

**HEARING TO RECEIVE TESTIMONY ON MILITARY INSTALLATION, ENVIRONMENTAL, AND BASE CLOSURE PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2009 AND THE FUTURE YEARS DEFENSE PROGRAM**

Wednesday, March 12, 2008

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

The subcommittee met, pursuant to notice, at 2:35 p.m. in Room SR-232A, Russell Senate Office Building, Hon. Daniel K. Akaka, chairman of the subcommittee, presiding.

Committee Members Present: Senators Akaka [presiding], Chambliss, and Thune.

Committee staff members present: None.

Majority staff members present: Peter K. Levine, General Counsel, and Michael J. McCord, Professional Staff Member.

Minority staff members present: David M. Morriss, Minority Counsel, and Lucian L. Niemeyer, Professional Staff Member.

Staff assistants present: Ali Z. Pasha and Benjamin L. Rubin.

Committee Members' assistants present: Bonni Berge, assistant to Senator Akaka, Christopher Caple, assistant to Senator Bill Nelson, M. Bradford Foley, assistant to Senator Pryor, Clyde A. Taylor IV, assistant to Senator Chambliss and Jason Van Beek, assistant to Senator Thune.

**OPENING STATEMENT OF HON. DANIEL K. AKAKA, U.S. SENATOR FROM HAWAII**

Senator AKAKA. The hearing on the fiscal year 2009 budget request for DOD installation and environmental programs will come to order.

Good afternoon to our witness and to all of you here. Today the subcommittee's readiness and management support meets to review the military installation programs of the Department of Defense and the fiscal year 2009 budget request for those programs.

This will be the third year we have heard from the same team representing the three military departments. Secretary Eastin, Secretary Penn and Secretary Anderson, it is good to have all of you

back here with us again. We have one new witness and I want to personally welcome him.

Mr. Wayne Army, who recently left his position in the Navy to become the new Deputy Under Secretary of Defense for Installation and Environment. Mr. Army is new in this position but he is already well known to this subcommittee. I congratulate you on your appointment to this important position and I look forward to continuing to work with you.

Mr. Army: Thank you, sir.

Senator AKAKA. We meet this afternoon to discuss DOD's military construction, housing and environmental programs as well as the implementation of the 2005 Base Closure Round. We have many challenges to discuss today, as was the case last year. This year we have before us the largest funding request for military construction and base closure that any of us have ever seen. fiscal year 2009 budget request for military construction, base closure and family housing programs to 24.4 billion dollars. These funds represent primarily the new investment in our facilities.

As our witnesses describe in their testimony, they are also responsible for billions of additional dollars requested for repair and maintenance, base operations and environmental programs to keep those bases running. It is my understanding that additional construction funds will also be requested later this year as part of an emergency supplemental funding request for fiscal year 2009. Some of these funds will be requested for operations in Iraq.

Well that may well prove controversial. Depending on whether the status enforces its agreement with Iraq is negotiated. What the terms of that agreement are and the degree of consultation with Congress during the process it is another aspect of this future emergency funding request that I wish to speak about now.

I am concerned to hear that this forthcoming supplemental is expected to request additional funds to rebuild facilities to house wounded soldiers in so called warrior transition units and to build additional soldier family assistance centers. I had hoped that we all learned a lesson last year that caring for our wounded warriors was of the highest priority. Yet there are no funds in the fiscal year 2009 budget request for this purpose.

I am also troubled to hear that additional funds may show up later in a supplemental. Caring for our wounded warriors and their families is a core, long term requirement of this government. As Chairman of Veterans Affairs committee as well as a member of the Armed Services committee, it is certainly a top priority of mine.

I do not understand why funding for an issue of this importance was not included in the base budget. I am concerned that this may indicate the leadership of the Department of Defense does not fully understand how important this is. I hope that that is not the case.

As was the case last year the military construction budget is at record levels for two reasons. First, the proposal to increase the size of the Army and Marine Corps. And second, continued growth in the estimated costs to implement the 2005 base closure round. With respect to the Grow the Force proposal, I wanted to express the subcommittee's continuing concern that Growing the Force should be done in a way that gives our military personnel, cer-

tainly a top priority of mine, and I do not—and their families the quality of life they deserve.

I understand that current plans still envision the use of temporary facilities. The use of temporary facilities should be held to a minimum for two reasons. First, because we want all our personnel to work in high quality, permanent facilities. And second, because whenever we are using temporary facilities it means the taxpayers are paying twice, once for the temporary facilities and a second time for the permanent ones that follow.

With respect to base closing another unfortunate parallel to last year is that the Department is still waiting to receive the full funding of their base closure request. I hope our witnesses will discuss the impact of that funding shortfall today. I hope we will also discuss joint basing today.

Deputy Secretary England recently signed out some guidance on this matter, but that is only a first step. It is crucial that the services give their full cooperation to this effort so that the soldiers, sailors, airmen and marines, who are assigned to joint bases such as Pearl Harbor-Hickam, a joint base that will be created in Hawaii, receive the benefits that a greater joint-ness promises. If our leaders in the Pentagon fail to cooperate and joint basing is not done properly it will be our young men and women who will pay the price. We cannot allow that to happen.

Turning to housing for our military families. We have all gotten used to hearing mostly good news about how well housing privatization is going. Without a doubt it has been a successful program. We are now dealing with, perhaps, the biggest failure this program has seen. And that's a collapse of four Air Force projects due to the failure of one company, American Eagle, to meet its obligations.

I know several members of this committee have constituents affected by this failure. Senator Nelson of Florida, who is not a member of this committee, has asked to attend today's hearing specifically because of this issue. I share the concern of my colleagues.

This problem must be corrected. But we must do so in a way that preserves the benefits of a housing privatization program that has done so much good at so many other bases. So we cannot let one bad apple spoil the whole bunch. Secretary Anderson, we will be looking to you to tell us today what steps the Air Force is taking to get these projects back on track.

Finally, with respect to the environmental and energy aspect of your responsibilities, we certainly have challenges, but also, opportunities. I am pleased that the legal impediments to basing the Stryker brigade in Hawaii appear to be nearing an end. Yet legal challenges at other bases loom on the horizon.

And the Navy's use of sonar in its training exercises is also before the courts. Clearly it is imperative that the Department work as cooperatively as possible with the local communities to resolve as many issues as possible without litigation. And that you also do your homework in case litigation cannot be avoided.

I'm also a member of the Energy committee. And like every American I'm well aware that oil prices are at record levels. And we need to conserve energy, increase our use of renewable energy and find other innovative ways to reduce our energy consumption

and dependence. And I look forward to discussing that with our witnesses as well.

Senator Thune?

**STATEMENT OF HON. JOHN THUNE, U.S. SENATOR FROM SOUTH DAKOTA**

Senator THUNE. Thank you, Mr. Chairman. And thank you all very much for being with us today. And I thank you for calling this important hearing to review an unprecedented budget request for installation and environmental programs for 2009.

I do want to thank our witnesses for their dedicated public service over the past three years. I hope for them this will be last opportunity to have to appear before this committee. And as I review their testimony and this budget request I'm struck by the sheer magnitude of the range and difficulty of issues they wrestle with every single day. They deserve our gratitude and sincere appreciation for serving our Nation in this capacity.

I also want to welcome, Mr. Wayne Arny, who has recently assumed this solemn responsibility on behalf of the Secretary of Defense to clean out the extremely high inbox of his predecessor, Mr. Philip Grone. [Laughter.]

Senator THUNE. Mr. Arny, who is appearing before us for the first time and most likely the last as well, is no stranger to these halls either. I see that you served on the staff of the Senate Armed Services committee back when Ronald Reagan was President. And I note that you are a former Navy pilot with a lifetime of public service to your credit. So I thank you for your commitment to taking on this daunting challenge.

Mr. Chairman, we've many issues to discuss with our witnesses today as we review the largest President's budget request for military construction in recent memory. I look forward to a frank discussion about the progress of the 2005 BRAC round, costs continue to rise. There's pressure to cut the size of projects.

Communities are concerned that the Department will not meet the mandatory 2011 deadline. And there's still confusion about how many people and families will be moving. We need to know from the witnesses how we can address these issues for the benefit of our military personnel and the local communities that support them.

I'd also like the witnesses to provide details on their efforts to support the President's initiative to Grow the Army and Marine Corps. I am concerned about the timing and intensity of the construction required to support the new forces. And I'd also like to hear from the Secretary Eastin and Secretary Penn, their plans to ensure additional forces are not living and working in trailers for the next ten years.

I note that we may have a discussion today about the pros and cons of the privatization of military housing and barracks. I realize that among the more than 70 transactions conducted over the past eight years to eliminate 92 percent of the Department of Defense' inadequate housing. The Air Force has one company that is failing to perform. Unfortunately this failure is causing a great deal of consternation in the Air Forces' limited options to correct the problem. I look forward to working with my colleagues in ways to pro-

tect the government's interest while preserving the basic tenants of an outstanding program for military personnel and their families.

Turning to environmental programs during 2007. The Army, Navy and Marine Corps face significant challenges that cause delays in major service initiatives that could impact their ability to deploy and maintain readiness as a result of environmental litigation. The Army's plan to transform units of the 25th infantry division in Hawaii to a Stryker brigade combat team to support deployments in the Pacific region and a central command for operations in Iraq and Afghanistan has been frustrated by a lawsuit challenging the adequacy of the Army Environmental Impact Statement and whether the Army should have considered alternative sites outside of Hawaii.

The Navy's struggle with multiple lawsuits and restrictions, imposed by Federal courts on the Navy's ability to train using both mid frequency and low frequency active sonar. In addition public opposition and environmental litigation forced the Navy to abandon years of effort and planning to build an outlying landing field in Washington County, North Carolina. The Navy considers OLF essential to preserve the ability to effectively train Navy and Marine Corps aviators in the most difficult task in military aviation, that of landing high performance jets on an aircraft carrier in the dark of night.

Just last month a Federal court in San Francisco blocked efforts by the government of Japan in the U.S. Marine Corps to stall long standing complaints about the impact of Marine Corps aviation on civilians living in Okinawa. The court halted development of a new off shore aviation facility because of potential impact on a native species of marine mammal, the Dugong, revered in Okinawa's culture. These are troubling developments.

As a nation we demand that our armed forces are ready to fight when needed. And for the last six and a half years, we've put them to the test in combat. We need to understand how these impacts came about and what we can do to solve or mitigate their impact on readiness.

I also look forward to a discussion about the Department's plans to relocate 8,000 marines from Okinawa, Japan to Guam by 2014 in the impact of these environmental rulings on those plans. I also have questions about enhanced use leases, family housing in Korea and use of alternative energy sources among others. I, too, have many issues to cover in today's session so I'll be submitting some questions for the record and would ask that the witnesses provide prompt replies. [The information previously referred to follows:]  
[SUBCOMMITTEE INSERT]

Senator THUNE. Again thank you to you, to our witnesses for their service. And I want to thank you, Mr. Chairman for the opportunity of this hearing today.

The Chairman: Thank you very much, Senator Thune. And now we will hear from our witnesses. May I call on Secretary Army for your statement?

**STATEMENT OF L. WAYNE ARMY III, DEPUTY UNDER SECRETARY OF DEFENSE, (INSTALLATIONS AND ENVIRONMENT)**

Mr. Army: Thank you, sir. Senator Thune's statement about my being here during the Reagan Administration, I want to clear up some efforts. I was dropped on the doorstep as an infant. [Laughter.]

Mr. Army: And raised by the committee, so I'm not quite that old.

I want to thank you, Chairman Akaka and Senator Thune, distinguished members of the subcommittee. I'm honored to appear before you this afternoon in my new capacity to discuss the President's budget request for fiscal year '09.

I don't need to tell you that I believe installations are the foundation of America's security. They are critical assets that must be available when and where needed with the capabilities to support current and future mission requirements. Our installations are the core of U.S. combat capability. There are separable and inseparable elements of the Nation's military readiness in wartime effectiveness. Our '09 budget request supports a number of key elements of the Department's efforts to maintain and manage these assets.

First, we continue to recalibrate our bases overseas and in the U.S. through global basing and BRAC. To ensure the flexibility we need to respond to our 21st century security challenges, the budget supports our global re-stationing efforts. We're continuing our efforts to transfer overseas legacy forces, cold war basing structures, close nation relationships and forward capabilities.

We're requesting 9.2 billion for BRAC 2005 implementation. And 393.4 million for prior BRAC clean up to support the state side portion of our reconfiguration efforts. These amounts are approximately 1.1 billion over of the '08 request. And the 9.2 billion represents full funding for BRAC 2005 implementation assuming the 939 million dollar reduction to the '08 appropriation is restored.

Regarding that reduction, we greatly appreciate this committee's action to provide authorization of the full amount. We're still analyzing the consequences of the reduction. But we believe that if it is not restored, it will be extremely difficult, if not impossible, to meet the September 15, 2011 statutory deadline without extraordinary measures.

We're working very hard to continue our execution at an efficient and effective pace. The point at which we find ourselves right now in the BRAC implementation period underscores that requirement because every delay makes it increasingly difficult to complete implementation by that deadline in a sane fashion.

Second, we continue to renew and take care of our own. Our goal has been to achieve a recapitalization rate of 67 years. And the '09 budget request, if enacted, pardon me, exceeds that goal by funding recap at a rate of 56 years. This is an improvement over the 76 year rate achieved in the '08 budget and is due in part to the impact of funding for BRAC and global basing implementation.

It equates to an increase of 2.8 billion compared to the '08 budget request. We have however, understood for years the limitations of this metric, but it was better than what we had before. And we've been working with the services to change it. Next year we will transition to a more comprehensive measure that we hope will pro-

vide a broader, more meaningful index to the Department and the Congress and also less volatile.

For sustainment this budget request reflects an additional 796 million which results in a Department wide funding rate increasing from last year's 88 percent to 90 percent this year. We'd like to hit 100 percent for obvious reasons, but we've had to make difficult trade offs with our budget.

Third, we continue to work to provide the best housing available for our military members and their families primarily, as you discussed, through privatization. We will continue, however, to operate housing overseas and in a few state side locations on our own. To date the military services have leveraged DOD housing dollars by 12 to 1 with two billion dollars in Federal investments, generating 24 billion in housing development privatized installations. In military construction the appropriation for a significant source of facilities investment funding, a total of 24.4 billion which is an increase of 3.235 billion over last years budget request.

Bachelor quarters. The Department is also committed to improving housing for our unaccompanied service members. DOD continues to encourage the modernization of all our bachelor quarters to improve privacy and provide greater amenities. In December 2007 the Navy executed its second unaccompanied housing privatization pilot in Hampton Roads following the success of the one in San Diego.

This project alone will construct 1,187 new apartment units and privatizes 726 existing units at Naval Station Norfolk. The Navy Pilot Project enabled by use of partial allowance have successfully improved the quality of life of our unaccompanied personnel. And we're considering how to use this more in the future. In 2007 the Army added bachelor quarters and senior enlisted bachelor quarters to its existing privatization projects at a number of installations around the country.

Energy Management, six. The Department continues to aggressively implement energy conservation measures and avoid associated costs while improving utility system reliability and safety. And our efforts are beginning to pay off.

DOD is the single largest energy consumer in the Nation, although we don't exceed two percent, but we're the single largest. We consumed 3.4 billion in facility energy in 2007, a modest, but significant savings of 80 million from fiscal year 2006. In our facility energy consumption intensity is down more than 10 percent from the 2003 base line.

We've significantly increased our focus on purchasing renewable energy and developing resources on military installations. Renewable energy projects are consistently more expensive than similar, conventional energy projects, resulting in limited opportunities that are life cycle, cost effective. So we are employing innovative strategies.

We are making continued progress in the area of geothermal energy. A 270 mega watt power plant in Naval Warfare Center, China Lake, California, supplies enough electricity to serve 180,000 homes annually. And the base gets a reduction in its energy bill.

The second geothermal plant is under construction in Fallon, Nevada. Three additional plants are being planned. And we're doing

the exploration for two in California, one at El Centro and one at 29 Palms and a third one at the Chalca Mountains Area Gunner Range in Yuma.

We are also examining ways with OMD to exploit other forms of traditional and renewable energy on our facilities. We have a number of existing solar arrays set up at bases throughout the country. And we're continuing that effort. The Air Force just brought a 15 mega watt solar ray online at Nellis Air Force Base. And we're pushing into ocean thermal technology, ocean and tidal wave technology and working to set up wind farms wherever they make sense for us.

Seventh, environmental management is critical to our stewardship of what we own. Employing a strategy that goes beyond mere compliance with environmental laws and regulation, the Department's transforming its business practices by integrating environment into our acquisition process maintaining a high level of environmental quality in all our defense activities and preventing pollution at its source. We're also working to forecast the impact of emerging contaminants.

Last, but not least, we continue to fulfill our commitment to work with communities and states affected by our closure and growth initiatives assisting them in collaboration with other Federal resources to respond to their needs.

Mr. Chairman, the Department is working hard to reposition, to reshape, to take care of our installations for the future. And we need the items we've requested in this budget, especially the 939 million for BRAC execution that was cut from last year's appropriation. We're going to do all that we can to make the Department successful.

And we appreciate, deeply, all this committee has done for us over the years. It has demonstrated repeatedly its support for our installations. And we look forward to continuing to work with you this year to advance our mutual interests. Thank you. [The prepared statement of Mr. Army follows:]

Senator AKAKA. Thank you very much, Mr. Army. Now we will hear from Secretary Eastin.

**STATEMENT OF HON. KEITH E. EASTIN, ASSISTANT SECRETARY OF THE ARMY, (INSTALLATIONS AND ENVIRONMENT)**

Mr. Eastin: Good afternoon, Mr. Chairman, Senator. I can't speak for Secretary Anderson, but I'm feeling ganged up on by one Navy guy on my left and one on my right here. [Laughter.]

Mr. Army: But you used to be Navy too?

Mr. Eastin: Well, we don't get into that. [Laughter.]

Mr. Eastin: I have a statement here and I have a more lengthy one for the record if you include that I will be brief. We have a very ambitious program this year, 11.4 billion dollars in military construction which, as you alluded to before with our Grow the Army Initiative of 4.2 billion of that is for directly related to Growing the Army. And another 4.5 of that is in the BRAC accounts and in putting those changes together and meeting that deadline.

While we're on that and this will sound like a broken record up here, 560 million dollars of that 900 and some that Wayne Army

mentioned, was kind of taken away from us, is imperative that we get it back in supplemental funding so that we can meet our BRAC deadlines. I can't sit here and say we'll not meet them. But it is going to be exceptionally hard to do if we have 560 taken away that is not restored.

We're looking at 35 projects, many of them are at Armed Forces Reserve Centers spread around the country. And those are the ones that are going to fall and break that deadline. So your help in getting that restored would be greatly appreciated.

We have an ambitious program. We are very confident that we are going to be able to execute. We have a good record of executing. And if that's of the committee's concern I'll be happy to discuss that later.

Other than that, I'll turn it back to you, Mr. Chairman. Thank you. [The prepared statement of Mr. Eastin follows:]

Senator AKAKA. Thank you very much, Secretary Eastin. Secretary Penn?

**STATEMENT OF HON. BJ PENN, ASSISTANT SECRETARY OF  
THE NAVY (INSTALLATIONS AND ENVIRONMENT)**

Mr. Penn: Chairman Akaka, Senator Thune, I'm pleased to come before you today to discuss the Department of Navy's installation and environmental efforts.

I would like to touch on a few highlights in this year's budget request, the largest facilities budget in well over 15 years. Our request is a robust 14.3 billion dollars are 9.6 percent of the Department's TOA. Most apparent is our increased infrastructure investment, both in SRM and the construction accounts.

With regard to SRM, the Navy acknowledges that years of underfunding have degraded the shore infrastructure to below industry standards. And that a substantial shot in the arm of 41 percent this year is necessary to reverse course and maintain these systems so that we can maximize their full service life. The increase in construction, 45 percent for MILCON, 13 percent for family housing continues the trend begun last year with the Marine Corps, Grow the Force initiative, to ensure their bases are ready to house and operate with the additional in strength.

Our military construction program also includes a number of projects to enhance the quality of life of our sailors and marines, including four fitness centers, six child development centers and four enlisted dining facilities. Our fiscal year '09 budget also includes the second increment of our two MILCON projects that were proposed last year for full funding, but the Administration—selected by Congress for incremental funding. While we do not consider any of these projects in our fiscal year 2009 program to be viable candidates for incremental funding, we have taken the lead in drafting criteria for incrementing costly construction projects and are working with DOD and OMB. We commit to work with the Congress to reestablish mutually acceptable and objective criteria in time for the next budget cycle.

fiscal year 2009 marks the first year since 2005 that we've asked for appropriated funds for prior BRAC. We've been able to finance all or part of our prior BRAC with land sale revenue. But we've

used all but 25 million dollars which we are applying to this year's program.

Our fiscal year '09 request includes 179 million dollars for prior BRAC. We will need appropriated funds in future years to complete our clean up work despite the prospects of some limited land sale revenue from Roosevelt Road in Puerto Rico and some other small parcels. We've disposed of 91 percent of the prior BRAC properties so there is little left to sell. And the real estate market is not as lucrative as it was a few years ago.

With respect to the BRAC 2005 program we have several good news items to share. Nearly all impacted communities have established local redevelopment authorities to guide local planning and redevelopment efforts. We were able to facilitate the reversion of the formal naval station Pascagoula to the State of Mississippi last June. And we've been able to hold down our cost increases to a modest two percent for the implementation period of fiscal year '06 through 2011.

However, our ability to meet the statutory deadline of September 15, 2011 hinges on the prompt restoral of the fiscal year 2008 reduction of 939 million dollars. I ask the committee's support to help restore these funds as soon as possible.

We continue to improve where our sailors, marines and their families live. We have ordered a second barracks privatization project in December of '07, this one in Hampton Roads, Virginia. And we're almost finished evaluating our third pilot project in the Jacksonville area.

Surveys of our residents, both in family and unaccompanied housing, show that satisfaction has increased significantly since privatization began. As a Department we emphasize and participate in communication at all levels of management from the installation level where focus groups bring together their residents, command representatives, property managers to the annual meetings with partner CEOs the Department remains engaged throughout all levels of management. The objective is to identify issues early and take prompt corrective action when required.

In fiscal year 2009 the Department is investing over 900 million dollars in its various environmental programs. We were recognized last year for our efforts in several areas, winning six Ozone Protection Awards from the EPA and a White House Closing the Circle Award for progress in alternate fuels and fuel conservation.

I am troubled though by the press coverage lately about how the Navy's training and sonar testing affects marine mammals. One of the most challenging threats is that our naval forces face is a modern, quiet diesel submarine and the tactile use of interface sonar that's the best means of detection in detecting these potentially hostile vessels. The inability to train effectively with active sonar literally puts the lives of thousands of Americans at risk.

As you know the Navy is operating under an exemption to the Marine Mammal Protection Act through January 2009 to give the Department enough time to complete the required environmental impact statements and obtain letters of authorization for sonar use on our maritime ranges and operating areas. What gets less air time is that the Navy will invest 18 million dollars or more in fiscal year '08 for marine mammal research, more than any other single

agency. This research aims to develop effective mitigation and monitoring methods to reduce any potential effects of sonar and other human induced sound on marine mammals.

We have made significant progress in the past year in planning for the relocation of the Marines from Okinawa to Guam. We established a joint program office, both the headquarters and forward elements. The Environmental Impact Statement for Guam is underway with a target record of decision in January 2010 in time for the construction to begin in fiscal year '10.

We're working closely with our counterparts in the government of Japan to prepare the details for construction requirements that are phasing and funding priorities. And we are working with our domestic partners, the government of Guam, the Department of Interior, OMB and other Federal agencies to ensure the Islands can meet the challenges of such a concentrated influx of people and workload.

Finally, it has truly been an honor and privilege to serve this great nation and the men and women of our Navy and Marine Corps team, the military and civilian personnel and their families. Thank you for your continued support and the opportunity to testify before you today. [The prepared statement of Mr. Penn follows:]

Senator AKAKA. Thank you for your statement, Secretary Penn. Secretary Anderson?

**STATEMENT OF HON. WILLIAM C. ANDERSON, ASSISTANT SECRETARY OF THE AIR FORCE, (INSTALLATIONS, ENVIRONMENT AND LOGISTICS)**

Mr. Anderson: Mr. Chairman, Senator Thune, good afternoon and to the members of the committee, and to the staffs, I want to thank you on behalf of all airmen for your unwavering support of the U.S. Air Force, our families, as the team goes about doing the important work of security for this nation and also delivering humanitarian aid across the world.

This morning, or this afternoon, I'm going to make some brief introductory comments focusing on three, or on five different issues: Air Force installations transformation, joint basing, Federal facilities agreements, housing privatization and energy. But before I jump into those five topics I hope you'll indulge me for just a moment to tell a little story about some airmen in my part of the Air Force world and the work that they are doing in harm's way.

I know you all know that the Air Force has been in continuous combat operations for 17 years, defending America's interest from above in air space and cyberspace, anywhere and anytime. And although there are many inspiring stories of airmen doing great things, I'd like to talk a little bit about 30 individuals on the Village of Hope team. These 30 members, or individuals are members of the 557th Expeditionary Red Horse Squadron, Bilot Air Force Base. It's a mix of active duty and Reserve individuals.

Their mission is to work southern Baghdad doing construction trade, acting as construction trade instructors teaching building skills to local residents. Those are local hands sourcing local materials and rebuilding homes and shops that have been destroyed by extremists. In the words of one airman on that team, he's been de-

ployed five times, but he said this is the first time in his military life he's had the chance to change someone else's life. This is a team of great ambassadors for the United States.

Let me jump, if I could, into our transformation efforts on the installation team. While the country and the Air Force is at war, we're also at the same time facing significant transformation, constantly searching for ways to improve efficiencies, improving the quality of the output of the products that we deliver to our airmen. In times that we're continuing budget pressures puts strains across the board.

We started with a concept, what we call, Core of Discovery. We went out to find the best of the best in industry. Companies like GM, GE, IBM and Bank of America to benchmark, to determine where we can improve our systems to be efficient and more effective.

We then realigned and restructured both our civil engineering organization and our real property agency. We are also in the process of transforming our information systems to make them better to measure how we're doing. And all with the endgame of implementing breakthrough asset management techniques to reduce the risks that are associated with risks that we are taking to recapitalize the Air Force.

Along with that organizational transformation, and Mr. Chairman, you mentioned this earlier in the hearing, we are committed as you say, to make the joint basing a raging success, which is the second issue that I want to discuss this afternoon. The Air Force has a long and successful history working towards common goals in a joint environment without compromising Air Force principles nor the well being of our people. Joint basing initiatives are no exception.

To guarantee success each joint base should be required to provide a suitable setting for all of its assigned personnel, importantly their families and all the other customers within the local communities that our bases support. To accomplish this we're working with the other services and with OSD to establish a common base quality of life standard. Our soldier, sailor, airmen and marines along with DOD civilians and their families will benefit from efficient, consistent installation support services. Such standards will ensure the Air Force and our sister services continue to provide all personnel with a level of installation support services they deserve. As we work with the Office of Secretary of Defense and our sister services, we will ensure all joint basing initiatives contribute to DOD's ability to perform its mission.

The third issue I'd like to talk about a little bit is on the environmental front, the Federal facilities agreement. The Air Force has an aggressive goal. We want to get all of our active duty bases to clean a remedy in place status by 2012. That's two years ahead of the DOD challenge.

To achieve that all parties need to break out of bureaucratic and administrative procedures and focus on streamlining result based initiatives. The Air Force is currently working proactively with the EPA to break the paradigm of the inefficiencies of what is called Federal Facilities Agreements or FFAs. If regulation is a sign of design failure, then success over the years and years of working in

remediation should put streamlined oversight and return land to productive use quicker and with less burden on the American taxpayer.

The fourth issue I'd like to comment on is housing privatization. A program, that program housing privatization has allowed all services to dramatically and quickly upgrade tens of thousands of housing units, leveraging private equity, debt and private initiatives in industry competencies to provide better housing units for the men and women in uniform and their families. There are many housing privatization success stories.

I've toured a number of these facilities as my colleagues I know have, talked to the residents and by and large they were all very happy. Occasionally, in the private sector, in the real estate environment, deals do go sour. We're currently working through, Mr. Chairman, as you mentioned earlier today, working through one vendor who impacts four Air Force bases, and who also by the way, had done some deals for one Army and one Navy facility as well, where the deal has gone sour.

Air Force senior leadership is very upset, as I know you all are. We're working within the legal and regulatory system and with the bond holders to resolve these issues as quickly as possible. We're also constantly refining our internal processes to incorporate lessons learned to get better as we move forward. Primarily we are concerned with the airmen, their families, their quality of life in getting the mission done and will work through these bumps in the road as we move forward.

Finally, I'd like to take a moment just to talk about energy. As many of you know the Air Force has stepped out aggressively to heed the President's call to wean this country off its addiction to foreign oil. We're not working policy. We're not working subsidies. But we're working from our position as the Federal Government's largest single user of energy and taking that major customer position to drive the market.

Our first program out of the box was to commit ourselves to find a synthetic fuel that we can certify our fleet on and we will certify that fleet by 2011. And by 2016, 50 percent of our CONUS aviation fuel buy will be via a syn-fuel blend. But we didn't stop there.

We've determined our position again as a major consumer, a billion dollar year consumer of installation electricity to take a leading role there. You heard earlier about Nellis where the largest solar array in the Americas at 14.2 mega watts is installed and running effectively and efficiently. And that is renewable energy that doesn't cost the taxpayer more, as a matter of fact it costing the taxpayer a million dollars less to deliver energy to the airmen at Nellis.

Five other major projects are in the works, three solar projects, one each in California, New Mexico and Arizona, which we expect to be significantly larger than Nellis. Our coal to liquids manufacturing plant at Malmstrom Air Force Base and several of your colleagues have asked the Air Force to look at whether Air Force Bases are appropriate citing locations for small package nuclear. And in each of these cases we're talking about private finance, private development, private operation, not using taxpayer money to make this happen all in the commercial world.

At the same time the Air Force recognizes that energy and the environment are tightly linked. Not only have we committed to purchase only alternative energy sources with a greener footprint than current options, the Air Force is committed to be a leader in establishing a global consortium to tackle the reduction, capture and reuse of greenhouse gas emissions. The Air Force is calling for consortium of organizations to work together for carbon dioxide reduction, capture and reuse, something we are calling CORCR2.

In conclusion the current future readiness in the capability of our Air Force to deter our enemies and when necessary fight and win this nation's wars depends heavily on the state of our power projection platforms. Those are our installations. As the Air Force continues to modernize and recapitalize we'll wisely invest our precious funding allocations allocated to military construction, operations and maintenance, BRAC, the environment, military family housing and energy. This will enable us to win today's fight, care for our people and prepare for tomorrow's challenges. Thank you, Mr. Chairman. [The prepared statement of Mr. Anderson follows:]

Senator AKAKA. Thank you very much, Secretary Anderson.

Secretary Anderson and Secretary Penn, as I said in my opening statement I see the concept of joint basing as something that holds promise as a way to not only save taxpayer money, but also to deepen the joint-ness that our forces already demonstrate so well in combat. My question to both of you is, are each of your Departments fully committed to making joint basing work?

Mr. Penn: The Navy definitely is. Yes, sir. And I mentioned that last year was the same thing.

We have conducted several, well, three major table top exercises where we've gone through and we've found great success. We've found the quality of life for the sailors, the airmen, the marines very positive. We also found that there was no impact at the mission readiness with this. So we support it 100 percent.

Senator AKAKA. Secretary Anderson?

Mr. Anderson: Mr. Chairman, I'd like to mention a couple of different things. First, BJ did mention the table top exercises. Those exercises were done as a joint Air Force, Navy effort and as the Secretary said it was a tremendous success. Not only to find out what works, but also to ferret out some of the issues early that we could address before we jumped with both feet into joint basing.

I'd like to also highlight Guam if I could for a moment. And the tremendous work that the base commanders, the Navy local installation commander, the Air Force wing commander have done to make sure that joint basing will work effectively in Guam, which is, of course, a forward operating location that has implications to significant additional implications to national defense. And I want to take my hat off to both of the commanders for working on a local solution that will work for both the Navy and the Air Force, has been signed off by both services and is moving forward very efficiently at the same time that those 8,000 Marines are on their way to Guam. And we're working a myriad of different issues. So teams are working together closely.

As I mentioned in my opening comments the Air Force wants joint basing to be a raging success. We think the efficiencies are

there. I think we can get more efficiency then we have even identified at this point.

But we do have to make sure the mission capability, the ability for commanders to command their people. And the Air Force does train and deploy a little bit different than the other services do. We need to make sure that that capability continues to be available.

We have a slightly different view on how to execute. But in terms of executing on joint basing we are absolutely in lock step that this is the right thing to do. We just want to make sure that we investigate it.

And make sure that we do it the right way. It's not about the what. It's about the how.

Senator AKAKA. Well let me follow up in the execution of this program. It is not clear to me who will be responsible for making sure joint bases get the appropriate level of investment. I know that Pearl Harbor and Hickam will be one of the first joint bases in this case with the Navy in the lead.

So, who will be responsible in this case for making sure that future budgets fund the required investments such as electrical system upgrades needed at Hickam. Will that be the Navy's responsibility because the Navy will be in the lead for this joint base or will it be the Air Force's responsibility to fund their own projects?

Mr. Army: Mr. Chairman, if I could respond?

Senator AKAKA. Secretary Army?

Mr. Army: With the concept indeed at Pearl Harbor, Hickam, the Navy would be responsible for all of the ongoing maintenance they will receive when the deal is finally signed, they will receive a transfer from the Air Force. We at DOD, with all the services, we're working very carefully to establish joint standards that we all agreed to for all capabilities on the installation management. The Air Force will still maintain their own mission parts. But as far as the maintenance of the installation, it will be the Navy's responsibility to fund and maintain to the standards that we all agree, if the Air Force—and that includes recap.

If there's an Air Force hangar that needs to be rebuilt that will be put into the Navy budget. If there's a new hangar required for a new mission then that will be the responsibility of the Air Force to fund that facility. Let's call it a hangar, and then once it's done, it will be turned over and it will be maintained by the Navy.

Now this is a two way street. And there has to be communications both ways, but there are also several occasions where the Air Force is in charge and they'll have responsibilities. The Army will have responsibility in other places.

Senator AKAKA. Yes. The particular, the specific case that I mentioned was the electrical system upgrades which Hickam really needs. And if this occurs then what you are telling me is that the Navy would certainly deal with that.

Mr. Army: Yes, sir.

Mr. Penn: But it would be funded by the component. That's the intent is that a mission requirement is funded by the component.

Mr. Army: But the electrical system upgrades would probably be a military installation.

Mr. Penn: Right.

Mr. Army: That probably would be funded by the Navy.

Mr. Penn: After we get, yeah.

Mr. Army: Yeah.

Senator AKAKA. Secretary Penn, last year the Navy took strong action to address a child care problem at Pearl Harbor. First by addressing a safety issue with a reprogramming and then by including funds in the 2009 budget request for a new child care center. I commend you for those actions.

We need to have that same focus on our shipyard at Pearl Harbor because it is such a key readiness asset for the entire Pacific theater. Section 332 of the fiscal year 2007 Defense Authorization bill required a minimum level of investment in our military's maintenance depots, including Pearl Harbor Naval Shipyard. That minimum level will rise from five percent of work load funding in 2008 to six percent beginning in 2009.

Last year Senator Inhofe and I added funds to address problems at dry dock one and two because we felt the shipyard was not getting the funds it needed. And let me just say, please provide for the record, what investment the Navy has planned for the Pearl Harbor Naval Shipyard over the next five years. And all that compares with the six percent investment requirement for Navy depots. So if you would provide that for the record. [The information previously referred to follows:] [SUBCOMMITTEE INSERT]

Mr. Penn: Yes, sir. We'll be glad to do that.

Senator AKAKA. Yes. Senator Thune?

Senator THUNE. Thank you, Mr. Chairman. Secretary Anderson in your written testimony to the House last week on the subject of synthetic fuels you stated and I quote, The Air Force goal is to cost effectively acquire 50 percent of our contiguous United States CONUS aviation fuel via synthetic fuel blend utilizing domestic blend feed stocks and produced in the United States by 2016 with the intent to require the synthetic fuel purchases be sourced from suppliers with manufacturing facilities that engage in carbon dioxide capture and effective reuse." What is the biggest challenge you face in meeting the goal of purchasing 50 percent of that aviation fuel by the year 2016?

Mr. Anderson: Essentially Senator, the biggest challenge is a market developing in the United States. Our process of testing, certifying and flying this fuel in the fleet at research quantities is ongoing. We have a time line, a map, that will take us through the early 2011 the fleet will be ready to receive the fuel.

The commercial aviation industry is following along with us and working with us in the certification process of the entire aviation footprint in this country and by the way, around the world with some foreign interest as well. The problem though is the fact that we don't want to necessarily certify to a fuel that will be another foreign import. With the United States having the largest coal Reserves in the world it makes sense to us that we ought to utilize those coal Reserves in a very ecologically friendly way.

We believe the new technology for making liquid fuel out of coal can achieve an environmental footprint that is very favorable for coal based, fossil based fuel. But yet at this point no ground breaking has been done on it on a commercial scale plant in the United States although a couple are under consideration. That's why we set the goal five years after the certification was done because we

believe the industry wouldn't begin to kick off into this country and make commercial quantities of fuel at least until 2012 to 2014. So we set our goal beyond the time when there will be commercial level production in this country.

Senator THUNE. And how do you define cost effective? I mean is it the assumption is going to be that's it's going to be based strictly on lowest price?

Mr. Anderson: Based on market for an equivalent type of comparable fuel, i.e. petroleum based jet fuel. Yes, sir.

Senator THUNE. Ok. And will there be any other discriminators in how the Air Force would go about selecting suppliers of those synthetic fuels, price driven. Is there any other thing that you can think of that would —

Mr. Anderson: No, sir. Price and performance. We're not, as I mentioned earlier, coal seems to be the most logical, near to mid term feed stock. But we don't care about the feed stock. We don't necessarily care about the technology used to refine the material.

We look at the performance parameters that are necessary to fly jets on. And we look at price against the market price for a similar product. And that would be the only discriminators.

Senator THUNE. Is 50 percent by 2016, is that, that's a cap. That's a ceiling. Is there any chance we get there sooner, I mean?

Mr. Anderson: Actually it's not a ceiling. It was just a kind of a vision, a kind of pie in the sky. What we're talking about is 400 million gallons a year and if we represent ten percent of the domestic aviation market. That's a demand of four billion gallons coming out of factories if the commercial world follows us. That's a huge production capability.

We just base it on what we thought would be possible. It can be accelerated. It can be expanded if the production capability is there. Yes, sir.

Senator THUNE. Ok. Ok. My hope would be that to see that sooner than 2016. Maybe not 50 percent by I'd like it to see it be great if it were to achieve that goal even sooner.

Mr. Anderson: I hope you're right. Yes, sir.

Senator THUNE. Let me ask the rest of the panel. Air Force obviously is the largest user when it comes to fuel and so the question, primarily directed at Secretary Anderson. But do the other services in the Department of Defense as a whole considering similar goals for the use of synthetic fuels?

Mr. Anderson: Well, actually sir the Air Force has been the lead for the Department because they are the biggest user and we tend to split those efforts up. If it's successful we all benefit from it.

Senator THUNE. Navy? Army? Any to add to that?

Mr. Eastin: We have some research programs, but they're no where near production.

Senator THUNE. Ok.

Mr. Penn: Over the last five years we've increased our way of ten fold increase in the use of a 20 percent blend of biodiesel and petroleum diesel. So we're moving on this as well.

Senator THUNE. Ok. Good. Well and I would just say to the Department and the other branches that they're to take a good hard look of the possibility of following the Air Force's lead on this knowing full well that they're the biggest user of the fuels. But

nevertheless I think it's something the Department wide could achieve a significant savings if we're having to pay. Who knows what the price per barrel of oil is going to be sometime into the future. So.

Mr. Army: I think that's the key. I mean if we can get synthetic, get it at a price that's comparable then it's obviously makes us far less dependent on overseas sources.

Senator THUNE. Well, I don't think we can convert quickly enough to home grown energy because we continue to enrich petrol dictators who figure out ways to fund organizations that turn around and attack Americans. So I encourage you to pursue that as quickly as possible.

The Congress is looking at once again considering legislation in this year that would authorize a multiyear procurement of synthetic fuels by the Department. If Congress were to extend the existing multiyear procurement authority to synthetic fuels does that assist you in achieving your goals?

Mr. Anderson: Yeah, I guess, let me qualify yes, Senator, is the answer. The Air Force and the other services, of course, what we're concerned about is acquiring the fuel we need to do the mission. The supplier on the other side of the equation has to worry about the economics of the viability of investing up to four billion dollars per plant for these synthetic fuel facilities.

In numerous discussions on Wall Street with major bankers they have suggested that a long term contracting. Somewhere between 10 to 25 years as opposed to the five years we have currently, would be a driver towards attracting debt and equity capital into this market. Which then of course, would trigger building of plants, which would allow us to have the supply that we need.

So indirectly yes, it would help us in our process. And I think the industry and Wall Street is kind the one who would be the best to answer what the right answer would be for this.

Senator THUNE. Well, and that's, I mean, I'm sure you have discussions with them. We have too, those who are interested in developing that type of an energy source. And one of the things that we hear is that we could lock in long term contracts and the economics of this thing work so much better for us.

Mr. Anderson: Right.

Senator THUNE. And, so it's the reason I asked the question. You had, I shouldn't say you, but in a—there was Federal Times story Monday, March 10th, earlier this week, where a special assistant working for you, Paul Bollinger said in reference to a standard of manufacturing synthetic fuels and I quote, "Industry experts producing this fuel say they can meet the standards, but there is not standard. Until we get a standard we can't buy the fuel." Can you comment on that, or elaborate on that statement?

Mr. Anderson: I would assume that the, and I wasn't privy to the conversation. But I would assume that the comment was made as a result in relation to Section 526 of last year's Energy Act, which essentially mandates in legislation what the Air Force has said all along. That it would not buy any alternative fuel, synthetic fuel that didn't have a greener footprint than what is currently available.

Now, when we talked about a greener footprint, we didn't talk only about CO<sub>2</sub>, Section 526 only talked about CO<sub>2</sub>. We talked about the entire array of contaminants. So we support the concept. The problem is that the devil is in the details.

From our perspective the right answer is that we ought to, we, collective, the royal we, globally, go forward and do a Manhattan Project scale approach to taking a look at global greenhouse gas emissions across every fuel source from cradle to grave, if you will. From the mine or the oil well or the field, for example, if it's ethanol, all the way until it comes out the tailpipe. And determine where the greenhouse gas emissions are so that we can identify the most serious infractors, if you will.

Figure out ways to economically address CO<sub>2</sub>. And on a per unit basis address the CO<sub>2</sub> output from every fuel source. But the first thing we've got to do is inventory what the actual greenhouse gas footprint is of every fuel source. And the comment is correct we are not in a position at this point to be able to do that with any rigor.

Senator THUNE. I guess in terms of adopting or coming up with a standard. And the reason I asked that question is because the question is who would define what that is? And to me it would be a function of what is a workable fuel in terms of performance in the fuels that you use and obviously a greener type of fuel.

Ideally that's, you'd want to have that involved to incorporate into your standard in some fashion. But I don't know exactly who comes up with that standard. I mean, we could try and write a standard here, but we'd have to obviously get input from the industry.

I mean I could probably come up with one for ethanol. But I don't know how that works with regard to the needs that the Air Force has for aviation fuels. And so I think that's something that I think I'd like to maybe home in on a little bit more at some point.

So, Secretary Penn, the Navy's currently involved in litigation challenging the Navy's compliance with environmental laws regarding the use of mid-frequency active sonar. Mid-frequency sonar is the most common form of active sonar used by surface ships, submarines and helicopters. January 23rd of 2007 DOD invoked the National Defense Exemption under the Marine Mammal Protection Act to exempt all military readiness activities that use mid-frequency active sonar from compliance with the MMPA for a period of two years.

Despite the Department of Defense's decision to invoke this national defense exemption and in January of this year a Federal district judge issued an injunction and imposed significant restrictions on Navy sonar training in at sea ranges off of Southern California. What is the status of that litigation? And can you describe its impact on the Navy's ability to train effectively for deployment using active sonar?

Mr. Penn: We're still in the process of litigation so I can't go into it too far. But as I said earlier, the ocean is the Navy's home. We take very good care of our home. For our other procedures we've been working with nymphs and in fact we have a MOU with NOA talking about the PTS which is non-recoverable damages to the tissues of the auditory systems of the mammals.

Direct injury to marine mammals from NSA sonar can only occur at very close distances to the sonar which is approximately 10 meters. And we have to have a DB level at about 215 to actually create that disturbance. We have implemented 29 nymphs approved protection measures whenever we operate regarding the National Defense Exemption under the Marine Mammal Protection Act including the posting of trained lookouts while underway in areas where marine mammals are present, power down sonar at specific ranges and complete shut down if the mammal is within 200 yards.

As I said we have 29 different mitigation measures and we're doing everything, in fact, one of the things we're doing. We're putting so much money into the program to get scientific data to show what the MFA is doing. On the LFA we've been operating that since 2003. And there apparently is no damage at all to using that.

Senator THUNE. And that's what I was going to ask you about because you're facing similar litigation over your low frequency active sonar. Which is my understanding is the most effective means to detect super quiet diesel submarines at long range. Which are the types that are operated by China and North Korea.

Mr. Penn: Right.

Senator THUNE. Can you tell me what these—how these limits impact the Navy's ability to train?

Mr. Penn: It means if we're unable to train that means we have to deploy people, the ships, the strike groups, without completing their specific training required to go into harm's way. And that's what it does. And it isn't fair in my opinion to send our people out, especially on a carrier with 5,000 people, not being fully ASW qualified, which is why we're pushing so hard for this.

We do the simulation. We have a simulation package which is basically switchology, but unless you're out there looking for a diesel submarine in 150 to 900 feet of water, it's very difficult to do.

Senator THUNE. I assume you're concerned about how these restrictions that are being imposed on Navy sonar training impact recent deployments of diesel submarines by China in the areas where U.S. carrier battle groups are operating.

Mr. Penn: Yes, sir. There are 40 countries with approximately 400 diesel submarines and we consider it a major threat across the board. They can get off the coast, the west coast and fire a missile basically wherever they want.

We're working on the NDA at this time. We have to complete it by January 2009. And hopefully that will give us the clearance to continuing on.

Most of the restrictions we have to date are for specific events and specific exercises. So we're able to work around them. In fact we just did clearance recently to conduct two more exercises which we'll be doing. But it's absolutely essential that we train our crews to operate.

Senator THUNE. Thank you. I just have one final question. I see my time has expired, but it has to do Secretary Army with the whole BRAC process. That process was concluded in 2005.

At that time it was estimated, I think, that the cost for BRAC was going to be about 22 and a half billion dollars. Today it's 33.2 billion dollars. That's basically two, three, years. I mean we're into

2000 actually the 2009 budget year. But that's a 50 percent increase in cost.

Now I know that there's normal inflation, but that seems like an enormous increase in the cost of completing the BRAC process. Could you comment on that?

Mr. Army: Yes, sir. I'd be happy to. This round of BRAC had more relocation. It had a higher percentage of military construction funding as part of the—as a major element. It's like 70 percent as opposed to 30, 35 percent before.

And as you and the committee members have seen we've been all hit hard by increases in construction. In the Northwest, we're looking at 15 percent a year. Katrina affected a lot of our estimates, once we actually had the projects in line.

But before that we faced a problem in that the BRAC commission and the folks within the Navy who were analyzing bases used a model called the COBRA model which was designed over the past 15 years to allow analysts to examine one base against another in terms of generalized construction kinds of buildings. That COBRA model was never designed to produce budget quality numbers for the buildings. So, but people unfortunately expected it to.

So I got involved in BRAC execution on the Navy side and when we got the COBRA models we went out then went to the engineers. And as they began to actually flush out what these real buildings were going to be. Different site locations, different circumstances, made them have to change their 1391s.

We also—so consequently we got not only cost—once we designed the building we got cost growth that no one expected in certain parts of the country. We had cost growth before that because the buildings in the COBRA model were not design quality. Also we've had cost growth in terms of the Army decided to do a lot of moves back from Europe that were not really part of that initial analysis.

So there have been a number of examples and we could go, I could go into more detail for you on the record as to where they were. [The information previously referred to follows:] [SUB-COMMITTEE INSERT]

Mr. Army: We've also in each of the services gone back. The Army's probably had the biggest growth because they've had growth in missions. We've had some growth in defense agencies because we had growth in missions. The services have all gone back in and scrubbed their numbers and frankly, we found a lot of cases where we've lowered costs and lowered scope just because there were misunderstandings during the analysis process.

So it goes both ways. You're right the costs are higher. We have detailed explanations as to why. We have fully funded it because we believe those, that scope growth is necessary.

Senator THUNE. In trying to scale back on and to keep costs from rising any further is it conceivable that some of these organizations that have to be moved could end up in new facilities that don't fully meet their requirements in due time?

Mr. Army: We are working very hard to make sure that doesn't happen. As anybody who's been around this. And I've only been around for part time. But I've talked to people who have. And I fought it in my old job too.

Is the engineers will, they have “x” amount of money. As the cost begins to grow they won’t come to you and say look, the costs have gone out of sight. We need more money. They’ll try and make it fit.

That’s why we in DOD have developed a business plan process that was unique to BRAC ’05. So that if the business—if there’s a change in scope that should be part of the business plan. We should be able to see it. We want to work with the services to make sure that the proper scope is achieved for the facilities that we’re putting in there. We don’t want to hamper people before they even start in the door.

Senator THUNE. Right. Thank you. Thank you, Mr. Chairman.

Senator AKAKA. Thank you, Senator Thune.

Secretary Penn, I have another concern with respect to Pearl Harbor shipyard. As you know Pearl Harbor is historic because of the event of December 7, 1941. Understand the need for historic preservation to honor the memory of that tragic day. However we also need to recapitalize the facilities at the shipyard, including those in the waterfront.

All workers deserve a safe and productive workplace and our Pacific fleet deserves the highest maintenance standards we can deliver there. My question to you is what steps can the Navy take to be more proactive on working with the historic preservation community? And what do you think they can do to work more productively with you?

Mr. Penn: Thank you, sir. Mr. Army and I met with Sherman Nell last week.

Mr. Army: It was a very—from DOD is the—sits on the ACHP and I think both Mr. Penn and I were very impressed with Mr. Nell’s balanced approach to his dock preservation especially industrial facilities like the shipyard. And he personally promised to take upon the challenge of going out to Hawaii himself with his staff to look at the facilities and work through that. Because you all have told us and we know that if we can’t modernize that shipyard then productivity goes out the window.

There are things that need to be done and unfortunately a lot of historic buildings. But Chairman, now understands that. And I think working with the Navy will have a very positive impact on getting those improvements.

Mr. Penn: And this was our first meeting with him.

Senator AKAKA. Oh, right.

Mr. Penn: We always try to work cooperatively with the State Historic Preservation Officer and other stakeholders in historic preservation concerning Pearl Harbor. In fact the goals of the Historic Preservation and the needs of the Operational Fleet are not mutually exclusive. So we’re working very hard. We’re taking our role very seriously in this.

Senator AKAKA. Well, thank you very much. I’m glad to hear that.

Secretary Eastin, I understand the Army is about to initiate an environmental impact statement for that portion of the so called Grow the Army proposal that affects the U.S. Army Pacific. And that’s in the Army in Alaska and Hawaii. As you know all too well from the Stryker situation there are groups who are likely to ini-

tiate a lawsuit related to ongoing environmental and cultural preservation concerns. While I know that the decision to bring a lawsuit is not under your control there are some things that the Army can do to help prevent future legal challenges. The first is ensuring the Army does its homework to defend itself from the possible legal challenges you can expect. I think the Army can do better than it did in the Stryker case.

Second, and just as important it is to reach out to the local community throughout the EIS process to explain what you're doing and why you're doing it. There are some people you are never going to convince to agree with you, as you know. Believe me, as a public official I have that experience myself. But based on my experience I do believe you can do yourself a lot of good by reaching out to the average person, not just to tell your side, but to listen to them.

So I invite any response you wish to make about how the Army plans to proceed in this case. And what lessons may have been learned from the past experiences.

Mr. Eastin: The Stryker litigation which you were referring to was basically the result of a failed EIS, Environmental Impact Statement that was commenced, I don't want to say luckily, but before my term. This is a very technical law, but it's not a hard one to comply with. And if you do your homework, as you suggested, you can get through this very nicely.

That is why we're doing this particular EIS. I have occasion to look at my staff's travel budget. And I noticed that my Deputy, Tad Davis, who handles environmental matters seems to have taken up residence in the State of Hawaii, at least that's what it looks like. So he is involved in a lot of outreach with these people. And hopefully that will alleviate some of their concerns.

I'm with you. Some of these people will never be convinced. But a lot of people want to feel they're part of the process and have a proper role in the process. So we want to make sure that happens.

Senator AKAKA. Mr. Army and Secretary Eastin, as I mentioned in my opening statement, I'm concerned that there is no money in the fiscal year 2009 budget to follow up on the initiatives Congress and the Administration took last year to improve our care of wounded warriors and their families. I understand that the Army has identified additional requirements for more facilities. But they are not in the budget nor did General Casey include them on his unfunded priorities list.

Secretary Eastin, are there additional unfunded requirements for barracks or other facilities to care for wounded warriors and their families? If so, what is the scope of this unmet need? How many facilities? And how much additional funding is needed?

Mr. Eastin: We have put together medical centers for warriors in transition at 35 of our locations. Some of them have taken the path of renovating what has already been there. Many of them are going to be new construction. This has been funded out of basically, supplemental funding.

In '08 we have 138 million in that. In '07 we put a lot of money in it. It was basically funded with Operation and Maintenance money. The '09 supplemental request is up at the Office of the Secretary of Defense for clearance, but I can assure you that it's in the neighborhood of one billion dollars for these.

I think what's implicit in your remarks, however, is that we are not keeping an eye on these soldiers who have given more for their country than most of us could ever have asked. And we need to take care of them in their healing time. What we have—what we are finding in this is that if we treat them properly and take care of them, something in the neighborhood of 80 percent of them are returned back to the force. That amounts to two full brigade combat teams in a year's time returned back to the force.

What we have done here is change our procedures which didn't cost us a whole lot, but it affected them a whole lot. In terms of making their duty assignment, getting well. Their duty assignment is not going back to the third ID and getting deployed. Their duty assignment is getting well, so by changing that procedure and giving them a new duty station, if you will, in the warrior transition unit, that's helped a lot. We need to find now the infrastructure to back that up.

Senator AKAKA. Yes. And I'd like to have another answer for both you and Mr. Army on why is funding for such an important requirement not included in the budget request?

Mr. Eastin: We basically, they thought the supplemental was a quicker in getting this done to be honest with you. We—they're there now. And they need help. Our budget process is such, as you know, it sometimes moves at glacial speed, whereas supplementals are a lot more nimble.

Senator AKAKA. Yes. Let me just ask, Secretary Eastin, I understand you recently held an industry forum in Korea to explore ways to provide new family housing for U.S. Army forces that are relocating from Seoul down to Camp Humphries under the terms of our agreement with the Korean government. Based on the responses you got from industry, do you think you have found a potential solution? And can you please describe what you have in mind and how the Army intends to proceed on that?

Mr. Eastin: Well we, as you know, Senator, we were up here a couple of times trying to get the lease cap raised for our normal build to lease operation. And it was, quite frankly, I think a matter of sticker shock. Part of it was due to the fact that we would have to advertise the cost of these facilities over a 15 year period which just drove the cost basically out of anybody's reasonable range.

The status of forces agreement we have with the Republic of Korea is such that it is a fairly wide. It in the Yongsan relocation plan, moving our forces from the North basically down South of Seoul grants us use of the land for as long as we are there. And also provides that we are to rent or lease housing units for our accompanied soldiers.

Since we cannot do it, the normal build, in a lease way. We have put out a request for interest from the development community as to whether they would build the same sort of family apartment units on the same land where we would not involve the guarantees that are involved in coming up here and getting scoring or going to the Office of Management and Budget and getting scoring and putting dollars against it. Basically would they build if we didn't guarantee it.

We had a lot of skeptics. And so we thought we'd put together a forum to discuss this over in Korea with the development commu-

nity, the facility management community and the financing community over there. Quite frankly, I thought we'd get maybe 100, 150 people at this thing.

We had registered 350 people from across Korean industry and 550 showed up. So we didn't have enough chairs for them. We didn't have enough materials. We had to mail it to them.

So I think there's a lot of interest out there. And we're talking about construction that is up in about a billion dollar range. So it was up to make enough to make—to get peoples' interest.

What we've seen from that in the question and answer period afterward. There is a lot of interest in the development community over there. And parenthetically I think a lot of interest from the U.S. based financing community which is probably where a dollar denominated financial instruments are going to come. So we had a couple dozen people over from the U.S. at the forum.

So I am encouraged as everything when you're dealing with foreign governments and military construction and the Army we'll believe it when we see the dotted line or the key to the door. But at least this looks like an attractive alternative to things that seem to be very expensive.

Senator AKAKA. Thank you very much. Senator Chambliss?

Senator CHAMBLISS. Thank you very much, Mr. Chairman. Secretary Anderson? Well, let me first of all say, gentlemen, we've got four projects, four privatization housing projects in Georgia. Three of which have been very successful, excuse me, we've got five, four of which have been very successful.

Mr. Anderson, as you know the one at Moody has not been very successful. Tell me in your opinion where we are with respect to the disaster we've got at Moody to date, please, sir.

Mr. Anderson: Ok. Yes, sir. And I think, Senator, you hit the nail right on the head that overall housing privatization has been extremely successful. Robbins Air Force Base, we're on our second phase and everything is going extremely well. And the—our residents, our airmen and their families are very, very pleased.

Where we are in Moody is that one contractor, American Eagle, which is the source of all of the issues we're facing today on the four Air Force projects that have gone sour have not been able to live up to their expectations. The bid that they presented to the Federal Government that was reviewed by the Air Force by OMB, by OSD met all the required parameters. It was a good bid.

I think all of the folks that approved to go forward with American Eagle made an appropriate decision based on the facts that they had at the time. What has occurred since then? Occupancy rates are down at that project, as well as the other three because of the great interest rates, the ability to buy homes in these areas because the positive housing markets in the four areas we're talking about.

Construction has ceased at Moody. The bond holders are finally engaged. We had actually raised a red flag earlier than the bond holders actually realized that there was an issue. But the bond holders have been engaged. They understand the seriousness of this. And of course, they and their customers have money risk in this project.

Where we are currently is that we're seeking a buyer. When I say, we, the Air Force isn't in a position to directly do this work. But we're working closely with the bond holders to make this happen.

The bond holders are working to find a purchaser for the four projects. With the hope that the four, or the purchaser of these projects will get them back on line, back under construction. The subcontractors will be paid. And we'll move forward in getting the houses that were required at those bases under construction completed with Air Force families in those as soon as we possibly can.

Senator CHAMBLISS. What do you expect to do from an Air Force perspective about the subcontractors to are owed some seven million dollars today?

Mr. Anderson: From an Air Force perspective at the moment, sir, we're not directly involved in that process. That's going to be worked out through the process of finding a purchaser for these deals. We're obviously very concerned about the subcontractors. We're concerned about the airmen and their families that are impacted by this.

We're keeping a very close eye on it. But because of our particular legal position at this point we are staying where we need to stay and allowing the legal process, the regulatory process to move forward.

Senator CHAMBLISS. Obviously I'm pretty concerned about that too. We've got 2,000 new airmen and women that are going to be coming to Moody within the next year. This housing project was supposed to house any number of those. And it's not going to be ready.

As I understand it in relation to this project the source selection was completed in September 2003.

Mr. Anderson: That's right.

Senator CHAMBLISS. Financial closing occurred in March 2004. Cite work began in August 2005 and the first construction milestone was missed seven months later in March 2006. Does that correspond to your information?

Mr. Anderson: That's about right. Yes, sir.

Senator CHAMBLISS. Well I've been on the ground in Broxton and I've talked to the various subcontractors. I've talked to the people at Moody. I've talked to the people who were supposed to be in charge of this project. And what they've told me is that within months of American Eagle, which is the contracting company showing up in town which would have been March 2004. They really felt like something was not right.

The reason they didn't feel like something was right was that each time they met with American Eagle, they were meeting with a different person. And no one they met with had any experience with construction or construction management. They were property managers.

Mr. Anderson: That's right.

Senator CHAMBLISS. Was your staff aware of the fact that American Eagle is a group of property managers and not a construction company?

Mr. Anderson: Well actually sir, American Eagle is kind of a just a trade name if you will. American Eagle is actually two separate

companies: Caravetta out of Connecticut and Shaw infrastructure out of Louisiana. So those were the two companies that were actually involved in doing the work, if you will.

You are absolutely correct that one of the issues related to the American Eagle projects is a rapid turn over of project managers. And to some degree a lack of a skill set. We did recognize that very quickly. As I mentioned to you with the first question, we began raising red flags with the bond holders very early.

Senator CHAMBLISS. Can you tell me when?

Mr. Anderson: What I was able to find from the record and this before my time, but within several months, probably about the same time frame that you're talking about. Several months from when the project was—the bid was accepted and the deal was signed.

Senator CHAMBLISS. Well here's my understanding of it. Beginning in March 2006, the project owner for the Moody project was in a state of technical default due to not meeting terms of the transaction documents. And that those enforced continued and grew for the next year and a half, not only without any homes being delivered while the project accumulated a 30 million dollar shortfall and over seven million dollars in debt to subcontractors for the project. But that the Air Force never notified anybody with a Cure Notice of any source until the later part of 2007 which was some year and a half after the technical default occurred. Now do your records indicate anything other than that?

Mr. Anderson: My—yeah, sir. And I will make sure we provide you with all of our information. I think, I thought we made, we already had. The indications that I have and again before my time, the indications that I had that red flags were being raised with the bond holders very early in this process in the 2005 time frame. But I will go back and check and make sure that I get that information directly to you.

Senator CHAMBLISS. Well if that is the case we haven't heard that despite our extensive inquiries to the Air Force. Now American Eagle was also heavily involved in Navy and Army projects. And projects for both the Navy and the Army ran into trouble.

But although they ran into trouble the Navy and the Army contacted American Eagle and straightened their matters out within a matter of months. I understand their problems were resolved. However for the project at Moody the project owner was in a state of technical default for a year and a half. Never delivered a single home and accumulated millions of dollars of debt before any decisive action was taken by the Air Force.

Can you tell me why you took no decisive action other than, as you say, you may have notified the bond holders? And I want some verification of that. Why didn't you do anything else for a year and a half?

Mr. Anderson: Well I think, sir that the comment that nothing else was done for a year and a half, I don't think is exactly accurate. And again I will make sure that we provide you full details of everything that was done. My understanding is that the Army and the Navy projects started a little bit earlier than the Air Force projects. So I would assume that they would come through at the other side.

And if I have it right one of the two projects actually has been sold. The other one is still pending sale which is of course where ours are. But from what I've seen of the record the Air Force personnel involved in this process were following the procedures that they should have followed notifying the individuals that had the contractual responsibility and the contractual ability to take action against Caravetta and Shaw or American Eagle as it's called. It appears that the appropriate items were done at the appropriate times in my review of the process.

Senator CHAMBLISS. Well I'm going to have to respectfully disagree with you. But Moody was, as I understand it, was Caravetta only and was not Shaw.

Mr. Chairman, do you mind if I continue on for this? Thank you.

And I would just say that if we can allow something like this to happen where a developer goes three and a half years without performing, accumulates 30 million dollars in debt, owes seven million dollars to subcontractors, resulting in at least one of those subcontractors losing both his home and his business, but doesn't deliver a single home. It seems to me that either the process that we have on the part of the Air Force for managing these projects is defective or the process was not followed the way it should have been. And we simply can't blame the developer. But we need a better process if we're going to continue down this road of privatization.

Now I visited Moody back in November, talked with numerous people about what happened and folks on the ground who had been there from day one who knew exactly what had happened. And what I found was that there was not a single Air Force employee on site watching that project. The only Air Force representative on site was a contractor. And that person had no authority and the extent of their responsibility was to file reports and inspect the houses for code compliance.

There was no one on site employed by the Air Force providing program management or providing any type of oversight of the project. Now I have to believe that this has something to do with why this project went on so long without serious attention at how that it was permitted to get so far behind schedule and get so far in debt. Now I hope you agree that better on site management is required to ensure that this never happens again.

Now there's one thing I'd like to add what I've observed while I was there on the grounds. Someone who had been there at the base for two years while this project was ongoing commented to me that as best as they could tell that the Air Force thought the project owner was overseeing the project. And that the project owner thought the Air Force was overseeing the project.

Now someone might say that this person didn't understand the process or wasn't informed. And my response would be that this person was there. He was watching what was going on and what was happening. You and I and the folks at the Pentagon were not.

So whether or not this person understood the official management, they observed what was happening on the ground at the site. And I think the fact that they came away with this impression is very significant. And shows that there was clearly confusion on the

ground about how this project was supposed to be managed. And that this should have never have been the case.

Now the two issues I've raised in relation to this project serve to illustrate the general feedback that I have received in relation to how DOD manages projects. That is that you failed to have anybody on the ground, number one, overseeing the project to notify you about what was going on. And second, you failed to give them any kind of official Cure Notice.

I hope you find something where you gave notice to the bond holders, but I don't think you're going to find it. But there was no Cure Notice given. And that's what the Air Force procedures call for.

Over the past several months I have talked to every military service as well as DOD staff on this issue, as well as to no less than three developers involved in housing privatization. And everyone has said the same thing. They've all commented that the Air Force has a less rigorous process for overseeing these projects than the other services. And I think that in part is what we're seeing now at Moody.

Now to both Secretary Anderson and Mr. Arny, I'd really like your assurances that you'll reexamine the Air Force's process to make sure that they provide proper oversight and accountability. Because right now, frankly, I am not convinced that the Air Force process is adequate to make sure that these housing projects are properly supervised and that individuals that are required to be notified. Are in fact being notified when defaults are taking place, when time schedules are not being met and when it's pretty obvious that the folks that are supposed to be building and providing these houses have gotten themselves way over their head and they're in financial trouble.

I'd like that assurance from both of you—of you gentlemen.

Mr. Anderson: Senator, absolutely. And I would like to add that I'm in violent agreement with you that the Moody project could have been managed better. Very early on my watch we've made a couple of changes. Number one is the source selection authority for all privatized housing in the Air Force has been moved to one of my deputies, which I think will add considerable rigor to the process.

And second, we now have people on the ground at our projects that report directly to the Air Force Center for Engineering and the Environment in San Antonio which is a Headquarters function to do the oversight that you suggested.

So, yes, sir, those things needed to be improved. They were. I'm not going to tell you we're perfect. We are going to continue to understand what the issues are and improve them as we find we need to do so. So, you have my assurance that will continue to look to improve this process.

Senator CHAMBLISS. Mr. Arny?

Mr. Arny: Absolutely. I did housing with the Navy and I've watched Mr. Anderson's people change the procedures of the past couple of years. That I think again, as you pointed out, these were one bad apple in a huge group of housing areas. And the Navy was able to get their project bought out.

We will definitely from the OSD perspective ensure that—because we have, these projects have to succeed. And we'll do—we'll make sure there's the right oversight.

Senator CHAMBLISS. Well, we got four Air Force projects that are in trouble. The one at Moody happens to be in more trouble than the other three because we've already begun litigation has begun in Valdosta relative to that project so it's in deep jeopardy right now of ever being able to be completed. And it's a shame to look at those half and three-quarters completed houses out there that are just now falling down basically.

There's one other thing that I think you need to check of Caravetta filed bankruptcy several years ago. And I don't know whether they left the Federal Government holding the bag on any of their projects or not. But it's pretty obvious in looking back on it Caravetta should never have been allowed to bid on this project.

So as you're going back and reviewing Air Force projects or Air Force procedure, I'd ask you to look at the Navy and the Army together with the Air Force and let's make sure that we're doing everything we're supposed to do to make sure that these folks who ultimately are allowed to bid on these projects are folks who are going to complete them and are not going to leave us holding the bag like this. And the fact is that Caravetta who is actually the party that ought to be responsible here has managed to seal themselves off from any liability. And they're the only one of these companies that have any financial wherewithal. And American Eagle and the other companies that are involved are basically shell companies.

And at this point in time it looks that whatever money the contractors get, the only money guaranteed to them is going to come from the bonding company. And that's unfortunate. That ought not to be the case.

Companies like Caravetta ought to never be allowed to bid on a government project again because it's created a real disaster for the men and women of the Air Force at Moody. But it's also created disaster in the business community in a town that loves the Air Force and loves Moody Air Force Base. So, Mr. Anderson, I look forward to staying in touch with you. And I'm not blaming you. I am pretty emotional about this because it's a sad thing to see down there on the ground what's taking place from an Air Force standpoint as well as the local community standpoints.

But I understand you weren't there at the time all of this was done, but we've got to make sure it never happens again. So I look forward to staying in touch with you. I look forward to getting your response back on your notification to the bond holders. [The information previously referred to follows:] [SUBCOMMITTEE INSERT]

Mr. Anderson: We'll get that to you quickly. And sir, as upset as you are, and you have every right to be. Secretary Wynne, Chief Moseley and I share your frustration and your concern. And it is my responsibility. So this occurred on my watch. It is my responsibility and I take it as such.

Senator CHAMBLISS. Mr. Chairman, thank you for letting me go overtime.

Senator AKAKA. Thank you. Senator Thune?

Senator THUNE. Mr. Chairman, I was just going to—I'd like to know what the Senator from Georgia really thinks on this subject. [Laughter.]

Senator THUNE. But I just want to—might make a suggestion based on his comment on the end there about perhaps looking at how the Air Force and the lessons learned from this incident may take some of those lessons and applying them. But making sinking up the model that the Army and the Navy use so that it seems that that model has worked more successfully and more effectively and that might be something that we could take a look at doing.

Senator AKAKA. Thank you for your comment. Let me ask my final question on this.

Senator Chambliss, do you have any more questions?

Senator CHAMBLISS. I'm scared to start again, Mr. Chairman. [Laughter.]

Senator AKAKA. Ok. This is directed to Secretary Army. Section 313 of the National Defense Authorization Act for fiscal year 2007 required the Department of Defense to submit to Congress a comprehensive plan including goals, interim milestones and schedules for clean up of unexploded armaments at current and former defense sites. Instead of submitting a comprehensive plan including the required goals, milestones and schedules, the Department submitted a report which states that the Department has established a working group to develop goals. And that and I quote, "the speed of clean up is largely dependent on funding levels."

So Secretary Army, when can we expect the Department to submit a plan that meets the requirements of Section 313?

Mr. Arny: We hope to have that report to you by the end of this month, sir.

Senator AKAKA. Well thank you very much. I'm glad that you are in that position. [Laughter.]

Senator AKAKA. I want to thank my colleagues here on the committee. I think this has been a helpful hearing. I want to thank all of our witnesses for being here. And look forward to working together with you to improve whatever we're doing. And correct whatever needs to be corrected.

And with that I want to say, again, thank you very much. And this hearing is adjourned.

[Whereupon, at 4:19 p.m., the hearing was adjourned.]