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STATEMENT OF

MR. RAYMOND F. DUBOIS
DEPUTY UNDER SECRETARY OF DEFENSE
(INSTALLATIONS AND ENVIRONMENT)

BEFORE THE SUBCOMMITTEE ON
MILITARY CONSTRUCTION
OF THE SENATE APPROPRIATIONS COMMITTEE

March 18, 2003

Chairwoman Hutchison, Senator Feinstein, and distinguished members of the Subcommittee on Military Construction, I welcome the opportunity to appear before you today to discuss the base realignment and closure (BRAC) process and the critical importance of the rationalization of military infrastructure to the Department of Defense. Rationalizing our infrastructure is an integral part of our effort to transform the Department. New force structures must be accompanied by a new base structure. Today I will discuss this Administration's approach to the new BRAC round and our progress in implementing the prior rounds.

TRANSFORMING BASES AND INFRASTRUCTURE

Since 1988, the Department of Defense has closed 97 major installations and realigned missions at an additional 55 others. Combined with the over 230 minor BRAC actions undertaken during the four previous rounds of BRAC, the Department of Defense has rationalized much of its infrastructure. Since the last round in 1995, three successive Secretaries have argued for the need to further rationalize defense infrastructure. In the National Defense Authorization Act for Fiscal Year 2002, Congress was persuaded by the case laid out by Secretary Rumsfeld and authorized an additional BRAC round for 2005. We are grateful to the Congress for authorizing this process. BRAC 2005 will reconfigure our current infrastructure to improve both war fighting capability and efficiency. Our expectation is that by removing additional excess capacity we hope to save several billion dollars annually. We can then focus the funds on facilities we actually need and turn waste into warfighting as well as [and] quality-of-life improvements for the men and women who volunteer in service to the Nation.

Prior BRAC actions have resulted in net savings to the Department of Defense and its Components of approximately \$17 billion, with annual recurring savings of approximately \$7 billion. These savings have been thoroughly validated by the General Accounting Office. However, savings, while critically important, are not the only benefit – in fact, they are not even the primary benefit. The authority to realign and close bases we no longer need will be a critical element of ensuring the right mix of bases and forces within our warfighting strategy as we transform the Department to meet the security challenges of the 21st century.

Transformation requires rationalizing our base structure to better match the force structure for the new ways of doing business. And the Department will conduct this rationalization with an eye toward ensuring we assess capacity across the installations maintained by the military services for the best joint use possible, if that is appropriate for the mission under review.

We have examined carefully the experiences gained through the management of previous base realignment and closure rounds. Looking ahead, to the next round in 2005, we have attempted to make a number of process improvements to enhance our ability to arrive at a rightsizing of our infrastructure which will complement and support the force and business transformation activities of the Department .

CONDUCTING BRAC 2005

The Department's BRAC 2005 round will be based upon the general template used in the three previous BRAC rounds. While I recognize that there was some criticism regarding the

implementation of the previous Commission's recommendations, overall, the process worked well. In fact, the review by the General Accounting Office of the Department's 1995 BRAC process concluded that the process was generally sound and well documented and should result in substantial savings. The Comptroller General concluded that as Congress considered the need for future defense infrastructure reductions that it avail itself of a process similar to that authorized in 1990 that govern the succeeding three rounds of base realignment and closure. As a caution, however, the General Accounting Office also recommended that the Department needed to strengthen its leadership within the process, should there be a future BRAC round, to maximize the opportunity for rationalization, particularly in areas that could be considered joint or common business and functional areas.

Both the Congress and the Department have responded affirmatively to those recommendations. The Congress authorized a BRAC round for May of 2005 based upon the successful construct of the previous three rounds with the Secretary providing recommendations to an independent commission which then holds public hearings and issues its recommendations to the President who then forwards them to the Congress for approval on an "all or none" basis. Similarly, the Secretary of Defense, in his memorandum of November 15, 2002, that "kicked off" the Department's BRAC process created a review and oversight process that is substantially strengthened from those in previous rounds.

The Secretary established an Infrastructure Executive Council, chaired by the Deputy Secretary, and composed of the Secretaries of the Military Departments and their Chiefs of Services, the Chairman of the Joint Chiefs of Staff, and the Under Secretary of Defense

(Acquisition, Technology and Logistics) as the policymaking and oversight body for the entire BRAC 2005 process. The Secretary also established a subordinate Infrastructure Steering Group chaired by the Under Secretary of Defense (Acquisition, Technology and Logistics) 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 myself.

This structure has, in fact, established a strengthened joint process for BRAC 2005 that will advance transformation, jointness, combat effectiveness, and the efficient use of taxpayer's money by effectively capitalizing on the military value of our installations. For example, early on in the process, the Secretary will review and approve those functions within the Department that will receive joint cross-service analysis and the metrics for that analysis. While the Services will evaluate their unique functions, those functions determined to be common business-oriented (i.e., the functions exist in more than one service or reside in the private sector) will be evaluated jointly for cross-servicing.

Along those lines, we have recently established six broad areas to examine functions for joint analysis. Those broad areas are: Supply and Storage, Industrial, Technical, Education and Training, Medical and Administration. We are now in the process of designing the organizational approach for a comprehensive analysis of these functions for the Secretary's approval. In the previous round, the Department constrained its joint cross-service analysis by limiting the authority of the groups conducting the analysis and assigning them a much more limited functional basis. Through the lessons learned from previous rounds and the design of a process to mitigate the constraints imposed in previous rounds, I am confident that BRAC 2005

will achieve its potential to materially improve the manner in which military infrastructure and supports our war fighting capability.

OVERSEAS

Our installations transformation is not limited to the United States. We also are assessing our facilities overseas to determine the proper size and mix. Since 1990, the Department of Defense has returned or reduced operations at about 1,000 overseas sites, resulting in a 60 percent reduction in our overseas infrastructure and a 66 percent reduction in Europe, in particular, and we continue to review overseas basing requirements of the Combatant Commanders and examine opportunities for joint use of facilities and land by the Services, consolidation of infrastructure, and enhanced training. We have undertaken a comprehensive review of our overseas presence, in response to both the interest and direction of the Congress and the Secretary's initiative. While this comprehensive review has not been completed, I can assure the Subcommittee that we are working very hard on it and will report to the Congress as it is completed.

BASE REUSE AND COMMUNITY PROFILE

For local communities faced with a closure, of course, BRAC raises a number of reuse and redevelopment issues. As the Members of this Subcommittee know well, the closure of a military base can be a significant redevelopment challenge. After four rounds of BRAC, numerous success stories abound and, admittedly, some challenges remain.

The closure of a military installation creates a hurdle and an opportunity for local communities to reuse large parcels of land and existing buildings in ways not previously envisioned. A closed installation can be the affected community's greatest asset for mitigating the impacts of the closure and charting a future that diversifies the local economy and attempts to build on a community's strengths.

Reusing a military base is frequently the largest and most complex economic redevelopment effort ever undertaken in a community. Local reuse authorities work to harness public and private sector resources to drive economic recovery and growth. Reuse also creates an opportunity to achieve multiple community goals, including the diversification of the local economy through new job creation; expansion of the tax-base; and satisfying a range of community needs for new public facilities. Through the four previous rounds of BRAC, the Military Departments transferred about 250,000 acres of land with buildings and other improvements for reuse as non-Defense activities. As of October 2002, over 85,000 new civilian jobs have been created on former military bases – an 8% increase from the previous year.

The Defense Economic Adjustment Program seeks to assist Defense-impacted communities, workers, and businesses. Over the past four rounds of BRAC, the Department's Office of Economic Adjustment (OEA) has provided over \$270 million in economic adjustment planning assistance for the preparation of adjustment strategies, reuse plans, and initial organizational staffing. In addition, \$218 million has been provided by the Department of Labor for worker adjustment assistance; \$405 million in aviation master planning and implementation assistance from the Federal Aviation Administration; and, \$568 million from the Department of

Commerce's Economic Development Administration for building construction, demolition, and other implementation activities. Interagency coordination with the Departments of Health and Human Services, Education, Justice, the Interior, and Transportation, has also facilitated the transfer and effective reuse of more than 154,000 acres.

The Department recognizes the uniqueness of each community and has provided a combination of technical and financial resources to support the needs of the impacted community. These include:

- **Organization:** a community's single point of contact for all matters relating to the closure that is representative of the impacted community and deliberates to reach a consensus on base reuse and other local adjustment issues.
- **Plan:** community prescription for economic recovery in response to the closure, including specific details on reuse of the former military facility. The effort optimally takes into account the Military Department's environmental baseline information along with the community's economic strengths and opportunities. Job creation and tax base expansion are common goals, although public activity and non-revenue-generating activity (institutional use, parks and recreational areas, hospitals, schools, etc.) are included as well.
- **Implementation:** community will seek to achieve a sustained mix of public/private civilian activity on the former base consistent with its redevelopment plan, yielding enough revenue to cover the community's costs of reuse and the necessary private return on investment. For some, this may take a considerable amount of time.

Federal property disposal laws and special enhancements authorized for BRAC locations provide a variety of acquisition mechanisms to satisfy a diverse number of base reuse scenarios. Traditional public benefit transfers have been available for public entities and certain eligible non-profit organizations. These include use for aviation, ports, prisons, education, health and historic monument purposes. BRAC laws added the economic development conveyance (EDC) for job producing activities like business and industrial uses. Initially this provision was for transactions at or less than fair market value. Later Congress made these transfers available at no cost. The FY02 National Defense Authorization Act modified the EDC provision to make the no-cost EDC a permissive action. There was also Congressional direction that the Secretary seek fair market value consideration for EDC transfers in BRAC 05.

Despite this change to the EDC authority, a rich array of property disposal and acquisition authorities and strategies remain. A recent example of a mixed disposal is the former MCAS Tustin where the 1,585 acres were transferred under public benefit authorities for homeless and park uses, under an EDC for primarily business development, and much of the former military housing was sold at a public bid sale. In addition the historic blimp hangar will be transferred to the City of Tustin under an historic PBC. Numerous closed bases have been transferred under multiple property disposal authorities that suit the intended community uses.

From 1988 through 1995, approximately 387 closure or realignment actions were approved and the Department has completed each action within its respective statutory deadline. In implementing these actions, the Department has sought to close the facilities quickly to maximize savings and make property available for community reuse objectives, including job

creation. As of December 2002, the Military Departments have disposed of 271,769 acres (53%) of the 510,747 acres that are being made available for disposal and local reuse. Of the remaining inventory, roughly 189,559 acres are projected to be transferred by the end of FY 2004.

Incidentally, approximately 82% of the remaining acreage lies in 6 installations where environmental remediation must be completed. I am working closely with each of the Military Departments as they seek to transfer this property and remedy any impediments to disposal. The transfer of this property is a priority for the Department and I recognize the importance of quick access to the property in order to save DoD caretaker costs, leverage private redevelopment financing, create new jobs, and generate new tax revenues.

However, impediments exist that delay property disposal. Many are environmental-related and have been encountered to varying degrees at every location. They range from conflict between federal and state regulations or regulators; lack of policy on specific contaminants such as unexploded ordnance to fragmented relationships among the clean-up, disposal, and reuse interests.

There are also some that are inherently community-based (such as delays in reuse planning and lack of capital for infrastructure improvements). Others stem from the individual Military Department efforts at property disposal, including inconsistent interpretation of BRAC laws, regulations and policy and inefficiency in program execution and administration.

Still other impediments arise when multiple interests are involved in negotiations such as the Military Departments, local and/or state regulators, local authorities and private

developer/third party interests over such items as local protection and maintenance, development interests, cleanup levels, and land use controls. Lastly, where impediments have been encountered, the Department has fostered a partnership with the affected community to address the issues and facilitate rapid reuse of the former installation.

Each Military Department has extensive and varied experience with BRAC reuse and disposal. In order to share those experiences and expertise, and to ensure that the Department of Defense is conducting reuse and disposal in the most efficient and effective way possible for all concerned, the Office of the Secretary of Defense is forming a working group to examine potential improvements to the BRAC reuse and disposal process.

BRAC AND ENVIRONMENTAL CLEANUP

Very early on, the Department decided that expeditious cleanup of BRAC property was a priority, and ambitiously established a goal to have remediation response complete or remedies in place by the end of FY 2005. To guide our BRAC environmental remediation efforts consistently, we use three over-arching principles:

- Protect human health and the environment.
- Make property available for reuse and transfer as soon as possible.
- Provide for effective community involvement.

The technical challenge of remediation is finding the contamination; determining what is protective of human health and the environment; determining a remedy that is safe, cost-

effective, and acceptable to the regulators and the community; and then implementing the remedy. Simple to describe, but at times very difficult to do. Not only is there a maze of federal and state laws and regulations to navigate, as well as regulatory and community stakeholders to consult, but sequencing and completing the cleanup must take reuse needs, priorities, and timelines into account.

The Department has made very good progress in remediation of traditional hazardous substances. At the end of FY 2002, 79% of all 4,900 hazardous substance cleanup sites had remedies in place or response complete, and we project having 92% of our cleanup sites at the remedy-in-place or response complete milestones by end of FY 2005. With continued support from Congress and regulators, we are confident that this can happen. A few sites, due to complex challenges or other obligations (e.g., Chemical Demilitarization treaty obligations) will extend beyond FY 2005.

Our BRAC military munitions response program (MMRP) will take longer to complete, but we are making progress. At the end of FY 2002, 32 of our 74 BRAC MMRP sites are at the remedy-in-place or response complete milestone, and we expect that number to grow to 45 by the end of FY 2005.

The Department continues its efforts to move BRAC properties to communities faster while still maintaining our commitment to provide appropriate environmental restoration. One initiative is early transfer, in which the Components may transfer property by deed while environmental restoration activities are on-going. This type of transfer allows better integration

of cleanup and redevelopment activities. DoD has completed 15 such transfers using the early transfer authority Congress provided in 1996.

As an example, the former Naval Shipyard Mare Island represents one of DoD's largest early transfers. Early transfer resulted in disposal of BRAC property years earlier than would have otherwise been possible. In the case of Mare Island, the City of Vallejo entered into an agreement with the Navy to continue remediation. The property was transferred and redevelopment started much sooner than if the City of Vallejo had to wait for the Navy to complete the cleanup. The 668 acre Eastern Early Transfer Parcel transferred four years ahead of schedule on March 26, 2002, and the 2,814 acre Western Early Transfer Parcel transferred ten years ahead of the previous schedule on September 20, 2002. In another example of early transfer, the Army and the New Jersey Department of Environmental Protection entered into an agreement transferring 192 acres to the Bayonne Local Reuse Authority in December 2002. The agreement will allow the reuse authority to perform environmental remediation activities in conjunction with the redevelopment process.

As a further example, innovative contracting approaches are proving effective in leveraging the strengths and capabilities of the private sector to improve our remediation efforts. For example, "guaranteed fixed price remediation" (GFPR), focuses on the outcome – DoD contracts for the final remedy at fixed cost and time. During FY 2002, the GFPR contract awarded for activities at Fort Pickett, Virginia, was at 15 percent less than the government estimate. The Navy also realized similar cost avoidance at Charleston Naval Complex by using this performance based contracting approach. Cost savings, of course, may vary from site to site,

but, local communities also gain from the time saved in the initiation and length of remediation activities or by having increased certainty by securing a final remedy in place by a fixed date.

CONCLUSION

The Department has done much within the BRAC authority provided by the Congress. By consolidating, realigning and reducing unneeded infrastructure, the Department can focus investments on maintaining and recapitalizing what we actually require, resulting in ready facilities for the war fighters while more prudently using taxpayer's money. Change is rarely easy and the changes we are asking of the Military Departments and our communities are daunting. We look forward to working with you on this challenge.

In closing, I sincerely thank you for this opportunity. We appreciate your strong support of our military construction program and we look forward to continuing to work with this Subcommittee as we reshape our global infrastructure.