

NOT FOR PUBLICATION UNTIL  
RELEASED BY THE  
HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF  
MR. JOHN BAKER  
BEFORE THE  
HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE  
ON  
MILITARY PERSONNEL  
APRIL 17, 2008

NOT FOR PUBLICATION UNTIL  
RELEASED BY THE  
HOUSE ARMED SERVICES COMMITTEE

## **Opening Remarks**

Mr. Chairman and Military Personnel Subcommittee members, it is a pleasure to report to you on the many significant advances that were made in Fiscal Year (FY) 2007 in the Navy's Morale, Welfare and Recreation (MWR) program. Building on previous initiatives and with strong support from Navy leadership, Navy MWR and Child and Youth Programs (CYP) aggressively implemented several innovative enhancements and set the stage for even more progress in the years to come.

## **Overview**

Navy MWR professionals around the world continue their outstanding efforts to help Sailors and their families sustain morale and readiness wherever they serve. MWR continued to provide the Fleet and deployed ground units with equipment to maintain high fitness levels; internet services, through both landlines and wireless sources; recently released motion pictures; around-the-clock child care at most fleet concentration areas; and leisure time opportunities that reflect our concern for the physical and mental well-being of the Navy family. We have also expanded the scope of MWR services to help support Individual Augmentees and wounded warriors in non-traditional settings such as in Army pre-deployment camps and hospitals or rehabilitation centers.

Commander Navy Installations Command (CNIC) has embarked on "Navy Shore Vision 2035" which encompasses an aggressive MWR capitalization strategy with \$96M million in appropriated funds programmed for fitness centers and \$42M million for child development centers included in the President's FY 2009 Budget Request. In addition, we are assessing funding requirements to improve Single Sailor/Liberty Centers which support our junior Sailors. Finally, the Navy continues its aggressive nonappropriated fund (NAF) construction program to maintain and enhance our business activities. These investments all demonstrate the Navy's long-term commitment to enhancing total force readiness

Our customers appreciate the difference these efforts are making and have told us that their level of overall satisfaction remains high and continues to improve. Our 2007 MWR customer satisfaction survey reported a level of satisfaction of 84 (on a scale of 100), which is one point higher than in FY 2006 and significantly higher than industry benchmarks (73). Some key developments that occurred in program areas include the following.

## **Deployed Forces Support Program**

As part of its mission of being the "Command Supporting the Warfighter", CNIC continues to ensure that Sailors at the "tip of the spear" are getting the fitness, recreation, and leisure equipment and supplies they need. Deployed Forces Support professionals continue to provide fitness equipment and recreation support programs to deployed forces at sea and ashore. In FY 2007, CNIC distributed more than 20,000 pieces of recreation and fitness equipment to the Fleet. Equipment was centrally purchased and distributed throughout the worldwide network of Deployed Forces Support specialists at fleet concentration centers. Additionally, Deployed Forces Support personnel provided 9,500 pieces of fitness, sports and recreational gear to more than 110 commands/units in isolated and remote areas of the world to support vital off-duty leisure opportunities.

In order to be more effective in assisting Navy's deployed ground forces, CNIC has undertaken several actions during the past year. Specifically, CNIC:

- Placed two recreation professionals on the ground in the 5<sup>th</sup> Fleet/NAVCENT Area of Responsibility to further ensure complete support of ground forces and to maintain proper equipment and supply controls. These professionals work with Force, Regional, and Unit Leadership on a regular basis to make sure we are providing Component Commanders the necessary support.

- Revised and upgraded deployment kits (i.e. basic recreation equipment and supplies) based on the number of personnel at each site.

- Established the "Holiday Gift Box Program" in which each deployed ground Sailor receives a holiday gift box that includes items such as candy, holiday cards, free phone cards, and t-shirts.

To provide positive leisure support, 27 civilian recreation and fitness professionals live and work onboard aircraft carriers, amphibious assault ships, and submarine tenders. CNIC has also established a new program that placed two fitness professionals on the waterfront at Naval Station Norfolk, VA to further assist fleet units. These individuals work directly with ships, concentrating on small ships and submarines pierside to offer assistance and provide pierside fitness activities, Fitness Enhancement Program (FEP) guidance, and fitness instruction. Based on metrics showing marked improvement in fitness test scores, expansion of this program is already underway for 2008.

## **Fitness**

CNIC Fleet Readiness is committed to establishing a "Fitness for Life" program for all members of the Navy community. The primary goal is to help people make healthy lifestyle changes. Focusing on that key point, Navy Fitness is building programs, services and activities that will assist people in making healthy lifestyle behavioral changes. The campaign slogans are "Exercise Your Options" and "Stay Healthy-Stay Fit-Stay Navy". The goal of the CNIC Fitness program is to create a total fitness program for all members of the Navy community in accordance with Department of Defense (DoD) and Navy instructions, which acknowledge fitness as a vital component of readiness and essential to the general health and well-being of all personnel.

In FY 2007 all Navy Fitness Centers were resourced adequately and established programs and services to increase physical activity and nutrition awareness for three patron groups: youth, families, and personnel over 40 years of age. Navy Fitness Centers attained 100 percent compliance with DoD core Physical Fitness Standards in 2007. The FY09 Budget request includes Military Construction of 3 fitness complexes in 2009. These projects are critical to ensuring the highest levels of readiness for our Sailors.

## **Individual Augmentee Support**

Individual Augmentees (IAs) are Sailors who support or "augment" another Navy, Marine Corps or Army commands. Sailors usually go to their IA assignment on temporary orders and return to their current or "parent" command once they complete their assignment. Assignments vary in length from a few months to a year or more.

The Navy is currently providing quality of life support to Navy IA personnel at various training sites. Many of these sites presented significant challenges to meet the needs of the 21<sup>st</sup> century Sailor. Their needs can be grouped into a few major categories: habitability, Internet connectivity, transportation, recreation, and fitness support. The Navy is providing internet and wireless connectivity through Army contracts with internet service providers and “air cards” at various Army training bases. Additionally, fitness equipment, passenger vans, recreation deployment kits, various electronic game systems (e.g., Xbox 360, and Wii), flat-screen televisions, satellite TV service, and portable 8mm movie systems have been delivered. The type of support being provided is similar to what is typically available to Navy personnel aboard ships and at almost every ashore installation. The positive reception of this program by our IAs has been very gratifying.

### **Wounded Warrior Support**

MWR support is currently being provided for severely injured service members throughout the Navy. For example, in San Diego, the southwest region MWR activity is working in conjunction with Naval Medical Center San Diego (Balboa) to offer a wide-range of adaptive recreational activities for severely injured service members or “wounded warriors”. MWR is working closely with Balboa’s Warrior Athlete Program, which serves recovering injured military members, family members, or veterans who cannot participate in ambulatory sports and fitness activities. The program offers a variety of opportunities to play sports, improve fitness levels and enhance overall health and lifestyle. Additionally, Naval Base San Diego, CA is retrofitting facilities to ensure disabled accessibility and usability. Currently, a swimming pool ramp and access chair for the Admiral Baker Pool, a lift chair for the Admiral Prout Pool, and disabled accessible fitness and aerobic equipment are being provided. The programs in San Diego that prove to be the most beneficial will be exported to other Navy locations that also support “wounded warriors”.

MWR also offers top priority for access to child and youth programs to wounded warriors and their families. In FY09 as well as over the long run, Navy will continue to work closely with DoD to ensure a well planned program that supports wounded warriors.

### **Movie Program**

The Navy Movie Program continues to be one of the most popular recreational activities for Sailors and their families. Program venues range from shipboard to base theaters to Liberty and Recreation Centers and to isolated and remote shore units, demonstrating that the Navy has a movie program that is flexible and adaptable to any environment. The Navy Motion Picture Service (NMPS) purchased and distributed 198 movie titles and processed more than 300,000 videotapes and 13,000 cans of film to 810 Navy fleet and shore sites, as well as Marine Corps, Coast Guard, National Oceanographic Atmospheric Administration, Military Sealift Command and Department of State locations worldwide. These efforts resulted in over 23 million fleet viewing hours and 5 million customers ashore in FY 2007.

Patrons at our overseas base theaters enjoyed 34 of the biggest movies released last year just a week or two after their U.S. premiere. CONUS audiences were treated to 19 free admission sneak previews attended by 120,000 Sailors and their families. Deployed forces received 14 early tape releases that included such popular titles as “Fantastic 4: Rise of the Silver

Surfer”, “Live Free or Die Hard”, and “Night at the Museum”. The Navy also hosted three lucky contest winning Sailors and their children in Charlotte, NC, for the world premiere of Disney’s animated feature “Cars”.

NMPS began the transition process to digital delivery of movies by awarding a contract for an encrypted DVD player to replace the less secure analog videotape service currently being used. Switching to this new technology will blend with the Naval Media Center’s plan to convert shipboard distribution of entertainment and training programming to a digital platform. We expect to begin rollout of this program in FY 2008.

NMPS continues strong support and service to our forward deployed forces via the mobile movie program known as Theater-In-A-Box (TIB). Forty-five of these equipment packages have been shipped, along with 10,000 movies on tape. The Fleet continues to receive updated versions of their Cinema At Sea (CASI) package which provides each ship with the capability to present large-screen movie and special event programming.

## **Library Program**

Navy libraries continued their upward performance trend of the past few years by attaining 91 percent compliance rate with core DoD MWR library standards, up from 90 percent in 2006. In addition, eight Navy libraries attained a 100 percent score on meeting these standards, an increase from five in 2006.

Navy also continued to enhance library services delivered via electronic media hosted by Navy Knowledge Online (NKO). Audio book access increased to over 11,000 titles, downloadable music now includes more than 1300 titles and access to over 500 new videos. Library service to forward deployed forces included 500 new laptops for shipboard Library Multimedia Resource Centers (LMRCs), 175,000 popular paperbacks, and 12,000 units of a new service called Playaway Books, which are self contained, battery-operated audio books the size of a credit card. To ensure ongoing professional development, the Navy continues to participate in the annual Joint Services Library Conference, a cooperative effort with the Air Force that combines training and library skill development for shore library personnel. In support of distance learning and self-improvement opportunities, the Navy increased access to College Level Examination Proficiency (CLEP), DANTES Subject Standardized Tests (DSSTs), and Armed Services Vocational Aptitude Battery Practice Tests (ASVAB). Expanded access to all these services has been accommodated via upgraded and expanded computer equipment and by providing no-fee wireless internet service to customers.

## **Food and Beverage**

Navy MWR food and beverage programs are on-base, customer-driven business activities, ranging from full-service “clubs” to quick-service “snack bars”. MWR food and beverage programs promote and maintain the well-being, morale and efficiency of the Navy community and foster camaraderie and esprit de corps consistent with Navy values as a benefit of military service.

There are more than 400 MWR Food and Beverage operations world-wide serving our Sailors and Navy community. MWR food and beverage outlets include full-service dining rooms, catering services, conference centers, snack bars, casual dining pubs, taverns, cocktail lounges, delis, coffee shops, and nightclubs. They can be found in locations such as clubs,

catering and conference centers, recreation centers, golf clubhouses and bowling centers. Revenue from MWR food and beverage operations accounts for over 45 percent of our total Category C business activity revenue.

We have installed food and beverage “branded concepts” in all 13 Navy regions in response to customer interest. Some of our more popular brands include A&W, KFC, Pizza Hut, Mean Gene’s Burgers, Starbucks-We Proudly Brew, Smash Hit Delis and Guinness Casual Dining Irish Pubs. We now have more than 100 branded food & beverage outlets. MWR has also partnered with the Navy Exchange (NEX) by using its contracting capabilities to source national brands from their portfolio. Examples of some of those efforts include a full-service Starbucks on Naval Air Station Pensacola, Florida, Applebee’s on Naval Air Station Sigonella, Italy, Taco Bell on Submarine Base Bangor, Washington, and Subway on Navy Regional Contracting Center, Singapore.

Additionally, we have recently completed an Intra-service Navy-wide Food Service Assessment. The assessment included MWR, NEX and Navy Supply Corps food service programs. Results from the assessments are being tabulated and should be available later this year to help optimize the number of product delivery outlets on base. Finally, Navy MWR is working with its vendors and other food service professionals to eliminate trans-fat in its food offerings by the end of FY 2008 in a fashion similar to initiatives in other U.S. cities.

## **General Recreation**

### **Liberty Program:**

The Liberty program positively affects the quality of life of single and unaccompanied military personnel and contributes to Fleet readiness. Liberty programs provide high-energy recreation opportunities, quality entertainment experiences and development of personal leisure skills in an alcohol and tobacco-free environment. These activities are delivered through 80 Liberty programs Navy-wide. A robust Liberty Program is an integral part of Navy’s efforts to reduce the number of alcohol related incidents.

This year, the Liberty program expanded its services by offering free wireless internet in all CONUS locations. Additionally, in an effort to provide the optimum recreational facilities for single Sailors, renovations have moved forward on Liberty centers at Naval Base Coronado, California, Naval Air Station Lemoore, California, Naval Surface Weapons Center Dahlgren, Virginia, Naval District Washington (Anacostia), Naval Base Guam, Naval Submarine Base New London, Connecticut and Naval Weapons Station Earle, New Jersey.

Additionally, Liberty centers were reopened after extensive renovations at Naval Air Facility El Centro, California, Naval Weapons Station Charleston, South Carolina, Naval Air Facility Whiting Field, Florida, Naval Technical Training Center Corry Station, Florida, and Naval Support Activity Souda Bay, Greece. The Liberty centers at Joint Reserve Base New Orleans, Louisiana, Naval Support Activity New Orleans, Louisiana, and Naval Construction Battalion Center Gulfport, Mississippi that experienced substantial hurricane damage have undergone repairs and are all now operational. They offer Sailors at each location computer and internet services, the latest video games, pool/game tables and a wide-ranging calendar of special events and activities.

In an effort to ensure the program continues to be meaningful to the junior enlisted community, MWR activities are in the process of assessing all Liberty centers to determine the need for future renovations, expansion and new construction where conditions warrant.

### **Entertainment:**

Navy MWR continues to be heavily engaged in partnerships with Armed Forces Entertainment, USO and the National Endowment for the Arts to facilitate delivery of first-rate, live entertainment programs (e.g., comedians, musicians, celebrities, sports stars) to deployed and afloat units throughout the world, including family-friendly performances for Navy families in CONUS.

In the past four years, the program has facilitated over 1,500 shows reaching more than 750,000 active duty and family members worldwide. Entertainers are selected based on availability, popularity and specific needs of installations and deployed units. This year, the Harlem Globetrotters, Geoff Bodine (NASCAR driver), Marc Broussard, Adassa, Sean Paul and various NFL Players, as well as others, have traveled around the world including locations in the Middle-East and to out-of-the-way places, such as Djibouti and Guantanamo Bay, to entertain and otherwise bring goodwill to our troops. In 2007, we were able to bring more Urban/Hip Hop/Latino artists as part of our touring schedule.

In the short-term, our focus continues to be on increasing the variety of entertainment in response to customer demand. Our Commanders have said that having these types of events do more than almost anything to lift Sailors' morale.

### **Golf:**

Golf remains very popular with active duty as well as retirees at most of our course locations. In FY 2007, projects were approved to replace the clubhouse on Naval Air Facility Atsugi, Japan and to renovate the golf clubhouse at Naval Air Station Meridian, MS.

The Navy is also partnering with the U.S. Professional Golfers Association on several initiatives to increase Sailor interest and participation in golf. These programs are targeted at women, juniors and disabled golfers. Navy is committed to providing access and necessary accommodations for all eligible golfers, regardless of disability, at Navy MWR golf courses. We have purchased six specialized golf carts to accommodate physically challenged golfers. Two specialized cars each were purchased for the Admiral Baker Golf Course, San Diego, CA, Seal Beach Golf Course, Los Angeles, CA and Aeropines Golf Course at Naval Air Station Oceana, VA. These golf courses were selected because they are in fleet concentration areas where the carts are more likely to be needed. So far, demand for these cars has been limited but we are promoting their availability.

This year, the Admiral Baker Golf Course hosted wounded warrior golf clinics over a six week period during the spring season. Each two-hour session was conducted by six PGA professionals. Each clinic hosted 8-10 participants and included time on the driving range, putting green, short game area, and practice hole. Participants who had lost lower limbs learned to use the MWR-provided specialized golf carts which enhance mobility. These clinics, co-sponsored by PGA of America and Disabled Sports USA, are helping "wounded warriors" and disabled golfers continue to participate in the sport of golf and are also introducing golf to those who did not play previously.

Unfortunately, in recent years, the exception to the mostly positive news in the golf program has been a trend of declining activity at a number of Navy nine-hole golf courses. The average number of rounds dropped to all-time lows of less than 3,000 with corresponding reductions in cash flow. A few of the reasons for reduced play include substandard playing conditions, local demographics, BRAC impacts, stepped-up force protection measures, and increased competition in certain parts of the country. In FY 2007, four nine-hole golf courses (Naval Weapons Station Yorktown, Virginia, Naval Surface Warfare Center Dahlgren, Virginia, Naval Surface Warfare Center Indian Head, Maryland, and Naval Support Activity Mechanicsburg, Pennsylvania) were closed due to reduced play and subsequent lack of profitability.

### **Bowling:**

Bowling is currently enjoying a period of growing popularity and financial stability. By applying new technologies, broadening customer focus, and offering an assortment of entertainment options bowling has been able to draw on our country's renewed emphasis on longstanding family values. Similarly within the Navy, bowling is attracting a wider range of eligible patrons. By improving facilities, launching aggressive marketing programs, and adding complementary activities most bowling centers have redefined themselves as "family entertainment centers", which have made them more effective competitors for the limited entertainment dollar and scarce spare time of active duty service members and their families.

Also of importance, our bowling managers are working with the Bowling Proprietors Association of America to develop new programs for patrons, including adaptive bowling programs for severely injured military personnel. A number of Navy bowling centers have purchased wheelchair accessible bowling ball ramps to enable the disabled to participate in bowling programs. Some MWR bowling centers in the Southwest Region have also hosted open bowling programs for wounded warriors.

### **Marinas:**

Navy installations are typically situated on the waterfront where marinas are logical extensions of the topography. Currently, the Navy has 33 marinas providing programs and services that are highly valued by a growing segment of the MWR customer base. Most Navy marinas offer boat slip rentals, mooring and a full-range of marina services.

We are continuing in FY09 and beyond to replace or repair marina infrastructures that are beginning to reach the end of their useful lives. Such projects this year include replacing a sailing classroom where sailing and boating safety instruction is held to adding slips to accommodate increasing boater demand.

### **Information, Tickets and Tours (ITT) Program:**

ITT program managers for the Navy, Marine Corps and Army are working with industry partners to develop an innovative forward-looking service delivery approach. The goal is to produce "ticket-less" vouchers that can be printed on demand at each ITT office as an alternative to maintaining large stocks of paper tickets. This method will simplify the contracting process and help national attractions reach a military market of more than ten million potential



customers. A single, centrally negotiated agreement will supplement local contracts and provide real-time access to military installations throughout the world. Unlike the current ticket program, vouchers will not require annual distribution, recall, and year-end reconciliation of accounts. In the long-term, we hope to provide authorized patrons direct internet access for purchasing tickets.

### **Recreational Lodging:**

The Navy Recreational Lodging program has been realigned under CNIC Lodging, and will continue to be an important focus for Quality of Life programs. CNIC's goal is to provide eligible patrons high quality affordable lodging at vacation destinations in our domain.

Standardization of recreational lodging has been launched this year with a single-source contract for all amenities, linens, TVs, and such. This new initiative will help ensure patrons receive consistent service and quality furnishings at all recreational lodging locations. Additionally, patrons are experiencing new ease of reserving their vacation rental by choosing on-line reservations or calling the specific recreational lodging property directly. The popularity of Navy Recreational Lodging has grown steadily, triggering an increase in construction of new facilities to meet the demand. Recent examples include new cabins at Naval Weapons Station Yorktown/Cheatham Annex and Portsmouth Naval Shipyard's Great Pond facility.

### **Child and Youth Programs (CYP)**

CYP continues to offer multiple delivery systems that include Child Development Centers (CDC), Child Development Homes (CDH), Child Development Group Homes, School Age Care, and a resource and referral program. In FY 2007, Navy programs cared for 45,780 children ages 6 months to 12 years and served over 70,000 youth ages 13-18 in 124 child development centers, 103 youth centers and 3,115 on- and off- base licensed child development homes. In FY 2007, these services achieved 70 percent of DoD potential need criteria and attained a 100 percent DoD certification rate for operational excellence. Our 100 percent DoD certification rate tells our Navy families that their children are receiving top-quality care that equals or exceeds the highest DoD and national standards.

Our objectives for FY 2007 were to improve deployed support programs, execute initiatives to expand capacity, focus on youth obesity prevention, sustain affordability of care, and ensure continued program quality. CYP met these objectives after a year of many significant advances. A few of the highlights include:

- To assist parents and children with the challenges of frequent deployments, an additional 100,000 hours of respite child care was provided for families of deployed service members. Now more than ever, this type of care is critical to our families – those that may not have needed child care support in the past now rely on this interim support.

- In ongoing efforts to combat youth obesity, CNIC has implemented a new world-wide youth fitness initiative called "FitFactor". It was developed as a means to increase youth interest and awareness in the importance of making healthy lifestyle choices.

- Sailors and their families continue to cite the lack of available, affordable child care as one of their top family readiness issues. With a current waiting list in excess of 8,100 children and an average waiting period of six months or more, Navy has launched an aggressive child care expansion plan adding 4,000 new child care spaces within the next 18 months. This

expansion includes construction of new child development and youth centers (including facilities open 24/7), commercial contracts for child care spaces, and expanding military certified home care. In addition to the new spaces, the Navy is converting 3,000 existing 3 to 5 year old spaces into infant to 2 year old spaces to meet the greatest demand, children under the age of three. Combined, these initiatives will reduce the waiting time for child care to less than three months Navy-wide, with first priority given to single military parents.

- Navy families continue to praise the quality and affordability of military child care. In a report released in 2007 by the National Association of Child Care Resource and Referral Agencies, entitled “We Can Do Better: Ranking of State Child Care Center Standards and Oversight” military child care center operations were ranked number one in the country.

## **Overall Financial Condition of MWR**

MWR appropriated funds (APF) are provided through the Base Operating Support (BOS) budget line in the Operations and Maintenance (O&M) account. The funding environment continues to challenge us to seek efficiencies, while at the same time the importance of providing programs for the Navy Family is increasing. Global War on Terrorism (GWOT) funding provided critical program support for MWR in FY 2007, with MWR receiving over \$60 million of such funding. This funding was executed to expand program support for deployed forces and to expand CYP support in fleet concentration areas. The FY09 Budget will allow us to remain on par with recent performance in these critical areas.

By far, the biggest NAF funding challenge for FY 2007 was the elimination of CNIC’s NAF Bridge Strategy. In FY 2005 we implemented our “bridge funding strategy” to re-deploy Navy Exchange dividends, normally dedicated to NAF capital spending, for operational support. The bridge funding strategy was also used in FY 2006, but at significantly reduced levels from FY 2005. In FY 2007, the practice was completely eliminated and NAF funding was shifted to support capital spending. The two-year phase out period provided CNIC regional operators time to implement efficiencies without significantly degrading program delivery of valued customer services.

For FY 2007, Navy MWR fully implemented a capital funding strategy designed to leverage system assets and significantly increase the amount of NAF capital funding available for FY 2007 through FY 2009. This strategy allows the central capital fund to use existing cash balances for capital investment. The MWR/NEX Board of Directors has approved an annual NAF central and local capital funding target of \$77 million. This target is the minimum investment needed each year to maintain existing facilities, provide needed computer upgrades, and expand program delivery. For FY 2007, the MWR Central Capital Program contained about \$65 million in projects and Informational Technology (IT) spending. In addition, local capital investment amounted to \$19 million. The combined investment total of \$84 million exceeded our goal of \$77 million.

Worldwide Navy MWR financial operations totaled about \$922 million in FY 2007, which includes APF (direct and indirect), internally-generated NAF revenue, and Navy Exchange dividend distributions. This amount represents an increase of about \$38 million from the previous year. In FY 2007 we exceeded the DoD minimum standard of 85 percent for APF support in Category A Mission Essential Programs by achieving 92.2 percent. In category B Community Support Programs, 61.5 percent of authorized costs were paid with APF, compared to the DoD minimum requirement of 65 percent. Category B programs were more dependent on

NAF to operate in FY 2007, with APF being targeted for execution in core Category A programs. However, the Navy remains committed to providing non-core Category B programs and funding with APF to the maximum extent possible.

## **Facilities**

The MWR Nonappropriated Fund Capitalization Program (NAFCON) represents a significant and dynamic commitment to the enhancement of services and programs for Sailors and their family members. The program includes twenty new construction, renovation, minor projects, and capital equipment investment approaching \$60 million. This year's program reflects the continuing need for investment in business-based operations (14 projects at \$43.2 million) and community support facilities (6 projects at \$14.4 million). These initiatives span a broad project spectrum inclusive of recreational cottages, marinas, golf maintenance compound, clubs, youth centers, recreation vehicle parks, and beach lodging. Our capital enterprise strategies focus us on customer-driven services while striking a balance with revenue generation and community service opportunities.

This year we will also complete five modular child development centers made possible through the expanded authorization contained in the FY 2006 and FY 2008 National Defense Authorization Acts. This emergency intervention also includes the construction on two additional 24/7 Group Homes at Naval Amphibious Base Little Creek, VA and Naval Station Norfolk, VA. In addition, the First 5 Commission of San Diego is sponsoring two additional centers in San Diego. Of equal importance to these accomplishments is the leadership focus on the expansion of Navy child development centers, the impact of which we spoke to earlier in this testimony.

In addition to the above, our focus on the sponsorship of healthy lifestyles and total fitness through the replacement and modernization of our fitness centers is among the Navy's highest quality of life priorities. We believe this is the surest way to demonstrate the importance we place on the health and readiness of our top priority—our people. The results of our annual surveys indicate that fitness centers are rated as the highest priority by Navy personnel with utilization above 90 percent for all groups. Our challenge is to balance other competing mission requirements within resources provided. I thank you of your support for this important initiative and am pleased to relay that we will be awarding the first contract for the Naval Station Guam Fitness Center this year.

We are also working on better facilities for one other very important program, Single Sailor Liberty Centers. This program is focused on single Sailors and geographical bachelors within an alcohol-free and tobacco-free recreation environment. These centers will be the "anchor" facility that is bordered by complementary functions (comparable to civilian malls). We refer to this as our "clustering concept" which aligns quality services and program support to the needs of our warfighters.

## **Business Processes**

### **Strategy for Our People.**

Our human resource strategy remains focused on attracting, developing and sustaining a world-class, customer-oriented workforce.

CNIC's Fleet and Family Readiness (FFR) Training Branch is consolidating and centralizing training management and support for all of the quality of life communities including: MWR; CYP; Family and Bachelor Housing; Galleys and Food, Beverage and Entertainment; Navy Gateways Inns and Suites (NGIS), and Fleet and Family Support Programs (FFSP).

Our efforts will result in a standardized new-hire orientation process; F&FR programs support through the student intern program; application of performance-based and participant-centered training methodologies; endorsement and support of life-long learning; availability of cross-program training and cross-career competition; establishment of a structured F&FR mentoring system; execution of blended learning solutions that assure just-in-time, just-right, just-enough training; and implementation of the SAP Learning Solution (a learning and content management system). The goal of our people strategy is an efficient and effective world-class workforce, prepared to deliver the best possible customer experience, every time, everywhere.

### **Marketing.**

The Marketing and Multimedia Development branch continued its comprehensive approach to promoting MWR programs and services through news articles and feature stories, internal publications, tri-folds, posters, public service announcements, videos, interactive CD-ROMs and DVDs.

An interactive CD-ROM entitled "Europe: Your Passport to Adventure," was designed and distributed to promote MWR and other Fleet and Family Readiness (F&FR) programs in Europe, as well as provide information about local customs, traditions and travel information. This product joins a list of other regional interactive CD-ROMs developed by the marketing team, including Japan, Guam and Korea, the Middle East and the Northwest region.

A comprehensive marketing plan was executed to promote physical fitness and nutrition to the entire Navy family. The "Exercise your Options" fitness campaign included nine posters with exercise and nutrition themes, a video public service announcement, and training videos.

Obtaining feedback on MWR programs and services remains an important marketing tool. Navy-wide assessments were administered in 2007 to measure patron satisfaction with various MWR programs, to measure employee job satisfaction, and to establish a baseline score that could be used for a Navy-wide food service assessment. The MWR customer satisfaction assessment was 84 on a scale of 100, which is considered excellent according to the Claes Fornell International (CFI) Group, an independent expert in the customer satisfaction measurement industry, which conducted the survey. The MWR employee satisfaction assessment, also conducted by the CFI Group, resulted in a score of 74, which is above comparable industry standards.

### **Computer Services.**

A state-of-the-art NAF management information system encompassing accounting, personnel, payroll and cash management is an essential element to enhanced efficiencies. The NAF accounting, cash management, personnel, and payroll modules of the system are now operational at all U.S. and overseas bases. The point-of-sale portion of the project is projected for completion by the end of 2008. This Accounting Information System (AIMS) system is integral to our continued efforts to streamline and reduce costs.

The Navy started implementing an online lodging system that includes a world-wide reservation system that allows customers to book official and recreational lodging and also helps streamline front desk operations. Plans include implementing the system at all naval installations that offer Navy Gateway Inns and Suites and recreational lodging facilities, such as cabins, cottages and RV parks, within the next 16 months. The new system will provide tools and processes that will help increase occupancy and provide outstanding customer service.

As a part of this implementation, the Navy initiated a partnership with the Air Force because we share the same requirements of assisting travelers with booking reservations, providing comfortable lodging and excellent customer service. This has truly become a joint project with the Air Force. We have standardized the software we are using and are sharing data centers and support personnel. In addition, we are leveraging the Navy Lodge's existing call center to provide customers a one-stop shop for all their reservation needs. This not only provides our customers with one Web site with the flexibility to book recreational or official travel at any Navy or Air Force facility, but it also streamlines our business processes and helps increase occupancy and reduce costs for both programs.

### **Commercial Sponsorship.**

Our central commercial sponsorship efforts have helped forge strong ties with industry and have also helped provide services to Sailors and their families that otherwise might not have been affordable. In FY 2007, total commercial sponsorship agreements entered into centrally were about \$1.5 million. This is in addition to \$2.5 million in cash and an estimated equivalent amount in services and products that local MWR activities obtain from sponsors in their areas. These agreements helped us to provide over 80,000 pre-paid phone cards to Sailors, holiday gift packages, entertainment, and reading materials.

### **Disaster Preparedness.**

MWR, in conjunction with CNIC regional emergency response offices and other family support programs, is equipped to provide temporary power, water, food service, recreation and child care facilities, recreational, and housing needs for first responders within just a few days. In addition, F&FR is prepared to surge counselors and other professionals as needed to disaster zones in support of Sailors and families. Hundreds of volunteers from around the Navy MWR community are also prepared to support their fellow teammates in disaster areas when needed. This organizational approach showed its great value again recently as MWR was a key player in support of evacuee needs during the recent fires in San Diego.

### **Lean Six Sigma.**

MWR has trained several team members to apply process improvement using Lean Six Sigma initiatives and have completed two projects that are now in the control phase. One project addressed the acquisition of nonappropriated fund purchased vehicles while the other improved how MWR prices out its overall appropriated fund requirements. This year, we will use Lean Six Sigma techniques to analyze the possibility of consolidating similar services under a single

roof to reduce waiting time for Sailors who use them and will also study how best to handle small purchases.

## **Summary and Outlook**

FY 2007 was a year of exciting new developments and direction for MWR and the years ahead look even brighter. We are taking care of our Sailors and their families in a wide variety of venues. We are improving the key facilities in which MWR provides programs. We are greatly expanding Child and Youth programs to meet ongoing demand signals. We are reaching out to provide MWR services to our IAs and wounded warriors and their families in a variety of different venues. Our fitness programs continue to improve on their already high standards. We are continually checking with our patrons to make certain that we provide them with the services they need at a quality level equal to or exceeding the best in the industry. As a result, MWR continues to be a key weapon in ensuring the ongoing readiness and retention of Sailors throughout the Navy.

The Navy appreciates the great value that our Sailors and Congress place on MWR and Child and Youth Programs and we will continue to maintain and strengthen our commitment to do our utmost to meet those respective expectations. Thank you for your continued support.