

HEARING TO RECEIVE TESTIMONY ON MILITARY CONSTRUCTION, ENVIRONMENTAL, AND BASE CLOSURE PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2014 AND THE FUTURE YEARS DEFENSE PROGRAM

WEDNESDAY, APRIL 24, 2013

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, Senator Jeanne Shaheen (chairman of the subcommittee) presiding.

Committee members present: Senators Shaheen, Kaine, Ayotte, and Lee.

Majority staff members present: Joseph M. Bryan, professional staff member; Jason W. Maroney, counsel; Michael J. Noblet, professional staff member; John H. Quirk V, professional staff member; and Russell L. Shaffer, counsel.

Minority staff member present: Lucian L. Niemeyer, professional staff member.

Staff assistants present: Daniel J. Harder.

Committee members' assistants present: Chad Kreikemeier, assistant to Senator Shaheen; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Brad Bowman, assistant to Senator Ayotte; and Robert Moore, assistant to Senator Lee.

**OPENING STATEMENT OF SENATOR JEANNE SHAHEEN,
CHAIRMAN**

Senator SHAHEEN. Good afternoon, everyone.

At this time I would like to call this subcommittee hearing to order.

Actually, given that we have two witnesses who are from New Hampshire, as well as Senator Ayotte and myself, I think next year we should do this in New Hampshire as opposed to down here. For the audience, you would really enjoy it very much to be up there. We will do it a little later in the year so it is a little warmer than it is right now.

Senator AYOTTE. Or foliage.

Senator SHAHEEN. Yes, that is right, when we have foliage.

But seriously, I want to welcome everyone to the hearing this afternoon. Testifying we have representatives from each of the military services and the Office of the Secretary of Defense who are responsible for the Department's military construction and environmental programs. And we very much look forward to your testimony.

Overall, the President's budget request for military construction and family housing is \$11.1 billion in fiscal year 2014, approximately \$200 million less than what was requested last year. The budget request broadly reflects the fiscal realities facing the Department, but especially in the absence of a resolution to sequestration, additional savings will need to be achieved. I look forward to hearing more from our witnesses on their top priorities for this year's request so that the subcommittee can move forward in a prudent and informed manner on the defense authorization bill.

Last year's Defense Authorization Act reduced or eliminated more than \$660 million in programs in the military construction and environment accounts, and we will be, again, looking to find savings in these areas, recognizing the current fiscal pressures and the subcommittee's responsibility to help the Department eliminate duplicative programs and projects and increase management efficiencies and reduce waste.

The Department has again requested a base realignment and closure, or another BRAC, round in 2015. I joined the majority of my colleagues in opposing this proposal last year, and I continue to believe that now is not the time to spend billions of dollars on another BRAC round, especially as the Department of Defense grounds combat aircraft and cancels ship deployments due to sequestration. The Government Accountability Office has done a number of studies on the 2005 BRAC round which found, among other things, that BRAC implementation costs grew to about \$35 billion, exceeding the initial 2005 estimate of \$21 billion by 67 percent. In this time of fiscal uncertainty, we clearly cannot afford another round like the last one.

The GAO has made a number of recommendations for improving future BRAC rounds, including improving the process for accurately identifying and estimating all costs associated with BRAC decisions. I look forward to hearing more from our witnesses about why they believe that another BRAC round is necessary and what changes the Department has put in place to ensure similar cost growth will not occur in any future BRAC round.

Now, setting BRAC aside, one of the more immediate ways our military installations can save money is through the adoption of more energy efficient technologies. I am pleased to see the Department and each of the services continue to strive for smarter ways to become energy efficient. That is perhaps why the Department was able to reduce its installation energy consumption by 2.4 percent and approximately \$100 million in fiscal year 2012. The expanded use of metering to ensure an accurate baseline and smart grid technologies enable energy users to adapt to demand fluctuations and better informs our installation energy managers. Even simple fixes like stopping water line leaks ensures that in these

times of fiscal uncertainty, the Department is doing its best at increasing efficiency.

Last week, the full committee released a report of our year-long review of Department of Defense spending overseas. The review focused on spending in Japan, South Korea, and Germany, three critical allies. In order to better sustain our presence in these countries, we need to understand and control our costs. The committee's bipartisan report describes inadequate oversight of military construction projects built with in-kind payments. It also discusses in-kind payments earmarked for nonessential projects at a time when the Department is under severe budget constraints. Every dollar spent on unnecessary or unsustainable projects is a dollar unavailable to care for our troops and their families, to maintain and modernize equipment, and to pay for necessary investments in base infrastructure. The committee will be assessing what changes in law might be necessary to ensure closer scrutiny of our overseas investments and avoid future commitments that may be inefficient or unaffordable. And I will be very interested in hearing what our panels think about this report and suggestions for future changes.

The President's budget request also includes \$3.8 billion for defense environmental programs, down from last year's request and representing the fourth consecutive year of decreases in funding for the program. As with past years, the largest piece of the environmental budget request is the environmental restoration program, the cleanup of contamination at bases, current and former, including the remediation of discarded military munitions. While the restoration budget has remained relatively steady over the past few years, it is important that the Department and the Congress remain committed to the remediation of contamination, including the cleanup of military munitions at thousands of sites around the country.

I would also like to take a moment to express my strong support for the Navy's inclusion of a project in its budget request to modernize and consolidate a number of facilities at Portsmouth Naval Shipyard that support our nuclear submarine fleet. I am sure it comes as no surprise that Senator Ayotte and I are particularly interested in what is happening at the shipyard. But Portsmouth is the only east coast maintenance depot for Virginia Class submarines, and this project will help to ensure that this capability is maintained for many years into the future. I understand that this project will not only improve productivity by consolidating several dispersed activities, but will also result in energy savings by reducing the overall footprint of the facilities through the adoption of more energy efficient technologies. I believe these are exactly the kinds of projects the Department should be pursuing, and I applaud the Department and the Navy for making these investments.

Now, before our witnesses their opening remarks, I will ask Senator Ayotte if she has any statement.

STATEMENT OF SENATOR KELLY AYOTTE

Senator AYOTTE. I thank the chairwoman very much and very much appreciate being a part of the leadership of this committee with you. And I want to thank you for calling this very important

hearing, particularly with the challenges we face right now with sequestration.

As we all know, the Department of Defense has come in for a significant number of cuts with sequestration, and if you look at the percentages, it is actually disproportionate to what other areas of the Government have taken in terms of cuts. And as Lieutenant General Milstead testified this morning before the Personnel Subcommittee, he said, "Those who have given the most to the security of this Nation are asked to accept the bulk of the risk that sequestration poses to this Nation." So we need to understand fully from each of the witnesses what the impact is of sequestration in your areas because it is very important that we understand those implications.

And I share Senator Shaheen's desire to work to make sure that we are eliminating waste, duplication, misallocated funds, given the budget challenges we face. But with that said, we also need to fully understand the implications of the significant reductions that you are facing and what that means.

In one of the areas, I also would echo certainly the praise that Senator Shaheen gave to the Navy for their commitment and recent projects to the Portsmouth Naval Shipyard. I think that is terrific and we really appreciate it, and also the importance of those projects in terms of helping the efficiency of the shipyard as well as energy efficiency is terrific.

But I have to say I note that the Department of Navy's recent report on the modernization of naval shipyards cites a \$3.5 billion facility maintenance backlog, which is higher than the overall Navy's average. And this backlog includes \$1.2 billion of critical repairs for mission-essential facilities. So we have some significant challenges with the budget issues that you are facing.

Naval shipyards play a critical role in maintaining the readiness of our fleet and are currently the sole provider of many depot-level maintenance capabilities. The readiness of our aircraft carriers and submarines is directly linked to the sufficient funding for and efficient operation of the naval shipyards. These shipyards, including the Portsmouth Naval Shipyard, are highly dependent on the condition of shipyard infrastructure, including dry docks, piers, nuclear facilities, production shops, and other facilities.

Yet, despite the importance of these facilities, based on current investment levels, as curtailed by the budget cuts that we are going to talk about today, the Navy will need 17 years to clear the current maintenance and infrastructure repair backlog. And that is a significant number, and I think people need to understand that. And while the Navy is looking at potential options to accelerate the rate of overall improvements in shipyard infrastructure, workplace efficiency, and operating conditions, the report concludes that a quicker upgrade plan "is currently unaffordable." And I know that the chairwoman and I will make this a primary focus to understand this for this hearing today and also throughout our work on this committee.

I want to raise another issue, something that I have been very concerned about on the National security front. In section 227 of the fiscal year 2013 Defense Authorization Act, I would like to get an update regarding the environmental impact statements that are

being prepared for a potential third homeland missile defense interceptor site on the east coast of the country. The purpose of an east coast missile defense site would be to ensure that we have shoot-look-shoot capability against a potential Iranian ICBM missile fired at the east coast of the United States. And I know very well that the witnesses that are before us are familiar with the fact that if we were to receive an incoming missile from North Korea on the west coast of the country, we have that shoot-look-shoot capability, but we do not have the same capability on the east coast of the country.

Director of National Intelligence James Clapper testified this month that this Iranian ICBM threat could emerge as early as 2015. And yet, it could take, in order to properly site and build an east coast missile defense site—and I want to commend the administration for now looking very seriously at this issue. It could take up to 5 or 6 years to build an east coast missile defense site. So this is, obviously, I think something we need to look at with a sense of urgency, and I certainly look forward to hearing from you as to where that process stands right now.

I also join the chair in opposing the Department's request for the authorization to conduct a round of base closures and realignments in 2015. Now is not the time to spend billions of dollars on another BRAC round, especially as the Department of Defense grounds combat aircraft, cancels ship deployments, and furloughs workers due to sequestration.

And as the chair mentioned earlier, we have not fully understood or realized the cost from the last BRAC round, and there were significant costs to undertaking a BRAC round. In fact, if you look at what happened in 2005, the BRAC Commission estimated that the total cost of the BRAC decisions would be \$21 billion. And according to GAO, the 2005 BRAC round actually cost taxpayers \$35 billion, \$14 billion more than projected, a massive increase, in terms of the estimate, of 67 percent. Given the budget environment we are in, we simply cannot afford this type of endeavor right now or this kind of cost growth.

Now, I have heard from the Department certainly assurances that the new round will be better than the last round. However, I am not sure how I understand the Department can make those assurances, given that this is designed to act as an independent entity, free from the influence of the Department. And so it is not clear to me how we can be confident that there are really any real cost savings to be gained from another BRAC round. And so that is among the reasons that I certainly oppose a BRAC round.

I want to thank the chair for this hearing, and I look forward to the testimony of the witnesses. And I want to thank each of you for your service to our country during very, very challenging times. Thank you for being here today.

Senator SHAHEEN. Thank you, Senator Ayotte.

And let me welcome all of those of you who will be testifying. First, we have John Conger, who I the acting Deputy Under Secretary of Defense for Installations and Environment. Welcome. Katherine Hammack, assistant Secretary of the Army for Installations, Energy and Environment. Thank you for being here. Mr. Roger Natsuhara, Principal Deputy assistant Secretary of the Navy

for Energy, Installations and Environment; and Kathleen Ferguson, who is the acting assistant Secretary of the Air Force for Installations, Environment and Logistics. Again, thank you all for being here this afternoon. We look forward to your testimony. And I will ask you if you will go ahead and present in that order. Mr. Conger?

STATEMENT OF JOHN C. CONGER, ACTING DEPUTY UNDER SECRETARY OF DEFENSE, INSTALLATIONS AND ENVIRONMENT

Mr. CONGER. Thank you very much. Chairwoman Shaheen, Ranking Member Ayotte, distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss the Department's fiscal year 2014 budget request for installations and environment. And as a side note, I am happy to be part of Team New Hampshire here, as the chair alluded to.

The testimony I have submitted for the record describes the \$11 billion we are requesting for military construction; the \$10.9 billion more we are investing in sustaining and restoring our facilities; and the \$3.8 billion that we are seeking for environmental compliance and cleanup.

You will note that these numbers are not significantly lower than those we requested in fiscal year 2013, and in fact, they represent a slight increase from what was appropriated this year. That is because the President's budget request replaces the across-the-board sequester cuts with a comprehensive deficit reduction plan. Within the request, that plan averts what would otherwise be another significant reduction in the defense budget and enables us to present to you a fiscal year 2014 budget request that allows us to continue prudent investment in our installations.

However, sequestration has significantly impacted fiscal year 2013. While this hearing is focused on the 2014 request, I would like to address the 2013 issue briefly.

Sequestration will affect our fiscal year 2013 execution in two ways. MILCON projects will be individually cut. Some of them will still be executable but others will not, and we are reviewing each project to assess the impact. It is possible that we will need to defer some lower priority fiscal year 2013 projects to ensure there are funds available to reprogram so we can execute the higher priority ones, and we are still reviewing these impacts.

More serious, though, is the impact to our facilities sustainment and restoration accounts. Because O&M dollars are more discretionary and therefore more flexible, operational accounts were given more protection and facilities sustainment was cut more deeply to make up the difference. In fiscal year 2013, we are deferring all but the most critical repairs. We are deferring routine maintenance. We are holding off on major purchases and accepting risk by looking for building equipment to hold out longer. Frankly, we can probably accommodate this for a short period of time, but the system will break if we shortchange these accounts for multiple years.

My colleagues will be able to speak about how each of them are managing this risk in their individual services.

Finally, let me say a word or two about BRAC. Obviously, it is an issue of concern, and as you mentioned, the administration is requesting a BRAC round in 2015.

The Department is facing a serious problem created by the tension caused by constrained budgets, reductions in force structure, and limited flexibility to adapt to the first two. We need to find a way to strike the right balance so infrastructure does not drain too many resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is forward-operating location or a training center in the United States, our warfighters cannot do their job without bases from which to fight, on which to train, or on which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs as well, from depot maintenance to training to bullets and bombs.

We are continually looking for ways to reduce the cost of doing business, looking for ways to reduce the cost of military construction to investing in energy efficiency that pays us back in lower operating costs. BRAC is another very clear way for us to reduce the infrastructure costs to the Department. The previous five rounds of BRAC are providing us with recurring savings of \$12 billion or \$13 billion every year, savings that does not result in decreased capability because it is derived from the elimination of excess.

I am well aware of the skepticism that many in Congress have about the need for BRAC, and that seems based on the fact that we spent more than originally advertised during the 2005 BRAC round. To be clear, BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted, one, while force structure was growing; two, while budgets were growing; and three, under leadership which directed the use of the authority to accomplish transformative change not just elimination of excess. Today force structure is shrinking. The budget is shrinking, and we are firmly focused on reducing our future costs. That description characterizes the first four rounds of BRAC as well, and I can assert with confidence that a 2015 round will have far more in common with them than it would with the 2005 round.

Thanks for the opportunity to testify this morning. It is a pleasure to be here. And I look forward to your questions and I guess in the Q&A we can address a couple of the other points you made in your opening statements.

[The prepared statement of Mr. Conger follows:]

Senator SHAHEEN. Thank you very much.
Secretary Hammack?

STATEMENT OF HON. KATHERINE G. HAMMACK, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS, ENERGY AND ENVIRONMENT

Ms. HAMMACK. Thank you very much, Chairman Shaheen and Ranking Member Ayotte. I am delighted to be here with you this morning and other members of the committee. I want to thank you for the opportunity to present the Army's fiscal year 2014 military construction budget.

For fiscal year 2014, the Army requests \$2.4 billion for military construction, Army family housing, and the Army's share of the DOD base closure account. This represents a 34 percent decrease from the fiscal year 2013 request.

In addition to and in support of Army installations and facilities, the Army also requests \$15.2 billion for installation, energy, and environmental programs, facilities sustainment restoration and modernization, and base operating support.

With the fiscal challenges we are facing, the Army has closely reviewed the facility investments to determine the level of resources needed to support the force. Supporting the force requires appropriate facilities, training ranges, maintenance and operations, and that is where we have focused.

But as you are well aware, the Army is reducing our end strength from a high of 570,000 in 2010 to 490,000 in 2017. And in January of this year, we published a programmatic available assessment which was prepared in accordance with NEPA, and a signed finding of no significant impact was published earlier this month.

The resulting force structure reduction will create excess capacity at several installations. With a reduced end strength and force structure in the United States, now is the time to assess and right-size the supporting infrastructure. In line with force structure reductions in Europe, the Army is already down-sizing our infrastructure in Europe.

With a 45 percent reduction in force structure, the Army is implementing a 51 percent reduction in infrastructure, a 58 percent reduction in civilian staffing, and a 57 percent reduction in base operating costs. A future round of base realignment and closure, or BRAC, in the United States is essential to identify excess Army infrastructure and prudently align civilian staffing with reduced uniformed force structure just like we are doing in Europe.

We are also working closely with OSD to examine whether there are additional opportunities for consolidation in Europe through joint or multi-service consolidation.

We do have property remaining from prior rounds of BRAC in the United States, and BRAC property conveyance remains an Army priority. Putting excess property back into productive reuse can facilitate job creation, help communities build the local tax base and generate revenue. In total, the Army has conveyed almost 78 percent of the total prior BRAC acreage.

In closing, I ask for the committee's continued support to our soldiers, families, and civilians in support of the Army's MILCON installations program. The Army's fiscal year 2014 installation management budget request is a program that supports the Army's needs while recognizing the current fiscal conditions. The Army does request authority from Congress to conduct a BRAC round in 2015 because the Army's strength is our soldiers, families, and Army civilians who support them. They are and will continue to be the centerpiece for the Army.

Thank you for your attention, and I look forward to your questions.

[The prepared statement of Ms. Hammack follows:]

Senator SHAHEEN. Thank you.

Mr. Natsuhara?

STATEMENT OF ROGER M. NATSUHARA, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE NAVY, ENERGY, INSTALLATIONS AND ENVIRONMENT

Mr. NATSUHARA. Chairman Shaheen, Ranking Member Ayotte, and members of the subcommittee, I am pleased to appear before you today to provide the overview of the Department of Navy's investment in its shore infrastructure.

For fiscal year 2014, the department is requesting over \$12 billion in various appropriation accounts to operate, maintain, and recapitalize our shore infrastructure. This level of funding represents continued investment to enhance combatant commanders' capabilities, improve servicemembers' quality of life, and recapitalize aging infrastructure.

The fiscal year 2014 budget also demonstrates the department's commitment to energy security by funding cost-effective projects that will improve our energy infrastructure and reduce our energy consumption.

Additionally, the budget request provides \$185 million for military construction and operation and maintenance projects to address critical requirements at our shipyards.

Our request includes \$1.7 billion in military construction projects supporting several key objectives of the defense strategic guidance of 2012. For instance, the Navy and Marine Corps have programmed approximately \$657 million to enhance warfighting capabilities in the Asia-Pacific region such as the new hangar, apron, and infrastructure at Marine Corps Base Hawaii and the Navy's wharf improvement at Naval Base Guam.

We have \$200 million in projects such as the broad area of maritime surveillance hangars in California and Guam and the EA-18G Growler and P-8 Poseidon projects in Washington State that will ensure the United States remains capable of projecting power in anti-access and area denial environments. And the Navy's investments in a barracks and armory at Camp Lemonnier, Djibouti provides supporting infrastructure enabling special operations forces to carry the fight forward, conducting stability and counter-insurgency operations for U.S. Central and U.S. Africa Commands.

The strength of our Navy and Marine Corps team lies not only in advanced weaponry and faster, stealthier ships and aircraft. Our naval forces also derive their strength from the sailors and marines who fire the weapons, operate and maintain the machinery, or fly the planes and from the families and civilians supporting them. Towards this end, the Navy and Marine Corps have programmed over \$224 million of military construction funds for operational and tactical training, professional development, and academic facilities, nearly \$100 million for unaccompanied housing, and \$463 million to support family housing construction and operations.

Guam remains an essential part of the United States' larger Asia-Pacific strategy which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. The department recognizes congressional concerns regarding execution of the Guam military realignment and is taking steps

necessary to resolve critical issues that will allow the construction program to move forward.

Furthermore, the United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the realignment road map. Both countries remain committed to maintaining and enhancing a robust security alliance and the United States remains committed to enhancing the U.S.-Japan alliance and strengthening the operational capabilities.

Our Nation's Navy and Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department's fiscal year 2014 request supports critical elements of the defense strategic guidance by making needed investments in our infrastructure and people and preserving access to training ranges, afloat and ashore.

I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Thank you for the opportunity to testify before you today, and I welcome your questions.

[The prepared statement of Ms. Natsuhara follows:]

Senator SHAHEEN. Thank you.

Ms. Ferguson.

STATEMENT OF KATHLEEN I. FERGUSON, ACTING ASSISTANT SECRETARY OF THE AIR FORCE, INSTALLATIONS, ENVIRONMENT AND LOGISTICS

Ms. FERGUSON. Chairman Shaheen, Ranking Member Ayotte, and distinguished members of the subcommittee, thank you for the opportunity to speak to you today about the Air Force's installations, military construction, and environmental programs. I am also proud to be part of Team New Hampshire, having graduated both from Nashua High School and the University of New Hampshire.

On behalf of the Secretary and the Chief of Staff of the Air Force, I would like to thank the committee for your unwavering support for our airmen in the Air Force.

Our fiscal year 2014 budget request contains \$1.3 billion for military construction, \$2.2 billion for facilities sustainment, \$813 million for restoration and modernization, and \$465 million for military family housing.

In fiscal year 2013, we took a deliberate pause in MILCON to ensure we were making the right capital investment decisions as force structure adjustments were being made in line with the emerging defense strategy.

Our fiscal year 2014 MILCON request is approximately \$900 million above our fiscal year 2013 request and returns us to near historical funding levels, supports the Department's strategic priorities, our top weapons systems modernization programs, and distributes MILCON funding equitably between Active, Guard, and Reserve components.

This budget request reflects our ongoing modernization effort. This includes critical infrastructure for the F-35 and KC-46A, re-

capitalization of the U.S. Strategic Command headquarters, and construction of the new Cyber Command Joint Operations Center.

Included in this budget request is \$265 million at unspecified locations to support the KC-46 bed-down. We will submit site-specific MILCON project document forms in May of 2013 after preferred and reasonable alternative bases are announced and will request the committee's support of the substitution.

The Air Force strongly supports the Department's request for another round of BRAC in 2015. While we have no current capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of our basing infrastructure was excess to needs. BRAC 2005 did not result in major reductions to the Air Force, and since that time, we have reduced our force structure by more than 500 aircraft and nearly 8 percent of active duty military end strength. We continue to spend money maintaining excess infrastructure that would be better spent on recapitalization and sustainment. Divestiture of excess property on a grander scale is a must.

We are also working hard to identify innovative ways to reduce costs. Installation community partnerships are one approach to reducing operating and service costs while enhancing and retaining quality.

The Air Force is currently prototyping a variety of projects in States, including Texas, Florida, Georgia, California, and North Carolina. In total we have 15 locations where installation and community leaders have fully embraced the Air Force community partnership concept and are coming together to collectively reduce costs.

During this period of fiscal uncertainty, the Air Force is ready to make the tough decisions required to avoid mission-impacting reductions and installation support that contribute to a hollow force. Our fiscal year 2014 budget request addresses our most pressing needs, seeks authorization to eliminate unnecessary infrastructure, and stays true to the fundamental priorities of our Air Force.

Thank you and I look forward to your questions.

[The prepared statement of Ms. Ferguson follows:]

Senator SHAHEEN. Thank you all very much for your testimony.

I want to start with BRAC, which probably does not surprise any of you. But I want to talk about it in the context of what is happening overseas. I addressed in my opening remarks, as did Senator Ayotte, our concerns about the costs of the last round, and I think last year DOD heard very clearly from the Armed Services Committee the concerns that we had about a future round and about looking at our excess capacity overseas and seeing what savings could be accomplished there.

So I understand that last May the Department announced the U.S. presence in Europe will be reduced by approximately 15 percent over the next 10 years, and I understand that the Secretary of Defense has initiated a study looking at consolidating infrastructure in Europe.

So, Mr. Conger, what is the current status of the closure and consolidation of U.S. facilities in Europe?

Mr. CONGER. There are two parts to that answer.

First, we have been reducing our force structure in Europe for quite some time and we have been reducing our facilities in Europe for that same amount of time. There is a lot that has been done already.

That said, we listened very closely to what Congress said last year when they said close bases overseas first before you start talking about BRAC rounds. In response, we have kicked off—the Secretary kicked off in January a BRAC-like process for looking at bases in Europe. Given the reduced force presence that we are going to have there, we had plans in place to reduce the number of bases we have there. But what we are looking at here is not just sort of a one-fer type of thing where, you know, here is a brigade leaving. Therefore, this base is closing. We are doing a thorough scrub and we are doing it using the sort of joint principles. We are going to look for ways to leverage the various services together in order to maximize the amount of consolidation. And frankly, while military value always takes precedence, we are looking to save money and we are looking to get rid of this excess.

So we have started that process. We have had several meetings at a variety of levels, a couple meetings in the executive groups, but lots and lots of meetings of various subgroups, starting to pull together the capacity analysis. Then once that is completely done, we are going to do the military value analysis and we are going to run various scenarios and score them against each other. This is just like the BRAC process except we are looking at bases in Europe.

We are hopeful that we will have products at the end of this year. I recognize the fact that in order to influence this budget process, we have to report to you at least the interim results, but frankly, if it takes a little bit longer, we are going to do a thorough job. We are not just going to stop once any interim data is provided to this committee or the House side either.

Senator SHAHEEN. But the goal is to have that report ready to present to the congressional committees by the end of the year?

Mr. CONGER. Well, the schedule that we have laid out at the initiation of the process had us finishing up in December, but I will say that earlier this week Mr. Kendall, my boss, and the chair of the senior steering group that is running this study said he wants results earlier than that. Now, if that means that we have sort of two batches of results, so be it. But we are going to do what Mr. Kendall says.

Senator SHAHEEN. And do I understand you to say that it is also looking at the opportunities for joint consolidation so that we could put Air Force and Army personnel in a single facility if that was the determination of what was most efficient and effective?

Mr. CONGER. Absolutely. And in fact—you know, I would say this. As each service looks at their own individual footprint, you get a certain set of answers. But if you look at things holistically, sometimes you get more opportunities for consolidation. There might be a case where we can consolidate at a particular location that would put the bill on one service's back but a lot of savings to another service. Under the traditional rules, that would not happen. Right? But as we look at things from a joint perspective, that would be exactly the kind of thing that we might recommend.

Senator SHAHEEN. So I was struck by the fact—and we had this conversation yesterday—that there is money recommended in this budget proposal to support a new round of base closures. I am curious about why money was not also put in to look at overseas base closures as well.

Mr. CONGER. I think it is an issue of scale. One of the things that we heard from Congress last year was that we did not have a wedge built in for a BRAC round to pay for it. That reduced the credibility of our BRAC request. And it was a fair criticism. This year, we wanted to address that criticism, and we used earlier BRAC rounds as a model to come up with a projection and say here is what the net requirement would be across an entire BRAC round and we laid in a wedge that we would be able to leverage against that.

A BRAC round is bigger than European rebasing round, and so we have not specifically laid in that wedge. Moreover, I would say because we can just go off and do the European review without congressional authority at this point in time, because you need congressional authorization to do a BRAC round, we can just start running with the European review. We just went ahead and did that.

Senator SHAHEEN. But you are assuming you have money that you could shift in the budget in order to accommodate those closures.

Mr. CONGER. I am assuming that if an investment is required in order to accommodate the recommendations of a European basing round, that that will be provided to Congress in a budget request.

Senator SHAHEEN. Thank you.

Ms. Ferguson, I noticed that the Air Force budget request includes \$34 million in new operational facilities in the United Kingdom. Why would we authorize new facilities until we have the results of the study that Mr. Conger referred to?

Ms. FERGUSON. The fiscal year 2014 MILCON was put together recognizing that we may have a European infrastructure consolidation, but we made a determination that these would be required. However, if at some future point that would change, we would not execute those dollars, but right now we would anticipate needing those.

Senator SHAHEEN. And why are they so urgent?

Ms. FERGUSON. They support SOCOM, Special Operations Command, at Mildenhall. I can get you a more detailed response.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator SHAHEEN. Okay, thank you.

Senator Ayotte?

Senator AYOTTE. I want to thank the chairman.

I wanted to follow up, Mr. Conger, on the questions that you were asked by Senator Shaheen. Just so we understand it, is it the intention of the Department, once this review is completed, despite—obviously, you do not necessarily need the same type of legal authority that you would with a domestic BRAC round—to come to the SASC committee to report your recommendations for the European base closing?

Mr. CONGER. Absolutely. Obviously, we are doing this from a good government perspective, but Congress was very loud and very clear, and to do something and then not take credit for it would seem to be a little bit unproductive.

Senator AYOTTE. That is important and I think that one of the issues that I did not raise in my opening statement but, obviously, Senator Shaheen has just hit upon is that I think it is very difficult for this body to even consider undertaking a domestic BRAC round without a full consideration of what bases could be consolidated and/or closed overseas given that the interest is always to have domestic capacity foremost.

So I think that one of the things that I think will be important for the overall committee to hear—and I assuming that it would be important on the House side too—is to be able to evaluate the European plan, what savings you think you can realize from that and then, obviously, to see what the costs are because I assume there are some costs in going through the European closings either of relocating and/or in some instances you have environmental issues, et cetera, et cetera that you would have even with a domestic round that we would then evaluate whether there is merit to bringing the domestic BRAC round.

So I think that is why this is so important that we have a full understanding before we would go forward and also given the history on the 2005 BRAC round—I understand what you are saying about that this would be very different. But again, a lot of this is out of the control of the Department of Defense. Correct? I mean, you do not control the BRAC.

Mr. CONGER. To a degree. I mean, we make our recommendations and then the commission reviews them and makes changes. Traditionally the majority of the Department's recommendations are upheld by the commission.

Senator AYOTTE. You know, there have also been changes too.

Mr. CONGER. There have been changes.

Senator AYOTTE. It is independent.

So this is an important issue and I appreciate the chair's questions on this issue because we look forward to seeing your plan and understanding what it is really going to take and what savings, and then we can discuss whether it makes sense to have a domestic BRAC round. I still have a lot of concerns about it.

I wanted to follow up. I know that I had raised in my opening statement the idea of the east coast missile defense site and the EIS statements that were asked for based on the last defense authorization. So I am not sure, Mr. Conger, if this is the right question for you, but can you give us a status update on where things are with that?

Mr. CONGER. I can. Fortunately, I was signaled that you might ask that question. So I have checked with the Military Defense Agency who does own the ball on this. So MDA has started the study and is in the process of narrowing the potential sites down to five or six within the next 30 days. MDA is on schedule for completing the study by December 31st, as required, and the EIS is projected to start subsequently in 2014 and will take 18 to 24 months to complete. So that is the status of the study.

Senator AYOTTE. So just so we understand, if the EIS starts in 2014 and takes 18 to 24 months to complete, we are in or beyond 2015.

Mr. CONGER. I think that is right.

Senator AYOTTE. When Director Clapper just told me that there are many that believe that Iran will have ICBM capability by then.

Mr. CONGER. I am going to have to defer to the MDA folks to be able to answer your more detailed questions on this. I did want to make sure that we had this status for you.

Senator AYOTTE. Well, I will follow up with the appropriate folks on this issue because it seems to me that there is more of an urgency than that if the administration is—you know, given some of the threats we are all concerned about with Iran—and obviously, I appreciate the administration's enhancement recently in Alaska of the GBIs. So I certainly would like—I will bring this to the appropriate individuals at the Department. But this seems to me there needs to be a greater sense of urgency so we can truly make the decision and put this information in the hands of the President sooner rather than later, given the threat we face from Iran.

I want to certainly ask about the—Secretary Ferguson, I know that you have played a very critical role. You have already discussed that you will get back to the committee once you have made the basing decision for the KC-46A and appreciate certainly the work that you have been doing on that. Can you give us an update on how that process is going forward?

And obviously, this is something that the chair and I have a deep interest in. We are very, very proud of the work done by the 157th Air Refueling Wing, and particularly just the objective criteria, the strategic location, close to the operational refueling tracks, and most of all, the performance of the pilots there, given that they have supported every major contingency operation. So if you can give us an update on where things are with that and are they on track and what we can expect from when the decision will be made.

Ms. FERGUSON. Of course. Thank you.

As you know, Pease was selected as one of the candidate locations a few months ago, and right after the first of the year, each one of the candidate bases was site-surveyed by a joint team from Air Mobility Command in the Air National Guard. Those site surveys are now all complete. Air Mobility Command has brought the results of those site surveys into the Pentagon, and the gentleman sitting behind me now chairs the Strategic Basing Executive Steering Group. And so the baton has been passed.

Senator AYOTTE. Welcome. [Laughter.]

Senator SHAHEEN. We hope you plan to stay for a while.

Senator AYOTTE. We are glad and also we would love to have you come to New Hampshire. [Laughter.]

Ms. FERGUSON. So he is running that through the process right now over the next few weeks. There are a series of briefings. These are decisions that the Chief and Secretary do not take lightly, and so we do not go and just run time, give them the briefing, and walk out. We do not make recommendations to them. And so there will be at least three events where the Chief and Secretary get briefed on the results of the site surveys. In the room, they have their senior advisors. They have the Commander of Air Mobility Command,

Director of the Air National Guard. And once they make the decision, then Mr. Bridges will be over. I mean, there will be telephone calls certainly made to folks as well, but then there will be a roll-out here. About the middle of May is what we are anticipating.

Senator AYOTTE. Great. Thank you for the update.

Senator SHAHEEN. Welcome, Senator Kaine. Even if you are not from New Hampshire, we are delighted you are here. [Laughter.]

Senator KAINE. Yes. Sorry to break up the gang here, but it is great to be here. Thank you and thank you all for your service and especially at a challenging time. You are doing important work at a challenging time.

So I want to stick with BRAC too. It is sort of an observation and a question and I want candor and even argue with my observation. And for my colleagues, I am saying the same thing because it may be something that my colleagues have different feelings about.

I was on the BRAC commission, the State-appointed BRAC Commission in Virginia, pre-2005 as the Lieutenant Governor at the appointment of Senator Warner, Governor at the time. And my observation about it—and I credit your points that 2005 might have been different than earlier rounds—was that once the BRAC round begins, every last community and every last base or installation and its surrounding was on high alert. Whether they have a need to be or not, they are and they hire the phalanx of accountants and PR people and lawyers and lobbyists, and they spend a lot of time and a lot of drama preparing and lobbying. And we certainly did that. And then there is an announcement and then there is some process following the announcement.

But I have been underwhelmed at the amount of savings that results from all the drama. So if there have been five BRAC rounds and there are \$12.5 billion of annual savings, it is about \$2.5 billion per round in a \$3.6 trillion budget. And yet, there is a lot of additional expense on the communities and a lot of expense that might have an effect of like in the local economy too. There is anxiety that—probably that expense does not get captured. And so it seems to me that the process is big and complicated and costly and creates a lot of anxiety, but the savings at the end of the day, frankly, are not all that great.

One of my assessments for why the savings may not be that great is if you start with a process that your job is to look at installations, it is not really overall a cost savings exercise. You know, let us look at cost savings generally, but if it is just installation-specific, it is not really an integrated review. It is just pulling installations out.

There is a second example in Virginia that I thought was an interesting one that was not a BRAC. Now, certain projects are subject to BRAC because of the size and certain are not. After I was Governor, Secretary Gates decided that the JFCOM in Hampton Roads, the Joint Forces Command, which I think had been initiated under Secretary Rumsfeld as part of the transformation, the jointness approach—I think Secretary Gates just decided, well, do we really need a separate Joint Forces Command when the Joint Chiefs of Staff have offices next to each other on the same floor of the Pentagon. Do we need a separate command for this? It was not subject to BRAC because it was not of a size, and yet it was a sug-

gestion of a closure of a mission, not a huge public process, not a lot of sturm and drang. Secretary Gates announced I just do not think we need this.

The Virginia congressional delegation got together and said we do not like this. This is important in the Hampton Roads economy, but they also said that Secretary Gates has laid out some rationale that we cannot just say 100 percent you are wrong. We think there is a good faith behind the rationale.

And so what the congressional delegation did was they went to the Pentagon and they said we understand your rationale about the entire command, but there are some missions being performed that we think are valuable that would be performed under any scenario and we hope that you will keep these and keep it in Hampton Roads.

And without a BRAC round and all the process surrounding it, that discussion took place. The decision was made we need to stand down JFCOM, but some of functions should remain and many of the functions did remain in Hampton Roads. And there were savings, but it was a different kind of a process.

Analyzing those two, I know we need to save money, and I think we probably need to save money including in installations. But the way Secretary Gates made the JFCOM announcement, it was not part of an installation-specific review. It was mission-driven rather than installation-driven. And he said, look, this mission is just not one in a resource-constrained environment that is at the top right now in terms of funding.

So to me that had some real virtues to it. It did not create the sturm and drang for everybody. There was a mission-driven announcement. There was opportunity for Members of Congress to come in and say we think you got it wrong, and we have an alternative. We hope you will consider it. There was a discussion. There was a consideration. It saved money.

So what I am kind of wrestling with going forward is we do need to find savings, and I think we may well need to find savings on installations and I think certainly installations overseas. But I am open to the notion that some of the savings that we may need to find in installations would be here. And I gather that is why, when you say we support BRAC, you are all saying we may have excess capacity in installations. We need to deal with it.

But what I am wondering about is whether the process of a BRAC to me just seems big, expensive, it creates a lot of drama, and not likely to lead to a lot of savings. And there is a different way to come at it which is basically, you know, a strong executive makes a recommendation as we are looking at ways to save, here are our ideas. Some of the ideas have impact on installations, maybe even some closures. We are making those recommendations to Congress, and Congress, now we want you to wrestle with them.

When I was Governor—I am the only Governor in Virginia that left office with a smaller budget than when I started because I had to. I get no virtue points. I was required to balance the budget during a recession. I had to make a lot of painful recommendations to my legislature, including closing installations, not military installations, but we had schools for the deaf and blind and training facili-

ties and all kinds of things. And I would make recommendations, including closing installations.

And invariably—and you know this, Governor Shaheen—my legislature would say I was a heartless dope and I had not thought about it enough. And then after about 3 or 4 months of looking at the budget, they would basically approve about 75 percent of what I proposed. And they would not take back the heartless dope comment, but they would eventually come to see that, well, maybe I had thought about it and maybe I was making some good recommendations.

So a second way to come at this installation issue is not the massive BRAC process that gets everybody all worked up, but is just for the Chairman of the Joint Chiefs in tandem, after discussion with the branches, to make a series of recommendations on cost savings. It would not be limited to installations. It would not be installation-specific but it would be mission-driven and because they are mission-driven would probably include some installation recommendations. Then it would be on Congress and we would have to make hard decisions.

I think BRAC was sort of set up as kind of almost an anti-accountability mechanism. It enables us to make decisions without anybody's fingerprints being completely on them. But the more of those things we do, the more of these sort of anti-accountability strategies we come up with, and the more we try either as an executive or a legislature to keep our fingerprints off things, it does not seem like we are going the right way in making the fiscally responsible choices. It seems like the more things we come up with, we kind of go the wrong way.

So I am just saying this sort of for my colleagues, and I said it briefly at the full hearing the other day and I would kind of say it to you as well. If we have excess capacity, is the big BRAC round the right way to deal with the questions of excess capacity? And that is, I guess, the question that I would pose to everybody.

I would love to hear your thoughts.

Mr. CONGER. I will take that. A couple of things.

First of all, I am sympathetic to the heartless comments. As you might imagine, being the person who has to come up to the Hill and talk about BRAC, I am not winning a whole lot of popularity points myself.

As far as \$2.5 billion being a relatively small amount of money, as you might remember, there is the old quote that says a billion here, a billion there, and sooner or later you are talking about real money. I think that that is reflected in the fact that these savings recur. And if you are talking about \$12 billion out of a big budget, that is one thing, but if you are talking about \$12 billion that happens every single year, that is like getting a new aircraft carrier every year or six submarines. And \$2.5 billion might not seem like a lot of money in the budget, but if the alternative to doing a BRAC round was cutting a submarine, there might be some other folks who might have an issue with that. I am using naval examples because they are big, but it is reflected across all of our things.

With regard to JFCOM, the dynamics are different with the JFCOM facility because it was within the scope of the BRAC law. There is a specific law that says we cannot just go off and close

bases in the same way, and because JFCOM was part of a larger base, it did not have the same legal triggers. And you are familiar with all of this. And that is why that was a different scenario.

But I tell you what. We are looking for ways where we do not authority specifically from Congress to go ahead and go save money. We are not sitting idle waiting for BRAC. That is why we kicked off the European round already because we do not need authority to go off and do that. So we went off and started working it. There are other examples where we are driving towards efficiencies throughout the Department, and we have to do that. Installations is just one piece of the puzzle.

But as we cut down in force structure, it would be irresponsible of us not to try and propose ways to cut the tail as we cut the tooth. And so we have to look for a way to find this money.

I respect the drama that goes on in communities as they prepare for BRAC. It is a difficult process, but it is a fair process. And one of the dynamics that led to BRAC in the first place was that when base closures were proposed, there was politics. It depended on who the chairman was based on what got closed and what did not get closed. And this was a way to take politics out of the process and put it into a "you cannot edit this list" type of dynamic. So you did not have the base closures depending on who was the most senior person at the table. So it is about fairness in that regard. There is a whole other dynamics in the BRAC law, but I think that is the one that is pertinent to this part of the discussion.

Senator SHAHEEN. Does anybody else want to respond to that question?

Ms. HAMMACK. Yes, I just want to make a comment that in Europe where we are reducing our force structure by 45 percent, we are systematically closing bases and we are consolidating. And Navy and Air Force are also looking at their infrastructure. What OSD is doing is taking a look at what is already in process, underway, to see if there are additional opportunities.

Now, anytime Army, Navy, or Air Force has property that is excess, the first thing you do is you go to the other Federal agencies and you essentially say, hey, does anybody need this. And at that point in time—you know, the Army is moving into a Navy facility that was excessed. I think it was the Navy or was it Air Force? Air Force, okay. And so we do some of that already.

OSD is looking to see if there is anything else that could be done if all options have been evaluated. And so when we talk about BRAC in the United States, we are reducing our force structure size, and with the programmatic environmental assessment, we announced that there are 21 locations that might have force structure reductions. And what that is going to do is create excess space. Each brigade combat team takes up a little over a million square feet. So we are going to have holes. We are going to have empty buildings, and we are going to have places that we could move other units or other options into. And in order to consolidate our infrastructure, we need the authority. The Congress has told us you cannot close any of these facilities without our authority.

Senator KAINE. Congress has not said you cannot recommend to us things that should be closed. I agree. You cannot close without our approval, but there is no prohibition to the DOD making rec-

ommendations about how to take those gaps and consolidate and then leave them subject to our approval. So I get that you cannot do it unilaterally, but you can still propose.

Mr. CONGER. And that is why BRAC was designed to take politics out of the process.

Senator SHAHEEN. Senator Lee?

Senator LEE. Thank you, Madam Chair.

Thanks to each of you for joining us today.

Mr. Conger, Under Secretary of Defense Robert Hale stated multiple times during a hearing last week, during the DOD posture hearing last week, that the 2015 BRAC proposed by the President in his budget would be significantly different from the last BRAC that we had in 2005. Can you elaborate on what Under Secretary Hale might have had in mind when he made that statement?

Mr. CONGER. Sure. And as I noted at the beginning of the hearing, I think he was right. The BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted while force structure was growing, while budgets were growing, and under leadership that directed the use of the authority to accomplish transformative change, not just elimination of excess. Today force structure is shrinking, the budget is shrinking, and we are firmly focused on reducing our future costs. That is the dynamics that we are dealing with here.

You know, you get to a point under the BRAC law and constrained by the BRAC law where even if we were in an environment without excess, we would not be able to shift things around because BRAC says you cannot move functions around. And so one of the things that happened, in addition to eliminating excess during the 2005 round, was that Secretary Rumsfeld said I want to optimize where we are all located. So not everything was driven by savings. Should it have been that way? That I leave open to the committee to judge. But that was part of what drove the recommendations that we got in 2005. It is different from the recommendations that were in the 1990's.

And I would offer that Mr. Hale's comments drive to that point which is that we are focused on saving money and eliminating excess because of the dire budget situation that we are in. We are looking to save money and this is going to be a round much closer to the ones from the 1990's.

Senator LEE. Okay.

Ms. HAMMACK. If I may make a comment.

Senator LEE. Yes.

Ms. HAMMACK. Another thing that is not well understood is the Army moved units back to the United States from overseas. So in Korea and in Europe, we had facilities that were optimized for those units. When we moved them back to the United States, we had to build new infrastructure to house them. From an Army standpoint, we did not really reduce our overall square footage. For us it was a realignment more than it was a closure. Although there were some facilities that were closed, it was realigning a lot of our units and realigning our forces. So it was a very different BRAC from all of the other BRAC rounds.

Mr. CONGER. And to add on that point, the closures overseas are not calculated as part of the savings as GAO audits them. The savings that we calculate are domestic savings.

Senator LEE. Okay. Given that factor and the set of circumstances you identified, economically we are in a different position now.

Ms. Ferguson, I want to talk about the F-35 for a minute. Last week there was an announcement that the EIS for the F-35 basing decision has been delayed until I think this fall. And that following the incorporation of new census data into the EIS and the determination, additional public commentary was necessary in a lot of that data.

Do you think this will have any impact on the arrival of the first operational units of the F-35 that are scheduled for 2015?

Ms. FERGUSON. No. Based on our analysis, the delay of the EIS to the fall of this year will have no impact. Now, there could be other impacts to delivery beyond the environmental impact statement, but directly related to the delay of the environmental impact statement, no.

Senator LEE. On this one alone, you do not see it having that impact.

Ms. FERGUSON. No, it should not impact.

Senator LEE. Are you concerned that even if there is not an impact, that this could at least create less of a margin for delays, for any other delays that might come up? We are slicing it thinner and thinner. I assume you would agree with that.

Ms. FERGUSON. Certainly as we get closer to the delivery of the first aircraft and we have construction still to do at the first operational location, then we need to make sure that construction is done to the maximum extent practicable before that first aircraft arrives. But we have taken a look at that, and we are not concerned at this point.

Senator LEE. Okay. The reason I raise the concern, as you can imagine, is that we have had a number of delays in connection with the F-35, but it sounds like at this point you are not anticipating any additional delays.

Ms. FERGUSON. We are not.

Senator LEE. Can you tell me why originally census data from over a decade ago was being used in the EIS process?

Ms. FERGUSON. When they started working on the EIS, that was the only data that was available. The 2010 Census data had not yet been published. And so they got through the end of the process, published the document, and then by that point in time, the 2010 data was published. And for one of the locations, that data was significantly different. So we went back and modified the EIS to incorporate that new data.

Senator LEE. Right. Can you help me understand why it is that the incorporation of the new census data necessarily required new hearings to be conducted for new input on the EIS?

Ms. FERGUSON. We are not going to do new hearings. What we are going to do is we are going to put the environmental impact statement out on the street for a public comment period, but we will not accomplish additional hearings, but it will provide the pub-

lic the opportunity to comment on the updated information that will be contained in the environmental impact statement.

Senator LEE. Now, we know that sequestration is likely to slow the input, will slow down the induction of some aircraft into depot. What impact do you think the slowdown will have on the working capital fund and depot labor rates?

Ms. FERGUSON. On depot labor rates, I do not have that specifically, but we do know with the combination of the reduction in weapons systems sustainment, we are reducing weapons systems sustainment by about 18 percent. We have got civilian furlough that the civilians—that the 35,000 civilians at the depot will be out. We are anticipating 60 less aircraft will be inducted and about 35 less engines will be inducted. And through a combination of those factors, it will take us a period of time to build out of that bow wave. It could take us a year or more to come out of that after we realize the effects of sequestration from 2013.

Senator LEE. And how can the department work to kind of address and anticipate and mitigate against the so-called bow wave that will be caused by the slowdown in depot inductions that we are seeing?

Ms. FERGUSON. What I would tell you is about the Air Force Mobility Command staff, the staffs at each one of the depots, headquarters Air Force, my staff—they are working that very closely with everyone at our lifecycle management center to try to mitigate that. But right now, with a 18 percent reduction in weapons systems sustainment, the furlough, reduction also in flying hours contributes to that as well. There will be a readiness impact associated with that.

Senator LEE. Okay. All right, thank you.

Thank you, Madam Chairman.

Senator SHAHEEN. Thank you.

Mr. Conger, I want to go back to the European infrastructure question because there was one piece of it that I did not get to, and that is the fiscal year 2013 Defense Authorization Act required the Department to evaluate the feasibility and cost savings that could be realized by closing and consolidating operations of the 16 major defense agencies of the Department that are also maintaining facilities and personnel overseas.

So are these facilities going to be part of the Secretary of Defense's review of the infrastructure in Europe?

Mr. CONGER. We are doing a comprehensive look. It is going to include the defense agencies, yes.

Senator SHAHEEN. And do you believe that they also maintain excess or under-utilized facilities overseas?

Mr. CONGER. I think it is fair to say that defense agencies, in particular those that support the force structure, are proportional to the force structure. And so, therefore, if we find efficiencies and optimization in basing of our forces, what will happen is, if people consolidate in a particular location, you may need fewer schools, fewer medical facilities, et cetera, et cetera. Those are the supporting requirements of having a force in a particular location.

Senator SHAHEEN. Thank you. I look forward to seeing that report when it is completed. I certainly hope that the urgency about expediting it will be conveyed to the Department.

I want to go now to some issues that were raised in a report by this committee's review of overseas basings that looked at some of the projects that are built with in-kind payments from foreign governments. For example, the committee's review found that the Army does not approve construction projects that are built with in-kind payments in Korea.

Secretary Hammack, can you let us know why the Army does not review and approve these projects? And is this something that should be approved and reviewed by the Army? And how can we make sure that they are subject to that same review as other projects?

Ms. HAMMACK. They are reviewed by the Army, but they are also subject to the requirements of the Korean Forces commander, which is a COCOM that works through the OSD. So I would defer to Mr. Conger.

Mr. CONGER. In general, the requirements are—they originate from one of the service subcommands inside a theater, come up through the combatant command, come over to the Joint Staff, and they are being reviewed at each step in this process for approval inside OSD. So there are a variety of looks at each of these.

Senator SHAHEEN. Well, as we discussed yesterday, some of the projects that have been discussed raise questions about whether there is urgency to those projects, given all the other demands that currently exist. So I wonder if you are looking at legislative or procedural changes that could help ensure that the projects that are being funded and undertaken are those that are real priorities and not something that is less than a priority for the various services.

Mr. CONGER. And I understand that point. You know, as we discussed the other day, the report led to the Washington Post article. Several of the examples were highlighted in there.

One thing I did want to make sure that everybody was aware of is that when a project list is approved at the Department, the Deputy Secretary of Defense sends a letter over to Congress saying this is the list of items that we are looking to pursue. In particular, I am talking about the payment in-kind projects in Germany because those were the ones highlighted in the article the other day. That oversight process is responsive to Congress.

In particular, I would point out that one of the projects sent over in July of 2011 was a warehousing project that this committee sent a letter to the Pentagon on and said we have concerns about. We, as a consequence, even though it was 2 years later, put a hold on that. We are looking at it, and in fact, the facts on the ground do change. The warehousing project in particular that, once again, we notified the Hill about 2 years ago, because of the reduction in forces at Grafenveer, while the requirement has not changed, there is more space available, and so we did not necessarily need to build the project.

The oversight of this committee helped us to save some money. And so that is valuable. We send these reports over to Congress not because we think you are going to file them in a drawer, but because we value your feedback.

Senator SHAHEEN. Sure, and I appreciate that, although the report suggested that there were some projects that had gone for-

ward without sufficient notification to the appropriate committees in Congress. Do you disagree with that?

Mr. CONGER. We can look through those in particular, and I think we need to have an ongoing conversation about that. Some of the ones that were highlighted have not actually been submitted for approval yet. I mean, they are in the preliminary stages. We have not even gotten them in OSD. But the investigators from this committee went out to Europe and they looked at the lists of projects that they were looking at, and some of those made it into the report even though they were pre-approval. They were just under consideration.

Senator SHAHEEN. Well, again, I guess I am not sure I quite understand what recommendations you might have to improve the current process so we do not have things like sunroom additions to senior officer housing in Germany done at a time when there are other priorities that supersede that.

Mr. CONGER. Yes. The sunroom one was sent over in 2010, the particular project. It was \$200,000 total for changes to three housing units in order to bring them up to the standards for the individuals that they were hoping to station in them. Those projects in retrospect—were they ideal? Well, it brings the housing up to standard. So we do not want to be subject to the churning of the sound bite in that it does not sound particularly like a high priority to add sunrooms to housing. But it is a question of there is a certain amount of space that is associated with a certain rank of officer, and they were trying to make sure that the housing was up to standards for the people that they wanted to station in the housing.

Senator SHAHEEN. I appreciate that. I guess my concern—and I am still not clear on how or whether you think it is appropriate to address it—is the oversight of the projects that are undertaken and to what extent there is appropriate oversight and how you prioritize how those in-kind contributions are done. And it is still not clear to me exactly how that works.

Mr. CONGER. Well, I think that securing construction from foreign governments is valuable to the Department of Defense and to the country. I think it is important to be able to receive those payments in kind, to receive military construction from other nations.

Senator SHAHEEN. And I am not taking issue with that.

Mr. CONGER. Is there enough oversight? I think we can have a conversation. There certainly is oversight. Is there enough oversight? That is something that we should engage in. In all honesty, given the degree to which we are looking to reduce force structure in Europe and given the degree to which we expect probably an increase in those payments in-kind coming up in the future as we go through our reductions, as we hand bases back after brigades are removed, after we go through our European base review, there is going to be a lot more of this. And so as a consequence, we are going to want to do more oversight, and we should do that with this committee.

I do not question for a second that this committee should be involved in the oversight or should OSD or should the services be doing oversight over these projects. What was a small list relatively

in the past may become a bigger list, and we need to make sure that we are all on the same page.

Senator SHAHEEN. Certainly I think this subcommittee would appreciate the recommendations that you will be looking at for how to improve the oversight process.

Mr. CONGER. Yes, ma'am.

Senator AYOTTE. I thank the chair, and I would share in her request that we do greater oversight for these in-kind contributions. I understand that we are grateful that these nations are willing to give in-kind contributions, but given that they are on our bases, the oversight is still very, very important. So I would share her request that we be more engaged in that oversight and more vigorous oversight.

I wanted to ask Mr. Natsuhara about the plan that I referenced in the opening that we recently received that was required pursuant to the 2012 NDAA, the modernization of naval shipyards.

And as I referenced in the opening, we certainly have some facilities that are aging with our shipyards. Looking at the facilities, some are approximately 60 years old. The average dry dock age is 79 years old. So the overall condition of infrastructure is certainly a big challenge. And as I mentioned in the opening, the Navy will need, according to the report, about 17 years at the current funding rates to clear the current maintenance backlog.

So I appreciate that you are trying to look at ways to more quickly address the maintenance backlog. So can you help us understand what additional annual funding you will need to achieve this goal? And I would also like to understand what is the impact on sequestration, thinking about especially 2013 and 2014. I know you have submitted a budget request with us assuming that sequestration gets resolved, but I think we need to understand what are the implications if this thing stays in place.

And I would also open up that question beyond this issue with the backlog on the maintenance and ask all of the witnesses to talk about if it is not resolved, what are the long-term implications.

Mr. NATSUHARA. Thank you.

Based on our plan, we believe that our projected budgets out through the 17 years, that we will be able to meet that 17-year plan. It was all based on very detailed analysis and study with our CNO staff, our NAVSEA staff, and NAVAC staff to really kind of balance the risks to determine what is that right risk to recapitalize, clear the backlog of the shipyards to maintain their mission, but also balance the rest of the Navy's priorities in facilities to make sure that we do not fix one part of the Navy at the expense of the other. So it was a very balanced approach we took trying to balance the risks of the shipyards and the rest of the facilities. So we believe our budget will be able to match the 17 years.

As far as 2013, we will be able to meet for the shipyards, the 6 percent requirement. We have already funded that. We will be able to meet—but for the rest of the depots, the FRCs, we have not got there yet because of sequestration, but for the shipyards for 2013, we are going to meet the 6 percent.

For 2014, we do not know yet. Our plan is in our budget we will, but we do not know what the sequestration is going to be. So we will do that analysis if that happens.

Senator AYOTTE. So you have not done the analysis yet if sequestration goes into place, how this thing impacts the maintenance going forward.

Mr. NATSUHARA. We have not done the analysis yet.

Senator AYOTTE. I would ask for follow-up information on that. It is just important for us to all understand here because the more information I think Members of Congress receive on the implications of this long term to the overall readiness of our forces, I think it, hopefully, will help get people off the sidelines here to try to resolve this in a sensible way.

So I would also ask the other witnesses to be able to comment on what do we do look at going forward in terms of each of the areas that you are responsible for.

Mr. CONGER. Before we get into the specifics of each individual service impact, let me speak a little bit broadly about sequestration and how 2014 is different than 2013.

In fiscal year 2013, sequestration is an appropriations/authorization issue. It is all about individual accounts, how much money is available in individual accounts and the specific cuts that were taken, in fact, that we are trying deal with halfway through a year. So they are severe. They are rigid. And without question, as I mentioned earlier in my opening statement, they have consequences.

That said, in fiscal year 2014, the President's budget request and the administration position is that we are not taking sequestration cuts in the defense budget but rather their deficit reduction plan, the administration's deficit reduction plan, accommodates those cuts elsewhere. Now, what that means is that this becomes a budget resolution issue as opposed to an individual appropriation type of issue. And the question is—and frankly, it is up to the Congress to decide how that is dealt with, whether the particular offsets that the administration proposed are rejected or if—

Senator AYOTTE. Well, let me just interject for a minute.

Mr. CONGER. Yes.

Senator AYOTTE. We are where we are. So the Senate did a budget resolution. The House did a budget resolution. Who knows if they will get reconciled. The President's is hanging out there, a post-budget thing. I think we are where we are right now.

And so can you just sort of let us know, assuming the status quo going forward and the President's plan does not get passed, which I think at this point is unlikely that it would, where are we?

Mr. CONGER. So if the question is what is the impact to the Department if in fact there is another broad-based—there is another 8 percent across-the-board cut—

Senator AYOTTE. Yes, because the law stays in place really as it is. It is just the only thing you have differently is you do not have—the Appropriations Committee can work with you versus the across-the-board approach, which they have already done. We did in the CR. But going forward, the numbers are where they are unless we make a change around here, as I understand it.

Mr. CONGER. And so I think that that sort of broad-based answer—I defer to my colleagues to say if they took that specific cut in each of their areas, what would it be. But I think from a broader perspective, I think that rather than this panel answering the

question in a narrow sense, I think it has to be a wider Department answer for you, and we would have to get back to you.

Senator AYOTTE. Well, I want you to know I have been asking this. All of us have been asking this in every hearing we have had, you know, with the service chiefs, with everyone. So to the extent you cannot answer us, I think it is important because there needs to be a full understanding around this place about what the real implications are.

Thank you.

Ms. HAMMACK. For the Army, the fiscal year 2013 budget is a 63 percent reduction in our sustainment, restoration, and modernization. It is a risk and it does create what has been called a bow wave of a backlog of what needs to be done. An analogy that I heard, it is like not maintaining your car. There is a risk. And when we are focusing only on the most critical life, health, and safety, we are taking a risk by not maintaining our existing infrastructure.

Senator AYOTTE. So after a while, if you do not change the oil, you got an issue.

Ms. HAMMACK. You got an issue. And that cost of not changing the oil is much higher than if you had maintained the oil regularly. And that holds true for maintaining our HVAC equipment. It holds true for maintaining our infrastructure, replacing roofs when they are at end of life versus waiting for failure. It is a higher cost if you wait for failure.

In our 2014 budget, we took a reduction and we are taking a risk. And it is 10 percent lower than what we thought was ideal, but it is taking a risk and that is how we are responding to the effects of a reduced fiscal environment. If we have to go further, if we have to go as deep as we did in 2013, it is going to be even much more of a bow wave. It is critical and it is something that we are going to have to respond to and fund at some time. Buildings need to be maintained. That is a fact.

Senator SHAHEEN. Senator Kaine?

Senator KAINE. I just want to come in on Senator Ayotte's point. We had an interesting interchange kind of in the same way at the full committee hearing last week with Secretary Hagel and General Dempsey. And I thought it was interesting because I think the questions from the Senate side—they might have seemed like hostile questions, but I think they were actually helpful questions.

I fully support the budget. The way it was constructed said sequester is a bad idea. Here is the better way. Completely agree. Sequester is a bad idea. There is a better way and that is to significantly moderate the effects of sequester by reducing the size of the cuts, by making them targeted and not strategic, by not spreading them evenly across the 10-year budget but back loading, you know, these kinds of concepts. I am glad you prepared it that way.

But the challenge we have is with our colleagues to really demonstrate why the administration's version is much better than the sequester version. And so part of that is if you had to live with the sequester as is, if there is no alternative, instead of the budget that you have put on the table, which is not really your optimal budget—I mean, you are dealing with the cut already, as you described.

You have presented it and you have had to sharpen the pencil and multiple drafts.

But if you, the DOD, could show in large scope and if we do not get that and we have to live with the sequester, here is what this looks like down the road, I think we will create more momentum within our colleagues. And this is what a lot of us are trying to do, create momentum within our colleagues to say we like the administration's version better than the status quo. So that was a request that was made DOD-wide, but it was a helpful request. I think this is going to help us add allies to try to come up with a budget that is better suited to what you are trying to do which is to keep our country safe.

Senator SHAHEEN. Thank you, Senator Kaine.

I want to go back to the in-kind burden-sharing issue for a minute, Mr. Conger, because one of the areas addressed by the Armed Services Committee report was South Korea, and one of the items in the budget that got my attention was a request for \$52 million to replace a school at Camp Walker in South Korea. And I wondered if, before requesting those funds, the Department had considered trying to use South Korean in-kind contributions for that, and if not, why not. Is this not exactly the kind of project that we might be able to use in-kind burden-sharing funds to support?

Mr. CONGER. I will tell you what. I do not have a specific answer to that question right now. I will get you one for the record because I think you deserve a thoughtful, deliberative one rather than me just trying to answer off the cuff.

Senator SHAHEEN. Okay. I appreciate that.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator SHAHEEN. And I think we will have some follow-up questions for the record about some of the differences that we see in what the report found than I understood your answers to be.

Mr. CONGER. That is fair enough.

Senator SHAHEEN. I appreciate that.

I want to go now to one of the issues that I have been very concerned about and very appreciative of the lead that the DOD and particularly all of our branches of the military have taken around energy use. I think some of you have heard me talk about my appreciation for the work that has gone on around energy and energy efficiency, in particular, which is one of the things that I am particularly concerned about. I know in our conversations, Mr. Conger, you talked about the bill that the Department has for energy use on an annual basis, which is significant. So I wondered if each of you might talk about some of the areas where you think you are making real progress around energy use and then, if you could, indicate whether sequestration is having an effect on those areas and how you see the long-term implications of any impacts from sequestration on those energy efforts.

Mr. CONGER. Let me take the second part of your question and defer the first one to my colleagues.

Under sequestration, the O&M accounts have been hit particularly hard and, in particular, the facilities sustainment accounts which have been limited to sort of the life, safety, health types of repairs. Those accounts are where many of the energy efficiency

upgrades occur. Now, that is not to say that we are making a lot of changes to buildings just to increase the energy efficiency, although that is certainly the case. But when you replace the HVAC system, when you add insulation, when you replace the roof, you are making energy efficiency upgrades, and you are lowering your future bill by doing things the right way.

Those proactive, bill-lowering efforts that are normally part of our sustainment budget were deferred because of sequestration in fiscal year 2013, and we have limited the investments that we are making in repair of our buildings. And so is there an impact? Absolutely, there is an impact on the energy investments that we are making.

Ms. HAMMACK. From the Army's standpoint, we have focused on what we call leveraging the public/private partnerships, and those are the energy-saving performance contracts. And so in fiscal year 2012, we tripled the number of energy-saving performance contracts that we executed and we are on a path to have about the same, if not a higher amount this year. And so by leveraging private sector investments, we are able to continue with our energy efficiency.

That being said, as Mr. Conger mentioned, there were some programs that are being delayed and those were the direct-funded programs.

And sequestration also affects us because those in the acquisition community will face furloughs, and that slows down the acquisition process. So that means our processing of the contracts and the task orders is going to slow. So while we are currently on target, we are unsure how it is going to affect us at the year end because there may be some slippage due to the effects of sequestration on our acquisition community.

Senator SHAHEEN. Do you have data that quantifies what the savings are from those performance contracts that you have put in place already?

Ms. HAMMACK. Absolutely, and we can get you that information.

Senator SHAHEEN. I would really be interested in getting that.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Ms. HAMMACK. Certainly.

Senator SHAHEEN. Thank you.

Mr. Natsuhara?

Mr. NATSUHARA. At the Department of Navy, we have been very aggressive in our goals. We too are going to be leveraging the third party financing for a lot of our larger projects.

We are very concerned with the sequestration. The Marine Corps has right now cut about 50 percent of what they planned to do on their energy efficiency for fiscal year 2013. That will cause problems in the out-years because the investment that we planned to take this year—we have already taken the savings on the energy. So we are working hard to try to get those investments back because we are just going to create another bill in the out-years. So we are very concerned about that.

On the Navy side, they are taking risk in other areas and trying to recover most of their efficiency projects. They have not got there yet. But we also have the same concerns there. And the main thing

is not only, like I said, getting the energy savings today, it is if we do not do them today, we are going to have another problem in the out-years. So we are very concerned about that on the shore side.

On the operational energy side or forces side, we have been working hard with our systems commands to make sure to try to keep all those energy efficiencies. There it is really about the combat effectiveness, making sure the warfighter gets the extra energy savings not so much just to save energy or money, but it is really to increase their effectiveness for the warriors out there.

Senator SHAHEEN. And will the impact of sequestration be enough to prevent you from getting to the 50 percent savings goal by 2020?

Mr. NATSUHARA. Right now, we think we are going to be okay. We are still doing some analysis because we just got the numbers, but if you like, we can get you a brief on that.

Senator SHAHEEN. That would be helpful.

I also understood that the Navy had been reluctant to engage in performance contracting. Is that the case, or is this a change that you are undertaking? Are you beginning to do that now?

Mr. NATSUHARA. We are beginning to look at those. We have programmed some money to do some analysis, up-front studies, and they take a little bit of time, but we are looking at those and we anticipate having some of those in the near future.

Senator SHAHEEN. Secretary Hammack, perhaps you could share your experience with the Navy.

Ms. HAMMACK. Absolutely. They can leverage the same contracting mechanisms that we have been using.

Senator SHAHEEN. Ms. Ferguson?

Ms. FERGUSON. In 2012, the Air Force avoided \$1.5 billion in energy costs due to initiatives that we have put in place, which I think is a really good-news story. Part of that was from reducing aviation fuel consumption. We exceeded our goal early. We reduced our aviation fuel consumption by 12.4 percent since 2006. We have gone now and we have updated that goal, and we are going to look at improving our aviation energy efficiency by 10 percent by 2020, and so really looking at how we operate the airplanes, including in a deployed environment.

Some of the things we have done to reduce the fuel costs is we have done KC-135 engine upgrades, which has both an operational efficiency and an energy efficiency. We have C-5 engining. That showed a 3 percent improvement in burn rate. So we are getting benefits from that. We have reduced our facility energy consumption by 22 percent, and we are on track to meet the 2020 goal. And we have done that since 2003. And in 2012, we avoided \$300 million in facility energy costs because of the initiatives we have put in place.

The impact of sequestration. We are delaying about 220 energy-related facility projects. The cost for those projects was right around \$150 million, but the annual savings for those would be about \$25 million. So it would pay back in about 5 to 6 years. So we are deferring that, but we are continuing to look for opportunities. I envision that there could be similar issues that come up on the operational side, but we are going to continue to look at that.

Energy, of course, is a high priority for the Department, and we will continue to focus where we can.

Senator SHAHEEN. And so when you talk about the aviation savings, is most of that accomplished through changing out the engines for more efficient engines or are you also looking at biofuels as a way to save long term on energy use?

Ms. FERGUSON. We have looked at biofuels and all of our aircraft have been certified both on HRJ and Fischer-Tropsch fuels. Those are there. We are not going out and actively purchasing those, but those are there if it makes sense to buy them.

Where we are really seeing savings is by changing the way we fly, how we load C-17's and C-5's and doing them more efficiently and seeing how we can operate in a more efficient manner. So it is really changing the culture of how we fly, how we operate. I think when General Spencer was in front of the committee recently, he gave an example of when he was on a C-17 and he was in the cockpit, and the crew talked about how to save fuel as they were going on their mission. So it is really about changing also the culture of our pilots.

Senator SHAHEEN. I know that the Navy has done a lot of work around biofuels. Do you share those technologies with the Air Force and the Army as you look at developing new biofuels?

Mr. NATSUHARA. Yes. All the services now have a Deputy assistant Secretary of Energy. So collaboratively I think they have all been working very closely together sharing information, including the biofuels initiative.

Senator SHAHEEN. Thank you.

No further questions, Senator Kaine? At this point, I do not have any either other than the questions that we will submit for the record.

So thank you all very much for your testimony this afternoon and for your service to the country.

[Whereupon, at 4:14 p.m., the subcommittee adjourned.]