# DEPUTY UNDER SECRETARY OF DEFENSE
# (INSTALLATIONS AND ENVIRONMENT)

# POSTURE STATEMENT

Mister Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2006 and the plan of the Department of Defense to improve its infrastructure and facilities.

The Department of Defense recognizes the long-term challenges associated with its infrastructure strategy. The Department has developed a strategy and several tools to address these challenges. The President's Management Agenda recently added the stewardship of federal real property as a new initiative. The Department is a full participant in the Federal Real Property Council established by Executive Order 13327.

Working in full cooperation with the military services and other Defense components, the Department set out in 1997 to build a corporate-wide inventory of assets. The idea was and remains that the Department's funding requirements for installations is a function of the assets currently on hand and planned for the future. Hence, an accurate inventory and a forecast of those assets are fundamental to determining and assessing budget requirements. The Department is continuing to improve its inventory process and is working extensively in the interagency process to support a more useful federal inventory that can be used for management purposes.

In 1998, the Department set out on a six-year program to eliminate 80 million square feet of obsolete and excess facilities. Six years later, we concluded that effort by exceeding our target - removing a total of 86 million square feet. As part of a continuing effort to dispose of unneeded facilities, the Department recently completed a new survey of demolition requirements.

In 2001, the Department issued its first ever Defense Facilities Strategic Plan. In September 2004, we issued a comprehensive, capabilities-based, and performance-oriented Defense Installations Strategic Plan. Our new plan begins to integrate more fully environmental management systems, safety, and occupational health into a comprehensive approach to asset management. 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.

***Global Posture Realignment***

While the Department addresses better business practices, we also are working to realign our infrastructure to deal effectively with military transformation and 21st Century threats. The Defense posture of the past 50 years reflects the Cold War strategy, with US forces forward deployed primarily to fight near where they were based. Today's environment requires more agile, fast and lean forces able to project power into theaters that may be distant from where they are based. This agility requires not only a shift in military forces, capabilities and equipment, but also a new basing strategy.

Last fall, the Department completed a two-year comprehensive review of its global posture and basing strategy, which will result in the most profound restructuring of U.S. military

forces overseas since the end of the Korean War. This review was conducted with extensive participation by the Combatant Commanders, the Joint Chiefs of Staff, and our interagency partners. We provided the Congress with a copy of the report in September 2004.

The new posture will enable the Department to respond more quickly to worldwide commitments and make better use of our capabilities by thinking of our forces globally. In terms of "footprint", we will tailor our forces to suit local conditions while strategically pre-positioning equipment and support. We anticipate realigning or closing a number of large permanent bases in favor of small and scalable installations better suited for deployments to trouble spots. This will also reduce friction with host nations. For example, removal of the US Air Expeditionary Wing from Prince Sultan Air Base should help improve our relations with Saudi Arabia, and relocating US forces out of densely-populated Seoul, Korea, to hubs further south will resolve problems with the Korean public while bolstering our military capabilities on the peninsula.

Senior officials of this Department and the Department of State have already begun the process of consulting with our friends and allies around the world to incorporate their input into our plan. We recognize that our allies are sensitive to changes in our overseas posture, and we will continue to consult with them as we make final decisions and begin executing the strategy. We will continue to consult with Members of Congress on our plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Since some overseas personnel will return to the United States, global posture changes will influence BRAC recommendations that will be announced in May 2005. 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 process.

***BRAC 2005***

The domestic BRAC round and the global posture review are key elements that support transformation. A well supported, capabilities-based force structure should have infrastructure that is best sized and placed to support emerging mission requirements and national security needs. DoD must configure its infrastructure to maximize both warfighting capability and efficiency. Through BRAC and the global posture changes the Department will support the warfighter more effectively and efficiently. The Secretary will provide his recommendations for domestic closures and realignments to the Commission and Congress by May 16th as required by the BRAC 2005 statute.

From a domestic perspective, the Department recognizes it has an obligation to assist communities impacted by BRAC 2005. The Defense Economic Adjustment Program will include assistance for 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 will work to partner 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, we also recognize the importance of cooperatively planning to ensure our mission can effectively be stood up and supported.

## MANAGING INFRASTRUCTURE

The Department currently manages nearly 517,000 buildings and structures with a plant replacement value of over $650 billion, and over 46,000 square miles of real estate. We have developed models and metrics to predict funding needs and have established goals and performance measurements that place the management of Defense infrastructure on a more objective, business-oriented basis.

***Infrastructure Investment Strategy***

Managing our facilities assets is an integral part of comprehensive asset management. The quality of our infrastructure directly affects training and readiness.

Facilities sustainment, using primarily operations and maintenance-like[1] appropriations, funds the maintenance and repair activities necessary to keep an inventory in good working order. It includes regularly scheduled maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Sustainment prevents deterioration and preserves performance over the life of a facility.

To forecast funding requirements for sustainment, we developed the Facilities Sustainment Model (FSM). FSM uses standard benchmarks drawn from the private and public sectors for sustainment costs by facility type and has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies beginning in fiscal year 2004.

Full funding of sustainment is the foundation of our long-term facilities strategy, and we have made significant progress in achieving this goal. The Department increased funding for facilities sustainment consistently from fiscal years 2002 through 2005, sustaining facilities at an average of 93 percent of benchmarks. In the Fiscal Year 2006 budget request, the Department shows a slight decrease in the department-wide rate to 92 percent. The budget request, however, is an improvement upon the plan for the FY 2006 contained in the FY 2005 FYDP, which funded

facility sustainment at 90 percent. Our priorities have not changed and with the support of the Congress our goal remains to reach full sustainment by FY 2008.

Restoration and modernization, collectively termed recapitalization, provide resources for improving facilities and are funded 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.

Recapitalization is the second step in our strategy. Similar private sector industries replace their facilities every 50 years, on average. With the types of facilities in the Defense Department, engineering experts estimate that our facilities should have a replacement cycle of about 67 years on average. In FY 2001, the Department's recapitalization rate stood at 192 years. This budget request supports a recapitalization rate of 110 years, and we remain committed to achieving our 67 year recapitalization goal in FY 2008.

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

| | Fiscal Year 2005 Request | Fiscal Year 2006 Request |
|---|---|---|
| **Sustainment** (O&M-like[2]) | **6,515** | **6,529** |
| **Restoration and Modernization** (O&M-like) | **1,321** | **1,008** |
| **Restoration and Modernization** (MilCon) | **3,161** | **3474** |
| **TOTAL SRM** | **10,997** | **11,011** |

As a key component of our facility program, the Military Construction appropriation is a significant contributor to the Department's comprehensive approach to asset management

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

practices. The Fiscal Year 2006 Department of Defense Military Construction and Family Housing appropriation request totals $12.05 billion. This budget request will enable the Department to transform in response to warfighter requirements, to enhance mission readiness, and to take care of our people. We do this, in part, by restoring and modernizing our 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 2005 Appropriation | Fiscal Year 2006 Request |
|---|---|---|
| **Military Construction** | 4,745 | 5,284 |
| **NATO Security Investment Program** | 166 | 207 |
| **Base Realignment and Closure** | 246 | 2,258 |
| **Family Housing Construction/Improvements** | 1,622 | 2,020 |
| **Family Housing Operations & Maintenance** | 2,547 | 2,220 |
| **Chemical Demilitarization** | 81.9 | 0 |
| **Homeowners Assistance** | 0 | 0 |
| **Family Housing Improvement Fund** | 2.5 | 2.5 |
| **Energy Conservation Investment Program** | 50 | 60 |
| **TOTAL** | **9,460** | **12,052** |

***Improving Quality of Life***

At the outset of this Administration, the President and Secretary Rumsfeld identified elimination of inadequate family housing as a central priority for the Department and set an aggressive target of 2007 to meet that goal. Greatly expanded use of the privatization authorities granted under the FY 1996 Military Housing Privatization Initiative has enabled achievement of that target at U. S. based installations where those authorities apply. Sustaining the quality of life for our military families is crucial to recruitment, retention, readiness and morale. The FY

[2] Includes O&M as well as related military personnel and host nation.

2006 budget funds elimination of all inadequate domestic family housing by 2007, and eliminates remaining inadequate houses overseas by 2009.

DoD policy relies on the "community first" (private sector) to provide quality housing. Only when the private market demonstrates that it cannot supply sufficient levels of quality housing does the Department provide housing to our military families using privatization as its primary option followed by government-owned and leased housing. For example, we address our housing needs overseas through military construction and leasing in the absence of privatization authority.

To ensure the Department is making the best investment decisions in determining the appropriate level of housing, the government provides a single and consistent methodology for calculating the requirement which was introduced in January 2003 and is being extensively utilized by the Services. Currently, 73 percent of military families reside in privately owned housing, including 11 percent in privatized military housing and 27 percent in government-owned housing areas.

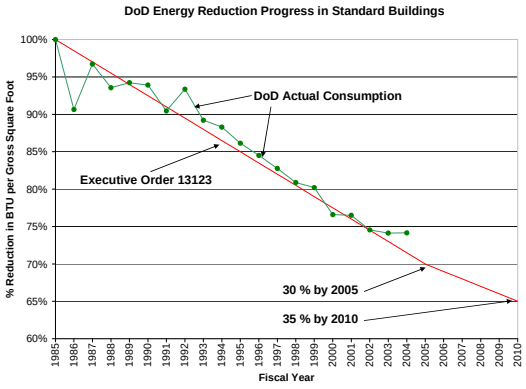
The Department has skillfully used privatization to more quickly eliminate inadequate housing and to provide additional housing where shortfalls existed. As of February 2005, the Department has awarded 43 projects. This includes over 87,000 military family housing units, which is a 58 percent increase since January 2004. 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 43 awarded projects have permitted the Department, in partnership with the private sector, to provide housing for about $767 million in military construction investment. The same level of construction activity would otherwise have required over $11 billion if the traditional military construction approach was utilized. This reflects an average ratio of over 14 to 1, well exceeding program expectations.

The Department's privatization plans in the FY 2006 budget will privatize 84 percent of its domestic family housing inventory, or roughly 185,000 units privatized by the end of FY 2007. By the end of FY 2006, we will have privatized 172,400 housing units.

For fiscal year 2006, the Department requests $4.243 billion in new budget authority for family housing construction and operations and maintenance:

- $1.9 billion to construct 3,447 new/replacement units and improve 3,584 existing units.
- $2.2 billion to operate and maintain approximately 123,452 government-owned family housing units, and lease another 26,281 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 2006 construction account requests a total of $281 million in funding for privatization. Of this amount, approximately $182 million is anticipated to be transferred to the Family Housing Improvement Fund during FY 2006 along with $428 million in previously appropriated construction funds. This $610 million will be used to finance the privatization of approximately 34,964 units.




***Utilities Privatization and Energy Management***

The Department seeks to reduce its energy consumption and associated costs, while improving utility system reliability and safety. The Department has developed a comprehensive energy strategy and issued new policy guidance that 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 our deteriorated and outdated utilities infrastructure where economically feasible. The comprehensive energy strategy supports the use of meters to manage energy usage at locations where the monitoring justifies the cost of installing, maintaining and reading the meter. Metering in itself does not save energy, however, use of meters can be beneficial to determine accurate billing, perform diagnostic maintenance, and enhance energy management by establishing baselines, developing demand profiles, ensuring accurate measurement for reporting, and providing feedback to users.

DoD, as the largest single energy consumer in the Nation, consumes over $2.8 billion of energy per year. Conserving energy and investing in energy reduction measures makes good business sense and frees up resources for sustaining our facilities and for higher DoD priority readiness and modernization. Recent dramatic fluctuations in the costs of energy significantly impact already constrained operating budgets, providing even greater incentives to conserve and seek ways to lower energy costs. These include investments in cost-effective renewable energy sources or energy efficient construction designs, and aggregating bargaining power among regions and Services to get better energy deals.

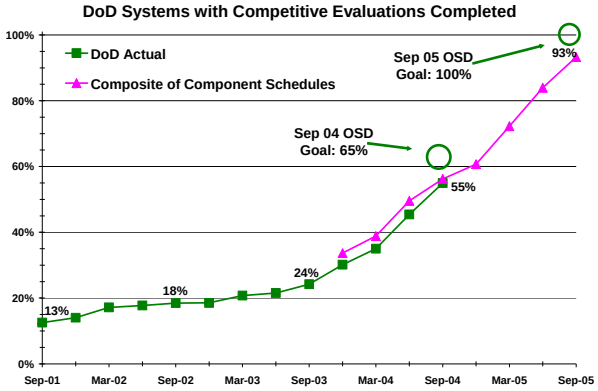
Conserving energy in today's high-priced market will save the Department money that can be better invested in readiness, facilities sustainment, and quality of life. Our efforts to conserve energy are paying off; in FY 2004, military installations reduced consumption by 1.1 percent despite an 8.8 percent increase in the cost of energy commodities from FY 2003. With a 26.8 percent reduction in standard building energy consumption in FY 2004 from a 1985 baseline, the Department has deviated slightly from the track required to achieve the 2005 and 2010 facility energy reduction goals stipulated by E.O. 13123. This is mostly attributable to the lapse of Energy Savings Performance Contract (ESPC) authority which typically accounts for

more than half of all facility energy savings. However, with ESPC authority reauthorized in the FY 2005 National Defense Authorization Act, DoD has launched an aggressive awareness campaign and plan to get back on track to meet FY 2010 reduction goals.

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 and $18M in FY 2005 and FY 2006, respectively.

The Department has a balanced program for energy conservation—installing energy savings measures using appropriated funding and private-sector investment—combined with using the principles of sustainable design to reduce the resources used in our new construction. Energy conservation projects make business sense, historically obtaining about four dollars in life-cycle savings for every dollar invested.

The FY 2006 budget contains $60 million for the ECIP program to implement energy saving measures in our existing facilities.




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. Request for Proposal (RfP) templates were clarified to improve industry's ability to obtain private sector financing and manage risks. Of 2,601 utility systems serving the DoD, 463 systems have been privatized and 733 were already owned by other

entities. Over 950 systems are currently under solicitation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems.

***Installations Support***

The Installations Support function consists of two major programs: Installation Services (formerly referred to as "base operations support") and Facilities Operations (formerly referred to as "real property services"). The current budget request of $22.5 billion includes $16.8 billion for Installations Services and $5.7 billion for Facilities Operations in FY 2006. The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing Installations Support. The Department has initiated an effort to define and model each sub-function of Facilities Operations (utilities, leases, custodial services, snow plowing and the like) by fully utilizing commercial benchmarks. For the more diverse tasks within Installation Services, the Department has established a cross-Departmental working group to examine definitions and budget structures.

***Range Sustainment***

In concert with the President's August 2004 Executive Order "Facilitation of Cooperative Conservation" the Department has developed a program of Compatible Land Use Partnering that promotes the twin imperatives of military test and training readiness and sound conservation stewardship through collaboration with multiple stakeholders. The Executive Order defines "cooperative conservation" as actions that relate to use, enhancement, and enjoyment of natural resources, protection of the environment, or both, and that involve collaborative activity among Federal, State, local, and Tribal governments, private for-profit and nonprofit institutions and other nongovernmental entities and individuals. The Department's Range Sustainment Program

is fully consistent with the President's goals in this area. Section 2811 of the 2003 National Defense Authorization Act authorizes the Services to take a proactive role in developing programs to protect our installations and ranges from urban sprawl by working with states and non-governmental organizations to promote compatible land use through cooperative conservation efforts. This authority has enabled DoD to initiate the Readiness and Environmental Protection Initiative (REPI) – a multi-year program to sustain test and training space for our troops while simultaneously assisting in the protection of valuable habitat and open space. This program provides a lasting solution and a long-term framework for developing new policies, partnerships, and tools to assist communities and other interested stakeholders in executing compatible land use partnerships around our test and training ranges and installations, as well as work with our other federal landowners on cooperative conservation projects. In the coming years, military readiness will still require substantial resources, air, land and water areas where military forces can test and train as they would fight. It is imperative that we be able to posture our test and training infrastructure for transformational and sustainable operations.

The Department appreciates greatly the $12.5 million in FY 2005 funding provided by Congress to fund the REPI program, and the military Services are already executing critical projects in many states. A recent agreement to address encroachment at Fort Carson, Colorado, and to enhance regional environmental conservation is one example of this win-win approach. Other projects are under consideration in Hawaii, at MCB Camp LeJuene, North Carolina, and in California and Florida. In FY 2004, the Services implemented successful partnerships with state and Non-Governmental Organizations (NGOs) at locations such as NAS Pensacola (Navy and Escambia County), Camp Blanding (National Guard Bureau and State of Florida). These multi-faceted conservation partnerships will ensure the long-term sustainability of test and training centers supporting the military mission. Thus, the Administration has requested $20 million for

the REPI program for FY 2006 and we are in the process of refining the Service priorities for those funds. I have requested that the Services prepare and submit requirements associated with FY 2007 and out-years to support a long-term funding strategy for the REPI program. These compatible land use partnering efforts will become even more critical to our ability to protect and preserve our test and training missions as we enter our post-BRAC transformational environment. We look forward to participation in the White House Cooperative Conservation Conference later this year to find ever more innovative ways to work with others to help secure critical test and training ranges. I look forward to working with Congress to ensure our ability to fulfill the important programming requirements for these new efforts.

***Safety and Occupational Health***

The Department is aggressively supporting the SecDef's priority to reduce mishaps in DoD by implementing SOH management systems and by making it a priority in our Defense Installations Strategic Plan. Our programs focus on continuous incremental improvement in Safety and Health, but we're also involved in implementing significant changes in safety through our partnership with the Under Secretary of Defense for Personnel and Readiness, who chartered the Defense Safety Oversight Committee (DSOC). Together, we are leading DoD's efforts to cut mishaps in half by the end of FY 2005. The DSOC, composed of senior leaders throughout the Department, is finding ways to decrease the detrimental effect on our readiness caused by mishaps. We are focusing on acquisition; base operating support; training; and deployment operations. For acquisition and training, the Army and Marine Corps is responding to deaths from HMMWV rollovers by acquiring improved seat belt systems for tactical vehicles and by training deployed soldiers and marines to improve their driving skills. For deployment health protection, we began a program for the factory treatment of Army and Marine Corps combat

uniforms with permethrin. This will provide protection against mosquitoes, and the diseases that they transmit, for the life of the uniform. Factory treatment ensures that all uniforms are treated and deployment-ready and that soldiers are not exposed to concentrated pesticides.

## ENVIRONMENTAL MANAGEMENT

The Department continues to be a leader in every aspect of environmental management. We are proud of our environmental program at our military installations and are committed to pursuing a comprehensive environmental program.

### *Environmental Management Systems*

To make our operations more efficient and sustainable across the Department, we are continuing our aggressive efforts to implement environmental management systems (EMS) based on the "plan-do-check-act" framework of the international standard for EMS (ISO 14001). We are embedding environmental management as a systematic process, fully integrated with mission planning and sustainment. This transformation is essential for the continued success of our operations at home and abroad. Implementing EMS will help preserve range and operational capabilities by:

- creating a long-term, comprehensive program to sustain training and testing capability while maintaining healthy ecosystems;
- conducting environmental range assessments to ensure that we protect human health and the environment; and,
- funding and implementing the INRMPs for our ranges.

In addition, EMS will help maintain and preserve our historic properties, archaeological resources, Native American, and other cultural assets for the benefit of future generations.

Today, DoD has a large inventory of historic properties: 75 National Historic Landmarks, and nearly 600 places on the National Register of historic places, encompassing more than 19,000 individual properties, including buildings, structures, objects, and sites located at over 200 installations. Over the next two decades, tens of thousands more buildings will reach an age requiring evaluation of their historical significance.

**Environmental Program - Summary of Request**[3]
(President's Budget in $ Millions – Budget Authority)

| | Fiscal Year 2005 As Appropriated | Fiscal Year 2006 Request |
|---|---|---|
| **Environmental Restoration** | 1,352 | 1,370 |
| **BRAC Environmental**[4] | 328 | 449 |
| **Compliance** | 1,666 | 1,561 |
| **Pollution Prevention** | 142 | 143 |
| **Conservation** | 175 | 205 |
| **Technology** | 274 | 206 |
| **International**[5] | 3 | 3 |
| **TOTAL** | **3,937** | **3,934** |

In fiscal year 2006, the budget request includes $3.9 billion for environmental programs. This includes $1.4 billion for cleanup, $0.4 billion for BRAC environmental, $1.6 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 the cleanup of property contaminated by hazardous substances, pollutants, and military munitions. We have achieved remedy in place or restoration complete at 15,950 out of 19,710 sites on active installations. At the end of FY 2004, 4,046 out

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

of the 4,832 BRAC sites requiring hazardous waste remediation have a cleanup remedy constructed and in place, or have had all necessary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) standards. Hazardous waste cleanup at Formerly Used Defense Sites (FUDS) achieved remedy in place or response complete at 1,539 out of the 2,647 sites.

***Managing Compliance and Preventing Pollution***

The Department is committed to going beyond mere compliance. But compliance with existing laws and regulations is the base line for our program and we continue to plan and fund for this requirement. Our ability to meet these compliance driven goals continues to improve. In a letter to the editor of USA today, acting EPA Assistant Administrator Skinner publicly complemented the Department by stating, "*The Department of Defense (DoD) has been a leader in pollution prevention and implementing environmental-management systems that serve as models for other facilities.*" Pollution prevention techniques continue to save the Department needed funds as well as reduce pollution. The Department continues to demonstrate pesticide use risk reduction on installations and was recognized by the EPA as Pesticide Environmental Steward Program Champion, for the third year in a row.

***Emerging Contaminants***

In January 2005 the National Academy of Sciences (NAS) released a review of the science used to determine the public health risks from perchlorate, a chemical with important national defense applications due to its use in missile and rocket propellants, munitions, pyrotechnics, and flares which was funded jointly by DoD, DoE, EPA, and NASA. Even before the start of the NAS study, Federal agencies were working hard to understand and address potential risks of

perchlorate. The NAS report yielded an independent assessment of the available science. Now federal agencies will be able to take actions based on sound science to address the issue of perchlorate in our nation's drinking water supply.

We continue to develop more comprehensive strategies to enable us to protect public health while sustaining our assets and better managing our liabilities. In 2004, in advance of any legally promulgated standard for perchlorate, the Department issued a policy to sample for perchlorate that has enabled the Department to better characterize the nature and extent of perchlorate plumes associated with its facilities. Over the last year, a joint effort between the Department and the State of California yielded a sampling prioritization protocol to ensure that active and former DoD sites with the greatest potential to cause a perchlorate-based health threat were investigated first. All current and formerly used DoD sites have now been jointly assigned a priority for sampling according to that protocol.

The Department is moving ahead with efforts directed toward removing perchlorate from the environment. In advance of any requirement, DoD proactively initiated remediation demonstration projects at several sites in California, Texas, and Massachusetts. We have taken corrective measures to ensure proper disposal and added additional wastewater treatment to manufacturing facilities using perchlorate. We continue to fund remediation technology research and, this year, we launched a $9.5 million dollar wellhead treatment demonstration effort with several Southern California communities. The Army's effort to find substitutes for some of its training uses of perchlorate is also yielding positive results.

We are using these comprehensive approaches as a model to more proactively and cooperatively address other emerging contaminants such as trichloroethylene (TCE) and Royal Demolition eXplosive (RDX). The Department continues to engage with other agencies in a sustained collaborative effort to address emerging contaminants by creating mutually satisfactory

sustainable solutions. Last fall, DoD began working with the Environmental Council of States to define opportunities for States, DoD, DoE, and EPA to address emerging contaminants more effectively in the future.

## BUSINESS TRANSFORMATION

### *Business Management Process Transformation*

The Business Management Modernization Program (BMMP) was established three years ago and has made significant progress in establishing key foundational elements necessary to enable broad business transformation across the Department. In April 2003, the DUSD (I&E) was designated as the Domain Owner for the Installations and Environment Domain of BMMP. Because the foundation is now laid, the program is redefining itself to focus on facilitating rapid delivery of DoD Enterprise capabilities.

The I&E Domain has achieved significant accomplishments over the past year. We developed a real property unique identification concept that will enable greater visibility of real property assets and associated financial resources. Our efforts focused on reengineering the business process for real property inventory, resulting in standard data elements and data definitions for physical, legal and financial attributes of real property. Our efforts also produced, for the first time in DoD, an end-to-end process of real property management that articulates the interfaces with real property asset accountability and financial records. Our focus on data (data strategies, elements and definitions) will facilitate rapid implementation of the real property inventory capability upon deciding on our systems implementation strategy. Additionally, we developed a process model for environmental liabilities recognition, valuation, and reporting that contributes to our overall auditability. During this past year, we also established the Defense

Installation Spatial Data Infrastructure project to implement DoD-wide policies and resource oversight for geospatial information resources that support the Installations and Environment business mission area.

During this fiscal year, we will conduct an analysis of system alternatives and prepare a transition plan to determine the best implementation strategy for the real property inventory reengineering effort. We will continue to make improvements across the Department in managing hazardous material by developing an enterprise-wide procedure for hazardous materials management. We will define I&E geospatial information needs and continue to minimize redundant acquisition of I&E geodata resources. Lastly, we are aggressively working to put into operation a DoD registry for physical locations. This registry will identify all DoD sites with a unique identifier and will be associated with firm boundary information. The registry will be available across the DoD enterprise and to potential users include the warfighting community and business mission areas. The site registry will allow for personnel and weapons system information systems to be linked to DoD's sites.

***Competitive Sourcing***

Competition is a driving force within the American economy, causing organizations to improve quality, reduce cost, and provide rapid delivery of better products and services. The President’s Management Agenda identifies Competitive Sourcing as one of the five primary federal initiatives. The Department of Defense has long been the federal leader in using public-private competition under the process defined by OMB Circular A-76 to decide the least costly and most efficient source for commercial functions. It is essential that we continue to utilize the process, where it makes good military and business sense, to improve support to the warfighter and increase readiness. Many important base support functions fall into this category. The FY

2006 budget supports continued use of the improved process described in the recent revision to OMB Circular A-76 competitions for functions involving approximately 100,000 full time equivalents (FTE). This will allow achievement of the Department's targets in the President's Management Agenda.

## CONCLUSION

The Department is transforming its installations and business practices through an asset management strategy, and we are now seeing the results of that transformation. We are achieving the President's goal to provide quality housing for our service members and their families, and we have made positive progress toward our goal to prevent deterioration and obsolescence and to restore the lost readiness of our facilities. We also are transforming our environmental management to become outcome oriented, focusing on results. We are responding vigorously to existing encroachment concerns and are putting a long-term installation and range sustainment strategy into effect.

The Base Realignment and Closure effort leading to the delivery of the Secretary's recommendations to the independent Base Closure Commission in May 2005 is a key means to transform our infrastructure to be more flexible to quickly and efficiently respond the challenges of the future. Together with the Global Defense Posture Review, BRAC 2005 will make a profound contribution to transforming the Department by rationalizing our infrastructure with Defense strategy.

In short, we have achieved significant accomplishments over the past few years, and we are well on our way to achieving our goals across the Installations and Environment Community. In closing, Mister 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.