult with our industry partners and employing commercial open, global standards.

SPEND ANALYSIS INITIATIVE

I have an important initiative underway to identify how to acquire services in a more efficient and strategic way. To date, we have completed a rough order spend analysis to categorize what we spend on services and identify service commodity areas offering potential savings from sourcing in a more strategic manner. We are

now developing strategic sourcing plans for the top service commodities, beginning with administrative services. In conjunction with other efforts under the Department's BMMP, we are striving to improve our capability to obtain acquisition data and enhance our ability to perform spend analysis functions to support the development of strategic sourcing plans.

CORROSION CONTROL INITIATIVE

Another initiative is resident in my recent corrosion control policy to ensure that technologies to enable selection of corrosion resistant materials, development of corrosion preventing production processes, and application of corrosion prevention treatments are fully considered during the acquisition process. Effective corrosion planning is now a standard topic for all programs subject to DAB reviews. Among our recent accomplishments, the Defense Acquisition University initiated Rapid Deployment Training on Corrosion Prevention and Control (CPC) Policy and Planning; we have established a DOD Corrosion Web site; and we have published a CPC Planning guidebook to help program managers plan their CPC efforts. At my request, the Defense Science Board has established a Task Force on Corrosion Control to assess ongoing DOD corrosion control efforts, especially in research, and provide recommendations for improvement. In order to directly enhance our research program in corrosion we have included a focused research initiative in the Small Business Innovation Research (SBIR) solicitation released on May 1. Seventeen corrosion topics of broad DOD interest have been included in the Pentagon-sponsored SBIR program in addition to the six Service-sponsored corrosion topics. For the first time ever, in a consolidated way, the Department has requested $27 million in the President's budget specific to corrosion prevention and control for the Services to fund high return-on-investment projects. We also continue to work with the General Accounting Office in a completely transparent way to assist in its ongoing review of our corrosion efforts and planning.

Some examples of our corrosion technology transition efforts are: The Services will use Av-Dec sealant materials to significantly improve corrosion resistance and reduce maintenance; products will be applied to aviation systems including C–130s, EA–6Bs, and helicopters. The USMC/Army is developing an automated, transportable vehicle wash down system to significantly reduce costs and improve corrosion prevention in a wide range of environments, including Iraq. The Navy is currently adapting commercial technology in advanced, rapid-cure epoxy and polyurethane anti-corrosion coatings for use in shipboard tanks; these long-life coatings reduce application time and apply to a wide range of systems. The Army is prototyping a clear water rinse facility that will provide thorough after-mission drive-through rinsing of all service helicopters at a number of airfields. The Air Force is using avionics grade corrosion inhibiting lubricants and CPCs to drastically reduce avionics corrosion failures.

CONTRACTING

Contract closeout continues to be one of my top priorities. We are focused on reducing the backlog of over-age contracts, especially those that have been physically complete more than 6 years. I am happy to report that we have made significant progress. For example, at the beginning of fiscal year 2002, we had approximately 20,000 over-age contracts. This number has been reduced by 35 percent. Additionally, we identified over 5,000 contracts as being physically complete for more than 6 years. To date, 70 percent of these contracts have been closed. We are institutionalizing practices to close contracts in a timely manner and decreasing the amount of funds needed each year to replace older cancelled funds on over-age contracts. This means the military services are now using less current-year money to pay old bills.

To create a new synergy among the congressionally mandated Small Business Programs within the DOD, I have approved a coordinated initiative developed by the Office of the Secretary of Defense-Office of Small and Disadvantaged Business Utilization (OSD–OSADBU) affecting the SBIR, the Small Business Technology Transfer Research (STTR) and Mentor Protégé programs. The newly crafted initiative focuses on selected innovative technology topics essential to DOD industrial transformation. The effort allows for resources to be applied to qualifying SBIR/STTR small business firms to take them from conception to the end product through a select Mentor-Protégé development plan. The initiative allows for a formalized Mentoring relationship with a larger prime contractor that possesses the technology infrastructure support for the qualifying SBIR/STTR small business firm. Under this initiative a SBIR/STTR firm that is selected into the Mentor-Protégé program should facilitate a quicker return on investment to the DOD from topic conception

to program application and end production of the product or service that may have a commercial application.

Fiscal year 2003 was a banner year within the DOD for U.S. businesses—both large and small. Total contract dollars awarded by the DOD set a new record high. DOD awarded close to $190 billion in prime contracts to U.S. businesses, of which approximately $42 billion was awarded to small businesses—our best-ever year for small business. Awards to small business increased nearly $9 billion from the prior year, from 21.2 percent to 22.4 percent of total contract awards. The DOD also did its part to strengthen the U.S. economy by awarding almost $12 billion to socially and economically disadvantaged small business concerns. In addition, small business subcontractors also have benefited from DOD's increase in contract business opportunities. For fiscal year 2002, the latest year for which we have compiled the data, small businesses received subcontract awards totaling over $25 billion—$2 billion more than the prior year.

FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTERS (FFRDCS)

Since the mid-1990s there have been congressionally-imposed limits on FFRDC staff years of effort. These limits, contained in annual appropriations acts, restrict the Department's efforts to acquire new capabilities and to respond to worldwide operational challenges.

FFRDCs are an extraordinary source of high quality support on a variety of technical, analytic, and operational issues. Given the rising acquisition and R&D budgets, and the complexities of transforming military forces for the future—while conducting global operations against terrorism today—DOD needs all of the first-class help it can get. However, since 1996, the DOD budget has grown by 46 percent in real terms, while FFRDC staff-years of effort have been limited to a 9-percent increase. Continued constraints on FFRDCs exacerbate negative trends in program acquisition support and in achieving program integration in support of joint operations and other enterprise-wide objectives. The constraints prevent DOD from obtaining technical and analytic support to compensate for reductions in DOD's acquisition workforce, the decline in experienced personnel in the defense industry due to the aging workforce, DOD budget cuts in the 1990s, and initiatives that have reduced government oversight of acquisition programs. The Department must be able to call on its FFRDCs for help when they are the best source of technical and analytic support.

I seek the committee's support in removing the legacy concerns regarding management and "right-sizing" of DOD FFRDCs. These issues have been resolved by implementation of the "FFRDC Management Plan", which has been used and updated since 1996. This is not a funding issue; it is about good governance. The Department needs to be able to spend the money Congress provides in the most effective manner.

FISCAL YEAR 2005 INVESTMENT ACCOUNTS OVERVIEW

Before I conclude, I'd like to highlight some aspects of the fiscal year 2005 Defense budget request for the investment accounts. This includes $68.9 billion for RDT&E—a $7.1 billion increase over the fiscal year 2004 President's budget. It also requests $74.9 billion for procurement, a $2.2 billion increase over our fiscal year 2004 request. The fiscal year 2005 budget increases transformation technologies and capabilities—and balances support for this long-term transformation with resources for current global operations and requirements. The budget includes $3.2 billion to support the transformation of the Army by fully funding the Future Combat System and $1.0 billion to procure the combat vehicles for the 5th Stryker Brigade Combat Team (SBCT). It supports fielding of the fourth SBCT and sustains the three SBCTs already in the force.

For shipbuilding, the request includes $11.1 billion to support procurement of nine ships in fiscal year 2005—up from seven ships for fiscal year 2004. Fiscal year 2005 begins a period of transition and transformation for shipbuilding as the last DDG 51 destroyers are built, and the first DD(X) destroyer and Littoral Combat Ship will be procured. The Department is also investing in additional technologies and capabilities in our next-generation ships. Specifically, $1.0 billion is requested to continue development of, and procure long-lead equipment to support, the planned fiscal year 2007 award of the lead ship for the CVN–21, whose innovations include an enhanced flight deck, a new nuclear power plant, allowance for future technologies, and reduced manning. Another $1.6 billion is requested to continue development of technologies to be applied to others of this new generation of 21st century surface ships including the DD(X) destroyer, Littoral Combat Ship, CG(X) cruiser and the Maritime Prepositioning Force (Future) ship. The average shipbuilding rate

from fiscal year 2005–2009 of 9.6 ships per year shows our increased commitment in this area. This rate sustains the current force level and significantly adds to Navy capabilities.

The President's budget continues to develop and will begin to field the Joint Strike Fighter (JSF), a family of low observable strike fighter aircraft for the United States Air Force, Navy, Marine Corps, and the United Kingdom's Royal Navy and Royal Air Force. In addition, seven other international partners, Italy, the Netherlands, Turkey, Canada, Australia, Denmark, and Norway are participating in the development program. The budget contains $4.6 billion for restructuring the JSF program that will accommodate additional design work and risk reduction in its System Development and Demonstration (SDD) phase. The total cost estimate for SDD increases from $33.0 billion to $40.5 billion. Schedule delays on this very complex aircraft are prudent and necessary to mature its design and ensure its ultimate success. The Department also continues investment in the F/A–22, the next-generation air dominance fighter, to counter emerging worldwide threats. We are requesting $400 million to develop the EA–18G electronic warfare aircraft, the next-generation solution to detect, identify, locate, and suppress hostile emitters for decades to come. Finally, $1.7 billion is requested to support ongoing development and procurement of 11 V–22 aircraft. The V–22 program was structured to enhance interoperability in the next increment, implement additional cost-reduction initiatives, and pursue a more executable production ramp following operational testing, Milestone C review and DOD certification.

I am particularly proud of the Department's efforts to obtain efficiencies and synchronize development efforts in the Unmanned Combat Air System area. The budget reflects the initiation of the Joint Unmanned Combat Air Systems Program (J–UCAS). J–UCAS consolidates previous DARPA/Service unmanned combat air vehicles programs as a means to develop and demonstrate a common operating system and enhance competition between two contractor teams to achieve the best capabilities for the Services. The program will accelerate key capabilities leading to an operational assessment in fiscal year 2007–2009. Unmanned aerial vehicles continue to provide new capabilities and advantages that have proven critical in the global war on terrorism, and we must exploit this technology to leverage our warfighting edge.

The transformation of America's military capabilities involves developing and fielding military systems to achieve a new portfolio of military capabilities to decisively combat the full range of security threats—now and well into the future. A key objective is to provide robust capabilities and innovative approaches for the full spectrum of potential missions. Transformation will continue to require a strong S&T program. The fiscal year 2005 S&T request is $10.5 billion, a 1.6 percent real increase over the fiscal year 2004 request. The program is focused on a number of transformational capabilities that hold great promise for the future.

A transformed military cannot function with inadequate facilities. To provide and maintain quality facilities in which to work, the budget funds 95 percent of facilities sustainment (maintenance) requirements—up from 94 percent in fiscal year 2004. To modernize DOD facilities at a satisfactory pace, Secretary Rumsfeld established the goal of achieving a facilities recapitalization rate of 67 years. The fiscal year 2005 request keeps DOD on track to reach that goal in fiscal year 2008. The budget also keeps the Department on track to eliminate nearly all its inadequate military family housing units by fiscal year 2007, with complete elimination in fiscal year 2009.

CONCLUSION

Before closing, I would like to note how extremely proud I am of the world-class AT&L workforce. One metric of their ability and dedication can be found in the awards they win. Some highlights of these are: The Defense Acquisition University was recently recognized by Training Magazine as one of the top 50 corporate training organizations in America and was cited as Best-in-Class among government organizations. The university also received the 2003 American Society of Training and Development (ASTD) Best Award. Our efforts to transform business processes and practices won recognition as well. The Acquisition Domain supporting the Department's BMMP was selected as a finalist in the 2004 Excellence in Government Awards. The Standard Procurement System (SPS) program, the cornerstone of the Acquisition Domain business process transformation efforts, received the Grace Hopper Government Technology Leadership Award from the Council for Excellence in Government and Government Executive magazine. SPS was also honored during the 2004 Excellence Government Awards. Finally, the SPS Program Manager, Colonel Jacob Haynes, was selected as one of the Top 10 Government Career Information

Technology Managers by the Government Computer News (GCN) magazine and was featured in the GCN's "Profiles in Leadership" April 19 issue.

In closing Mr. Chairman, thank you for the opportunity to testify before the subcommittee about our acquisition programs, policies, processes, and, especially, our people. I would be happy to answer any questions you and the members of the committee may have.

Senator ENSIGN. Thank you very much.

I want to delve into the whole "Buy America" issue. There's a growing perception by some of our allies out there that the DOD is not as open as it once was to foreign participation in U.S. defense programs. How damaging is this perception, and what will you do to address our allies' concerns? Does the Department support enactment of the new "Buy America" legislation?

Secretary WYNNE. Thank you for the opportunity here, sir. I would tell you that our allies are a little bit concerned about what America's posture is with regard to their assisting us around the world, because they mostly have, over the years and over the centuries, traded in commerce, as well as foreign policy, and supply of force structure. We are, in every case, following the rules of engagement that are dictated by the procurement regulations and laws, and so cannot fault them.

That having been said, we would not like to see any increased strictures, because it does, in fact, erode, I think, a very competent base which we draw on every day. In the case of Germany, we're using some of their "buffalo trucks" to, in fact, get through mine fields or improvised explosive devices (IEDs) over in Iraq. We contracted with Japan, on a quick-time basis, to get their chemical suits, because we didn't have enough chemical suits. These aspirations of our international suppliers to be partners with us, I think, bodes very well for us, and yet we tend to forget that the foundations of science and mathematics and some of our engineering studies were founded by the international community.

So what I'm doing to try to assist our international partners in supplying us is working with the State Department on transparency and licensing and trying to ensure that they get a fair treatment as they come over for foreign comparative tasks, and trying to make sure that when they do, in fact, put themselves out on our behalf, that we are as sure buyers as they are as sure suppliers.

Senator ENSIGN. Very good. The issue of whether to further reduce the acquisition workforce has been a longstanding issue between the House and the Senate Armed Services Committee. The Senate believes that these reductions have gone too far, while the House proposes that more cuts are necessary. In the next 5 years, do you anticipate the Department supporting further reductions to the acquisition workforce, or do you believe that the workforce needs to be expanding, given new demands? What are you doing to meet the training needs of the existing acquisition workforce?

Secretary WYNNE. The acquisition workforce is extremely stressed right now, and stretched. I would say that in some areas I've actually had to ask the DCMA to stop inspecting where they do not have a major impact, so that they can focus on risk areas of nature. So what they have done is, they have drawn up a set of business rules to work with their customers on what constitutes

critical items for inspection. We cannot afford, any longer, to spread them any thinner.

The growth, frankly, in our supplier base is a good thing. But when it comes to the DCMA, they don't have enough people, essentially, to cover all of them, so I think they need to focus on those riskier elements.

In the area of program office support, we're so thin on systems engineers within our program office that we have a severe loss of talent in that area, and I've been basically trying to make sure that we pay attention, both at the contractor level and within the government, to improve our systems engineering capability, ever since I arrived. I was, frankly, concerned, and have organized "red teams" to go out and look at the F/A–22 to try help it get into the independent operational tests and evaluation. I feel that I have done the same thing with other projects of major costs—the Space-Based Infrared Radar (SBIR) and now the Joint Strike Fighter (JSF). I think this stress on our acquisition workforce did not really pay attention to the fact that the products are getting to be more and more expensive. At the same time, when we did not have the systems engineering talent inside of our program office, we went to reach out to the Federally-Funded Research and Development Centers (FFRDCs) only to find that a cap had been placed on our ability to secure assistance from them. One of the results of that is, we're going very wanting, and have turned to other styles of contracts to try to make sure that we get technical support.

This having been said, I have turned the Defense Acquisition University (DAU) into a virtual university to reach out so that any changes that we make at headquarters take only 72 hours to get out to the lowest level of contracting authority. We've tried to make sure that they had communities of interest and communities of practice so they can rely on each other, if you will, as a peer group and a peer evaluator group. This has worked very well. As I mentioned in my opening remarks, DAU has won awards, placards, and applause from other professional universities for being at the top of the mark. That's the way we're approaching it, sir.

Senator ENSIGN. Okay, thank you. I have one more question, then I want to turn it over to Senator Akaka.

Even though we're going to have a future hearing on this, just briefly, if you could, address the revolving-door issue and if you feel that existing laws, regulations, and policies governing revolving-door situations are sufficient to ensure integrity in the Department's acquisition activities. Have you undertaken, or do you intend to undertake, a review of existing Department activities to ensure such controls are effectively implemented?

Secretary WYNNE. Thank you for that. At every change of ethical behavior of people that I actually know personally, it is surprising, and it's never to be understood. That having been said, the laws and regulations that are on the books today are, in fact, sufficient, just as the laws and statutes that are underway are sufficient to prevent criminal behavior, but criminal behavior still goes on. So all we can do is to continue to increase the awareness that this is, number one, a highlighted area, it's an area of trust. In fact, in acquisition, trust is all you have. So, at the end of the day, I have taken a review of what training there is available for our acquisi-

tion workforce, I have asked the DAU to include in the fundamental certification programs an acquisition integrity module to make sure that we, in fact, follow one of my principal goals, which is acquisition with integrity.

Senator ENSIGN. Okay, thank you.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

In response to questions from the Governmental Affairs Committee, David Safavian, the President's nominee to head the Office of Federal Procurement Policy, indicated that, one, he supports the ability of employees to protest A–76 decisions to the General Accounting Office (GAO); and, two, he doesn't necessarily think that the "the Agency Tender Official," is the only person who could adequately represent in-house employees in GAO appeals. GAO has provided us with draft language that would extend protest authority to a single individual appointed by a majority of the directly-affected employees.

Secretary Wynne, do you agree that it is essential fairness for the public side of a public/private competition to have the same protest rights that the private side has?

Secretary WYNNE. Sir, what I think I have heard is that the public side should have protest rights, a la as if they were under contract, and I'm not sure that I agree with that. I don't agree with that because it would set up a means and mechanism to really have an appeal external to their command structure, and it would appear to me to not conform, if you will, or to introduce a slice of the Federal acquisition regulation into an aspect of doing business as a government employee too much.

That having been said, I do agree that there should be some appeal capability for the public side to make sure that they are treated very fairly during an A–76 process. So while I don't support this particular aspect, I, in fact, would reach out and try to figure out how to give them the rights of appeal through a GAO or some other mechanism, but not the particular one-sided.

Senator AKAKA. Do you agree with Mr. Safavian's statement that the Agency Tender Officer is not the only person who would adequately represent in-house employees in GAO appeals?

Secretary WYNNE. This is a question of, How do you get to somebody who could represent the employees adequately in an agency appeal? I would tell David Safavian, if he were here, that he's probably right, that maybe the agency tender official is not the only one who should represent. But getting to who should do it, as it is different than that, should probably be arrived at, at the beginning of the cycle, and not at the end of the cycle, so as not to drag out, if you will, by essentially firing your attorney, and then trying to reeducate another individual.

So if it can be accomplished that the agency tender official and whoever was going to represent the employees would be in it from the start, I think I could go along with his statement.

Senator AKAKA. Performance-based services contracting can reduce contract costs and increase contractor performance by establishing concrete standards against which contractors can be measured. The National Defense Authorization Act for Fiscal Year 2003 established a goal for the DOD to make 25 percent of its services

purchases on the basis of performance-based contracting in fiscal year 2003 with increasing goals of 35 percent in fiscal year 2004 and 50 percent in 2005. Can you tell us how well DOD did in meeting the statutory goal for fiscal year 2003, and what steps you are taking to move the Department toward accomplishments of the goals for fiscal years 2004 and 2005?

Secretary WYNNE. What I would like to do, sir, is take the first part for the record so that I make sure that I don't make a mistake about what we achieved, because 2003 is just closed, and we're just finding out all the attributes of it.

[The information referred to follows:]

In fiscal year 2003, the Department awarded contracts for services totaling $118,473 million. The portion that used a performance-based requirement and specified a firm fixed-price for the specific tasks totaled $26,780 million or 23 percent of the total.

But we are very aggressively pursuing the performance-based logistics. In fact, have it as one of our own internal goals to successively achieve the targets.

That having been said, the services contract is exploding on us with all of the attributes that are coming on in Afghanistan and Iraq, and so I would have to say to you that we might have to take a good look at what is an appropriate quest and goal, given the anomaly of these two, I would say, stability and reconstruction years. Because in these years, as you'll hear from the panel number two, the Corps of Engineers has let more contracts in 1 year than they usually let over a 5-year period, mostly service-based.

Senator AKAKA. The National Defense Authorization Act for Fiscal Year 2002 required DOD to conduct a spend analysis to determine how it was spending its money for services and identify possible economies. This legislation was recommended by GAO on the basis of a review of best commercial practices. We are not aware of a spending analysis conducted by DOD in compliance with the legislative requirement. My question is, has DOD conducted a spending analysis? If so, what lessons has the Department learned from this review, and will you provide the committee with a copy of the results?

Secretary WYNNE. We have started on the spend analysis in the commodities sector, thinking that it would be beneficial across the board, and, in fact, I think, proceeded to contract with one of the FFRDCs to conduct such a spend analysis. What we intended to do is to consolidate our buying activity and then we're going to try, once we pilot that and see what the response from industry is, to extend it to the service sector. So what I will do, sir, is, I will provide this committee with the status of where we are in that regard.

[The information referred to follows:]

The Deputy Secretary of Defense directed DOD to conduct a Department-wide, commercial-like spend analysis in February 2003. This involved analyzing what type of services the Department is acquiring, who we are acquiring them from, and who is acquiring them, in order to identify how the Department could acquire services in a more efficient and strategic way. We completed the initial phase of the spend analysis, which identified several specific types of services, i.e. commodity areas, that offer significant potential for savings. We are forming joint commodity teams to further analyze these pilot areas and develop, where appropriate, strategic acquisition programs. The initial commodity team has started its effort to conduct more detailed spend analysis and identify strategic acquisition approaches for "miscellaneous administrative services." We are now forming the second commodity

team to analyze miscellaneous information technology services. In addition, in conjunction with the Department's Business Management Modernization Program, we are developing an improved capability to obtain enhanced acquisition data which will significantly improve our ability to analyze acquisition data and perform spend analysis functions. Lack of detailed data hinders our ability to perform accurate spend analyses and develop efficient, strategic solutions. The Department has approved and funded a pilot program to integrate spend information from the military department's business intelligence systems. The development and fielding of this pilot project will give us visibility into Department-wide detailed spend data sufficient to support strategic acquisition of services.

Senator AKAKA. Two years ago, Secretary Wynne, Congress established a new Defense Test Resource Management Center (DTRMC) to help ensure the Department provides adequate resources to its testing infrastructure. Despite the requirements of this legislation, the Department has not yet appointed a director to head the new office, has moved farther away from institutional funding for overhead expenses at test facilities, has failed to increase funding for testing infrastructure, and has developed only a preliminary version of a strategic plan for testing investment. When can we expect to see full implementation of the requirements of the testing legislation that we enacted 2 years ago?

Secretary WYNNE. I'm pleased to report to you that I meet, approximately every other week, with the interim director of that activity. We submitted our preliminary strategic plan, and, in fact, have done a preliminary certification of the budgets back to the Services to make sure that they are, if you will, "on notice" that this new agency is coming alive and being set up. I expect that we are—we will have sufficient candidates to close on the director approximately in June. My arrangement with the Director of Operational Tests and Evaluation is, once we have a director in place, he will begin to move over the major elements of management of the resources into this new function.

It's staffed at approximately 55 percent right now. I just met with the lady who has been invited on or appointed to be the strategic planner. She intends to meet the statutory guidelines by having a strategic plan available to this committee. I intend to start the process, if you will, of doing active certification of the budget to the Secretary as the citation requires.

I will tell you that I think that meets the general intent of the authorities that you granted us, and I'll have to follow up to make sure that we are thorough in that. But I'm working with Tom Christie, we are working as a partnership, together, to set this in motion, because he was, as you might remember during the hearing, actually on the DSB that argued for setting up the DTRMC to start with.

Senator AKAKA. Thank you for that. A series of mergers in the defense industry over the last decade have substantially reduced the number of major defense contractors. In many cases, DOD officials find that they have only one or two sources to choose from for key contracts. I have two questions there. In your view, do we have enough competition in the defense industrial base? The second is, in your view, how does the issue of competition relate to the "Buy American" issue?

Secretary WYNNE. I think, at the top layer—i.e., at the super primes—we have adequate competition. The problem really comes out at this third and fourth tier down, where those contractors

have actually become great marginal producers and have come up against their own capacity stops, if you will, that they are supplying to all major primes at a very efficient price at a very efficient rate. One increase of any of those primes in production exceeds the capacity then of this smaller company. That is where I'm running into some difficulties, and those are very difficult to spot, because everybody's trying to save cost. So you tend to go to somebody who's got the marginal price.

I would tell you that our sources are all over the world. In fact, I can remember back in time when we had a satellite producer who went to see Japan, and Japan realized that it was already providing some 25 percent of that satellite's infrastructure from Japan, and recognized as a supplier. We have also moved to make sure that we have a sufficient supply base for all of our major critical needs, and yet want to rely on our international partners for innovation, and we encourage them to continue to participate with us to gain contracts and to gain access to our laboratories.

Senator AKAKA. I appreciate your responses very much. Thank you, Mr. Chairman, for allowing me the time.

Senator ENSIGN. Just very briefly, to follow up before we have the next panel in. Dealing with competition, in Iraq, we have the possible consolidation with the insurance, and what the Department is looking at doing with the Army Corps of Engineers, could you just address that issue in light of competition and market forces? If you're going to sole-sourcing, how does that, in the long run, get you the lowest cost versus market forces getting you the lowest cost?

Secretary WYNNE. In the world of insurance, I think getting the largest pool is kind of one of life's answers, because in the largest pool, you get, if you will, the lowest probability of an individual incident; and, therefore, if you get the sufficient revenue in for all of the incidents, it tends to give you a lower premium.

That having been said, let me tell you what our practical problem is. Our practical problem is that U.S. Agency for International Development (USAID) has, in fact, competed and got a pool of insurance for all of the employees or contractors within the USAID in the combat zone or in the area of regard, I guess, in Iraq, because it is into stability and reconstruction phase. Now, that having been said, when we do a contract with others, we cannot—and we've done some comparative analysis—we can't match their prices. We ask our contractors to supply their own insurance. Most of our contractors are seeing that they can't fulfill the mission that they thought they were going to do, because these are largely—they are cost-type contracts, but they're capped as to how much money we can allocate to them. They want to complete the mission. So they have actually come back to us and asked us for help in making sure we can compete against the USAID contract. So what we're doing is, we're using the Corps of Engineers to essentially do—because this is really not what we'd like to do, and we haven't done it—but we've gone now to the Corps of Engineers and asked them to run a pilot program to see if, in fact, it's true that they can get, and they claim, up to 5-to-1 savings in insurance premiums. For small business, this is absolutely untenable for them. They can't quite compete.

So one of the things we're thinking about is, How do we ease the burden on the small and disadvantaged businesses that want to do business over there, but literally can't compete on the insurance basis?

So it's a balance, sir. Because once I give this contract to an insurance pool, which it'll probably be an insurance pool, then I must direct all of my suppliers to go to that insurance pool, because that's my deal with them, to buy their insurance. While it bothers me, I think under these peculiar circumstances it may well be to the maximum benefit of the taxpayer to do that.

Senator ENSIGN. When you say "the insurance pool," are you talking a group of insurance companies?

Secretary WYNNE. I would suspect we're going to give it to one insurance company, but my guess is they will partner with other insurance companies to offer this. It's a fairly large base.

Senator ENSIGN. The problems in a war zone can be years down the line. I'm not an insurance person, but I do know the term "tail," and this could be quite a long tail. We're in a pretty competitive marketplace today, and what happens if the insurance company that gets that bid is also a major insurer for, say, a new World Trade Center that happens to get hit by a terrorist attack, and they become insolvent with whatever their commitments are? What happens in that situation, if you haven't spread the risk around?

Secretary WYNNE. Well, and I'm not the world's greatest expert on insurance myself. But I do know about reinsurance, and most of the insurance companies are—actually kind of take it for administrative purposes, and then they will reinsure it out the back door, if you will, for a far lesser premium, because they're not doing the administration. I think by spreading the risk, is how they intend to manage sort of what you're describing as the and-on problem. That's about the best I could describe it, sir.

Senator ENSIGN. Well, considering I'm not an expert on this, we'll have a little more discussion on the second panel, but I probably will have more questions, and so we'll submit those in writing for the record.

Senator Reed, do you have any questions of the first panel?

Senator REED. Mr. Chairman, no, thank you for your hospitality.

Senator ENSIGN. Okay.

In that case, we will excuse Secretary Wynne. I appreciate your testimony and openness. Like I said, we'll have quite a few more questions that we can submit for the record in writing.

Secretary WYNNE. Thank you, Senator Ensign.

Senator ENSIGN. Thank you.

I call the second panel to the table. [Pause.]

I want to welcome the second panel. The second panel includes Tina Ballard, Deputy Assistant Secretary of the Army for Policy and Procurement; Major General Carl Strock, Director of Civil Works, the United States Army Corps of Engineers; Major General Wade H. McManus, Commanding General, U.S. Army Field Support Command.

We want to welcome the panel. In that order, we will receive your testimony. Know that your full testimony will be made part of the record, and so feel free to summarize.

STATEMENT OF TINA BALLARD, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR POLICY AND PROCUREMENT

Ms. BALLARD. Thank you.

Good afternoon. Thank you, Chairman Ensign, Senator Akaka, and distinguished members of the Subcommittee on Readiness and Management Support. We thank you for this opportunity to discuss contracting in Iraq and the role of the United States Army.

I am pleased to represent Army leadership and the military and civilian members of the Army's contracting workforce who are the forefront in reconstruction and restoration of Iraq's infrastructure. We are very proud of our dedicated men and women, not only because of their extraordinary efforts to help create a stable and successful Iraq, but because of their great courage under difficult and dangerous conditions.

I respectfully request that my written statement be made a part of the record for today's hearing.

Mr. Chairman, nearly a year ago, Secretary Wolfowitz designated the Secretary of the Army as the executive agent for the Office of Reconstruction and Humanitarian Assistance, now known as the Coalition Provisional Authority (CPA) in Iraq. Earlier this year, in January, the Deputy Secretary further assigned responsibility for acquisition and program management support to CPA to the Secretary of the Army.

The Army is the lead service helping Iraqi people build a stable and democratic society. We continue to make steady progress. We provide contracting and program-management support both in Iraq and here at home. To date, we have awarded more than 1,500 contracts valued at more than $11 billion. These contracts have been for a variety of things: schools, clinics, banks, railway stations, and water treatment plants, for example. Contracts have also been awarded to uniform and equip police and firefighters, to supply hospitals, and restore electricity.

We are working closely with several government agencies—the GAO, the Army Audit Agency, the Defense Contract Audit Agency, among them. This is to ensure that the Army has followed proper procedures in awarding Iraqi essential-services contracts.

Mr. Chairman, we, in the United States Army, are very proud of our role in helping to create and rebuild a stable and successful Iraq. We're very proud of the courage, competence, and dedicated efforts of our career civil servants and military personnel, their success and, indeed, our success in helping the citizens of Iraqi move toward governing themselves.

This concludes my opening remarks, Mr. Chairman. Thank you for this opportunity to appear before you. I look forward to your questions.

[The prepared statement of Ms. Ballard follows:]

PREPARED STATEMENT BY TINA BALLARD

INTRODUCTION

Mr. Chairman and distinguished members of the subcommittee, thank you for this opportunity to report to you on the United States Army's role in contracting in Iraq. It is my privilege to represent the Army leadership and the military and civilian members of the Army's contracting workforce who are at the forefront in the reconstruction and restoration of Iraq's infrastructure. We are very proud of

these dedicated men and women because of their extraordinary efforts to help create a stable and successful Iraq, especially in light of the dangers they face every day.

This is a time of tremendous change, and we are most grateful for the committee's wisdom, guidance, and strong support. Over the last year, our Army has met the demands of the global war on terrorism, with more than 330,000 troops deployed around the world in more than 120 countries. They are doing what our country needs them to do in Bosnia and Kosovo, in the Sinai, in Korea, in Afghanistan, and in Iraq. The United States Army—well-trained, well-led, and well-equipped—is an important part of our globally engaged joint force. Our Army was instrumental in the defeat of Saddam Hussein and the subsequent liberation of more than 46 million people from oppression and despair. Our Army remains a central and critical participant in Operation Iraqi Freedom.

THE ARMY AS EXECUTIVE AGENT

On May 21, 2003, the Deputy Secretary of Defense designated the Secretary of the Army as the Executive Agent for the Office of Reconstruction and Humanitarian Assistance, later to become the Coalition Provisional Authority (CPA) in Iraq. On January 14, 2004, the Deputy Secretary of Defense further assigned responsibility for Acquisition and Program Management Support for CPA to the Secretary of the Army. The Army is the lead Service, helping the Iraqi people build a stable and democratic country.

Our job is enormous, but we continue to make progress in an extremely difficult situation. I would like to reiterate the widespread neglect of basic services that Deputy Secretary of Defense Paul Wolfowitz reported to the Senate Foreign Relations Committee on May 22, 2003. He said, "Before the war:

- Large numbers of Iraq's children under 5 years old suffered from malnutrition;
- Only 60 percent of the Iraqi people had access to safe drinking water;
- 10 of Basrah's 21 potable water treatment facilities were not functional;
- 70 percent of Iraq's sewage treatment plants needed repair. According to UNICEF reports, some 500,000 metric tons of raw or partially treated sewage was dumped into the Tigris or Euphrates rivers, which are Iraq's main source of water;
- 80 percent of Iraq's 25,000 schools were in poor condition; in some cases as many as 180 students occupied one classroom—with an average of one book per 6 students—while at the same time every 1 of the first 100 or so schools we inspected in Southern Iraq had been used as military command posts and arms storage sites;
- Iraq's electrical power system operated at half its capacity;
- Iraq's agriculture production had dropped significantly;
- Iraq's oil infrastructure was neglected."

It will take time to reverse these desperate conditions, but we are making steady progress.

The Army, as Executive Agent, is providing contracting and program management support both in Iraq and in the United States. We are charged with procuring all non-construction items and services to meet the humanitarian needs—the basic needs—of the Iraqi people as well as the economic reconstruction and repair of Iraq's infrastructure. To date in total, more than 1,500 contracts valued at more than $11.7 billion have been awarded. Of that total, more than 1,300 contracts totaling $1.3 billion have been awarded by our contracting office in Iraq. These contracts were awarded for the repair and renovation of schools, banks, railway stations, clinics, mosques, a human rights building, a teacher training institute, a woman's rights building, and water treatment plants. These contracts were awarded to provide police and fire fighters with uniforms and equipment; hospitals with badly needed supplies; electrical power system equipment; rescue equipment, and buses. In addition, our contract awards are helping to build playgrounds, youth centers, emergency housing, and roads, sewer and irrigation systems.

Again, of the overall total of more than $11.7 billion, contracts awarded within the United States total $2.5 billion for more than 200 contracts for items and services such as restoring Iraqi Oil, shutting down and repairing oil wells, fire fighting, explosive ordnance demolition; restoring Iraqi electricity; radio installation throughout Iraq; laptops; and emergency medical personnel in each of Iraq's 18 governorates.

PROGRAM MANAGEMENT OFFICE

Led by Admiral (Retired) Davis Nash, the Program Management Office (PMO) for rebuilding Iraq is located in Baghdad with a support office located in the Pentagon.

As the requirement focal point for all Iraqi reconstruction contracting, the PMO is responsible for oversight and implementation of the $18.4 billion appropriated by the U.S. Congress to support the reconstruction of Iraq's infrastructure. The construction sectors are oil, electricity, public works and water, security and justice, transportation and communications, and buildings, education and health.

Overall, $12.6 billion will be spent towards actual construction over the next few years, and $5.8 billion will be spent on providing equipment, supplies and material to help support the construction. Computers are needed to monitor and control electrical and water systems; vehicles are needed to transport materials or to support system maintenance; uniforms and supplies are needed to support the police and civil defense corps; and supplies are needed to support schools.

Of the $18.4 billion appropriated in the fiscal year 2004 supplemental, $10.9 billion was apportioned to various agencies. Of this amount, agencies have obligated $3.1 billion through May 5, 2004.

On January 6, 2004, the Army released seven design/build construction solicitations. Proposals were submitted in February and the Army established a team composed of 130 civilian and military personnel, with over 2,000 years of contracting experience, to support the task of awarding construction contracts in approximately 90 days. This is an unprecedented contracting mission. Between March 10 and March 26, the Army awarded 10 design/build construction contracts for the major construction sectors totaling a maximum of $5 billion. On March 10, 2004, the Army awarded seven contracts to provide dedicated program management and coordination support for all design and construction activities being performed for the PMO.

A TOUGH JOB UNDER VERY DANGEROUS CONDITIONS

Our contracting personnel on the ground in Iraq are courageous, dedicated volunteers. Since June 2003, when our first person arrived, we have been operating in Iraq. We now have a total of 28 individuals. They are multi-Service and civilian: 3 Army; 4 Navy; 1 Marine; 11 Air Force; and 9 civilians working in small, jam-packed work spaces.

They are doing a phenomenal job under very tough, dangerous conditions. Let me illustrate my point. Army Colonel Elias George Nimmer, a Medical Service Corps Officer and a member of the acquisition workforce assigned to the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (OASA(ALT)) was deployed in late June 2003 as part of a team supporting CPA's work with Iraq's Ministry of Health. In the early morning of October 26, 2003, a barrage of rockets hit the al-Rashid Hotel where he was staying and a rocket impacted directly inside his room. Colonel Nimmer was hit with shrapnel in the spine and unable to move. Following three surgeries, he is doing remarkably well and recently returned to duty within OASA(ALT).

PROPER PROCEDURES

Currently, the General Accounting Office (GAO), the Army Audit Agency, the Defense Contracting Audit Agency, the U.S. Department of Defense Inspector General, and the Coalition Provision Authority Inspector General, in response to a request from Congress, are reviewing Iraq essential services contracts to confirm that the Army has followed proper procedures. We are working closely with them to ensure that they have all the information necessary to complete their work.

CONCLUSION

I have a deep and growing appreciation for the courage, competence, dedication, and efforts of our contracting personnel. Thanks to their hard work and extreme dedication, the United States Army leads the way in providing contracting support to CPA and the people of Iraq. The work has been—and will continue to be—performed in accordance with proper procedures, by military and civilian volunteers who are concerned and committed to accomplishing their work under the toughest, most austere conditions. We are proud of our role in helping to create and rebuild a stable and successful Iraq. Our accomplishments are helping the citizens of Iraq move toward governing themselves and sustaining, operating, and maintaining their own infrastructure which, in turn, will help our soldiers, sailors, airmen, and marines to return home sooner.

Senator ENSIGN. Thank you.

Major General Strock.

STATEMENT OF MG CARL STROCK, USA, DIRECTOR OF CIVIL WORKS, U.S. ARMY CORPS OF ENGINEERS

General STROCK. Mr. Chairman and members of the subcommittee, I am Major General Carl Strock, and I am the Director of Civil Works for the U.S. Army Corps of Engineers. But from March through September of last year, I served with the Office of Reconstruction and Humanitarian Assistance (ORHA) and later with the CPA in a variety of positions, culminating as Deputy Director for Operations and Infrastructure.

I will submit a full written statement for the record, and I'll just take a few moments to summarize my remarks.

I'd like to talk about our preparation, the conditions we encountered, and our response to those conditions. The ORHA staff focused on three priorities—first, to avert a humanitarian crisis in Iraq; second, to set the conditions for a rapid return of Iraqi sovereignty; and, third, to restore the infrastructure to its prewar conditions. We deployed to Kuwait in mid-March 2003, just a few days before the commencement of hostilities. In mid-April, ORHA deployed into Baghdad and ultimately into Basra, Mosul, and al Hillah. Since that time, the CPA has extended it reach and has established its presence in each of the 18 governorates of Iraq. The humanitarian crisis did not occur, and it became apparent, early on, that there would be no quick turnover of sovereignty to the Iraqis. So from this point on, I will focus on the infrastructure reconstruction mission.

When we arrived in Baghdad, the conditions were much worse than we anticipated. The nation's infrastructure was in desperate condition. Due to the speed of the campaign and the precision targeting, war damage was really minimal in all sectors except communication. A larger problem was the extensive looting and sabotage that took place after the collapse of the regime. But, by far, our greatest challenge was the dilapidated and fragile structure of virtually every public utility and system in Iraq. This was caused by decades of neglect and mismanagement. We recognized immediately that we would have to do more than simply return things to their prewar conditions.

Through a remarkable effort of identifying and mobilizing the remnants of the Iraqi public service, we were able to return essential services in a relatively short period of time. The priority was to electrical power, and then to water and sanitation, then to medical facilities. In a parallel effort, we stabilized and restored oil production and refineries with a specially-formed task force from the Corps of the Engineers.

We face a sophisticated enemy who understands the importance of infrastructure to commerce, education, health, and safety. It's clear that the enemy is doing everything they can to thwart our attempts to improve the quality of life of the Iraqi people. Looting, sabotage, and intimidation of our Iraqi colleagues continue to plague our efforts.

In response to this situation, working with the USAID and the Army Corps of Engineers, we created a special electrical task force, because we saw that as the center of gravity. It was modeled after our domestic disaster response mission. We invested over $1 billion

in a 90-day period to reestablish the electricity grid across the country.

We have since taken a more formal approach to our support and have established an engineer division in Baghdad with three districts—in Mosul, Baghdad, and Basra. The Gulf Regional Division will support both Coalition military forces and the civil reconstruction effort.

Currently, we have 73 military and 327 Department of Army civilians, all volunteers, working in Iraq. We accomplished the vast majority of our effort through civilian contractors working as an extension of our agency, much as they do at home and at other overseas locations.

Mr. Chairman, that concludes my statement. I look forward to expanding on these and any other points of interest you might have. I thank you for the opportunity to appear before you today.

[The prepared statement of General Strock follows:]

PREPARED STATEMENT BY MG CARL STROCK, USA

INTRODUCTION

Mr. Chairman and members of the subcommittee, I am Major General Carl Strock, Director of Civil Works for the U.S. Army Corps of Engineers and I am honored to appear before you today to testify on the work of the United States, in concert with our coalition and Iraqi partners, to repair and rebuild Iraq. I returned last September from 6 months in Kuwait and Iraq where I served with the Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA). I held a number of positions culminating with service as the Deputy Director for Operations and Infrastructure for the CPA.

PLANNING PRIOR TO THE WAR

As is usual in military operations, planning for reconstruction was conducted simultaneously with planning for war. These plans included extensive use of contractors to supplement military and governmental capacity. Our original expectations were that we would have to repair the damage caused by military action, deal with the humanitarian crisis we were expecting to encounter, and set the stage for the new Iraqi government to oversee reconstruction. In fact, we worked closely with all elements of the joint and combined command in assessing potential effects of U.S. and coalition munitions on critical Iraqi infrastructure.

ORHA was an interagency and international organization consisting of three "pillars": Reconstruction, led by the U.S. Agency for International Development; Civil Administration, led by the Department of Defense; and Humanitarian Assistance, led by the Department of State (DoS). With the expectation of large numbers of displaced people, shortages of food, water, and shelter, and the potential for widespread disease, humanitarian assistance was the priority effort. Reconstruction was focused on returning the country's infrastructure to pre-war conditions and assistance in governance. Approximately $1 billion was allocated to reconstruction, the majority set aside for a construction contract. Civil Administration was focused on assisting the 23 Iraqi ministries in reestablishing control in their respective sectors. We anticipated that the senior leadership would be absent but the ministries and their staffs would largely be intact and capable of running operations with the assistance of a small cadre of coalition advisors—in some case as few as one or two people per ministry.

Knowing that much of this infrastructure would be critical to the future of a free Iraq, the war planners, employing precision munitions, deliberately attempted to minimize damage wherever possible. An even greater concern going into the war was that Saddam Hussein's regime would repeat their actions of the Gulf War, where they set ablaze and crippled a large portion of the Kuwaiti oil infrastructure. Understanding that the flow of oil was the essential lifeblood of the future, free Iraqi economy, the acting Secretary of the Army designated the U.S. Army Corps of Engineers as the executive agent for Iraq Oil Infrastructure Reconstruction, and we formed Task Force Restore Iraqi Oil (RIO) under the superb leadership of Brigadier General Robert Crear to exert command and control over this important mission.

WHAT WE ENCOUNTERED

When we entered Iraq, we encountered relatively little war damage, but instead an infrastructure crippled by a combination of long-term neglect, recent looting, and sabotage. The country's infrastructure, while experiencing some damage from the war, was sagging under the weight of 30 years of neglect, misrule, and mismanagement. There was no electricity, very limited public water supply, no sewage treatment, no communication system except what we brought with us, no railroads in operation and limited other modes of transportation, and basically very little means for the new Iraqi government to do its work. Water was not being controlled at the reservoirs on the Tigris, Euphrates, and other rivers, so irrigation systems were disrupted and there was major risk of flooding. Virtually all public buildings and their contents—records, equipment, supplies—were destroyed by looters and saboteurs, making it almost impossible to reestablish government and provide basic services. Furthermore, the experts on the country's infrastructure were Baath Party members who had fled or had been removed. Under the Hussein regime public servants did only what they were told by their supervisors, so there was no tradition of individual initiative. Our relatively small cadre of advisors faced considerable challenges dealing with this catastrophic situation.

I want to stress that we found very little actual war damage. This was in large measure due to precision targeting and effects-based weapons employment. The Iraqi transportation and utility systems, although in near-complete disarray, were little damaged by war. The one sector of Iraq's infrastructure that did suffer unavoidable harm during the war was the communications network. The Coalition had necessarily targeted key communications nodes to prevent Saddam Hussein from effectively commanding and controlling his forces. This caused communications difficulties that we struggled to overcome early in our reconstruction efforts.

Moreover, the humanitarian crisis—the threat of mass starvation and disease—that we feared might occur during the war's aftermath did not come to pass, although we quickly had to rebuild the water supply in many locations to help minimize these threats. Creating even greater difficulties for reconstruction, many of the local Iraqis with expertise necessary to restore and operate critical infrastructure were either unavailable or fearful of working with the coalition.

During this period, early in the reconstruction, the effects of widespread sabotage and looting were constantly undermining our efforts. Because we had anticipated and planned for operations in just such a difficult and dangerous environment, one of our immediate and major efforts in the early days was to secure critical facilities. The damage resulting from the actions of saboteurs and looters, however, still turned out to be significant. As an example, it is estimated that fewer than 50 high voltage electricity transmission towers were toppled or significantly damaged as result of the war. At the peak of sabotage and looting, this number grew to more than 700 as criminal elements scavenged copper from the high voltage wires.

The greatest problem we faced, however, was dealing with an infrastructure that had been neglected and mismanaged for 30 years as the Saddam Hussein regime used such basic utilities as water and electric supplies to reward his friends and punish his enemies. The country suffered from a lack of capital investment as Saddam chose to purchase weapons and build palaces instead of power plants and water treatment facilities. International sanctions also contributed to the lack of maintenance. It is a tribute to Iraqi engineers that the country's systems were able to function at all, and that we were able to assist in restoring them as quickly as we did.

It should be noted that those of us who were part of the OHRA team initially suffered many of the same hardships as the Iraqi people. Like them, we did not have basic services such as reliable food, water, power, and sewage; nor did we have an adequate work area. Also like them, we were greatly hampered by the lack of reliable communications in the area; In fact, we often had no communications at all.

WHAT WE DID

In rebuilding Iraq's infrastructure, we faced an enormous and monumental task. A country similar in size and population to California, Iraq was not going to be successfully rebuilt without a significant effort. In order to do this, we assembled a team consisting of representatives from the following agencies: United States Agency for International Development; Department of State; Department of Transportation; Department of Health and Human Services; Department of Agriculture; Department of Commerce; the Corps of Engineers; United Nations agencies such as UNICEF, UNESCO, and UNDP; Iraqi Ministries; non-government organizations such as the International Committee of the Red Cross and CARE; and the private

sector. We also knew going in—and this was part of our planning—that Iraq's successful reconstruction would require considerable contractor involvement.

My initial involvement was as a member of the ORHA. I arrived soon after Baghdad had been secured, and was part of the group tasked with the initial responsibility for reconstruction. As we began to establish operations, the Logistics Civil Augmentation Program (LOGCAP) contractor was essential in providing basic services such as food, water, power and electricity. The LOGCAP contractor also provided transportation and security services for ORHA. The contractor provided these services to ORHA just as it did to military units across the country.

The military units on the ground accomplished the very earliest reconstruction, restoration, and relief efforts. They were restoring electricity, water, sewage, and other basic services all across the country. They helped rebuild schools and often provided employment opportunities to many Iraqi citizens. Throughout Iraq, these military units were the coalition presence, setting up local governments and reestablishing safety and security in their areas. From the earliest days, as we worked to get the infrastructure of Iraq back on its feet, it was often a coalition military unit working directly with the local Iraqi citizens doing the work.

Within the ORHA, we provided advisors to many of the Iraqi ministries. We assumed these advisors would deal with "decapitated" ministries—ministries where the Baath leadership was absent but with facilities and workforce largely intact. What we found, though, were ministries that were non-functional. Their facilities were destroyed or incapacitated due to a combination of warfighting, sabotage, looting, and long-term neglect, with no communications, and no equipment. Workers were fearful for their personal safety, and influence of the Baath party, whose members had to be removed, reached deeper than we had anticipated. Even when provided a place to work, many members of these ministries were either unwilling or unable to return to these vital public service agencies. Soon after arrival, therefore, we quickly went to work assisting in the performance of initial, rudimentary repairs to their workplaces, providing a secure work environment, and offering our communications systems to assist them in the day-to-day operations of a country struggling to restore its society and culture and establish a new democracy. The advisors we assigned to these ministries provided both technical expertise and assistance in setting up models of governance and public service that would work in a democracy, as opposed to the old models designed to support a totalitarian regime.

We knew from the beginning that identifying and engaging Iraqis who had the expertise in Iraq's infrastructure would be critical. Due to the initial enormity of the tasks, even with the valiant efforts of the military units, we knew that this group of Iraqi specialists would be essential to the rapid restoration of basic services. Once again, however, we found the lack of a basic communications system, such as telephones, hindered this effort. All meetings had to be face-to-face. For example, we scheduled regular meetings with the Iraq Ministry of Electricity. During one of these meetings, I was introduced to an expert in another utility area. I arranged a meeting at an appointed place and time, but I was unable to make the appointment due to security and transportation difficulties. Without a functioning phone system or any other means of communication, I had to wait until the next regularly scheduled meeting to arrange another appointment, and hope we would both be able to meet at the agreed upon time and place. Despite these challenges, we quickly identified essential Iraqi citizens who often "bridged-the-gap" between efforts of the military units and efforts of the contractors provided by ORHA and later, the CPA.

Soon after coalition forces initially secured Baghdad, we established Task Force Fajr, which translates to "dawn" or "first light." Task Force Fajr consisted of approximately 20 people—mostly from the Corps of Engineers—led by Brigadier General Steve Hawkins, commander of our Great Lakes and Ohio River Division. The initial mission of Task Force Fajr was to initiate the restoration of power and potable water, first in Baghdad, then throughout Iraq, to assist in the hydrology and watershed management, and provide assistance in reestablishing hospitals in Baghdad.

One of the early challenges facing Task Force Fajr was potential flooding in the Tigris and Euphrates River basins. Rivers were rising and the Iraqis who understood and operated the system had fled. Employing "reach-back" techniques—Corps satellite video teleconferencing kits—we were able to place engineers on the ground at key reservoirs and link them via satellite with technical experts in our Mobile District. The Mobile District used this and other information to construct a hydraulic model of the entire Euphrates and Tigris River Basins. The Mobile District then linked back to Task Force Fajr Engineers at key reservoirs, and working with local Iraqis used these reservoirs to regulate flow and avoid potentially catastrophic flooding.

In reestablishing a normal life for Iraqis, our first priority was to restore electrical power. Upon arrival in Baghdad, one of our first challenges was to find the "wiring diagram" for the national electrical grid. We soon discovered that the Saddam Hussein Regime restricted this information to very few loyal Baath party members. In fact, electrical power was used as a tool of punishment and reward, with loyalists in the "Sunni Triangle" receiving ample power and the southern Shia and northern Kurds receiving little. Because of this strict, centralized control, few copies of the plans for the national grid existed and had been destroyed before we secured Baghdad. The first schematic of the entire Iraqi electrical grid was actually drawn by a lieutenant in the Corps of Engineers 249th Prime Power Battalion.

As we began to restore power, we found that the system was more like a string of old fashioned Christmas lights than a modern national power grid. When one key facility went out, the entire system failed. After years of operating as part of a totalitarian regime, power plants now fell under the control of local governments in their area. Having local government control pieces of the national power grid was not the most effective or efficient method for meeting the country's energy needs. Early on, for example, a number of power plants were forced by local governments to put power on the local grid and drop off the national grid. As a result, the remaining plants on the national grid were asked to provide more power than they had available to meet the national demand. The power plants still on the national grid were shut down to prevent overload, and soon, the entire grid shut down. Whenever this happened, we were forced to begin the laborious process of getting all of the stations back up and running, applying power back to the national grid. Accomplishing this, we might experience a failure at a different power plant due to lack of maintenance or damage from looting and sabotage.

Without an effective national communications network and with antiquated control systems, we were sometimes unable to react in time and were required to go through the entire process of shutting down and restarting all over again. Over time, we educated individual plant operators, negotiated operating schedules with local governments, provided military communications systems to assist in operations and control, and began providing reliable power across the country.

The combination of military units and local Iraqi people allowed us to restore and stabilize basic life support functions. As planned, we also began using contractors from numerous agencies, to include USAID and the Corps of Engineers to provide more long term, permanent solutions.

EARLY CORPS OF ENGINEERS INVOLVEMENT

To illustrate the use of contractors in the reconstruction efforts, I will highlight two from the Corps of Engineers that assisted me in my role overseeing the reconstruction of a portion of the infrastructure. I must emphasize that these were only a few of the many contractors that provided essential life support, security, and construction services across Iraq.

To accomplish the mission of getting Iraq's oil production running again, we established Task Force Restore Iraqi Oil (RIO). In Central Command's planning for the Operation Iraqi Freedom, safety and security of the oil fields was considered paramount to the overall success of the operation. During the Gulf War, Saddam Hussein had demonstrated a callous disregard for human health and the environment, as he set the oil fields of Kuwait ablaze. Task Force RIO's immediate mission was to secure the oil fields, put out the fires, and get the oil flowing to provide refined fuel products for domestic use and ultimately oil for export. With more than 12,000 wells in the southern Iraq Oil Fields alone, the potential for disaster was enormous. We knew that this effort would require extensive contractor involvement and the short notice, requirements for secrecy, and essential nature of the mission limited our contracting flexibility.

Task Force RIO operated in two main areas—Rumaila and Kirkuk. The Task Force achieved tremendous early success. There were fewer than 10 significant fires, which we fought in a cooperative effort with Kuwaitis. What we did encounter was extensive damage caused as looters stole various components of the system. Terrorists and saboteurs continually targeted the oil pipelines that cross Iraq. They recognized that disrupting the flow of crude oil and refined petroleum products could delay efforts to restore peace. Before the war, we estimated it would take 12 weeks to reopen the fields. Due in large part to the hard work of Task Force RIO, its contractors, and especially the Iraqi experts in oil production, however, it took only about 3 weeks to get the oil flowing again. Despite the fact that terrorist attacks against the infrastructure continue today, Iraq is now producing more than 2.5 million barrels per day of crude oil, more oil than before the war. Additionally, Iraq is now exporting more than 1.8 million barrels of oil per day. These exports are

pumping much needed funds back into the Iraqi economy, much of which is being used to restore infrastructure.

The situation with Iraq's electrical grid, however, was not faring so well. After initial restoration and stabilization efforts, electricity production leveled off during the late summer at a peak production capability of approximately 3,000 mega-watts. By this time, responsibility for reconstruction had transitioned to the Program Management Office (PMO) of the CPA. The PMO had the lead and was working an excellent plan using USAID and Bechtel to provide large scale generating, transmission, and control projects. What was needed though was an immediate, short-term solution that would give a much-needed boost to the availability of electricity across Iraq.

In September, the Corps of Engineers was asked by Central Command to look at the electrical situation in Iraq again and see if there was anything we could do to provide immediate assistance in order to allow USAID to focus on more long-term solutions. We did this with Task Force RIE (Restore Iraqi Electricity). Using our well-honed domestic emergency management skills, within 2 weeks we had a team of more than 30 Corps of Engineers employees in Iraq working under the leadership of the PMO. Working closely with the PMO and Iraqi Ministry of Electricity, Task Force RIE initially was assigned 26 projects that included new generation, generator rehabilitation, and restoring transmission lines and control systems. Just as we do in domestic emergency management situations such as recovery from Hurricane Isabel, we used existing, competitively bid contracts to accomplish this work. At the peak of activity, more than 2,000 contractor employees were on the Task Force RIE team. The initial efforts of Task Force RIE placed more than 500 mega-Watts of power back onto the Iraq electrical grids, but more importantly, helped ensure the reliable distribution of that power.

CONCLUSION

From the beginning of planning through current efforts, we have recognized the enormity of the tasks facing us required extensive contractor involvement on the Corps and coalition teams. This need was not unique to either our prior wartime experience or our day-to-day operations at home and abroad. The contractors involved in the reconstruction effort brought extraordinary technical expertise, dedication, and commitment to the team. I believe we would not have enjoyed the success we experienced without their contributions.

I am intensely proud that I had the opportunity to work alongside the extraordinary, professionals in the U.S., coalition, and new Iraqi government. Thank you for allowing me to spend time with you today, and once the other members of this panel have made their statements I will be happy to take your questions.

Senator ENSIGN. Thank you.

General McManus.

STATEMENT OF MG WADE H. MCMANUS, JR., USA, COMMANDING GENERAL, U.S. ARMY FIELD SUPPORT COMMAND

General MCMANUS. Mr. Chairman, members of the subcommittee, I thank you for the opportunity and privilege to appear before you today and discuss contractor logistics support.

In my capacity as the Commander of the Army Field Support Command, we provide the majority of that type of support to the force as it's deployed today. Among the many missions and responsibilities that we execute, the LOGCAP is the primary means by which we provide that support, and it's really the major mission we're executing today in support of operations in-theater.

The military and our Nation have relied on contract logistics since the birth of our Nation. Today, our Armed Forces and our Nation rely on our strong reliance with industry to provide critical support capability when and where it's required to support our forces as they are deployed and employed.

Now, LOGCAP is a formal, competitively-awarded program that's been in existence for really over a decade now. We are on our third iteration of this contract. During this decade we have, with each

successive deployment of forces, that LOGCAP mission has, indeed, grown in support of the missions. Today, I will tell you we're at unprecedented levels in our support mission, in terms of magnitude, flexibility, speed in response, and, indeed, criticality. With each LOGCAP award, we've built on lessons learned; yet with each iteration of employment, we face new challenges in the spaces we employ and deploy forces, and we support them.

LOGCAP provides critical and essential life and mission support for men and women in uniform, for those civilians deployed in supporting our national objectives, and for our coalitions partners, as well. The LOGCAP, in my view, is truly an element of our national power, both today and tomorrow.

I thank you for the opportunity, and, again, I look forward to your questions. That concludes my statement, Mr. Chairman.

[The prepared statement of General McManus follows:]

PREPARED STATEMENT BY MG WADE H. MCMANUS, JR., USA

INTRODUCTION

Mr. Chairman and distinguished members of the subcommittee, thank you for this opportunity to report to you on the Logistics Civil Augmentation Program (LOGCAP).

The LOGCAP provides vital support to our forces both in peace and war. It increases the efficiency and warfighting capability of the Armed Forces, immediately improves the quality of life for soldiers and forces on the ground, and actually allows fewer soldiers to accomplish a larger mission. While this specific program and the capability it provides has been in existence for over a decade supporting American forces in contingency operations around the world, the role of private enterprise and contractors on the battlefield is as old as our Nation.

BACKGROUND

LOGCAP I covered the period 1991 to 1996. The contract was competitively awarded to Brown and Root Company, and managed by the Corps of Engineers. During this period, support was provided for the Southwest Asia pipeline and principally to contingency operations in Somalia and the Balkans.

LOGCAP II covered the period 1997 to 2001. The contract was competitively awarded to DynCorps and managed by the U.S. Army Materiel Command (AMC) and supported contingency operations in East Timor, Colombia and the Philippines.

The latest contract, LOGCAP III covers the period from 2002 to present. Again, this contract was competitively awarded to the company now known as Kellogg, Brown, and Root Services, Inc. with continued management by the U.S. Army Materiel Command. As of today, LOGCAP III provides support to contingency operations in Iraq, Kuwait, Afghanistan, Djibouti, Republic of Georgia, and Uzbekistan while planning for contingency operations in other locations depending on our national security needs.

Through LOGCAP, the Army plans for contractor logistics support for existing operational and contingency plans and conducts exercises and training events. More to the point, LOGCAP provides contingency support wherever and whenever required.

THE LOGCAP CONTRACT

The LOGCAP umbrella contract statement of work (SOW) specifies the support, which may be provided by the LOGCAP prime contractor divided into three broad categories: supply operations, field services, and operations and services. The flexible nature of the umbrella contract allows the commander in the field to call on contractors to overcome the logistics shortfalls as the situation on the ground evolves.

As I mentioned, LOGCAP is about providing support to our troops and this support covers the full logistics spectrum. Some of the more critical functions include laundry and bath, facilities and billeting, clothing exchange and repair, waste and sanitation, food service, mortuary affairs, supply support, maintenance, transportation and distribution, and power generation and distribution to list but a few. The more austere the operating environment, the more difficult it becomes for the Army to insert theses critical services for our troops. The current environments in Iraq

and Afghanistan are among the most difficult and challenging in which we have had to operate on a sustained basis.

Although contract support is essential throughout the Army's operations, here at home as well as overseas, exercising the option of LOGCAP is not automatic. The initial choice to use LOGCAP is a careful and deliberate analysis of all available support options in terms of adequacy and time. Combatant commander requirements may be supported by U.S. Active, Reserve, and National Guard support units; allied military arrangements such as the North Atlantic Treaty Organization; host and other foreign nation support; and, organic, in-theater contracting capabilities. LOGCAP program managers assist the supported force with planners to review all support options available.

The LOGCAP III umbrella contract was competitively awarded to Brown & Root Services, Inc. (BRS) of Houston, Texas, now known as Kellogg, Brown, and Root, December 14, 2001. The Army Materiel Command awarded this contract following a competitive procurement, using best value source selection techniques. Best value allows the Army to access tradeoffs among cost and non-cost factors and accept the most advantageous proposal. Two other major defense contractors submitted proposals during this competition. We evaluated the companies on their management plan, technical plan, past performance, financial capability and proposed cost structure. We awarded the contract, without protest, to the company determined to provide the best value to the U.S. Army considering cost and all other factors.

The contract is an indefinite delivery, indefinite quantity (10/10) contract. This allows the government to immediately set requirements within the scope of the contract without further competition. Requirements are placed against the basic contract as separate task orders. Task orders are generally priced on a cost-plus-award-fee basis, although some smaller tasks can be firm-fixed-price or cost-plus-fixed-fee contracts. Cost-plus-award-fee contracts are appropriate for contingency operations in which the performance parameters of the contract, such as the size, location and field conditions of the supported force, are not known with precision and are subject to change. The Army pays only for work performed. No funds are applied solely for having the contract awarded to a company.

THE LOGCAP PROCESS

Timing is key to all military operations. A LOGCAP contract is designed to allow the warfighter the ability to place task orders on contract rapidly, to support evolving, dynamic operations to provide critical and essential life support to our forces operating in harsh environments where host nation assets are unavailable or do not satisfy the support requirement. LOGCAP contracts provide a means to respond to a wide range of needs while retaining checks and balances to ensure effective management of tax dollars.

Combatant commanders, or other supported customers such as the Coalition Provisional Authority or the Iraqi Survey Group, develop requirements for support based upon operational plans. The customer examines the possible alternatives for satisfying that requirement which including organic support, Reserve component units, host nation support, or LOGCAP.

After the customer determines that LOGCAP is the only viable capability to provide the support, normally within compressed timelines due to operational realities and exigencies, the customer writes a scope of work with the assistance of Army LOGCAP planners. This scope of work is forwarded through channels to the Army's Deputy Chief of Staff, Logistics, or G4, and then to the U.S. Army Field Support Command's LOGCAP contracting office. The AFSC is AMC's subordinate command responsible for executing the LOGCAP program.

Following reviews for legal and contractual compliance, the procuring contracting officer (PCO), sends the scope of work to the contractor and requests a rough order of magnitude (ROM) estimate of the cost of performance and a technical execution plan. The contractor develops this estimate and plan and provides them to the PCO and the customer. After the customer accepts this estimated cost and execution plan, and funds are received, the PCO issues a notice to proceed to the contractor who initiates action to satisfy the warfighter or customer requirement. In urgent circumstances this process can be completed in 72 hours following receipt of a scope of work. The ability to meet urgent requirements in such an expedited time frame is one of the major advantages and benefits of the LOGCAP contract.

At this point the government and the contractor have entered into an unpriced contractual action, on a cost-plus-award-fee basis. The rough order of magnitude estimate of the cost of performance has become a ceiling, or "not-to-exceed" value for the contract. The estimated cost of the action, against which the award fee will be calculated, has to be "definitized," the negotiated details of specific deliverables and

costs associated with resolution of a previously undefined task order. The contractor will provide the PCO a proposed estimated cost for completing the work under the task order. The Defense Contract Audit Agency (DCAA) audits this proposal and provides the results to the PCO. The PCO negotiates the cost estimate with the contractor and modifies the task order to establish the definitized estimated cost base.

LOGCAP IS GLOBAL

The first task order to support operations in Southwest Asia awarded under LOGCAP III was for an update of the Worldwide Management and Staffing Plan in January 2002 at a price of $853,000. The first task order to support base camp operations was awarded in April 2002 for Karshi-Khandabad, Uzbekistan, at a price of $17 million. The Army currently has identified 76 task orders against the LOGCAP III contract. Of these, 16 directly support Operation Enduring Freedom and 38 support Operation Iraqi Freedom.

Two of the task orders that we executed under the LOGCAP contract for OIF involved planning and preparation for the need to immediately restore the Iraqi oil fields following hostilities. Following receipt of funds and a scope of work from the Department of Defense, we issued a task order for development of an oil field restoration plan in November 2002. With hostilities imminent, OSD requested an additional task order be issued in February 2003 to pre-position personnel and equipment for a restoration effort. Following this effort, the Army Corps of Engineers assumed total responsibility for the program called "Restore Iraqi Oil," and issued a contract to Kellogg, Brown, and Root.

LOGCAP is currently supporting America's global war on terrorism contingency operations in seven countries. The program also assists with the planning, training, and deployment of forces in the United States.

Not only is Kellogg, Brown, and Root performing in Iraq, Kuwait, and Afghanistan, but also in support of contingency operations in Uzbekistan, the Republic of Georgia, and Djibouti as well as continuing to support planning requirements and missions in the continental United States. Over 25,000 employees and subcontractor employees are deployed to augment U.S. forces. To date, Kellogg, Brown, and Root has suffered a total of 29 casualties, of which 5 Americans were killed and 12 wounded as a result of hostile fire while performing these services in support of U.S. military operations. The environment in which we are applying the skills and services of our LOGCAP contractors is not only harsh, but continues to be highly dangerous.

At this time the LOGCAP contractor is responding to further changes in requirements due to the current troop rotation in support of OIF. There are pending missions to support the Department of State when they assume the CPA function in July and to support other agency projects in Iraq.

LOGCAP REVIEW AND OVERSIGHT

The Government has a contract administration program in place to oversee performance of the contract and manage costs. The PCO has authorized Kellogg, Brown, and Root to requisition material from the government supply system and to order material off of General Services Administration supply schedules. The PCO also delegated authority to the Defense Contract Management Agency (DCMA) to provide on site administrative contracting officers (ACO). DCMA is a critical strategic partner in the overall management and execution of this process.

The DCMA ACOs are located at numerous sites to provide daily contract compliance oversight, review and approve all requisitions over $2,500, evaluate and manage quality assurance, and monitor the use and control of government property acquired under the contract. The ACO team performs technical reviews of contractor cost proposals that support the negotiation of the contract cost base.

The Defense Contract Audit Agency (DCAA) also plays a key role on the government's contract management team. DCAA auditors perform audits on the contractor's cost proposals. They review and approve the contractor's cost estimating and accounting systems. DCAA reviews and approves the contractor's payment vouchers, prior to sending them to the Defense Finance and Accounting Service (DFAS) for payment. DCAA audits all costs incurred to support the government contracting officer's final determination of which costs are allocable, allowable, and reasonably incurred under the contract. Any cost not found allocable, allowable and reasonably incurred under the contract will not be paid by the government.

Kellogg, Brown, and Root Services, Inc is also a critical, strategic partner in this effort. In order to properly manage costs, the contractor must account for those costs in accordance with both Federal cost accounting standards and generally accepted accounting practices. The contractor is required to maintain adequate accounting

systems, purchasing systems and invoicing systems. The corporate ACO periodically reviews these systems.

In addition to the incentive to incur costs in a reasonable manner, the contractor has two other incentives to exercise prudent cost control. Controlling costs is evaluated by the PCO and becomes a part of the contractor's performance record. This record, in turn, is used as an evaluation criterion when the contractor competes for future government business. Contractors who have a record of proven cost control will be better positioned to win additional contracts. Finally, the contractor's performance on cost control is one of the evaluation factors, which determines the award fee.

LOGCAP IN IRAQ AND AFGHANISTAN

In these first phases of supporting our troops, the focus and priority has been on responsiveness, but all within the framework established by the Federal Acquisition Regulation (FAR). The process of definitizing task orders has taken longer than we would like and certainly much longer than we expected or even planned for. The speed and volume of task orders placed and the numerous valid changes to the customer's requirements have been major factors. The changing nature of operations in Southwest Asia has impacted the contractor's ability to submit valid cost proposals in a timely fashion and certainly has impacted our collective ability to satisfy the 180-day requirement of the FAR to definitize undefined contractual actions. The pace of setting new requirements and changes to current requirements has greatly exceeded the original plans of both the contractor and the government.

Finally, the harsh operating environment of Iraq and Afghanistan, the non-linear and non-contiguous operating area, and major infrastructure shortfalls have hindered the implementation of robust business management systems. Both the contractor and the government have recently made substantial progress in augmenting personnel and systems support. A firm timeline to establish final requirements and costs has been established along with metrics and standards to measure the performance of all agencies involved in this process. This primarily includes the PCO, DCAA, DCMA, and KBR. Progress has already been made, as we have negotiated three task orders for definitization and have a commitment from KBR to accelerate the schedule of the next few task orders. These include the two contract actions that supported OSD for planning and preparation to restore the Iraqi oil fields.

The negotiated estimated cost will be the base against which the award fee is calculated. The fee structure of the LOGCAP contract was proposed by Kellogg, Brown, and Root Services Inc as a maximum of 3 percent, which comprises KBR's projected profit on this contract. One percent is the base fee and a maximum of 2 percent is the award fee. The award fee is determined by the government, following an evaluation of the contractor's performance in terms of timeliness of technical performance to include timeliness of response, quality of response, quality of work, cost control and overall management. In the event we cannot satisfy the established timelines for definitization, or we are unable to agree, the Army is prepared to unilaterally definitize the task orders.

When we enter into a cost-plus-award-fee contract, we realize that the management of costs incurred under the contract is an important responsibility. This instrument enables the contractor to control costs throughout the process as they use their own capital to satisfy our requirements prior to payment. The government only pays for goods and services that meet certain criteria. DCAA audits all costs incurred under the LOGCAP contract, as part of the definitization process and as a final audit prior to the government determining the amount of final payment.

LOGCAP FUNDING

I think it is also important to address the LOGCAP funding process. Army LOGCAP funding starts at the Department of the Army level and is passed down to Forces Command (FORSCOM). FORSCOM in turn allocates funds to their subordinate levels (i.e., Combined Forces Land Component Command or CFLCC). CFLCC issues funding authority to the various OEF/OIF task forces (i.e., CJTF7, CJTF180 and CFLCC Forward). The task forces furnish funds to the Army Field Support Command, AFSC, Resource Manager who validates the accounting data and initiates acceptance.

Upon acceptance, funds are released to the AFSC contracting office to create the task order for fulfillment of an approved requirement. This task order gives the contractor authority to incur cost against the LOGCAP contract. A copy of the task order is made available to the LOGCAP customer for recording of the obligations and disbursements in their own accounting system to meet their financial reporting requirements.

Coalition Provisional Authority (CPA) and Iraq Survey Group (ISG) funds flow is slightly different. Funds are allocated through AMC to AFSC from DA. AFSC establishes the accounting record in the AFSC accounting system. The funds are certified and then released to the AFSC contracting office for generation of the task orders. All accounting for these funds are recorded within the AFSC accounting system and certified at the end of the fiscal year. CPA and ISG funds account for approximately 10 percent of the LOGCAP funds received at the AFSC.

Over the next 12 months, the LOGCAP government team will work with the combatant commander in-theater to continue to improve the process and control costs. The focus is on the requirements process to refine and improve the total LOGCAP process through internal process improvement teams and meetings between government representatives and KBR. We will aggressively definitize completed task orders and stay on task with KBR on the agreed to plan of action. Additionally, we will develop a strategy to determine the most effective method of transition from contingency contract operations to sustainment contract operations.

LOGCAP SUMMARY

The role of the LOGCAP program is recognized and valued by the supported combatant commander and our troops. I believe that it has met its original intended goals and has proven that it has even greater potential than originally expected of a contingency contracting instrument.

It provides a flexible, viable alternative for supporting our logistics requirements and providing augmentation to our support units for early entry of our forces, as well as long term sustainment needs that would otherwise place great strains on our warfighters. We have seen an unprecedented level of contractors on the battlefield, with more than a division's worth of contractors working side-by-side with our soldiers. They too are our troops and we need to ensure that the policies and systems are in place to support and take care of our total force, which includes our contractors

We are committed to supporting current operations and transform simultaneously. Supporting our soldiers remains our number one priority and ensuring they get the very best quality of life and other logistic support is one way that the people of AMC do that. As I have described to you earlier, LOGCAP contracting is a process we need to constantly review and improve if we are to improve the Army's tooth to tail ratio. We will improve and continue to improve our management of this program. Thank you for your support of America's armed forces and our efforts to support them.

Senator ENSIGN. Well, thank you all.

There are so many different places that I want to go with questions. I guess, let me start with—Department of Defense Inspector General (DODIG) raised concerns that Iraq contracts they reviewed did not have adequate oversight after contract award, and the GAO has raised concerns that the staffing may be inadequate to oversee Iraqi reconstruction contracts. How are you addressing these concerns for the contracts that you administer?

Ms. BALLARD. Mr. Chairman, we've addressed those concerns by increasing the staffing in Iraq, working directly with DCMA in Iraq to provide contract-management oversight. Our staffing has gone up to 54 people this month, and will reach 70, and that is just for the contracting support. Overall, we will have, in program management and contracting support, more than 400 people in-theater by the end of June. Additionally, sir, we are leveraging our contracting assets in the United States.

I would defer, then, to General Strock to speak to the Corps of Engineers staffing in-theater.

General STROCK. Thank you, ma'am.

Sir, I think we do have an adequate level of oversight in-theater now. The Army Corps of Engineers is involved in a variety of different missions over there, and, as I mentioned, we have taken a traditional approach by establishing a command in the theater. Currently it is comprised of about 400 people, and they are focused

on all aspects of contract management, from the actual contract specialists to construction representatives on job sites to see that we are getting what we pay for.

We are mobilizing and will increase the force as the contractors mobilize and move forward. I have absolutely no concerns about the level of oversight of our contract activity, sir.

Senator ENSIGN. Can you describe how Iraqi reconstruction contracts currently overseen by the CPA's Program Management Office (PMO) will be managed after the CPA is abolished on June 30?

Ms. BALLARD. Senator, right now our plans and all the discussions center around a few key points. One is that the Secretary of the Army has been very clear to his staff and in meetings with the State Department that the Chief of Missions and the State Department will be responsible for the supplemental money that will be managed by CPA and by the contracting office. They will also set priorities for requirements. The PMO and the contracting people in-theater will continue to operate under the Army and our executive-agent responsibility.

Senator ENSIGN. Just so I understand what you said there, you said post-June 30, though, the contract authority goes for Department of State, but yet the people responsible for overseeing the contracts are still under Department of Army?

Ms. BALLARD. No, sir, let me clarify. All of the contracting and program management will continue to be done by the Army under our executive-agent responsibility. The Chief of Missions will be responsible for the supplemental, expenditure, and the prioritization of requirements.

Senator ENSIGN. Put that in plain English.

Ms. BALLARD. The State Department has the money.

Senator ENSIGN. Give me an example of a contract.

Ms. BALLARD. An example of a contract——

Senator ENSIGN.—and a contract existing, and then a new contract that happens, post-June 30. Who has responsibility now, and who will have—for that contract that exists now, who will have oversight? Then who will have oversight post-June 30? Then if a new contract comes in, who has responsibility, also, post-June 30?

Ms. BALLARD. Right now, the process is, there's a Requirements Review Board in-theater, and that board falls under the responsibility of Ambassador Bremer. Those requirements, once approved, are contracted for by the PMO and the Army and our contracting people in-theater. So Ambassador Bremer, right now, determines the requirements and the priority of those requirements. We do program management and contracting.

After June 30, the chief of missions and State Department will fulfill what Ambassador Bremer currently does, and we will continue to do program management and contracting.

Senator ENSIGN. So, in simple terms, you all will work for State instead of CPA.

Ms. BALLARD. Yes, sir.

Senator ENSIGN. Okay. That's kinda the simple thing. You have to keep things simple for Senators. [Laughter.]

The next question has to do with the level of violence that's there today. With contractors—we hear press reports of all kinds of contractors leaving. Let me just state the question accurately. Has this

number remained the same since April—as far as the number of contractors in Iraq working on construction projects—has this number remained the same since April, or are contractors now returning to Iraq? Because they dropped prior to April, from what I understand. Basically, just walk through the numbers, what you're seeing right now. Either one of you, any of the panel can answer that.

Ms. BALLARD. Senator, I'd like to take the specifics on numbers for the record.

[The information referred to follows:]

Only one Project and Contracting Office contractor, Lucent technologies, has stated that it will move it's folks to Jordan in the next 2 weeks or so. We are unaware of similar statements to leave by any other contractors. Contrak IntI however, has indicated that it will be shutting down operations for a week to 10 days until the sovereignty changeover is complete upon advice of their security managers.

Many contractors previously in Iraq are returning. The following file contains an "approximation" of contractors in Iraq under the listed companies for the Design/Build (D/B) and Sector Program Management Office Contract (SPMOC) contracts. The list also includes some KBR personnel numbers and USAID contractors but is not a complete listing nor was it intended to be relied upon as a complete and comprehensive listing of contractor personnel in-theater. Since the data is not segregated out by monthly totals, it is not possible to provide monthly figures. The lists are updated as necessary and were not intended to provide for or show monthly fluctuations. The fluctuations in personnel can be attributed to increased work required in country, R&R rotations, or other nonsecurity related situations.

We have contacted the Contractor Coordination Cell (3C) in Kuwait for a more comprehensive listing of contractor personnel. The data is currently being staffed for concurrence and will be provided once received in our office.

COMPANY	US	UK	CAN	AUS	NZ	IRE	SAFRICA	Holland	OTHER COAL	IRAQ	IRAQ F	TCN	TOTALS
AECOM	23	1		1					1		5		31
SPMOCs													
CH2M Hill	21	6	3			1	1						32
IPA	17	7	1									4	29
Berger B*H	15												15
Berger S&J	11												11
Berger T&C	13												13
Foster Wheeler		10											10
SUB TOTAL	100	24	4	1	0	1	1	0	1	0	5	4	141
D&B													
Contrack/Archirodon(T&C)	5	5								22	10	40	82
FluorAmec(Elec)	39	3								6	3		51
FluorAmec(Water)	22	4	1	1					8	1672	6		1714
KBR(Oil)	164	6	4	2			1		24	2477		176	2854
Lucent(T&C)	12								8	107	6	7	140
Parsons(S&J)	18	3								297		1	319
Parsons(B&H)	37	3		1						28			69
Parsons(Oil)	59	36	1	7	6		1			53	2	5	170
Perini(Elec)	21	4					2	1	20	329		10	387
WGI/Veatch&Black(Elec)	6									6		1	13
WGI/Veatch&Black(Water)													
SUB TOTAL	383	64	6	11	6	0	4	1	60	4997	27	240	5799
TOTAL	**483**	**88**	**10**	**12**	**6**	**1**	**5**	**1**	**61**	**4997**	**32**	**244**	**5940**
CONSTRUCTION MGMT													
AFCEE	No contractor specific information to date												
	Workers are counted on a daily basis. This number includes both male & female on June 9th. There was a daily average of **4.427** from June 3 thru June 9 2004									**5245**			
USAID													
Aggregate	To date, contractors are unwilling to report specific numbers of their personnel for security reasons.									882,259	36,006		
Bechtel (male & female)										153,778			
TOTAL										**1,036,037**	**36,006**		1,072,043
								These are man days since Mar 03 with approx 70% of records being reported and equates to over **4,100 person-years** of employment					

Earth Tech
Evironmental Chemical Corp
Laguna Construction
Parsons I&T Gp
Shaw
Tetra Tech
Toltest
Weston

Ms. BALLARD. In my discussions with Admiral Nash, what he has provided to us is that our contractors have continued to work in-theater on the reconstruction effort.

Senator ENSIGN. So the press reports that we read about contractors leaving are inaccurate?

Ms. BALLARD. I have no knowledge of our Army contractors leaving the theater, no, sir.

Senator ENSIGN. Okay.

General STROCK. Sir, there are, I understand, some contractors who have left, but it's a relatively small number. Some of those doing the electrical rehab, I understand, have left the country, some Russian contractors. But, for the most part, as Ms. Ballard has stated, our contractors have stayed on the job.

Now, during the intense period of violence, they hunkered down, but they have gone back to work now, largely, across the country. It's a challenging environment, but it's one we're working through.

Senator ENSIGN. Once again, I have a lot more questions, but I want to give the rest of the subcommittee a chance to ask their questions, and so we will. I'm sure we'll have many more questions for you in writing for the record.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Last week, I received a series of e-mails from Hawaii, soldiers currently deployed in Iraq, indicating that they are suffering a shortage of food because of a contractor who appears unable to continue deliveries. One e-mail states, and I'm quoting, "My soldiers in Iraq have a shortage of food due to enemy attack on food supply convoys. I understand that the subcontractors who deal hands-on with the Army food supply lines in Iraq are not being paid by the general contractor and, so, are not distributing the food. I beg of you, please look into this situation. Who is not paying our food bills? Do we need new contractors to deliver food to our soldiers?"

General McManus, I believe you——

Senator ENSIGN. Can you chair the hearing?

Senator AKAKA [presiding]. I believe you are responsible for the LOGCAP contract. Were you aware that we have troops in the field who are not getting food because the contractor is not paying its bills? Would you agree that it is unacceptable for our troops to experience a food shortage because of a billing dispute with a contractor? How will you address this problem?

General MCMANUS. Senator Akaka, the food shortage issue really, I think, was probably about 3 or 4 weeks ago. It was in the height of the conflict, and there were some limitations on convoy operations because most of our delivery is via our LOGCAP—our convoy operations there. However, at that point in time, when we were slowing down convoys, the theater manages, on a daily basis, the level of food stocks at each of the base camps throughout the theater of operation. At no time during either the heightened intensity, or even if there were disrupted supply lines of operation, was I ever aware of any issue of the inability for the Army to feed forces or the contractor support forces in the various dining facilities.

I'll certainly look into that. I can take that on for the record and come back to you.

But I was never aware of any break in the supply line to supply the force.

[The information referred to follows:]

To our knowledge, troops have always received meals although the type of meal provided may vary. In April 2004, terrorist attacks on our convoy operations required the Army to increase security measures to counter the changing terrorist tactics. As a result, supply deliveries were delayed for several weeks in April which affected the supply of fresh food delivered to our troops in areas of Iraq. KBR continued to move supplies, but at a slower pace until May when more robust security procedures allowed supplies to resume at the required delivery pace conducted before the April attacks. During the slowdown of convoy movements in April, the Army changed the feeding cycles from three hot meals a day to two hot meals and one cold meal daily to conserve fresh food supplies until normal convoy operations resumed in May. Again, to our knowledge, no soldiers were without meals to include the period while convoy security was improved.

We also reviewed the issue of troops possibly not receiving food due to KBR not paying its subcontractors and determined that services by KBR subcontractors to our dining facilities have not been interrupted. The Defense Contract Audit Agency questioned some of the costs of KBR subcontracts for dining facility services. KBR initially responded by withholding payment to some of its subcontractors, pending an internal KBR review. After the review was completed, KBR determined that its subcontractors should receive full payment in accordance with the terms of the subcontracts, and KBR has made those payments. The government can withhold payment to prime contractors when a dispute arises over costs. During the period when KBR withheld payment to its subcontractors, all subcontractors continued performance at the dining facilities.

Food service to troops in Iraq varies. Some receive MREs, while others have access to a full dining facility. The availability of each level of meals depends upon the location of the troops, ongoing operations, the security situation at that location, and other factors. The combatant commander decides the level of meals provided.

General MCMANUS. The other issue of the payment of contractors, that's the issue there, sir, I think. I know this is an issue we're working with now, in terms of how we manage the prime and the prime-to-sub relationship. Those issues are being resolved. But at no time was I aware of any of those issues affecting the ability of our Army to support or feed the forces in the various base-camp locations.

Senator AKAKA. As I indicated in my opening statement, contractor employees have played a central role in key events that may play an important role in shaping the future of Iraq. First, the brutal murder of four contract employees in Fallujah in late March triggered an Iraqi uprising that led to numerous American and Iraqi deaths last month. Second, press reports indicate that at least two contractor employees may have either witnessed or participated in the abuses at Abu Ghraib prison.

At a hearing on the abuses at Abu Ghraib prison earlier this week, I asked Lieutenant General Lance Smith, the Deputy Commander of Central Command, who is responsible for keeping track of the contractor employees in Iraq—I asked him who would have information on how many such contractor employees we have over there, and what are they doing? General Smith said that Central Command is not tracking any of this information, and that perhaps the contractors would have it. That was his comment.

Ms. Ballard, General McManus, and General Strock, do any of you have this information? Is it really possible that we are sending thousands of noncombatants into a war zone without even keeping track of how many there are or what they're doing?

Ms. Ballard?

Ms. BALLARD. Senator, I, too, am shocked and remorseful about the things that have occurred at Abu Ghraib prison. The Army, in our contracts, has published, and we are using, a contract clause that requires our contractors to do personnel administration. They are responsible for keeping track of all their deployed personnel. They are responsible for processing them through a central location. They are responsible for keeping emergency contact information on them. Additionally, our contracts have other provisions with regard to security, life support, and other things in this area.

Senator AKAKA. General McManus.

General MCMANUS. Yes, sir. Senator Akaka, for their contracts that we're responsible for, as Ms. Ballard indicated, we put the same stipulation on them as we would on a unit, in terms of the pre-deployment/deployment administrative processing. In line with

that, what we do within the contracts that we manage within my command—and specifically I'll address LOGCAP, if I could, sir—we go through the process of accounting up through to the corporate headquarters, and I get daily reports, just as they do. Accountability, in terms of specific locations by base camp or mission, is done within the theater. But on a daily basis, we get the numbers and we track those, because the missions change, and the skill sets required will change, the numbers required will change. So there is, if you will, an up-and-down approach to this, because some will go in, some will come out; in some cases, some will complete tours of duty, they will redeploy back, they will be replaced; or, in some cases, they'll redeploy, their mission is not required, they won't be replaced. So all that is handled through a daily status reporting process and a weekly accounting process, if you will, between my command and the corporate headquarters that owns that contract.

Sir, if I may, we also have in-theater for those contracts, too. We have what we call a Contractor Coordination Cell. So as we coordinate for these contractors into the area, they will process out of a location within the United States, they will be picked up as they arrive in-theater, through this Contractor Coordination Cell, and then they will be sent to the mission locations that they will be performing while in-theater.

Senator AKAKA. I understand that the contractor employees who were murdered in Fallujah were heavily-armed security contractors. At least one of the contractor employees who was implicated in events at Abu Ghraib was hired as an interrogator. Other contractor employees are currently providing security for CPA Administrator Paul Bremer, and DOD has awarded a contract for a private company to provide security for the Green Zone, where most of U.S. officials live and work.

Has the Department undertaken a legal and policy review to determine under what circumstances is it appropriate for a private contractor to provide security to U.S. personnel and facilities in a war zone? In particular, do you have a legal determination that it is appropriate for contractor employees to provide security for U.S. government personnel and property, and conduct interrogations of enemy prisoners of war and other detainees?

Ms. BALLARD. Senator, the contractors that we have in-theater are providing security in three ways—personnel security, as you mentioned, non-military site security, and non-military convoy security. All of those are provided in accordance with the terms and conditions of our contracts.

Senator AKAKA. Any other comments?

My time is expired. Let me call on Senator Reed for your questions.

Senator REED. Thank you very much, Senator Akaka.

First, let me thank Senator Ensign for this timely hearing, and for his excellent line of questioning and his hospitality in allowing me to participate. I think I always have to thank General Strock, because he was my escort last July, and I apologize for forcing him to fly in a Black Hawk helicopter with the doors open. [Laughter.]

General STROCK. Not at all, sir.

Senator REED. Sorry about that, sir. [Laughter.]

We had Hueys when I was in the service, and the doors always seemed to be open. Forgive me.

I want to follow up Senator Ensign's question. With the CPA going away on July 1, June 30, I've been told that there are different standards for contracts for CPA versus DOD contracts. Will there be a unified standard in terms of forms, the requirements, regulation, after July 1?

Ms. BALLARD. Let me be sure I understand your question, sir. Are you asking if we are using different regulatory requirements in DOD contracts versus CPA contracts?

Senator REED. Yes, ma'am. What will happen after July 1, when the CPA no longer exists.

Ms. BALLARD. The contracts that we award using appropriated funds are, by law, required to follow the Federal Acquisition Regulation (FAR), and we do use those regulations for any contracts using appropriated funds. Contracts using other fund sources, such as Development Fund for Iraq (DFI) or other money, in Iraq is governed by a CPA order—I believe, sir, it's number 4. It is my understanding that there is a transitional administrative law that says the orders established by CPA will continue to be used after June 30. From that, sir, I have concluded that the CPA order number 4, which applies to DFI funds, would continue to be used.

Senator REED. Thank you very much.

One of the issues that has risen in this investigation of the prison is a contractor and there's been allegations made that he might be engaged in inappropriate conduct. He seems to have not been charged or in any way restrained, which raises the issue, do you feel we have the legislation to hold contractors accountable in Iraq at this time?

Ms. BALLARD. Sir, the government has legal and contractual options available to it regarding contractors' conduct in-theater. These come in the form of the War Crimes Act of 1996, the Military Extra-Territorial Jurisdiction Act of 2000, the Uniform Code of Military Justice, which would apply to civilians who are retired military. Additionally, sir, Title 10, Section 2408, provides prohibitions against contractors who are involved in defense contract related felonies. So we do have several means by which we could take action.

Senator REED. After July 1, what agency could invoke those legal sanctions against the contractor?

Ms. BALLARD. Sir, CPA order number 17 specifies that contractors, Coalition contractors, and subcontractors in-theater are not affected by Iraqi law. As I said under the transitional administrative law, that order will continue to prevail. Therefore, in consultation with General Counsel, we've concluded that those acts which I addressed would apply to our contractors in-theater.

Senator REED. Let me ask a question that might seem fairly naive, but in listening to all this, it appears that, on July 1, the sovereign government of Iraq will have no direct authority or responsibility with respect to all these construction activities and reconstruction activities in Iraq. Is that accurate?

Ms. BALLARD. Sir, I'd have to take that question for the record.

Senator REED. Could you please do that?

Ms. BALLARD. Yes, sir.

[The information referred to follows:]

Upon dissolution of CPA, Ambassador Negroponte, the United States Chief of Mission, assumed responsibility for the $18.4 billion Iraq Relief and Reconstruction Fund (IRRF). He will set the policy and establish the priorities for the execution of projects funded by the IRRF.

While IRRF funds were being obligated prior to July 1 to strengthen Iraq's economic and security situation, several billion dollars remained uncommitted as of July 1, in order to provide Ambassador Negroponte with the resources and flexibility he needs. The Department of Defense is ready to support him in managing both existing and new contracts.

On July 1, State Department's Iraq Reconstruction Management Office (IRMO) assumed responsibility for policy and program oversight of the IRRF. The dissolution of the CPA and PMO will not jeopardize continuity in the execution of the reconstruction programs in Iraq.

Army's Project and Contracting Office (PCO), formerly the Program Management Office (PMO), will continue to provide contracting and program management support as requested by the Chief of Mission and other agencies.

The various agencies (e.g., DOD, State, USAID, and Treasury) that have been executing contracts funded with IRRF resources will continue to do so after the transition. The current list of infrastructure projects were prioritized working closely with the Iraqi ministries, governorates and the military commanders on the ground to decide which projects would have the most impact on the country.

Senator REED. All right.

I have been told that, on July 1 or sometime after that, that security for the Green Zone will be provided by contractors, not by American military personnel. Is that accurate? Has a request for proposal (RFP) to that extent been released?

Ms. BALLARD. Sir, we'll take that question for the record.

[The information referred to follows:]

Contractors have always been involved in certain aspects of security within the Green Zone, such as guarding some building entrances and providing personnel security details (PSDs), and this continues to be the case after June 30. Military forces will continue to provide overall security to the Green Zone in coordination with Chief of Mission.

Senator REED. Thank you very much.

I'm also under the impression that as security cost goes up from a fixed amount of money, then construction progress must go down, and there's an inverse relationship. We understand security costs are going up. Do you, Madam Secretary, or any of the general officers, have an estimate of the present security costs and the likely impact on real progress in construction?

Ms. BALLARD. Yes, sir. Security costs range generally about 10 percent. CPA originally estimated security cost at about 20 percent of the construction cost. I gave you the range of 20 percent based on what we saw in the offerors' proposals on the recently-awarded construction contracts.

Actually, the security costs will vary, depending on circumstance. It's very environment-dependent, it's very requirement-dependent. For example, one of the areas I mentioned that we have security provided by contractors is personal security. Security for a delegation or a senior government official would require a different level of security, perhaps, than site security. Also, the periods of performance vary. So all of these factors make estimating actual security costs very fluid.

Senator REED. Ms. Ballard, if we assume a 20 percent security cost, in dollars, what would that represent for the contracts that are already outstanding and the contracts you anticipate in the next year? How many billions of dollars?

Ms. BALLARD. We have awarded $5 billion in construction contracts, sir. So if we use that as a sample, and apply 10 percent to that, as that is the range that was shown, we'd be looking at, if my math is anywhere near good, about $500 million in security costs as the range that we saw in the contractors' proposals.

Senator REED. Thank you very much. Thank you for your testimony.

Thank you.

Senator AKAKA. Senator Levin.

Senator LEVIN. Ms. Ballard, just on that same point, the estimate which our staff got from the CPA Inspector General (IG) about security costs on contracts for the reconstruction is that they may now be running as high as 25 percent. Would that surprise you, or is that consistent with your answer?

Ms. BALLARD. As I said, my estimation is based on what we saw in the construction contracts. I don't know what the IG used, because there are other government entities in-theater. So if they used USAID rates or other contracting entities' rates, that may be affecting the percentage that they provided.

Senator LEVIN. Now, on top of the security costs, there are insurance costs, which we understand now run from 8 to 25 percent of payroll. Is that your understanding, too? Any of you can just chime in at any time.

Ms. BALLARD. Sir, again, in using our construction contracts as a baseline, those insurance costs did range between as low as 5 percent and 20 percent. There were some factors that affected that. The contractors don't apply their insurance the same across the board, so contractor A may have different insurance costs than contractor B. The employee pools may be different. So those affect what exact percentages we'd get in the range of security.

General McManus.

General MCMANUS. Sir, on the LOGCAP contract, my security costs, as part of the contract cost, tend to be on the lower range, around the 5 percent category. That's been consistent from the origin of the operation. That may change over time, but right now we're on the lower end of that range, just right at 5 percent.

Senator LEVIN. Now, does the Army provide the security on those contracts?

General MCMANUS. Sir, for the LOGCAP contracts, the answer is yes. On the resupply missions we require them to integrate with the theater security operations. So the military provides security for those contractor logistics operations that we provided under the LOGCAP instrument.

Senator LEVIN. So that's one of the reasons why costs are lower.

General MCMANUS. Yes, sir. Of course, by the same token, the insurance costs may be variable, because some employees are in safer areas, some in more dangerous missions are not exposed, but you're exactly right.

General STROCK. Sir, if I might, also. I think the LOGCAP contract generally is focused on fixed installations and the lines of communication between those; whereas, the construction contracts tend to be out in the community, and, hence, the security requirements are higher and more costly, and they cannot take advantage of military security.

Senator LEVIN. Thank you.

Now, Ms. Ballard, it's been reported that we're currently paying for as many as 20,000 private security employees in Iraq. Now, you didn't have a range before, you wanted to supply numbers, for the record, I think, to Senator Reed, but does that sound like an approximation, or do any of you know, in terms of the number of private security employees in Iraq? That's been a published figure or estimate, I believe.

Ms. BALLARD. Sir, the 20,000 number that I'm aware of is reported in relation to all contractors in Iraq, and I am looking at Army contractors in Iraq. As I indicated, that number fluctuates. But General Strock has additional information.

Senator LEVIN. Okay.

General STROCK. Yes, I'm not sure where this fits into the big picture, sir, but due to the sabotage that we were experiencing on the oil infrastructure, we created a thing called Task Force Shield, which is a security force of about 14,000; 150 of them are non-Iraqi, but the bulk of those are Iraqi security personnel who guard the oil infrastructure. So that number does not sound out of line if you include the Task Force Shield.

Senator LEVIN. Okay. In terms of the legal status, you believe that that legal status, Ms. Ballard, is governed by interim administrative law, is that correct? After July 1, I mean.

Ms. BALLARD. Yes, sir, the transitional administrative law.

Senator LEVIN. General Strock, on March 8, 2003, the Corps of Engineers awarded a sole-source contract to Halliburton. This was for the reconstruction of the Iraqi oil fields.

General STROCK. Yes, sir.

Senator LEVIN. On March 25, 2003, there was a fact sheet that was issued that stated that the Army Corps of Engineers had "put in place a bridge contract with Brown and Root, which will be used for an interim period as a bridge to competition." Then it was stated as follows, that "the Corps of Engineers will limit orders under this contract to only those services necessary to support the mission in the near term." Now, that sole-source contract remained in place for roughly a year, in which time more than $2 billion worth of orders were placed under the contract. For a period of 10 months, roughly, the DOD fell short, then, on a promise—and there were more than one—about getting a fully competitive follow-on contract in place while the value of the work awarded to Halliburton continued to rise. I just want to go through some of these commitments that were made to us.

In April of last year, the Army Corps said that they expected to award a fully-competitive contract in June. In May, the Army Corps said they expected the competitive award to be made by August. In June, the Army Corps delayed the contract award until October. In October, the Army Corps delayed the contract award until December. In December, the Army Corps delayed the Army contract until January. Then new contracts were finally awarded on January 16.

Now, the amount of work that was awarded under the original Halliburton contract, which was $700 million at the end of August, had grown to more than $2.2 billion by January. By contrast, the

maximum value of the two follow-on contracts, taken together, is only $2 billion.

Now, even after the award of the follow-on contracts, the DOD waited some 2 months to release supplemental money to fund these contracts. Consequently, work continued to be performed under the original Halliburton contract for a substantial period after the award of the competitive contracts.

Why didn't the Army Corps live up to that commitment to rapidly award a competitive contract and to limit orders under the Halliburton contract to only those services that were immediately needed?

Ms. BALLARD. Senator, if I could, I'd like to address the aspects of the date associated with awarding the contracts.

Originally, sir, we did start planning immediately for the competition for oil, the Restore Iraqi Oil contract. At the time that we began our acquisition strategy, there were several things that needed to be overcome. For example, at that time, we were just reaching the end of hostilities, and there were laws on the books that would preclude us from actually having a contract in Iraq. This was intended to be a full and open competition. Also, the Trade Agreements Act had to be considered. We had Coalition partners that were not covered under the Trade Agreements Act, and so we needed to address that. We had to determine the best acquisition strategy, we had to develop the solicitation, and several other actions that went into getting proposals from offerors.

Once the proposals were received, sir, the evaluation process took considerable time as we made sure that not only it was a competitive acquisition, that each offer that was received got a full evaluation, and that we leveraged the expertise of members of the community, including DCMA and the DCAA, personnel from Tank-Automotive and Armanents Command (TACOM). So we brought in the best experts we could to make decisions about how we would structure, run, and evaluate this contract. That continued to move that award date to the right.

Senator LEVIN. But weren't those factors known in March 2003, when that fact sheet was issued which said that the Corps would limit orders under this contract to only those services necessary to support the mission in the near term?

Ms. BALLARD. Yes, sir. Those factors were known. However, what we didn't know is how much time it would take to execute a fully substantiated decision on who should receive the award.

General Strock.

General STROCK. Yes, if I might add, the mission did change over time. In March we really didn't fully understand what we were getting into.

I would like to point out that, as I look at the invoices we received on that to date, we have about $2 billion of invoices of about $2.5 billion that's been done. Of that $2 billion, approximately $1.4, $1.3, something like that, has been for the acquisition of refined fuels and was not directly associated with the reconstruction of the oil industry, which was the focus of that contract and task force. We did not anticipate that we would be in the fuel-delivery business, and so that was a huge expense that was added onto this contract. I can get you the details of that for the record, sir.

[The information referred to follows:]

Given the unforeseen circumstances we encountered—the domestic fuel crisis, the sabotage, and the escalating post-war violence—we don't believe the time required to end the bridge contract with Kellogg, Brown, and Root and award the competitive contracts for Restore Iraqi Oil (RIO) was excessive. The acquisition strategy took about 3 months to draft and be approved. The presolicitation conference was held in July. At that time we said we would award two follow-on contracts by mid- to late-October. As we were preparing our final analyses of the proposals submitted, the corps realized we would probably exceed the maximum amount allowed within 2 to 3 months and would be required to recompete basically the same contract within a few months. It made sense to issue an amendment that allowed the companies that had submitted proposals to reevaluate their proposals based on a higher projected amount ($800 million in the north and $1.2 billion in the south.) That amendment and the desire to "get it right" delayed the award until January 2004. Our goal in this process was to find the best possible contractor working under the best possible contract, not necessarily award a contract by a specific date.

Senator LEVIN. Thank you.

General Strock, Halliburton's performance on the sole-source contract raised serious questions about the adequacy of its estimating, accounting, labor, billing, budgeting, compensation, material, and purchasing systems. As a result, the DCAA issued a warning on January 13, 2004, which said the following, "A previous audit report was issued on August 20, 2002, which concluded that BRS' estimating system and related internal control policies and procedures were adequate. The purpose of this memorandum is to inform you DCAA no longer believes the opinion expressed on August 20, 2002, is accurate. Collectively, the deficiencies described above bring into question Halliburton's ability to consistently produce well-supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices." So that's the DCAA warning.

Despite receiving the memorandum, the Army Corps awarded Halliburton a follow-on competitive contract 3 days later. The Army Corps' source-selection memorandum gave Halliburton top ratings for its business systems, stating that Halliburton "showed the ability to perform cost accounting on a daily basis"—that's in quotes—in Iraq, and that its purchasing system, "has been government approved for over 10 years, and it has an exceptional understanding of best-value procurement and property control."

My question. Is the Army Corps' failure to heed DCAA's warning about Halliburton's performance and its internal controls unique to this contract, or is there some kind of a broader breakdown in the ability of different parts of the DOD contracting system to communicate with each other?

Ms. BALLARD. Senator, if I may just address a couple of those points.

DCAA was a participant in our evaluation of that award that was made to KBR. Additionally, sir, just prior to the award, in accordance with the regulation, the contracting officer made an affirmative determination of responsibility, meaning that KBR could, in fact, receive the award. The regulation also requires that when there are findings regarding contractor systems, that we have an obligation to proceed through due process. We must identify the deficiencies, we must assess those, and determine whether or not a contractor can correct them. To not award a contract to KBR on the basis of DCAA's advice to us would constitute, potentially, a de

facto debarment. The courts have continually held that we cannot deny awards to contractors on the basis of allegations.

Senator LEVIN. Okay, now, what you're saying is you cannot bar them from offering a proposal. But that's a different issue from how you evaluate their performance. The evaluation of their performance was pretty tough here. It brings into question, according to DCAA, Halliburton's ability to consistently produce well-supported proposals that are acceptable as a basis for negotiation. I mean, that's pretty strong language there. Yet the contract was awarded anyway. So I'm not talking about a ban on their offering bids. I'm talking about evaluating their performance.

Ms. BALLARD. Let me clarify, Senator. It is not to say that I am speaking to a ban, other than to note that if we did not award to them when they have been evaluated in accordance with the regulations to be the best value offer, or are including consideration of their estimating system, including an assessment as to whether or not they can correct any systemic issues, in effect, we are not complying with what the courts have continually held. We were bound to evaluate them based on that proposal. We did rely on DCAA membership. Senator, I personally requested that DCAA provide a senior auditor, who did participate in that evaluation, not only at the working level of that evaluation, but then on a senior advisory board. So DCAA participated. There was a past-performance evaluations done, and the conclusion of the people who evaluated that was that KBR could perform this contract.

Senator LEVIN. Well, in other words, there's a disconnect inside DCAA, then.

Ms. BALLARD. No, sir, I'm not——

Senator LEVIN. But, I mean, this is a DCAA warning.

Ms. BALLARD. It is a DCAA warning that——

Senator LEVIN. Did the person who represented them at that conference that you just described not heed their own warning?

Ms. BALLARD. That warning came in essentially at the end of the evaluation period. The evaluation did consider past performance. It considered evaluation information that was obtained from DCAA. That one incident would not be significant—or substantial enough, let me say, to prevent an award to KBR.

Senator LEVIN. Well, it's not just one incident; it's the whole estimating system.

Ms. BALLARD. Yes, sir.

Senator LEVIN. Related internal control policies and procedures are inadequate. It said, at one point, they were adequate. Then this warning says that the DCAA no longer believes that that's accurate. I mean, that's more than just one incident. That's a pretty strong condemnation, it seems to me, of the whole estimating system and internal control policies. Do you disagree with that?

Ms. BALLARD. Sir, I would say that DCAA provides us a service in reviewing the estimating systems. They provide advice to the contracting officer. We had reviewed that proposal, we determined that the contractor could perform. Whatever findings there were made by DCAA, the contractor could correct those findings. The regulatory requirement is that we have to make a determination that a contractor cannot correct—we have to go through due process. So even though DCAA had these findings that were in the let-

ter, we could not deny an award to the contractor on the basis of that.

Senator LEVIN. So that if a contractor's performance has been as inadequate as this one is, if you believe it's correctable, you have to ignore their previous performance?

Ms. BALLARD. No, sir. We consider their previous performance, but we cannot deny them an award when it is correctable.

Senator LEVIN. Can you consider the previous performance in awarding something?

Ms. BALLARD. Yes, sir, and we do.

Senator LEVIN. Is that called denying them an award, or is that just called considering previous performance?

Ms. BALLARD. What I am trying to communicate, sir, is that we did, in fact, consider this in their previous performance. We considered all the data made available to us by DCAA, and the conclusion of the evaluation team was that it was appropriate to award to KBR, and the procuring contracting officer (PCO) made an affirmative determination of responsibility.

Senator LEVIN. Are you sure that this warning was considered at that time?

Ms. BALLARD. I am certain that the contracting officer made an affirmative determination——

Senator LEVIN. No, I know that, but——

Ms. BALLARD.—responsibility. I can't——

Senator LEVIN. Do you know whether——

Ms. BALLARD.—provide for you the date line.

Senator LEVIN.—that warning was considered?

Ms. BALLARD. Sir, I'd have to take that for the record, because you're asking me a timing question.

[The information referred to follows:]

Yes, the DCAA Flash Warning Memorandum of January 13, 2004, was considered by the contracting officer in reaching his Responsibility Determination.

As the source selection for the follow-on Restore Iraqi Oil (RIO) contract was being reviewed by Army General Counsel (AGC) prior to the January 16, 2004 award date, the AGC required the United States Army Corps of Engineers (USACE) Chief Counsel to personally review the source selection documentation in Dallas, Texas.

While that review was being completed, USACE received a copy of the memorandum from DCAA. The memorandum was reviewed and a determination made by the contracting officer that the memorandum would be addressed in his responsibility determination.

The responsibility determination was prepared as a memorandum for record dated January 15, 2004. The contracting officer determined that the estimating system issues should not change current source selection determinations or contract award since they could be overcome and the contractor could be brought into compliance given a reasonable opportunity.

The responsibility determination was reviewed by counsel and the source selection authority and assessed as adequate to support contract award.

Senator LEVIN. Yes, very much so, because it was just, what, 5 days later, something like that? That despite a warning like that—I mean, were there any meetings between the time of that warning and the time the contract was awarded, if it's only a 3-day period later?

Ms. BALLARD. Sir, I'm saying——

Senator LEVIN. Were you involved personally in a meeting?

Ms. BALLARD. Yes, I was involved personally.

Senator LEVIN. Do you remember whether the DCAA person who was involved with you at that deliberation was aware of this? Do you have any idea?

Ms. BALLARD. I was involved to the extent that I received briefings regarding the decisions on the source selection. I would have to go back, for the record, and get you information on that.

[The information referred to follows:]

The DCAA panelist who served on the Source Selection Panel was in fact aware of the DCAA Flash Report and participated in communications on the subject.

Ms. BALLARD. But I do know personally that an affirmative determination of responsibility was made by the PCO. I know personally because I discussed it with General Counsel that even if we had received this letter 5 days before the award decision, due process would be required, and we could not deny the contractor an award.

Senator LEVIN. Is that a written opinion?

Ms. BALLARD. Sir, there is actually legal case law regarding our inability—the courts have continually held that we cannot deny contractors awards on these sorts of bases.

Senator LEVIN. On the sort of a warning like that? You've got a case that says that?

Ms. BALLARD. Yes, sir. In fact, Myers & Myers versus the United States Postal Service would be one reference. General Counsel has pulled several, because we wanted to consider every legal aspect of this prior to making a decision on the award.

Senator LEVIN. I'd be interested in you giving us those citations that say that a warning like this cannot be considered in awarding a contract, because what's the point of the warning?

Ms. BALLARD. It is advice to the contracting officer, sir, but we will provide that for the record.

[The information referred to follows:]

Courts have consistently held that imposing the consequences of a suspension or debarment, without complying with the agency's due process procedures of providing the contractor notice and an opportunity to be heard, is tantamount to an improper de facto debarment. Following are two case law examples:

In Myers & Myers, Inc. v. United States Postal Serv., 527 F.2d 1252 (2d Cir. 1975), the court found de facto debarment where the Postal Service refused to renew six delivery contracts because of suspected criminal conduct.

In Leslie & Elliot Co. v. Garett, 732 F. Supp. 191 (D.D.C. 1990), a de facto debarment was found because the Navy attacked the contractor's integrity and developed a policy to declare the contractor nonresponsible on all contracts.

Senator LEVIN. Do either of you have comment on that?

General STROCK. No, sir. I would defer to Ms. Ballard for this. I was not directly involved in this, and can't speak with any authority over why these decisions were made and the timing. So—

General MCMANUS. Sir, nor was I.

Senator LEVIN. It goes back, Ms. Ballard, to a fundamental question. It's not whether they can be denied an award. Of course you can't deny someone an award if they're entitled to an award. The question is whether or not, in deciding who should receive a contract, that kind of performance and the warning about it can be considered. It's obvious that it can be considered.

Ms. BALLARD. Yes, sir. I'm not denying that it can be considered.

Senator LEVIN. Well, if it can be considered, we have to know why was it considered. You're going to tell us that for the record, because you don't know for sure.

Ms. BALLARD. For the timing purposes of it, sir. You're citing the specific date——

Senator LEVIN. That's correct.

Ms. BALLARD.—of the warning in relation to when the decision was——

Senator LEVIN. That's correct.

Ms. BALLARD.—made on the contractor——

Senator LEVIN. That's correct.

Ms. BALLARD.—selected.

Senator LEVIN. So you're going to let us know whether this was considered——

Ms. BALLARD. Yes, sir.

Senator LEVIN.—and if it wasn't considered, why it wasn't considered.

Ms. BALLARD. Yes, sir.

[The information referred to follows:]

Given the unforeseen circumstances we encountered—the domestic fuel crisis, the sabotage, and the escalating post-war violence—we don't believe the time required to end the bridge contract with Kellogg, Brown, and Root and award the competitive contracts for Restore Iraqi Oil (RIO) was excessive. The acquisition strategy took about 3 months to draft and be approved. The pre-solicitation conference was held in July. At that time, we said we would award two follow-on contracts by mid to late October. As we were preparing our final analyses of the proposals submitted, the Corps realized we would probably exceed the maximum amount allowed within 2 to 3 months and would be required to recompete basically the same contract within a few months. It made sense to issue an amendment that allowed the companies that had submitted proposals to reevaluate their proposals based on a higher projected amount ($800 million in the north and $1.2 billion in the south.) That amendment and the desire to "get it right" delayed the award until January 2004. Our goal in this process was to find the best possible contractor working under the best possible contract, not necessarily award a contract by a specific date.

Senator LEVIN. You'll let us know that for the record.

Okay, thank you. Thank you all.

Senator AKAKA. Thank you, Senator Levin.

I want to follow up on a question that was asked by Chairman Ensign regarding oversight of existing contracts. I want to ask Ms. Ballard, Do you believe that it's appropriate to rely on contractor personnel to oversee the efforts of other contractors?

Ms. BALLARD. Senator, contractors do not exercise any inherently governmental functions, so, no, we follow that rule very closely, sir, that they don't exercise inherently governmental functions.

Senator AKAKA. I want to thank our panel, too, Secretary Ballard, General Strock, and General McManus, for appearing today at our hearing. I think it has answered some of our questions, and I want to thank you for coming.

On behalf of the chairman of this subcommittee, Senator Ensign, I adjourn this hearing.

[Questions for the record with answers supplied follow:]

QUESTION SUBMITTED BY SENATOR JOHN ENSIGN

DEFENSE BASE ACT INSURANCE PROGRAM

1. Senator ENSIGN. Secretary Wynne, you testified last week that the Department of Defense (DOD) and Army Corps of Engineers intend to move forward with the

implementation of a DOD centrally managed Defense Base Act insurance program that would rely on one insurance firm—in effect a monopoly—to cover all workers' compensation insurance abroad for U.S. defense contractors. Given the realities we now face in Iraq and elsewhere, can one insurance provider actually cover the rising risks without exposing itself and, perhaps, ultimately the DOD to a rash of unmanageable claims?

Secretary WYNNE. We have encouraged the U.S. Army Corps of Engineers (USACE) to pursue a Defense Base Act (DBA) workers' compensation insurance pilot program because we received complaints last year from companies doing business in Iraq (and from the Professional Services Association) that: (1) the rates for this mandatory insurance had increased precipitously—going from $4 to over $20 per $100 of labor costs, and (2) in some cases, they could not get DBA insurance at all. This difficult DBA insurance market hit small businesses particularly hard because there is often a minimum premium of $15,000, regardless of how few contractor employees are overseas or how short a time period they will be there.

The USACE pilot program we envision is based on two similar, successful programs at the Agency for International Development (AID) and the Department of State (DOS). AID has been awarding its competitive requirements contracts for DBA insurance since the late 1970s, while the DOS program began in 1992—with regular recompetitions for these contracts every 5 years. The DBA insurance rates under both the AID and DOS programs have been very reasonable, with no minimum premium requirements.

It is incorrect to categorize the planned USACE pilot program as a monopoly or sole source procurement. As with the DBA programs at AID and DOS, the USACE pilot program contract will be competed; but after award, all requirements for DBA insurance on USACE contracts will be placed with the winning contractor for an initial period of 2 years. This is no different from what DOD does on other competitive requirements-type contracts. If the USACE pilot program proves successful, it will be periodically recompeted thereafter. We also want to emphasize that this is not a DOD-wide program; it will be limited to the DBA insurance requirements of USACE contractors only.

USACE currently plans to issue a draft request for proposals (RFP) for its DBA Insurance pilot program and then to carefully consider any industry comments before issuing a final RFP and evaluating proposals. If the proposals submitted for the pilot program are not advantageous to the government based on comparison with open market DBA rates and availability, USACE will not award a contract. However, in view of the longstanding, successful programs at AID and DOS, we expect that the USACE pilot program will also prove successful.

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

LEASE REVIEW PANEL

2. Senator MCCAIN. Secretary Wynne, on October 15, 2002, you established the Tanker Lease Review Panel (LRP) and subsequently served as the panel's co-chairman. To your knowledge, has the LRP ever favorably recommended to SECDEF or anyone else the execution of the lease for 100 Boeing 767 Tankers?

Secretary WYNNE. The Leasing Review Panel was established on November 1, 2001, in a joint memorandum between the previous Under Secretary of Defense (Acquisition, Technology, and Logistics), Pete Aldridge, and the Under Secretary of Defense (Comptroller), Dov Zakheim. This panel was formed to review the benefits of leasing, prior to the 767 lease proposal being put on the agenda. A working group of the Leasing Review Panel first reviewed the 767 lease on December 7,2001, continued to evaluate the pros and cons of both leasing and purchasing 767 tanker aircraft, and presented its findings periodically to the Leasing Review Panel. Subsequently, Secretary Aldridge recommended to the Secretary of Defense that the tanker lease proceed and signed the lease decision memorandum on May 23, 2003.

3. Senator MCCAIN. Secretary Wynne, aside from the Boeing 767 tanker lease, what other leases have been or are being considered by the LRP? Please include for the record, the names of the lease programs, the projected costs, and the conclusions reached by the LRP.

Secretary WYNNE. The current lease of four Air Force C–40 (B737) aircraft was approved by the Leasing Review Panel on June 20, 2002. The total projected cost of the program was $378.5 million. The panel determined that a lease would be more cost-effective than a purchase.

4. Senator MCCAIN. Secretary Wynne, I assume the LRP was established to ensure a competitive process and make sure the taxpayer received a good deal in the spirit of open and fair competition. Please respond to the following: Did the LRP suggest competing engines between Pratt & Whitney and General Electric? Did the LRP suggest competing the contractor logistics support (CLS) function? Did the LRP suggest competing the modification of the tankers?

Secretary WYNNE. Consistent with its charter, the LRP evaluated the wisdom of leasing, rather than purchasing, tanker aircraft. The LRP did not make specific recommendations regarding subsystem acquisition.

5. Senator MCCAIN. Secretary Wynne, every report on the tanker lease has shown that the government did not get a good deal and the taxpayer was ripped off in the order of about $5 billion. Is that correct, or can all of these independent, studies, investigations, and reports be wrong?

Secretary WYNNE. The suspension the program is currently under serves the purpose of allowing the Department to review the studies that have been and are currently being conducted, such as the Analysis of Alternatives and the Mobility Capabilities Study. When the analysis of all of the studies has been completed, the Department will choose the best course for both the warfighter and the American taxpayer.

6. Senator MCCAIN. Secretary Wynne, by what directive was the Leasing Review Panel established?

Secretary WYNNE. The memorandum that established the Leasing Review Panel was signed on November 1, 2001, by the former Under Secretary of Defense (Acquisition, Technology, and Logistics) and Under Secretary of Defense (Comptroller). The purpose of the panel was to evaluate proposals for multiyear leases under major automated information systems programs and major defense acquisition programs, as well as proposals for multiyear leases projected to cost a total of $250 million or more.

7. Senator MCCAIN. Secretary Wynne, why did you not recommend convening a Defense Acquisition Board instead of a Lease Review Panel?

Secretary WYNNE. The Under Secretary of Defense (Acquisition, Technology, and Logistics) at the time, Pete Aldridge, used the Leasing Review Panel to inform his decision, prior to signing the lease decision memorandum on May 23, 2003.

8. Senator MCCAIN. Secretary Wynne, is it possible that if you had recommended a Defense Acquisition Board (DAB), and followed, instead of bypassed, the established acquisition process, alternatives to the Boeing 767 lease could have been assessed, a more transparent acquisition strategy could have been approved, and acquisition regulations could have been followed?

Secretary WYNNE. In his role as the Defense Acquisition Executive, the Under Secretary of Defense (Acquisition, Technology, and Logistics), Pete Aldridge, used the Leasing Review Panel to inform his decision to proceed with the 767 tanker program prior to signing the lease decision memorandum on May 23, 2003. The acquisition process allows considerable flexibility in providing the best value to the warfighter and the taxpayer. On occasion, we waive traditional requirements in order to achieve that objective. In light of legitimate questions regarding the proposed lease of 767 tanker aircraft, however, the Department has undertaken numerous studies, including an analysis of alternatives. The Secretary of Defense has suspended the program until we have had an opportunity to evaluate the results of those studies. Upon completing our evaluation, we will be in a better position to determine whether we should meet the Air Force's aerial-refueling requirements through innovative or traditional means.

9. Senator MCCAIN. Secretary Wynne, in light of all that has happened with the Boeing Tanker 767 program, what DOD guidance, policy directives, changes to the FAR/DFAR, or drafting assistance for legislation have you instituted or proposed over the last 2 years to prevent this kind of taxpayer ripoff from ever happening again?

Secretary WYNNE. As part of the review of this program, I recommended, and the Deputy Secretary of Defense subsequently directed, that the Industrial College of the Armed Forces (ICAF) be tasked to conduct a study of lessons learned regarding the proposed lease of 767 tanker aircraft. This study was intended to provide the Department with valuable insight into areas in which we can improve our processes with regard to leasing and the procurement of commercial items. ICAF delivered its report on April 20, 2004. Additionally, I have asked the Defense Acquisition Univer-

sity to form a task force to review lessons learned from the Defense Science Board study, the DOD Inspector General's Report, and the ICAF study, to determine whether changes or additions should be made in the form of policy, guidance, or training. I have requested the task force's report by September 1, 2004.

10. Senator MCCAIN. Secretary Wynne, when is this committee going to receive the documents from the DOD that have been requested regarding the Tanker Lease?

Secretary WYNNE. I understand that the DOD Office of the General Counsel delivered the first set of documents regarding the program to the Senate Committee on Armed Services on July 13, 2004. This matter remains the subject of active discussions between representatives of the Committee on Armed Services, the Department, and the White House.

CORROSION CONTROL INITIATIVE

11. Senator MCCAIN. Secretary Wynne, you mentioned the corrosion control initiative that you are applying to systems like the C–130, EA–6B, and helicopter programs in your statement. Why did you not include KC–135s in that group as well?

Secretary WYNNE. With regard to the KC–135 specifically, there is an extensive program in place to manage corrosion control. The program includes a field-level maintenance and inspection program and a 60-month programmed depot maintenance cycle (shorter for aircraft permanently stationed in corrosive environments).

TANKER ORD

12. Senator MCCAIN. Secretary Wynne, it would be commendable if—as you mentioned in your statement—your office really did pursue acquisition excellence by ensuring cost estimates encompassed total ownership, affordability, and joint warfighting requirements. Why does the tanker lease provide almost no cost transparency, a $5.4 billion overcharge to the taxpayer, and manipulation of the operational requirements document?

Secretary WYNNE. The Department is dedicated to acquisition excellence, and will seek the best value for the taxpayer and capability for the warfighter in any procurement. The merits of the tanker lease program, which is currently under a DOD-imposed suspension in order gather additional information that will be useful in evaluating the proposal, are being examined. Any decision regarding the future of the program will reflect these values.

13. Senator MCCAIN. Secretary Wynne, do you accept the fact that the Operational Requirements Document (ORD) was tailored specifically for the Boeing 767, or do you require more investigations to point that out to you?

Secretary WYNNE. The Operational Requirements Document is part of the Joint Capabilities Integration and Development System, It is a warfighter document, overseen and issued by the Joint Requirements Oversight Council (JROC), I am not a member of the JROC, and therefore cannot comment on the integrity of that process, However, I do rely on requirements validated by the JROC in coming to an acquisition decision.

DEFENSE BASE ACT

14. Senator MCCAIN. Secretary Wynne, the DBA requires defense contractors to provide necessary workers' compensation insurance to overseas employees. Today, employees receive this insurance through a variety of free-market means, including insurance policies purchased by contractors and subcontractors from a broad range of insurance carriers, as well as self-insurance by certain larger contractors.

It has come to my attention that DOD is moving forward with a proposal for a contract to provide for a centrally-managed source of Workers' Compensation Insurance. This program would in effect eliminate competition for DBA insurance rates, effectively giving one company a monopoly in the marketplace. This program would replace the current workers compensation insurance system with a mandatory one-size-fits-all insurance program for all contractors and subcontractors, provided by a single insurance company.

While I understand DOD's concern over the expense of the war effort in Iraq, I do not think that DBA insurance is an overwhelming or unreasonable contributor to the overall cost of civilian contractors employee compensation packages. I also do

not think DOD's anxiety over their requests for funding from Congress, should result in their imprudently resorting to a monopoly.

I understand that in last week's Readiness and Management Support Subcommittee hearing, you indicated that the DOD could achieve a savings of 5 to 1 with a sole source program. Please explain how you arrive at such a cost savings and provide me with a detailed analysis supporting your assertions. Please include in this analysis your study of the progress of DBA rates since May 2002 and compare that to the current DBA rates with comparable, less hazardous exposure in the United States.

Secretary WYNNE. We have encouraged the U.S. Army Corps of Engineers (USACE) to pursue a DBA workers' compensation insurance pilot program because we received complaints last year from companies doing business in Iraq (and from the Professional Services Association) that: (1) the rates for this mandatory insurance had increased precipitously going from $4 to over $20 per $100 of labor costs (an alarming 5 to 1 increase), and (2) in some cases, they could not get DBA insurance at all. This difficult DBA insurance market hit small businesses particularly hard because there is often a minimum premium of $15,000, regardless of how few contractor employees are overseas or how short a time period they will be there.

The USACE pilot program we envision is based on two similar, successful programs at the Agency for International Development (AID) and the Department of State (DOS). AID has been awarding its competitive requirements contracts for DBA insurance since the late 1970s, while the DOS program began in 1992—with regular recompetitions for these contracts every 5 years. The DBA insurance rates under both the AID and DOS programs have been very reasonable, with no minimum premium requirements.

As I stated in the Readiness and Management Support Subcommittee hearing, it is incorrect to categorize the planned USACE pilot program as a monopoly or sole source procurement. As with the DBA programs at AID and DOS, the USACE pilot program contract will be competed. After award, all requirements for DBA insurance on USACE contracts will be placed with the winning contractor for an initial period of 2 years. This is no different from what DOD does on other competitive requirements-type contracts. If the USACE pilot program proves successful, it will be periodically recompeted thereafter. We also want to emphasize that this is not a DOD-wide program; it will be limited to the DBA insurance requirements of USACE contractors only.

At this time, I cannot estimate the savings. USACE currently plans to issue a draft request for proposals (RFP) for its DBA insurance pilot program and then to carefully consider any industry comments before issuing a final RFP and evaluating proposals. After analysis if the proposals submitted for the pilot program are not advantageous to the government based on comparison with open market DBA rates and availability, USACE will not award a contract. However, in view of the longstanding, successful programs at AID and DOS, we expect that the USACE pilot program will also prove successful.

IRAQI CONTRACTS—FIRST RESPONDER NETWORK

15. Senator MCCAIN. Secretary Wynne, recent media reports in the Los Angeles Times on April 29, 2004, the Anchorage Daily News on May 1, 2004, the Sunday Times of London on May 2, 2004, and the Washington Times on May 9, 2004, allege that the Deputy Under Secretary of Defense for International Technology Security engaged in conduct, that, if true, would raise serious concerns that Federal procurement integrity and ethics laws and regulations have been violated. Please provide, for the record, answers to each of the following questions, based on a review and analysis of all communications between Mr. Shaw and anyone (a) within the Department of Defense or the DOD Secretariat, (b) the Coalition Provisional Authority and/or the Iraqi Ministry of Communications, or any other Iraqi Ministry, (c) anyone associated with, acting on behalf of or representing those entities known for International Technology Security have responsibility to establish, define or dictate "requirements" for the Iraqi Ministry of Communications' "First Responder Network" FRN or have authority to communicate, demand, or otherwise attempt to or participate in the determination of any requirement including the scope of work for the FRN?

Secretary WYNNE. I did not provide specific direction or authority to the Office of the Deputy Under Secretary for International Technology Security regarding Iraqi Telecommunications matters and to my knowledge he had no responsibilities to establish, define or dictate requirements for Iraqi Ministry of Communications' First Responder Network. In August 2003, I signed a Memorandum of Understand-

ing (MOU) with the DOD Inspector General (DODIG), pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the Federal Bureau of Investigations (FBI) for any action the FBI deemed appropriate. Any questions concerning FBI activities in response to the referral should be directed to the FBI.

16. Senator MCCAIN. Secretary Wynne, did Deputy Under Secretary Shaw communicate, demand, or otherwise attempt to or actually participate in the determination of any requirement including the scope of work for the First Responder Network?

Secretary WYNNE. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the Federal Bureau of Investigations (FBI) for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

17. Senator MCCAIN. Secretary Wynne, was an attempt made by the consortium consisting of NANA Pacific, Guardian Net, Qualcomm, and Lucent, to surreptitiously insert into the scope of the Iraqi First Responder NetWork FRN, without CPA request or approval, language that would have effectively given the Guardian Net consortium the requirement to provide Iraqi nationwide commercial mobile phone capacity even though such requirement was never and is not now a requirement of the FRN?

Secretary WYNNE. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the FBI for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

18. Senator MCCAIN. Secretary Wynne, throughout April 2004, did the First Responder Network PRN statement of work/scope of work for any sole-source 8a contract contemplated by CPA officials for an Iraqi police radio pilot program include any requirement for the inclusion of a commercial mobile phone capability?

Secretary WYNNE. No, the First Responder Network statement of work in the April 2004 ID–IQ contract did not include a requirement for inclusion of commercial mobile phone capability.

19. Senator MCCAIN. Secretary Wynne, did the scope of work/statement of work issued by the CPA Head of Contracting Activity and CPA Program Management Office, to the NANA Pacific Guardian Net consortium for the Iraqi police radio pilot program include any requirement for commercial mobile phone capability?

Secretary WYNNE. No, there was no CPA statement of work to NANA Pacific that included a requirement for commercial mobile phone capability.

20. Senator MCCAIN. Secretary Wynne, did NANA Pacific unilaterally change and/or amend the scope of work/statement of work for the Iraqi police radio pilot program and submit it to the CPA contracting office stating: "The FRN shall be designed so that the operators of the network shall be able to offer nationwide commercial cellular service on a nationwide basis throughout Iraq?"

Secretary WYNNE. No, NANA Pacific did not unilaterally change and/or amend the statement of work to include a statement offering a nationwide cellular service.

21. Senator MCCAIN. Secretary Wynne, did Deputy Under Secretary Shaw participate in any way in the development and/or the NANA Pacific-Guardian Net consortium's inclusion of any such language in the Iraqi police radio pilot project scope of work/statement of work?

Secretary WYNNE. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the FBI for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

22. Senator MCCAIN. Secretary Wynne, did Deputy Under Secretary Shaw communicate in any way to the Office of the CPA Senior Advisor to the Ministry of Communications any request or demand whatsoever that such language be included in the NANA Pacific-Guardian Net consortium sole-source Iraqi police radio pilot program contact scope of work/statement of work?

Secretary WYNNE. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the FBI for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

23. Senator MCCAIN. Secretary Wynne, under what authority did Deputy Under Secretary Shaw, on behalf of the Department, communicate to the Office of the CPA Senior Advisor to the Ministry of Communications, the limited, previously-approved scope of work/statement of work of a sole-source acquisition of an Iraqi police radio pilot program under section 8a of the Small Business Act should be expanded into an unapproved, sole-source contract scope of work/statement of work for the design of the FRN "so that the operators of the network shall be able to offer nationwide commercial cellular service on a nationwide basis throughout Iraq?"

Secretary WYNNE. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the FBI for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

24. Senator MCCAIN. Secretary Wynne, did Deputy Under Secretary Shaw hire or contract Julian Walker, a principal in the Liberty Holdings, to work for the Office of the Deputy Under Secretary of Defense for International Technology Security and/or the Office of International Armament and Technology Trade and ensure that he was adequately supervised during the course of his employment or contracted service?

Secretary WYNNE. To my knowledge, Ambassador Julian Walker was not hired or contracted to work for the Deputy Under Secretary of Defense (International Technology and Security) or the Office of International Armament and Technology Trade.

25. Senator MCCAIN. Secretary Wynne, as a consequence of his involvements with the Department of Defense in general and the Office of the Deputy Under Secretary of Defense for International Technology Security and International Armament and Technology Trade in particular, did Mr. Walker improperly gain access to any government and/or other contractor confidential and proprietary or bid or proposal information that may have accorded an unfair competitive advantage to any business with which Mr. Walker was or is in any way associated, including, but not limited to Liberty Mobile or Guardian Net?

Secretary WYNNE. To my knowledge, Ambassador Walker was not authorized to have access to any such government or any contractor information.

26. Senator MCCAIN. Secretary Wynne, it has been reported that you and DODIG Joseph Schmitz signed a MOU on 4 August 2003 creating the Directorate of International Armament and Technology Trade (IATT) to track arms and technology transfers and that one investigation is under way on telecommunications contracting improprieties." Please provide a copy of the above- referenced 4 August 2003 MOU and state whether Deputy Under Secretary Shaw has had any position, involvement or responsibilities with respect to the IATT.

Secretary WYNNE. Attached is a copy of the August 4, 2003 MOU, pursuant to which Dr. Jack A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the FBI for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

27. Senator MCCAIN. State what investigative authority the Directorate of International Armament and Technology Trade and Deputy Under Secretary Shaw possess to conduct the investigation discussed in the Washington Times article of May 9, 2004. The article states that "Nadhmi Auchi, an Iraq-born British national who was involved in international arms trading, is being investigated for purportedly rigging bids with the Iraqi Communications Ministry and the Coalition Provisional Authority, which resulted in contracts being awarded to three companies tied to Europe."

Secretary WYNNE. In August 2003, I signed a MOU with the DODIG, pursuant to which Dr. John A. Shaw carried out duties in the investigation of Iraqi telecommunications matters. Dr. Shaw's report came out May 11, 2004. Attempts to discredit Dr. Shaw and his report on Iraqi telecommunications contracting matters were brought to the attention of the DODIG. Based on the Office of the Inspector General's working relationship with Dr. Shaw, the DODIG appropriately referred the entire matter to the FBI for any action the FBI deemed appropriate. Any questions concerning FBI activities should be directed to the FBI.

QUESTIONS SUBMITTED BY SENATOR SAXBY CHAMBLISS

FEDERAL OUTSOURCING

28. Senator CHAMBLISS. Secretary Wynne, I am concerned about the increasing pressures placed on the Federal civilian workforce as a result of the outsourcing process (including those conducted under the auspices of OMB Circular A–76) as well as the impending dislocations that will occur as a result of the fiscal year 2005 Base Realignment and Closure (BRAC) process. To this end, I am encouraged by the development of alternative methods for transitioning workers from the Federal civilian workforce into the private sector. These methods use techniques that allow for workers to continue to participate in the Federal retirement benefit plans and to continue accruing credit for time in service. I am particularly interested in techniques that allow for and encourage job growth and stability for displaced workers utilizing nonprofit organizations, universities, or State and local governments that act as catalysts in this effort to provide for such transitions. One such program is the transitional benefits corporation model. Please provide your assessment of the transitional benefit corporation model and how it might be used to provide savings and efficiencies within the Department of Defense.

Secretary WYNNE. Two primary factors currently prevent us from implementing transitional benefits corporations (TBCs). First, formation of the TBC itself presumes that the workforce will leave the government. Since Federal and DOD policies require public-private competition with regard to commercial activities, most government workers choose to participate in those competitions. To my knowledge, no component of the Department has received a request from its employees to form a TBC. Additionally, analysis by DOD counsel indicates that numerous amendments to existing law would be necessary before the Department could establish a TBC. Since no TBC candidates have been identified, we have not pursued the TBC model further.

We will continue to pursue public-private competition as the primary driver of savings and efficiency in our service functions. The Department supports efforts to ease the transition of government workers to the private sector, whether the transition results from public-private competition or BRAC.

29. Senator CHAMBLISS. Secretary Wynne, I am pleased with the actions the Department of Defense has taken regarding the increased utilization of expert contractual personnel for specialized projects within the Department that require expertise not generally found at the installation level. Specifically, the Army has used a total performance warranty approach with expert contractors in dealing with longstand-

ing problems associated with roofing and facilities. I believe this approach could be used across the Department in the future. Please provide your assessment of using expert contractual personnel for specialized projects within DOD and outline additional areas where this approach could add value and efficiency to the Department's operations.

Secretary WYNNE. The Department is studying and, where possible, undertaking a number of methods for protecting our investments in infrastructure. The performance warranty in roof work is an example of focusing attention and resources in a specific category of work to enhance asset performance. In addition, the Department has a number of programs (e.g., PAVER, ROOFER, RAILER) that are used to assess material conditions and make recommendations for upkeep. The Department is also testing a pilot program authorized by Congress that employs the expertise of construction contractors to perform all required maintenance and warranty work on new facilities for the first 5 years of operation. The intent is to keep new facilities operating like new for more years at less cost. A complete interim report on this program will be submitted early next year. The Department will be pleased to discuss this information when available.

30. Senator CHAMBLISS. Secretary Wynne, it has come to my attention that the Department may be seeking to privatize a work function at the Defense Finance and Accounting Service for desktop management services without undergoing a public-private competition. This direct conversion is being conducted under the auspices of a "Pioneer Project" and the Department is claiming that the related work function is "new work." I understand that this work function is not "new work" under the definition of that term in the revised Circular A–76, page D–7. Also, direct conversions of this nature cannot be conducted in light of Section 8014 of the Fiscal Year 2004 Defense Appropriations Act. Also, the May 2003 version of A–76 forbids such direct conversions absent the Office of Management and Budget's (OMB) grant of a deviation. To date, the Department has not requested a deviation for this work function. Please provide an update on the status of this specific work function as well as the status of any other "pioneer projects" or initiatives within the Department which will result in direct conversions of work performed by civilian employees without undertaking an OMB Circular A–76 cost comparison process. Please also include the rationales for such initiatives, whether or not the Department has sought the required deviation from OMB for these direct conversions, as well as OMB's response to any requests from DOD for such deviations.

Secretary WYNNE. The DFAS Desktop Management service requirement involves providing desktop computing services to our workforce in a manner similar to the acquisition of electric or telephone service. Instead of purchasing desktop computers, software, and peripheral hardware, and then managing and maintaining those assets, DFAS would transfer the responsibility and risk for providing, managing, maintaining, and updating desktop assets to the commercial sector. This would include help desk and application training support for desktop computers, software, and peripheral hardware. The contractor would provide desktop computing capability to the DFAS workforce as a performance-based service, on a per-employee "seat" basis. Because the contractor would acquire and own software and hardware, DFAS would no longer install, support, or maintain Government-owned desktop assets, nor would DFAS have a requirement to operate help desks for Government-owned computers. This is a new requirement that does not involve possible conversion of a function performed by Department of Defense (DOD) civilian employees. As a new requirement, this initiative is not subject to public-private competition under OMB Circular A–76. The Department has no additional Pioneer Projects which result in the direct conversion of functions presently being performed by Government employees to contract performance.

QUESTIONS SUBMITTED BY SENATOR CARL LEVIN

FEDERAL WORKFORCE

31. Senator LEVIN. Secretary Wynne, in your prepared testimony, you highlight the need for a "motivated, agile workforce" to support your efforts at transformation. Congress has provided a number of flexibilities for the defense laboratories and technical centers to execute personnel demonstration programs to better attract and retain this type of workforce. There has been continual and growing frustration with the Department's efforts at aggressively using the demonstration programs to experiment with personnel systems and approaches to attract scientists and engineers to government service. Please provide us with an update of your efforts to expand and

improve the ongoing laboratory personnel demonstrations and your efforts to increase the number of laboratories participating in demonstration programs.

Secretary WYNNE. The Department continues to support the testing of innovative personnel management practices through the laboratory demonstration project. Proposed changes to these demonstrations or any new starts will be evaluated based on sound management principles, mission needs and the goals of the Department.

32. Senator LEVIN. Secretary Wynne, do you intend to fully utilize the authority granted by Congress under Section 342 of the National Defense Authorization Act (NDAA) for Fiscal Year 1995 and Section 1114 of the NDAA for Fiscal Year 2001, which provided the labs with the needed authority and flexibility to attract and retain the best and the brightest scientists and engineers to support our military?

Secretary WYNNE. Yes, the Department intends to fully utilize these authorities granted to our defense laboratories.

FEDERALLY-FUNDED RESEARCH AND DEVELOPMENT CENTERS

33. Senator LEVIN. Secretary Wynne, your written testimony implies (and your May 3, 2004, letter to Congress explicitly makes) a request to remove the staff-year ceilings on Federally-Funded Research and Development Centers (FFRDC). Please provide an accurate accounting of how much and what type of study and analyses and systems engineering and integration work the FFRDCs have been forced to decline because of ceiling limitations.

Secretary WYNNE. DOD FFRDCs perform work that is consistent with their mission, purpose, and capabilities; their core competencies; and the strategic relationship with their sponsor; and cannot be performed as effectively by existing in-house, other not-for-profit, or for-profit contractors. The FFRDCs were unable to provide the following support to DOD due to ceiling limitations (see attached analysis).

DOD REQUIREMENTS UNABLE TO BE SATISFIED	Number of STE
CENTER FOR NAVAL ANALYSES	
Deferred studies and analyses on numerous Navy issues, including Multi-Mission Aircraft, CVN-21 Class science and technology, improving Navy safety, small diameter bomb collateral damage, volume fire, T-AOE(X) preparation and analysis of alternatives, mine countermeasures plan assessment, battle force interoperability metrics and analysis, joint test and evaluation of the Joint Unmanned Aerial Vehicle, and a US/UK naval capabilities interoperability study.	8.0
Deferred studies and analyses on DoD personnel-related issues, including personnel retention; review of military compensation; impact of activation, mobilization and deployment on reserve attrition; and Military Sealift Command manning alternatives.	4.7
Deferred work on the Balliistic Missile System Operational Analysis model, space control studies, and analysis of special intelligence collection capabilities.	4.0
Deferred analyses of resource issues, including long-term projections of operations and support costs and priority ranking of technology investments using cost/benefit analysis.	1.1
Total for Center for Naval Analyses	**17.8**
INSTITUTE FOR DEFENSE ANALYSES STUDIES AND ANALYSES	
Increased support for operational test and evaluation to keep pace with accelerated DoD RDT&E efforts and associated activities related to changes in the acquisition process. (DOT&E)	8.0
Increased support for the Joint Forces Command (JFCOM) in implementing the Urban Resolve Experiment.	4.0
Support for the Joint Unmanned Combat Air Systems (JUCAS) program office to address technical issues in the complex technology development effort. (DARPA)	8.0
Increased support for analyses of biological detection capabilities.	3.0
Increased support for a project focused on improving training readiness for asymmetric warfare. (OUSD(P&R))	2.0
Total for the Institute For Defense Analyses Studies and Analyses	**25.0**
RAND NATIONAL DEFENSE RESEARCH INSTITUTE	
Assist in strategic planning of research portfolio by defining emerging research requirements. Reduced project will not be as effective in providing the necessary research, analysis, and information for DTRA to make decisions in addressing technology gaps and operational capability improvements for responding to weapons of mass destruction (WMD) threats. (DTRA)	1.8
Provide research support for biological warfare threats, including concepts of operations and equipment that can be used to address threats by deployed troops in-theater, as part of the BioWeapons Countermeasures project. Reduced project will limit participation in PACOM exercises, red teaming, and war gaming; research results may be reduced and will be slower to produce. (DTRA and USPACOM)	0.4
Deferred a number of studies related to Navy ship/platform acquisition and shipbuilding industrial base issues. These studies would address the effects of ending of the DDG 51 program and the procurement of the DD(X), the LCS, and the USCG Deepwater program, and provide objective, independent assessments of the effects in changes in procurement policy. Studies would have provided estimates of shipbuilding costs and the effects of force structure and construction schedule changes on the industrial base, shipyards and other vendors, and the Navy. (Navy)	5.5
Delayed progress on an on-going study to research and evaluate the next generation of medical afloat capabilities due to lack of sufficient ceiling in FY03 and FY04. This research is considering future alternatives to the Navy's hospital ships for providing the medical needs of a deployed combat force. (Navy)	2.0
Stopped on-going project on logistics support for Strategic Submarine Program due to lack of ceiling. (Navy)	1.2

Deferred independent cost estimation research for the Navy Cost Analysis Division on various weapon systems. (Navy)	4.0
Curtailed or deferred multiple research efforts in support of the defense intelligence community. Many of these studies were never fully defined because the lack of ceiling simply made discussions with sponsors about research requirements fruitless. Examples of *known* research requirements include: a. Acquisition reform and strategic planning, such as NSA SIGINT strategic planning and expanded acquisition system reform research for NGA. b. Area and regional studies, such as expanded research about China's strategic programs and military modernization for DIA, as well as various other studies for DIA regional offices, including a study on terrorism in Latin America. c. Tradecraft and technology studies, such as research on horizontal integration and security and policy issues related to multi-int for NGA.	7.5
Total for RAND National Defense Research Institute	**22.4**
RAND PROJECT AIR FORCE	
Global Insurgency: A New Context for Employing Air Power Against Non-State Actors. This project was delayed a year. Insights of potential application in OIF during the last year were therefore not available. USAF MAJCOMs (CENTAF, PACAF AND USAFE) have been very interested in PAF's regional and strategy research. With the current restrictions, RAND has to limit research to 2-3 regional studies per year and focus those on the areas that are hottest today. As a result, they are unable to do studies on issues/areas that may become important over a longer time horizon (e.g. Africa and Latin America). The GWOT places a premium on understanding developments in many more countries and regions than was required during the Cold War.	2.0
New Command and Control Concepts for Leading Global Task Forces. Development of new command and control approaches and concepts to support recent UCP changes for Leading Global Task Forces will be delayed.	3.5
New Mobility Concepts to Support Global Air Operations. Implementation of new mobility concepts, aimed at addressing the changed demands of global counter-terrorism and counter-insurgency operations will be delayed.	1.5
Analytical support for ongoing international negotiations to ensure sufficient communications frequency capacity for U.S. national security needs will be curtailed.	2.5
New techniques for analyzing effects-based operations and capability-based planning will not be developed.	1.0
Responses to the threat to U.S. space system from emerging micro-satellite systems remain unassessed.	1.0
Particular RAND expertise on terminal attack control and operational command and control issues was unable to be applied to lessons learned from Operation Enduring Freedom.	2.5
Analysis of multi-mission aircraft options for potential gunship, long-range strike, and other applications will be delayed.	1.0
Independent cost-effectiveness trade-off analysis of ISR and strike systems to support global strike operations will not be performed.	7.0
MCX Analysis of Alternatives. The Air Force was unable to apply the low-cost, high-quality approach for Analysis of Alternatives developed for the Next Generation Gunship AoA, and unable to utilize an FFRDC to conduct the analysis as is preferred in the new capabilities definition process.	14.0
Determine requirements for the size and composition of the Air Force science and engineering workforce, including the minimum size of its military component. There is a possibility that the Air Force could convert some military science and engineering requirements to civilian or contractor, reapplying the military strengths to meet warfighting or other critical requirements. Conversely, without a well-founded requirement, the military strength in these career fields might be arbitrarily cut to a level below some critical needs. Without an objective analysis to rely on, one or the other of these unfavorable outcomes could occur.	1.0

The Air Force is expending substantial amounts of time from numerous Air Staff and MAJCOM staffs creating Development Teams in every functional areas (e.g., intelligence, maintenance, acquisition, mobility, special operations, fighter/bomber ops), convening large regular meetings, and issuing guidance concerning next jobs and education/training steps for about 75,000 officers without the benefit of systematic analytic methods for identifying positions' needs for experience, education, and training (the demand), officers' actual accumulations of those backgrounds (the supply), assessment of the gaps between demand and supply, and methods for optimizing the mix of career paths. Consequently, substantial gaps will remain between the Air Force's needs and the education, training, and experience of its officers.	3.0
Assist the Air Staff and Air Education and Training Command in better defining responsibilities for and content of Air Force policy regarding education and training. High-level, integrated, long-range planning for the use of technology in Air Force education and training will continue to be lacking, coordinated policies and budgets will not be created, and Air Force investments in the technologies will be less cost-effective and continue to lag the other services.	2.5
Determine optimal in-house vs. external sourcing of medical residency programs. Some current in-house medical residency programs with low flow or insufficient case frequencies may be better met through reliance on external programs, allowing scarce and expensive medical resources to be rededicated or saved. These efficiencies will remain unrealized without a careful analysis of the relevant factors.	1.5
Examine potential flexibilities in the boundary between officer and enlisted utilization. Options for shifting boundaries between the work done by officer and enlisted personnel in order to improve cost-effectiveness, job satisfaction, and career progression will not be identified.	2.0
Develop and apply better analytic methods to support the use of retention incentives to reshape future personnel inventories. Personnel policies, programs, and budgets to manage accession, retention, promotion, and separation flows will not take advantage of analytic advancements that can predict how officer and enlisted retention rates will be affected by military pay, benefits, retention bonuses and obligations, and employment opportunities outside the military. The results are less cost-effective workforce than possible and/or mismatches between the Air Force's needs and its officer and enlisted workforces.	2.5
Analyze optimal balance among recruiting resources (recruiters, advertising, enlistment bonuses, and education incentives). Working principally for the Army, RAND has developed analytic methods to determine the optimal mix of recruiting resources. Project would ensure that the Air Force is using the optimal mix.	2.0
Alter the use of aptitude tests to guide enlisted classification. Lack of information about the effectiveness of aptitude tests in measuring different demographic groups' potential in different enlisted occupations and about the potential effects of shifting the levels or mixes of composite scores used to channel enlistees into different specialties.	2.0
One factor that seems to discourage both affiliations with reserve units and volunteering for contingency deployments among those who have affiliated is reluctance of employers to absorb the impacts of the resulting worker absences. Availability of reservists to meet contingency needs might be enhanced by a program that compensates employers for the economic impacts of these worker absences. Without a carefully designed study, the Air Force may not identify feasible, cost-effective alternatives for implementing such a program.	2.0
Like many organizations, the Air Force is attempting to transform its human resource management activities from a purely transactional focus (handling one personnel issue for one employee at a time) to include a strategic focus (determining gaps in required human capital and identifying programs and policies to close the gaps). However, current Air Force human resource staffs generally lack training and experience needed to provide a strategic focus. Without the assistance this project would provide, AFMC is unlikely to establish processes, organizational arrangements, information systems, and other tools needed for effective workforce management, resulting in less effective acquisition workforces.	2.0
Air Force Materiel Command (AFMC) Command and Control/Depot X. Transformation options to link the depots to the warfighter will be delayed.	3.0
F/A-22 Lessons Learned. Lessons learned that could be applied to the JSF program to decrease costs or increase the speed of development and production will be foregone.	2.0
AEF Capability Evaluation. Reconstitution into new AEF structures will lose the opportunity to benefit from our ability to understand the operational effects of alternative deployment configurations.	3.0
Streamlining the MRRB (Materiel Requirements Review Board). Cost reductions and productivity improvements due to improved flows of work through the depot will be delayed.	2.0
Revising the RSP/WRM Process (Readiness Spares Package/War Reserve Materiel). Efficiencies to be gained through more effective estimates of RSP and WRM will be delayed.	2.0
Technology transitions from AFRL development efforts to the private sector will be delayed. This reduces the productivity expected from the commercial sector.	1.0

Commodity Councils and Small Business. This will potentially delay the integration of small business into the new purchasing and supply chain management commodity council processes.	1.0
UAV/UCAV End-to-End Sustainment Concepts –project deferred & stretched. Deferral and stretch may reduce opportunity to increase sustainability of new UAVs like Global Hawk.	1.0
F-16 Multinational Program Lessons Learned for the Joint Strike Fighter Program. Delays identification of lessons learned that might contribute to improved performance of the JSF program among its foreign partners.	3.0
Total for RAND Project Air Force	**74.5**
MITRE C3I FFRDC	
BATTLE MANAGEMENT COMMAND CONTROL AND COMMUNICATIONS (BMC3) CAPABILITIES PROGRAM. Eliminated support to Deliberate and Crisis Action Planning Execution System (DCAPES), NATO Air Command and Control System (ACCS) and Counterdrug Surveillance & Control Systems (CSCS), increasing systems engineering risks. Decreased support to weather programs. (Air Force)	34.0
AIRBORNE WARNING AND CONTROL SYSTEMS (AWACS). Reduced support to Radar Surveillance Improvement Program (RSIP), Global Broadcast Service (GBS) and Global Air Traffic Management (GATM) increasing program integration and systems engineering risks. (Air Force)	5.8
INFORMATION ASSURANCE. Decreased systems engineering support to Air Force Electronic Key Management Systems (AFEKMS) increasing technical risks to the program. (Air Force)	6.9
COMMAND AND CONTROL ENTERPRISE INTEGRATION (C2EI). Deferred modeling and simulation studies impacting future Command & Control (C2) Constellation systems engineering risks. Reduced most systems engineering support to Commander in Chief Interoperability Program Office (CIPO) activities in support of Combatant Commands (COCOM) activities.	46.7
ESC CHIEF ENGINEER. Deferral of ESC systems engineering revitalization activities. (Air Force)	6.8
EASTWING. Deferred threat assessments for selected ESC acquisition programs. (Air Force)	3.0
MULTI-SENSOR COMMAND AND CONTROL AIRCRAFT (MC2A). Increased systems engineering risks for Multi-Platform Radar Technology Insertion Program (MP-RTIP) and Battle Management Command, Control and Communications (BMC3) systems. (Air Force)	25.0
MATERIEL SYSTEMS GROUP (MSG) ARCHITECTURE, INTEGRATION AND PLANS. Reduced support to Combat Support systems increasing integration and systems engineering risks. (Air Force)	1.4
STRATEGIC AND NUCLEAR DETERRENCE COMMAND AND CONTROL (SND C2). Reduced support to Combatant Commanders Integrated Command and Control System (CCIC2S) increasing program systems engineering risks. Deferral of systems engineering support to Deep Stare Test & Evaluation (T&E). (Air Force)	17.9
NETWORK MANAGEMENT GATEWAYS, & TACTICAL DATALINKS. Deferred systems engineering for Command and Control, Intelligence, Surveillance, and Reconnaissance (C2ISR) links on both air and ground platforms and for Air Mobility Command (AMC) and Special Operations Forces (SOF) systems increasing data link program integration risks and systems engineering risks. (Air Force)	17.0
MILITARY SATELLITE COMMUNICATIONS (MILSATCOM). Loss of forward looking systems engineering momentum on transformational communications activities. Increasing risk to future programs and integration with existing capabilities. (Air Force)	15.5
DEFENSE INFORMATION INFRASTRUCTURE AIR FORCE (DII AF). Deferred key Common Integrated Infrastructure (CII) systems engineering activities increasing risks when program enters acquisition. (Air Force)	8.3
GROUND BASED INFRASTRUCTURE. Decreased support to Combat Information Transport System (CITS) and base level communications systems engineering. Increased risk integrating CITS at AF bases. (Air Force)	20.0
INFORMATION OPERATIONS. Increased systems engineering risk for classified government information operations programs. Cancelled support to Paul Revere platform. (Air Force)	21.8
STANDARD SYSTEMS GROUP (SSG). Reduced support to Combat Support systems increasing integration and systems engineering risks. (Air Force)	3.3
INFORMATION INTEROPERABILITY. Deferral of architecture work on coalition Command & Control, Intelligence Surveillance and Reconnaissance (C2ISR) enterprise integration. Increased systems engineering risk integrating with coalition partner systems. (Air Force)	5.0
INTELLIGENCE & DEPARTMENT OF DEFENSE INTELLIGENCE INFORMATION SYSTEM (DODIIS) SUPPORT. Delay of Intelligence, Surveillance Reconnaissance (ISR) operational architecture study. (Air Force)	3.3

AIR FORCE INTEGRATED C2. Reduced systems engineering support on requirements for the C2 Constellation. Less attention to upfront work risking undiscovered issues during the development cycle. Deferred engineering work on Air Operations Center (AOC) security requirements. (Air Force)	3.0
AIR EDUCATION AND TRAINING COMMAND (AETC) SUPPORT. Deferral of systems engineering activities for several automated training systems increasing program risk. (Air Force)	2.5
AF/XI ARCHITECTURE & ENGINEERING SUPPORT. Deferral of communications and infrastructure technology analysis and standardization studies increasing systems engineering risk to airborne network integration. (Air Force)	2.0
AIR FORCE MATERIEL COMMAND (AFMC) ARCHITECTURE, INTEGRATION & PLANS. Reduced support to Combat Support systems increasing integration and systems engineering risks. (Air Force)	1.3
SECURE THEATER INTEGRATED NETWORKS (STIN). Deferred studies for advanced communications products. (Air Force)	1.0
SPACE-TIME ADAPTIVE PROCESSING APPLICATIONS TO AIRBORNE-SURVEILLANCE RADAR (STAP/AASR). Deferred studies for information operations. (Air Force)	1.7
INFORMATION WARFARE. Deferred research for cyber forensics. (Air Force)	0.8
MARITIME INTELLIGENCE. Work on Ship tracking and identification. (Navy)	3.5
PEO (C4I & Space). Work on Navy acquisition support to Submarine communications, Link 16 improvements, and Information Assurance. (Navy)	6.5
Guilder Lizard (Special Access Program). (Navy)	2.0
SPAWAR. Work on FORCEnet architecture and design. (Navy)	3.7
Aegis BMD Office. Deferred support to integrate missile defense into the Aegis Weapon System and to work interoperability issues with BMDS and support of modeling and simulation. This limitation will increase program risk. (Navy)	2.0
SPAWAR Systems Center. Work in several areas of support for Navy's C4I lab, including work on the Translingual Instant Messenger, speech recognition, the Littoral Combat Ship C4I. (Navy)	12.0
Marine Corps Systems Command. Work on C4I on the move (Condor), on tactical communications switch and on interoperability studies between Marine and Army tactical units. (Navy)	4.0
NAVAIR Software Leadership Council. Work on reducing software cost for NAVAIR. (Navy)	2.0
Air Combat Electronics. Work on planning for JTRS introduction into Naval Aviation. (Navy)	1.0
Various other requirements not satisfied, including work on improved ability to send target data to cockpit for increased op tempo, enhancements to counter-C2 shipboard capability, and improved handling of tapes from foreign broadcasts. (Navy)	2.3
Transport and IP. Reduced support for transitioning existing network capabilities into net-centric environment. (DISA)	2.0
Enterprise Services. Reduced support for transitioning existing enterprise capabilities into NCES. (DISA)	12.3
C2 and Combat Support. Reduction in C2 prototyping (DISN Leading Edge Services (LES), JWID). (DISA)	5.5
NETOPS. Reduced support in network management for deployed environment, network situational awareness. (DISA)	3.3
DISA Strategic and Technical Plans. Reduced support for long range strategic planning. (DISA)	2.4
Interoperability and Best Fit Programs. Reduced support to ADNET, JDEP, and Key Interface Profile (KIP) development. (DISA)	7.5
JC2 pre-program activities. KIP development (DISA)	3.0
Functional Intelligence Capabilities development, DoDIIS Enterprise Engineering and Operational Analyses. (DIA)	26.8
Support for experimentation, prototyping, C2 Concept Dev & Exp, FIOP, SIAP, JWFC, and JBC support. (JFCOM)	26.0
Contingency planning and execution. (EUCOM)	6.0
Support of effort in Global War of Terrorism. (USSOCOM)	5.0
Support of Global C2 concept development. (USSTRATCOM)	11.0
Support of HLD. (USNORTHCOM)	3.0
Support of mobility operations. (USTRANSCOM)	1.0
Support of Functional Capabilities development, Information Assurance, and Operational Analyses. (Joint Staff)	8.0
Systems engineering and acquisition work for the new NSA Program Executive Office, increasing the risk to NSA's portfolio of major transformation programs. (NSA)	22.0

Enterprise engineering work for the new NSA Directorate of Engineering, increasing the risk to NSA's enterprise engineering program. (NSA)	3.0
Communications research for the SIGINT Directorate, increasing the risk to a classified NSA communications research project. (NSA)	2.0
Systems engineering support to NGA Analysis and Production (NGA/P), which led to an inability to support high priority engineering studies and increased the associated risk of anticipating and mitigating issues associated with the introduction of new capabilities. (NGA)	4.5
Systems engineering assistance for key acquisition programs including softcopy search, FIA, communications infrastructure engineering, the Airborne Integration Program, and GeoScout, leading to increased risk. GeoScout in particular is a key acquisition transformation initiative that was in a critical transitional phase in FY04. MITRE played a significant role in this acquisition during the pre-acquisition phase and represented important continuity during the follow on transition after award of contract. Continuity was later identified as a key deficiency in the transition to GeoScout contributing to start up delays and schedule slips. (NGA)	25.4
Support to InnoVision, NGA's future concepts and technology organization, which resulted in several initiatives not being addressed, resulting in increased risk. (NGA)	7.8
Support for the transformation of NGA, decreasing support of the Enterprise Engineering Office, which resulted in increased risk associated with new enterprise engineering processes. (NGA)	11.2
Missile Defense System Engineering for Block 2006 and Block 2008 concept development and architectural efforts, especially regarding moving the BMDS to net-centric principles. Shortage will lead to increased program risks. (MDA)	2.0
Missile Defense. Support for modeling and simulation of the ranging and surveillance tracker, and implementation of Link 16 on the ABL aircraft so it can participate in the C2BMC network. The C3I FFRDC's atmospheric model for the ranging and surveillance tracker is unique. Implementation of Link 16 on the aircraft leverages C3I FFRDC core expertise and is critical to the ABL's ability to become integrated into the BMDS. (MDA)	2.0
Support to assure that the BMDS becomes fully integrated with other DoD mission areas, the Intelligence Community and the evolving C2 and communications architectures of the DoD, leading to increased program risk. (MDA)	3.0
Support for information assurance assessments of the BMDS and subordinate elements which is critical area as the BMDS becomes integrated with the existing COCOMs' C2 networks and infrastructures. (MDA)	2.7
Missile Defense. Software engineering expertise relating to THAAD missile software development and missile software issues impacting the program's flight schedule. Substantial oversight of the missile software engineering development was deferred, increasing the level of program risk. (MDA)	0.8
Support to perform a benefits analysis of the Joint Tactical Radio Systems using Field Programmable Gate Arrays (FPGAs) for handheld communication devices that would provide the best platform to support emerging technologies and operational requirements. (DARPA)	2.0
System integration and transition for the Networked Embedded Software Technology Program, resulting in delay of fielding of the system because the selected performer experienced a considerable learning curve. (DARPA)	6.0
Support for analysis of software producibility technology, which reduced support in other areas such as surveillance and knowledge systems, and software protection initiative. (OUSD(AT&L))	3.3
Reduced the number of joint test programs supported. (OUSD(AT&L))	1.0
Support of new project to prepare a technology roadmap for the use of telemetry above 3 GHz. (OUSD(AT&L))	2.8
Reduced technical assessments required to support sponsor investment strategies. (OUSD(AT&L))	0.7
Support of systems engineering for Single Integrated Air Picture (SIAP): (OUSD(AT&L))	1.5
Independent review of major software-intensive systems development. (OUSD(AT&L))	1.0
Support for systems engineering process required for the deployment of Joint Battle Management Command and Control (JBMC2), resulting in delayed development. (OUSD(AT&L))	1.5
Total for the C3I FFRDC	**522.0**
AEROSPACE	

Launch Programs Systems Engineering and Integration: Deferred launch programs work includes various mission analyses such as loads and dynamics analysis; mission design; guidance, navigation and controls verification, software validation and pedigree review activities; Some Independent Validation & Verification (IV&V) work has been shifted to other companies. Deferred work increases risk that problems will not be identified early enough to avoid rework to flight hardware. Shifting IV&V to other companies resulted in significant inefficiencies for the government due to the need to develop and maintain tools sets and expertise at multiple companies. Aerospace FFRDC could not take on full accountability for mission success on EELV. (Air Force)	49.0
Current Satellite Programs Systems Engineering and Integration: Deferred assessments of ground software and segment engineering development processes, from requirements analysis through testing; Limited or no assessment of lower-level detailed software designs, code, and unit testing; Eliminated end-to-end system performance modeling; Eliminated independent validation analysis of orbital analysis results; Limited assessments or support to change proposals, information assurance, failure investigations, test monitoring, mission control database; Eliminated real-time flight software laboratory and independent satellite power analysis; Reduced contractor oversight and independent engineering analysis on satellite and sensor integration and test for two spacecraft; Reduced software confidence testing and security risk analysis for ground station; Substantially reduced support for modernization programs for existing blocks of satellite builds; Reduced coverage of configuration audits; Reduced analysis of emerging technology for technology insertion to modernize current satellites through block changes; Reduced analysis of interactions with IC and DoD users and analysis and definition of development life cycle processes; Reduced mission analysis with the current architecture against current and evolving threats to ensure mission completion; Reduced analysis of Independent analysis of contractor-proposed re-designs and modifications to existing hardware; Reduced life testing, curtailed QA support, and reduced test monitoring. Deferred work increased program risk due to incomplete analysis of requirements and mission threats leading to potential lower capability for end-users.	165.0
Emerging Spacecraft Programs Systems Engineering and Integration: Deferred technology risk reduction on key new technologies such as the electronically scanned antenna and laser communications; deferred review of contractor work in developing system specifications; deferred work to update ground and space segment models to bring into compliance with latest specifications for release to contractors; deferred system level design trades, requirements analysis & performance analysis; deferred space segment requirements definition work and information assurance requirements definition; deferred network definition tasks including simulation and performance analysis; provided limited or no support to some new space superiority programs; limited or no support to front-end architecture development efforts for a space superiority architecture plan. Deferred work results in increased risk of incomplete or incorrect requirements definition, potential program executability issues later, and mission success, as well as separate systems engineering and integration contractor for Transformational Communications and Spaced Based Radar programs.	80.0
Space Network Control Program Systems Engineering and Integration: Reduced attention to architecture planning, system design and development, independent reviews, and technically complex sustainment challenges. Increased risk to implementation of improved capabilities, thereby potentially impacting operational capability.	10.0
Missile Defense Agency Support (National team and STSS program): Reduced following support: far-term ballistic missile defense (BMD) system concept development and evaluation, mid-and far-term BMD system definition and architecture engineering, near-term BMD system capability specification review, non-advocate assessment of initial BMD system capability, interface definition and integration of external sensors to BMD system, non-advocate assessment of modeling and simulation needs for BMD, engineering level assessments of ballistic missile threats, BMD system communications architecture design, identification and assessment of concurrent testing and operations issues for BMD system, and simulation tool development which would have supported key independent risk reduction analyses. These reductions resulted in delays in achievement of critical BMDS capabilities and robustness levels, greater systems engineering and integration challenges, suboptimal mid- and far-term evolution of BMDS capabilities, reduced insight into BMDS limitations and vulnerabilities, and higher risk of increased BMDS acquisition and life cycle costs.	27.0

Support for Technology Demonstration and Evaluation: No support to two demonstration programs; deferred support to a number of space experiment demonstrations; unable to fully support source selections and ongoing programs; delayed completion of Operationally Responsive Space AoA; unable to support approximately 20 gov't customers seeking access to unused launch capability on COCOM launches; limited independent evaluation, screening, and prioritization of auxiliary space test mission payloads and support of cooperative, cost-share missions. This lack of support resulted in shifting systems engineering support to SETA, causing problems due to conflict-of-interest issues and leaving DoD without technical support in certain areas; delaying future technology work and improvements to existing and future systems; allowing no flexibility to respond to new starts, projects, studies; providing no ability to apply skills in the early phases of newer programs where the real leverage lies to alleviate risk and to do smarter architecture/system engineering; and increasing risk on demonstration and high-priority test programs, and of delays and cost increases.	47.0
Support to Satellite Operations and Warfighter: No support for development of AF Space Operations Single Integrated Space Picture (SISP). No technical support for most space operations, or technical work assigned to limited number of government personnel. Reduced ability to respond innovatively to current wartime operations requirements; Limited capability to integrate future planned space systems with other warfighter capabilities.	32.0
Support to Planning, Requirements, and Acquisition Management: Very limited ability to track requirements throughout acquisition life-cycle; Reduced ability to revitalize acquisition standards and processes to make gov't a "smarter buyer"; STRATCOMs new Unified Command Plan missions not being fully supported due to lack of space experience; Limited ability to identify cross-program issues such as piece-problems affecting several space programs. Slowed process of reducing "bow wave" of program executability problems through proper process implementation; Reduced ability to identify "requirement creep" early, and manage costs; Limited ability to get new warfighter requirements incorporated in next generation systems.	73.0
Total for Aerospace	**483.0**
INSTITUTE FOR DEFENSE ANALYSES COMMUNICATIONS AND COMPUTING LAB	
Support for mathematics of information processing needed to support the global war on terrorism. (NSA)	4.0
Total for Institute for Defense Analyses Communications and Computing Lab	**4.0**
MIT LINCOLN LABORATORY	
Deferred development and optimization of personal bio detection sampling kits for deployed force protection.	5.0
Deferred engineering analyses and development of navigation and surveillance technologies for military air traffic control applications.	5.0
Delayed start of risk reduction activities for the Transformational Communications PseudoSat.	5.0
Total for MIT Lincoln Laboratory	**15.0**
SOFTWARE ENGINEERING INSTITUTE	
Deferred information assurance/cybersecurity work on: identifying and preventing network security flaws, performing malicious code analysis, limiting damage from cyber attacks, and ensuring DoD systems continue to provide essential services in spite of compromises or failures.	12.0
Deferred work on software architecture technology aimed at enhancing the ability of DoD acquirers and developers to incorporate proven architecture tradeoff and key attribute (reliability, availability, dependability) optimization practices.	9.0
Deferred work on integration of systems and interoperability focused on DoD's vision of network-centric warfare and government visions for e-government and e-business.	4.0
Total for Software Engineering Institute	**25.0**
Total for All the FFRDCs	**1188.7**

8

34. Senator LEVIN. Secretary Wynne, there are a number of non-FFRDC private organizations that provide similar studies and analyses and systems engineering and integration support to DOD. Is there a reason that DOD cannot make greater use of these resources to meet their need for high quality support on technical, analytic, and operational issues?

Secretary WYNNE. DOD makes extensive use of non-FFRDC private organizations and this use is increasing. However, DOD needs to be able to access its FFRDCs for high-quality support on technical, analytical and operational issues that cannot be performed as effectively by existing in-house or other contractor resources. The Department established its FFRDCs to have a long-term, strategic relationship with their DOD sponsors and users. This relationship enables the FFRDCs to maintain in-depth knowledge of their sponsors' programs and operations, maintain currency

in special fields of expertise, and provide a quick response to emerging DOD needs. Each FFRDC is required to conduct business in a manner befitting its special relationship with the Government, to operate in the public interest with objectivity and independence, and to be free from organizational conflicts of interests. FFRDCs must avoid actual or perceived conflicts of interest and accept stringent restrictions on their scope, method of operations, customer base, and the kinds of efforts they can undertake. DOD needs to be able to obtain support free from any conflicts of interest. Non-FFRDC private organizations, both not-for-profit and for-profit, are not required to operate under these restrictions and therefore may not provide the same high-quality support free from organizational conflicts of interest.

35. Senator LEVIN. Secretary Wynne, would the Department support the establishment of a system that permits the FFRDCs to compete with these private organizations for studies and analyses and systems engineering and integration support contracts once the FFRDCs have reached their congressionally-mandated ceilings?

Secretary WYNNE. The Department would not support any arrangement that would allow FFRDCs to compete with private organizations for DOD work. Section 35.017–1 of the Federal Acquisition Regulation (FAR) requires that FFRDC sponsoring agreements, or sponsoring agency policies and procedures, prohibit FFRDCs from competing with non-FFRDC organizations for other than the operation of an FFRDC. We agree with this policy. The primary reason for that constraint is to prevent the appearance that FFRDCs are using their special access to Government and commercial information to compete unfairly with firms that do not have such access. Even with this restriction on FFRDC competition, for-profit companies sometimes complain—inappropriately in the Department's view—that FFRDCs are taking business from them. If the FAR's ban on FFRDC competition were eliminated in full or in part, we would expect complaints from for-profit firms to increase substantially. Thus, while it might be tempting to relax the constraints on FFRDC competition in order to solve the current problem, the blurring of distinctions between FFRDC and non-FFRDC work could create different problems for the Department over the long term. The current problem arises because the Department does not have sufficient access to its FFRDCs due to ceilings on overall FFRDC staff-years of work. We believe the best solution to the problem is to eliminate the ceilings, not to alter the "non-competition" management construct for FFRDCs that is embodied in the FAR and in DOD's Management Plan for FFRDCs. We believe these operating practices for FFRDCs are sound and have proven to be effective.

COMBATING TERRORISM TECHNOLOGY TASK FORCE

36. Senator LEVIN. Secretary Wynne, your written testimony highlights the important work of the Combating Terrorism Technology Task Force (CTTTF) in supplying advanced capabilities to the warfighter in the global war on terrorism. How much funding (including reprogrammings) has been used for the activities of the CTTTF since its inception?

Secretary WYNNE. Over $500 million has been used for CTTTF activities to rapidly transition advanced technology capabilities to the warfighter. A summary follows:

- The CTTTF was established by the Director, Defense Research and Engineering immediately after September 11 to support the acceleration of technology in support of operational needs for the global war on terrorism. During Phase I (September 2001 to February 2002), the Department was successful in prioritizing $181 million and $212 million respectively from the fiscal year 2002 and 2003 Defense Emergency Relief Fund (DERF). These funds were allocated to support over 40 high priority initiatives across the military Services, the Defense Threat Reduction Agency, and with the Technical Support Working Group.
- During Phase II operations leading up to and including the land conflict in Iraq, $78 million was allocated, via various internal reprogramming authorities, to support 9 investment programs in the areas of: detecting and defeating weapons of mass destruction; ISR capabilities; humanitarian assistance; and improved weapons lethality for cave and building penetration.
- Phase III CTTTF operations were initiated in June 2003 to assist in post-major hostilities issues in Iraq, primarily in the area of Force Protection. To date, approximately $62 million (reprogramming of fiscal year 2003/2004 funds) has supported over 15 project investments for: detection and defeat of Improvised Explosive Devices; intelligence capabilities; surveillance and reconnaissance; information fusion and analysis; development of a central-

ized test site; and accelerating the active Denial System Advanced Concept Technology Demonstration.

37. Senator LEVIN. Secretary Wynne, how much funding was requested for the activities of the CTTTF in the fiscal year 2005 budget request?

Secretary WYNNE. The CTTTF currently does not have a direct funding line. However, as noted in response to your first question on the amount of funds allocated to date, we have been very successful in reprogramming funds to address near-term, unforeseen requirements generated as a result of operational issues to fight the global war on terrorism.

38. Senator LEVIN. Secretary Wynne, do you anticipate requesting supplemental fiscal year 2005 funding or further reprogramming of fiscal year 2004 or fiscal year 2005 funds for these activities in the future?

Secretary WYNNE. Based on our prior experience in addressing the near-term, quick-reaction needs to support the global war on terrorism, I would expect follow-on requirements to be addressed in departmental supplemental and reprogramming actions.

39. Senator LEVIN. Secretary Wynne, what role does the operational test and evaluation community play in the rapid development and deployment of technologies by the CTTTF?

Secretary WYNNE. Every technology supported by the CTTTF is tested at Yuma Proving Ground (YPG) before deploying to the theater. CTTTF representatives, working with the Army Test and Evaluation Command and the Technical Support Working Group, are developing common testing procedures for devices used to counter or detect improvised explosive devices. In addition, members from the test and evaluation community form the core of the CTTTF testing team at the Yuma Proving Ground (YPG). Specifically, we have testing procedures in place that are designed to ensure the most promising prototypes can be rapidly fielded by moving prototypes from technical solutions to operational capabilities.

40. Senator LEVIN. Secretary Wynne, how do you ensure that the technologies are adequately tested before they are fielded?

Secretary WYNNE. The CTTTF has established a streamlined, yet comprehensive testing process for assessing all technology capabilities at Yuma Proving Ground (YPG) before fielding. As soon as the Department recognized that the use of improvised explosive devices was a force protection issue for deployed U.S. and coalition forces, the Department conceived and rapidly built a very detailed test facility at the YPG using CTTTF funds. This facility contains different road, village and background environments to include a town we call "Little Baghdad." Force protection equipment can be rapidly tested with operators before deployment. One timely example is the testing of a system that pre-initiates IEDs using ground and airborne capabilities now deployed to the theater. This was a coordinated effort by numerous organizations.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

NATIONAL DEFENSE EDUCATION ACT

41. Senator AKAKA. Secretary Wynne, in your testimony you make reference to the "severe engineering shortages" that you face and the difficulty in attracting talent in the so-called "hard sciences." I have a bill, S. 589, that the Senate has passed and is now being considered in the House that would provide scholarships for individuals in a number of critical fields, including the sciences, with the provision that they later serve in the government. Have you had a chance to review my bill and do you have any comments on it?

Secretary WYNNE. I am aware of S.589 and that the DOD Office of Under Secretary for Personnel and Readiness has been engaged on the bill.

42. Senator AKAKA. Secretary Wynne, has the administration given any thought to reauthorizing the National Defense Education Act that was passed in the late 1950s and was so critical to ensuring this country trained the right talent in the sciences as well as other fields?

Secretary WYNNE. As a part of our review of things to consider we have re-read the act you describe and recognize it fit its time and may not exactly fit this period. I believe that any solutions that DOD might recommend in the future, whether leg-

islative or otherwise, must be more finely tuned to DOD's future needs for critical skills, especially in emerging subdisciplines and specialties that are potentially transformational to our future military capabilities. I also believe that any such solutions must be developed in the context of a much more technologically competitive, diversified, and complex global economic environment than that of the late 20th century.

[Whereupon, at 4:05 p.m., the subcommittee adjourned.]

○