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STATEMENT OF

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BEFORE THE
READINESS AND MANAGEMENT SUPPORT SUBCOMMITTEE
OF THE
SENATE ARMED SERVICES COMMITTEE

March 2, 2006

Chairman Ensign, Mr. Akaka, and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2007 and the management approach the Department of Defense has undertaken to reposition, to reshape, and to sustain the Nation's military installation assets.

In 2001, the Department issued its first ever Defense Facilities Strategic Plan. Three years later, in September 2004, a comprehensive, capabilities-based, and performance-oriented Defense Installations Strategic Plan was in place. The 2004 plan addressed recommendations made by the Government Accountability Office (GAO) and was approved by OMB as being consistent with the guiding principles of the Federal Real Property Council in meeting the objectives of the President's Management Agenda. An update in 2005 reflected ongoing efforts, recent progress, and the changes resulting from decisions that produced the Fiscal Year 2006 President's Budget. The next full issue of the plan will be published in the fall of 2006. This new plan will more fully integrate environmental management systems, safety, and occupational health into a comprehensive approach to asset management.

For the past several years, the Department of Defense has been vigorous in its pro-active efforts in managing the Department's facilities and infrastructure. DoD's infrastructure investment strategy rigorously utilizes key metrics to provide the quality facilities that directly support mission and readiness. To that end, DoD developed advanced business processes that align more closely to warfighter mission area requirements. The rigor provided by these practices in planning, managing, and maintaining DoD installations improves overall efficiency while improving investment decision-making.

The President's budget request for Fiscal Year 2007 will permit the Department to continue its efforts to manage installation assets comprehensively and efficiently. Along with

continued improvement in business practices and a focus on environmental sustainability, the Department is improving the quality of military installations.

Global Defense Posture Realignment

While the Department addresses better business practices, it is also working to realign infrastructure to effectively address military transformation and 21st Century security challenges. The Defense posture of the past 50 years reflected the Cold War strategy, with U.S. forces forward deployed primarily to fight near where they were based. Today's challenges require a more agile, faster, and leaner force that can project power into areas further from where they are based. This agility requires not only a shift in military forces, capabilities and equipment, but also a new strategy for U.S. global defense posture.

In September 2004, the Department completed a two-year comprehensive review of its global posture strategy. This review led to the most thorough restructuring of U.S. military forces overseas since the major elements of the U.S. Cold War posture were set in 1953. The new posture will enable the Department to respond more quickly to worldwide commitments and make better use of its capabilities.

The Department has already begun the process of realigning or closing a number of large permanent bases in favor of small and more scalable installations better suited for rapid deployments. In July 2005, the return of eleven Army bases in Germany was announced as part of the 1st Infantry Division headquarters' redeployment plan, scheduled to occur in the summer of this year. The United States signed an agreement with the Government of Romania in December 2005 that will allow access for U.S. forces to Romanian training facilities. The United States and Japan issued the Security Consultative Committee document entitled, "*U.S.-Japan Alliance: Transformation and Realignment for the Future*," on October 29, 2005,

outlining several initiatives, including posture realignments that will adapt the Alliance to today's regional and global security environment. In Korea, we are working closely with our partner to implement the 2004 Amended Land Partnership Plan and the Yongsan Relocation Plan. These efforts are reshaping U.S presence on the peninsula significantly in recognition of the Republic of Korea's increasing lead in the conventional defense of the ROK and the evolving role of U.S. forces.

The Global Defense Posture realignment identified an overall plan for returning overseas forces back to military installations in the U.S. This plan was integrated into the BRAC process regarding relocations from overseas to domestic bases during the prescribed BRAC time period. All Services factored requirements of returning forces into their domestic infrastructure requirements and this resulted in recommendations to accommodate forces at U.S. installations. Some overseas changes have already been implemented in accordance with ongoing Service transformation efforts and within the framework of negotiations with host nations. In many cases, the changes involve units that are inactivating or transforming with no significant BRAC impact. As we begin implementing the BRAC recommendations there are overseas changes still being developed or being phased to be implemented after the BRAC implementation period. DoD will continue to consult with Members of Congress on its plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Base Realignment and Closure 2005

The Department has effectively accounted for the domestic implications of the global posture review – with forces and personnel either returning to or moving forward from U.S. territory – within the BRAC decision-making process. Even though global posture changes will

be executed over several years and will continue to be adjusted as strategic circumstances change, the Department will incorporate projected overseas posture changes into the BRAC implementation process.

The 2005 Base Realignment and Closure (BRAC) process was designed to rationalize the Department's base infrastructure within the United States in support of the Department's long-term strategic capabilities. The Department's BRAC process addressed five key goals:

- Transforming the current and future force and its support systems to meet new threats,
- Eliminating excess physical capacity,
- Rationalizing the base infrastructure with defense strategy,
- Maximizing both warfighting capability and efficiency; and
- Examining opportunities for joint activities.

The Secretary of Defense transmitted his recommended closures and realignments to the 2005 Defense Base Closure and Realignment Commission and to the Congress on May 13, 2005, and published them in the Federal Register on May 16, 2005, pursuant to Public Law 101-510, as amended. The recommendations strengthen national security by reshaping the domestic installations at which U.S. military forces perform their assigned missions and aligns the Department's base structure with the force structure that is expected to be needed over the next 20 years, an unprecedented long view. Additionally, the recommendations accommodate the Department's global reposturing of its forces; facilitate the ongoing transformation of U.S. forces to meet the challenges and opportunities of the 21st Century; and restructure important support functions to capitalize on advances in technology and business practices.

The BRAC Commission reviewed the 222 recommendations submitted by the Secretary and accepted, without change, about 65 percent. The Commission's resulting recommendations

will affect over 800 locations through 25 major closures, 24 major realignments, and 765 lesser actions. On November 9, 2005, the Department became legally obligated to close and realign all installations so recommended in the Commission's report to the President because the President accepted those recommendations and the congressional review period lapsed without enacting a resolution of disapproval. Although these recommendations are estimated to save the Department tens of billions of dollars over 20 years and significant amounts annually after implementation, the investment needed to support the transformation of domestic military infrastructure in support of the Total Force is substantial – estimated, based on our COBRA-based assessment of the Commission's actions, at $22.8 billion.

BRAC Implementation

The large number of transformational recommendations, particularly recommendations to establish joint operations, present significant implementation challenges. To meet these challenges, the Department initiated a process to develop Business Plans that lay out the requisite actions, timing of those actions, and associated costs and savings associated with implementing each recommendation. The Business Plans will serve as the high level foundation for the complex program management necessary to ensure BRAC 2005 recommendations are implemented efficiently and effectively.

The Department recently delivered its report describing the specific programs, projects, and activities for the $1.46 billion appropriated in FY 2006 to begin implementing the BRAC recommendations. This initial spending plan will begin the planning and design and environmental studies that serve as the foundation for constructing and renovating facilities to accommodate missions at receiving sites. For FY 2007, the Department is requesting $5.62 billion for BRAC 2005 implementation and $191.22 million for previous rounds.

The Department recognizes it has an obligation to assist communities affected by BRAC 2005; communities that have an honored heritage of support to the Armed Forces. The Defense Economic Adjustment Program will continue to assist communities to plan for the civilian redevelopment of available real and personal property; and implement local adjustment actions to assist impacted workers, businesses, and other affected community interests. The Department actively partners with affected communities as we both seek opportunities for quick civilian reuse of former military installations. For communities engaged with installations that will receive new missions, the Department also recognizes the importance of ensuring communities have the capacity to support the Defense mission with adequate planning, housing, education, infrastructure, and community services, and the Department is working with these communities to enhance their ability to support DoD installations and our men and women in uniform. To facilitate these actions, resources from 22 Federal Agencies have been drawn together through the coordination of the Economic Adjustment Committee (EAC). For these purposes, the budget request contains $60 million for the Department's Office of Economic Adjustment to enable affected communities to plan and carry out adjustment strategies, engage the private sector in ventures to plan and undertake economic and base redevelopment, and partner with the Military Departments as they implement BRAC actions. An important undertaking for the upcoming year is the OSD/Military/Community conference in May that will serve as a conduit for information exchange regarding BRAC implementation.

Managing Infrastructure

Managing DoD real property assets is an integral part of comprehensive asset management. The Department currently manages nearly 507,000 buildings and structures with a plant replacement value of over $650 billion, and more than 46,000 square miles of real estate.

The quality of infrastructure directly affects training and readiness. To that end, the Department is incorporating installations more fully into the Defense Readiness Reporting System. This will allow us to measure the capability of defense installations and facilities and other elements of our infrastructure to provide appropriate support to forces in the conduct of their wartime missions. To better manage infrastructure investments, the Department developed models and metrics to predict funding needs: Sustainment and Recapitalization.

Facilities sustainment provides funds for maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility. To forecast funding requirements, DoD developed the Facilities Sustainment Model using standard benchmarks for sustainment unit costs by facility type (such as cost per square foot of barracks) drawn from the private and public sectors. This model has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies since fiscal year 2004. On January 24, 2006, DoD joined 16 other Federal agencies in signing a Memorandum of Understanding (MOU) for Federal Leadership in High Performance and Sustainable Buildings. The MOU indicates a commitment to incorporate sustainable design principles through a comprehensive approach to infrastructure management.

Full funding of facilities sustainment has been and continues to be the foundation of long-term facilities strategy and goal. In Fiscal Year 2006, the Department-wide sustainment funding rate is 92 percent. In balancing risk across the Department's program, the Fiscal Year 2007 budget request reflects a slight decrease in the department-wide sustainment funding rate to 90 percent. Our long term goal remains a department-wide sustainment funding rate of 100 percent to optimize our investment in facilities.

Recapitalization, which includes restoration and modernization, provides resources for improving facilities, and is the second element of our facilities strategy. Recapitalization is funded primarily with either operations and maintenance or military construction appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years.

Similar private sector industries replace their facilities every 50 years, on average. The current DoD goal is 67 years, based upon an assessment of the Department's inventory in the late 1990's. In FY 2001, the Department's recapitalization rate was 192 years. This budget request supports a recapitalization rate of 72 years, and includes investments associated with BRAC and Global Defense Posture realignment. The Defense Department remains committed to achieving a rate of investment in facilities recapitalization that will improve, modernize, and restore its facilities consistent with expected future service lives. Currently, DoD is in the process of developing and fielding a new recapitalization model for assessing the replacement cycle that will improve upon the existing recapitalization metric through the inclusion of depreciation schedules and other benchmark improvements.

Sustainment and Recapitalization Request
(President's Budget in $ Millions)

	Fiscal Year 2006 Request	Fiscal Year 2007 Request
Sustainment (O&M-like)*	**6,529**	**6,267**
Restoration and Modernization (O&M-like)*	**1,008**	**984**
Restoration and Modernization (MilCon)	**3,474**	**6,093**
TOTAL SRM	**11,011**	**13,344**

* Includes O&M as well as related military personnel, host nation, and working capital funds.

In 1998, the Department undertook a six-year program to eliminate 80 million square feet of obsolete and excess facilities. Six years later, DoD concluded that effort by exceeding its target - removing a total of 86 million square feet. In a continuation of that effort, the Department completed a survey of disposal requirements in December 2004. Based on that survey, the military services and selected Defense agencies have established new targets to rid the Department of an additional 50 million square feet of unneeded facilities by the year 2013. These demolition targets are not included as part of BRAC disposal.

The Department has established a common definition for Facilities Operation, formerly referred to as "Real Property Services." The budget request includes $6.06 billion for this program, to address utilities, leases, custodial services, ground maintenance, and other related functions. A prototype model for Facilities Operation will be fielded in the coming year.

Installations Support

The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing installation support. Our objective is to introduce capabilities-based programming and budgeting within a framework for the Common Delivery of Installations Support framework which will link installation support capabilities to warfighter requirements. To that end, we are developing common definitions for Facilities Operation.

The Common Delivery of Installations Support will form the basis for implementing guidance for twelve Joint Base sites identified in BRAC 2005. Guidance for implementing Joint Basing is being developed in coordination with the Military Components and using input from installation level leadership.

During the past year, DoD made significant progress toward developing Common Output Level Standards for all other functions of Installations Support to include Environment, Family

Housing Operations and Services, which were formerly knows as Base Operations Support. This effort is yielding common definitions and tiered performance output levels. These metrics are currently being further refined and a costing model initiative will soon be underway.

The Military Construction appropriation is a significant source of facilities investment funding. The Fiscal Year 2007 Defense Military Construction and Family Housing appropriation request totals $16.7 billion. This budget request will enable the Department to rapidly respond to warfighter requirements, enhance mission readiness, and provide for our people. This is done, in part, by restoring and modernizing enduring facilities, acquiring new facilities where needed, and eliminating those that are excess or obsolete.

Comparison of Military Construction and Family Housing Requests
(President's Budget in $ Millions – Budget Authority)

	Fiscal Year 2006 Appropriation	Fiscal Year 2007 Request
Military Construction	6,161	6,385
NATO Security Investment Program	177	221
Base Realignment and Closure IV	255	191
Base Realignment and Closure 2005	1,504	5,626
Family Housing Construction/Improvements	1,811	2,092
Family Housing Operations & Maintenance	2,206	1,990
Chemical Demilitarization	-	131
Family Housing Improvement Fund	3	3
Energy Conservation Investment Program	50	60
TOTAL	**12,167**	**16,698**

Housing Revitalization

At the outset of this Administration, the President and Secretary Rumsfeld identified elimination of inadequate family housing and revitalizing housing, largely through privatization, as a central priority for the Department. An aggressive target of 2007 was established to meet that goal. The Administration has relied on three pillars to improve housing thereby, enhancing

the quality of life for our Service members: (1) Provide the basic allowance for housing (BAH) at zero-out-of-pocket expense for the average Service member living in private sector housing (achieved in 2005, now maintaining); (2) Privatization of family housing, where feasible; and, (3) Military Construction funding for all other domestic and all overseas locations. Sustaining the quality of life for our military families is vital to recruitment, retention, readiness, and morale.

Through the expanded use of the privatization authorities granted under the FY 1996 Military Housing Privatization Initiative, the Department has achieved the elimination of inadequate housing at U. S. based installations where those authorities apply. The FY 2007 budget funds elimination of all inadequate domestic family housing by 2007, and eliminates remaining inadequate houses overseas by 2009.

The Department relies on a "community first" (private sector) policy to provide quality housing to its members and their families. Only when the private market demonstrates that it cannot supply sufficient levels of quality, affordable housing does the Department provide housing to our military families; first through the use of privatization, and where that is not feasible through government-owned and leased housing. For example, in the absence of privatization authorities overseas, we address our housing needs there through military construction and leasing.

To ensure the Department is making the best investment decisions when determining the appropriate level of housing, the government provides a single and consistent methodology for calculating its housing requirement. This methodology was introduced in January 2003 and is being utilized extensively by the Services. Currently, 75 percent of military families living in CONUS, Alaska, and Hawaii receive Basic Allowance for Housing (BAH) (with 60 percent

living in the local community, and 15 percent in privatized housing). An additional 22 percent of our military families are provided government-owned housing and 3 percent live in leased housing.

The Department has skillfully used privatization to more quickly eliminate inadequate housing and to provide additional housing where shortfalls existed. As of January 2006, the Department has awarded 56 privatization projects. This includes over 118,000 military family housing units, which is a 30 percent increase since January 2005. DoD policy requires that privatization yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. The 56 awarded projects have permitted the Department, in partnership with the private sector, to provide housing for about $1 billion in military construction investment. The same level of construction activity would otherwise have required over $14 billion if the traditional military construction approach was utilized. This reflects an average ratio of over 14 to 1, well exceeding program expectations.

Additionally, the private sector's cumulative contribution to the 56 awarded deals totals over 90 percent of the $15 Billion in total project costs. Prudent business practice requires the private sector to be committed to each project with a significant financial investment in the project's ultimate success. The Services have funded the remaining $1 billion in development costs primarily through equity investment or government direct loans. (The Total Project Funding graph (Enclosure 1) depicts the cumulative total contribution of the private sector and government.)

The Department's privatization plans in the FY 2007 budget will ultimately result in the privatization of 87 percent of its domestic family housing inventory, or roughly 186,000 units privatized by the end of FY 2007. By the end of FY 2006, we will have privatized 153,000

housing units. The overall goal is to privatize 89 percent of the domestic housing inventory or about 195,000 housing units by the end of FY 2010.

For fiscal year 2007, the Department requests $4.081 billion in new budget authority for family housing construction and operations and maintenance:

- $1.94 billion to construct 3,073 new/replacement units and improve 3,330 existing units.
- $1.99 billion to operate and maintain approximately 95,052 government-owned family housing units, and lease another 25,935 units worldwide.

Funding to support the privatization of family housing is programmed and budgeted in the family housing construction appropriations and is transferred to the DoD Family Housing Improvement Fund (FHIF) when the privatization projects are executed. The FY 2007 construction account requests a total of $154 million in funding for privatization. This amount, anticipated to be transferred to the Family Housing Improvement Fund during FY 2007 along with $261 million in previously appropriated construction funds. This $415 million will be used to finance the privatization of approximately 32,377 units.

Competitive Sourcing

The Department of Defense continues to strongly support the President's Management Agenda Initiative for Competitive Sourcing. Introducing private sector competition into commercial functions performed by the Department improves business efficiency and reduces cost to the taxpayer. Public /private competitions using the procedures of OMB Circular A-76 have demonstrated substantial savings whether the in-house or private sector wins the competition. During the Fiscal Years 2000 through 2005, the Department completed 848 such competitions encompassing about 87,018 positions. These competitions will have resulted in over 10 billion dollars in savings (cost avoidance) over the life of the resulting performance

periods, normally about 5 years. The Department currently has an additional 2,800 positions undergoing competition and expects to increase competitions in Fiscal Year 2006.

These new competitions use the procedures of the revised OMB Circular A-76, which evaluates public and private proposals concurrently using the Federal Acquisition Regulations. As the Department's designated Competitive Sourcing Official (CSO), my office is working to improve the competition process. For example, competitions that used to take up to 48 months to complete should now be completed in as little as 12 months. Such improvements will reduce stress on our workforce and will make savings available earlier to reinvest in priorities for our war fighters.

Utilities Privatization and Energy Management

The Department seeks to reduce its energy consumption and associated costs, while improving utility system reliability and safety. To that end, DoD developed a comprehensive energy strategy and issued updated policy guidance incorporating the new provisions and goals of the Energy Policy Act of 2005. This strategy will continue to optimize utility management by conserving energy and water usage, improve energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves, and modernize our infrastructure by privatizing deteriorated and outdated utilities infrastructure where economically feasible.

DoD, as the largest single energy consumer in the Nation, consumed over $2.97 billion of facility energy in FY 2005. Conserving energy and investing in energy reduction measures makes good business sense and frees up resources for higher DoD priorities, such as readiness and modernization. Our program includes investments in cost-effective renewable energy

sources or energy efficient construction designs, and aggregating bargaining power among regions and the Services to achieve more effective buying power.

The Department's efforts to conserve energy are paying off. In FY 2005, military installations reduced consumption by 3.3 percent despite a 6 percent increase in the cost of energy commodities from FY 2004. With a 28.3 percent reduction in standard building energy consumption in FY 2005 from a 1985 baseline, the Department fell just short of the 2005 and 2010 facility energy reduction goals stipulated by E.O. 13123 (see Energy Progress Chart, Enclosure 2). This is mostly attributable to the lapse of Energy Savings Performance Contract (ESPC) authority in FY 2004. Energy conservation projects accomplished through ESPC contracts typically account for more than half of all facility energy savings. However, with ESPC authority reauthorized in the FY 2005 National Defense Authorization Act and extended for an additional 10 years in the Energy Policy Act of 2005, DoD has launched an aggressive awareness campaign and is well on its way to meeting the new goals established in the Energy Policy Act of 2005. DoD reduced energy consumption in energy intensive and industrial facilities by 21.6 percent from the 1990 baseline, exceeding the 20 percent goal of E.O. 13123 (See Energy Progress Chart, Enclosure 3).

DoD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. The Department has increased the use of Energy Conservation Investment Program (ECIP) funds for renewable energy projects from $5M and $11M in FY 2003 and FY 2004, respectively, to $13M in FY 2005, $17M in FY 2006, and $17M in FY 2007. The FY 2007 program for ECIP also contains $2.6M in hydrogen fuel cell projects. The Department easily exceeded the E.O. 13123 renewable energy goal of 2.5 percent in FY 2005. The Department's total renewable energy purchases and generation accounted for

8.3 percent of all electricity use. Also, while E.O. 13123 did not articulate a specific water reduction goal, the Department has saved an impressive 28.3 percent since the FY 2000 baseline year.

To improve utility systems, the Department has reaffirmed its preference to modernize military utility systems through privatization. The DoD Utilities Privatization Program has made solid progress over the past two years. The Services have greatly simplified and standardized the solicitation process for obtaining industry proposals. Of 2,601 utility systems serving the DoD, the Department has privatized 512 systems. When taken together with the 736 systems that were already owned by other entities, that reflects a significant portion of systems serving the Department that benefit from private sector ownership. Over 475 additional systems are currently under evaluation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems.

Environmental Management

The Defense Department continues to lead in every aspect of environmental management. The Department is proud of and committed to its environmental program in support of the global basing mission. Developing natural infrastructure capacity tools and models for installation planning and sustainment is a priority.

Environmental Management Systems

DoD is implementing environmental management systems (EMS) as required by Executive Order 13148 at all appropriate facilities, except for six installations affected by hurricane Katrina. This transformation embeds environmental management as a systematic process, fully integrated with mission planning and sustainment and is essential for continued successful operations at home and abroad. Implementing EMS will help preserve range and

operational capabilities by creating a long-term, comprehensive program to sustain capability while maintaining healthy ecosystems.

Environmental Program - Summary of Request[1]

(President's Budget in $ Millions – Budget Authority)

	Fiscal Year 2006 Request	Fiscal Year 2007 Request
Environmental Restoration	1,370	1,403
BRAC Environmental[2]	449	475
Compliance	1,561	1,527
Pollution Prevention	143	128
Conservation	205	191
Technology	206	200
International[3]	3	3
TOTAL	**3,934**	**3,924**

For fiscal year 2007, DoD's budget request includes $3.924 billion for environmental programs. This includes $1.403 billion for cleanup, $0.475 billion for BRAC environmental, $1.527 billion for compliance; about $0.1 billion for pollution prevention, and about $ 0.2 billion each for conservation and environmental technology.

Managing Cleanup

The Department is committed to cleaning up property that, as the result of past military activities, is contaminated with hazardous substances, pollutants, or military munitions. DoD has achieved "remedy in place" or "restoration complete" status at 78 percent (16,591 out of 21,192) of its contamination sites on active installations. As of the end of FY 2005, 83 percent (4,287 out of the 5,183) of the contamination sites at BRAC locations closed or realigned by the first four rounds of BRAC have a cleanup remedy constructed and in place and operating successfully, or have had all necessary cleanup actions completed in accordance with

[1] Includes operations & maintenance, procurement, RDT&E, and military construction funding
[2] Funding levels reflect total requirement
[3] International is included in Pollution Prevention and Compliance

Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) standards.

Hazardous waste cleanup at Formerly Used Defense Sites (FUDS) has achieved "remedy in place" or "restoration complete" status at 49 percent (2,263 out of the 4,668) of known sites.

Leading Compliance through Pollution Prevention

The Department continues its commitment to going beyond compliance in executing its environmental initiatives. Using compliance as the baseline the Department has instituted processes that effectively and efficiently execute compliance using pollution prevention (P2) strategies and focusing on sustaining the warfighter mission. The Department issued DoD Directive 4715.1E on Environment, Safety, and Occupational Health (ESOH) Management, delineating policies and responsibilities that enable the Department to invest in initiatives that support mission accomplishment, enhance readiness, reduce future funding needs, prevent pollution, prevent illness and injury, and ensure cost-effective compliance.

One example is the Department's risk management approach to integrating ESOH considerations into systems acquisitions. DoD successfully integrated MIL-STD 882D (*Standard Practice for System Safety*) into the acquisition process to ensure that Program Managers identify know their ESOH risks and take the measures necessary to manage or mitigate those risks early in the design process, reducing environmental burdens and mission impacts throughout the life-cycle of the system.

Another example is the DoD Green Procurement Program. The DoD Green Procurement Program was established to ensure DoD compliance with Federally mandated green procurement programs, yet DoD enlarged its program to consider such factors as energy use, conservation of resources, price, performance, and safety to support both DoD's mission and protection of the

environment. DoD demonstrated its commitment to going beyond mere compliance by signing the Federal Agency Memorandum of Understanding on electronic stewardship; actively participating in the Federal Electronics Challenge; and participating in the Green Suppliers Network to incorporate process, energy, and material efficiencies into the supply chain - all of which can lead to substantial environmental benefits and reductions in costs.

Range Sustainment

The sustainability of military installations, particularly testing and training ranges, is critically important to readiness. The often accelerating pace of development in the vicinity of our installations and ranges poses ongoing challenges and leads to secondary effects including loss of habitat for endangered species; more noise complaints from new neighbors; diminished usable airspace due to new structures or increased civil aviation; and a compromised ability to test and train with the frequency resources needed in time of war.

Exacerbating the encroachment challenge, the demands of the military mission are not static in nature and a number of factors are changing the way the Department will need to test and train in the future. Upcoming mission adjustments and relocations associated with the recent BRAC decisions and the return of large numbers of troops and their families to bases in the U.S. as a part of global rebasing will require expanded training opportunities and place a growing demand on receiving installations. And the integration of training opportunities necessary to satisfy joint mission requirements, combined with the increasing testing and training battlespace needs of new weapons systems and evolving tactics associated with force transformation, point to a military need for more, rather than less range space. The confluence of these competing trends makes it clear that encroachment remains a powerful challenge to military readiness, and requires a comprehensive and continuing response.

Sustainable Ranges Initiative: The White House Conference on Cooperative Conservation, held last summer in St. Louis, Missouri, brought together land managers and conservation advocates from Federal agencies, states, academia, and industry to look for a new path towards collaborative conservation of the Nation's natural resources.

Consistent with its desire to balance its duty to conduct life-saving military training with its stewardship responsibilities, the Department has been very active in its efforts to mitigate encroachment effects and to ensure the long-term sustainability of both its military test and training missions and the natural resources entrusted to DoD's care. In 2006, DoD's range sustainment initiative will focus on addressing emerging encroachment issues and taking advantage of opportunities to extend our outreach and partnering gains. At the same time, DoD will build on past efforts to institutionalize capabilities, tools, and processes that will support range sustainment goals well into the future.

- *Conservation Partnering and Buffer Program Expansion* - Congressional support for DoD's Readiness and Environmental Protection Initiative has enabled DoD to establish an effective and growing program to partner with conservation entities to protect key lands in the vicinity of military ranges that offer the dual promise of preserving natural resource values and allowing more flexible use of DoD lands inside the fence line. In 2005, the first year of this funded program, DoD used the $11.5M appropriated by Congress to execute a number of landmark conservation buffer projects near Army and Marine Corps ranges and installations. Buffering successes at Fort Carson, CO; Marine Corps Base Camp Lejeune, NC; and the Navy's La Posta Mountain Warfare Training Facility, CA, are notable 2005 program accomplishments. Congress has allocated $37M to expand the Conservation partnering program in FY 2006. Projects are still being

finalized, but will include a significantly greater number of projects supporting Army, Marine, and Navy buffering priorities across the U.S.

- *Regional Partnering Initiatives*. In 2005, the Department participated in a pilot partnership effort called the Southeast Regional Partnership for Planning and Sustainability, or SERPPAS. Teaming Service flag officers with leaders from the state governments of Florida, Georgia, South Carolina, and North Carolina, this effort has demonstrated potential as a vehicle for effective communication and joint action to identify issues and implement solutions of mutual benefit to the partners. This pilot offers promise not only in the Southeast, but as a model for regional action elsewhere.
- *Range Assessments*. Military use of munitions on its ranges is an elemental aspect of effective testing and training. However, to ensure that the effects of our ongoing and legacy use of munitions do not harm public health or the environment, DoD is actively assessing all its ranges to ensure there is no off-range migration of munitions' constituents into surrounding lands or waters.

Warfighter Support through Safety and Health

The nation's leading businesses see the prevention of injuries and illnesses as a core business value that reduces human, social, financial, and productivity costs and improves the bottom line. DoD also has a bottom line: operational readiness.

The Department's efforts to integrate safety and health into every aspect of the mission, gives commanders the flexibility they need to make informed risk decisions -- decisions that enable them to eliminate, modify, or accept risks based on the situation they are encountering. In March of 2005 DoD published policy requiring safety and occupational health management systems at all management levels. This industry proven approach horizontally integrates safety

across all of our business areas. The Department is accelerating this initiative by partnering with the DSOC (Defense Safety Oversight Council) to establish a Center of Excellence to help installations achieve OSHA VPP (Voluntary Protection Program) recognition. DoD has also issued policy to include Military Flight Operations Quality Assurance. This process, gives pilots the ability to "review the game tape" of virtually every mission they fly and identify potentially dangerous tendencies that can be corrected before they become habits.

The Department is also transforming explosives safety. The Department of Defense Explosives Safety Board (DDESB) continually assesses and improves explosives safety throughout the ammunition and explosives life cycle, proactively seeking early awareness and consideration of explosive safety in operational and contingency planning activities. This year DoD updated its policy to assist commanders in making informed risk decisions involving explosives while ensuring maximum operational capabilities and the protection of personnel, property, and the environment from the damaging effects of explosives.

Integrating the Business Enterprise

As our Nation's security challenges become more complex, our military must become an increasingly agile joint force that is dominant across the full spectrum of operations. The highly flexible, yet precise, Armed Forces of the 21st Century require an equally flexible and responsive business and financial support infrastructure that can adapt to rapidly changing conditions in both peace and war.

Defense Business Transformation is being driven by a series of strategic objectives, which include: supporting a joint warfighting capability; enabling rapid access to information for strategic decisions; reducing the cost of Defense business operations; and improving the financial stewardship of assets.

To support the Department's process of identifying joint needs, analyzing capability gaps, and implementing improvements, the DoD Business Mission Area is aligned with the warfighting mission. This new unifying framework, documented in the DoD's roadmap for transformation, (the *Enterprise Transition Plan)*, is a capabilities and lifecycle-based approach to enterprise business planning and execution, and consists of five integrated Core Business Missions, or CBMs: Human Resources Management; Weapon System Lifecycle Management; Real Property & Installations Lifecycle Management; Material Supply & Service Management; and Financial Management. The Deputy Under Secretary of Defense (Installations & Environment) is the leader of the Real Property & Installations Lifecycle Management CBM. Working with the Military Components, considerable progress has been made in transforming business processes over the last two years.

Last year, we completed a Business Process Reengineering (BPR), effort for managing the Department's real property inventory. The inventory reform effort will provide the DoD warfighter and business mission with relevant access to needed information on real property. The Services and Defense Agencies have begun to re-architect their business processes and systems to ensure that they will be able to provide the standard business processes and data elements identified during the BPR. Together, these processes and data elements will enable greater visibility of real property assets and associated financial resources. The Department has also completed a thorough assessment of information systems that will support the inventory. The Military Components are developing plans for economic and timely investment in, and achievement of, this new information environment.

In addition to the inventory, these efforts led to development of a site-unique identifier, or UID registry that will improve the visibility of our real property assets. The process of

assigning UID to sites has already begun and this year UIDs will be assigned to all assets, such as facilities, runways, and piers. Ultimately, this registry will provide a link between real property resources and their locations to our warfighting and business personnel and the property they operate.

Organizing the Department's extensive geospatial and imagery assets through the Defense Installation Spatial Data Infrastructure program, or DISDI, has enabled business transformation on many fronts. For example, the innovative use of commercial satellite imagery combined with locally validated mapping features significantly heightened the quality of the FY2005 Base Realignment and Closure, or BRAC, deliberations. During this first year of operations, DISDI saved more than $20 million across the business mission simply by sharing commercial satellite imagery across the Department. 2005 also saw DISDI completing the first worldwide inventory of geospatial assets. This, in turn, is enabling Defense-wide software licensing agreements which will reduce future software costs by more than 25 percent.

Reengineering of environment, safety, and occupation health focused on two initiatives. First, DoD completed reengineering associated with recognizing, valuing, and reporting environmental liabilities, and created a standard data model for the majority of these liabilities. The Department will finish the remaining environmental liabilities this year, resulting in a complete, accurate, and visible inventory of environmental liabilities reconciled with asset records. Completion of this project will also eliminate a material weakness. Second, DoD began re-engineering the management of hazardous materials throughout the Department. Although the Services and Agencies handle many hazardous materials, different processes are in place to manage the products and their support information. These reengineering efforts are designed to

eliminate the costly, redundant, and ultimately unsafe practices associated with these multiple processes.

The Department's plans for this fiscal year, also documented in the *Enterprise Transition Plan*, will see the continuation of the unique identification implementation through the continued population of the site registry, and, of greater significance, the employment of the asset UID concept. The Department will build and deploy the infrastructure to manage asset UIDs, and begin the process of assigning them to facilities in our portfolio. The DISDI program will complement the inventory development effort, focusing on the physical mapping of DoD's real property inventory, and begin a new reengineering effort focusing on construction in progress.

CONCLUSION

In closing, Mr. Chairman, I sincerely thank you for this opportunity to highlight our successes and outline our plans for the future. I appreciate your continued support of our installations and environment portfolio, and I look forward to working with you as we transform our plans into actions.